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Desk Review

LEVERAGING MARKETS FOR SCALING UP

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THE MAZI GROUP

21 June 2021

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ACRONYMS

ACCES	Assainissement- Changement de Comportement et Eau pour le Senegal
BER	Business Enabling Environment Reform
CRS	Catholic Relief Services
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DRC	Democratic Republic of the Congo
DRR	Disaster Risk Reduction
EMMA	Emergency Marketing Mapping and Analysis
FSD	Financial Services Development
GIIN	Global Impact Investing Network
GST	Goods and Services Tax
H&C	Homes and Communities
HRD	Humanitarian Response Department
IDE	International Development Enterprises
INGO	International Non-governmental Organization
MBRRR	Market based rapid response and recovery
MEAL	Monitoring, Evaluation, Accountability and Learning
MEI	Moving Energy Initiative
MFI	Microfinance Institution
MSD	Market Systems Development
MSME	Micro, Small and Medium Enterprises
NGO	Non-governmental Organization
ODC	Owner-Driven Construction
PCMA	Pre-Crisis Market Analysis
PSE	Private Sector Engagement
SCP2	Homes and Communities Strategic Change Platform
S-PCMA	Shelter-Pre-Crisis Market Analysis
SILC	Savings and Internal Lending Communities
TA	Technical Assistance
TCIS	Habitat for Humanity's Terwilliger Center for Innovation in Shelter
UNCDF	United Nations Capital Development Fund
VCD	Value Chain Development
WASH	Water, Sanitation and Hygiene



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EXECUTIVE SUMMARY

“At CRS we have a global agenda to achieve transformational change at scale. We know that we will not be able to achieve that transformational change at scale if we do not build very strong and very resilient systems. So, looking at building systems, having a strong market and resilient, self-sustaining market is one of the very key components in ensuring that you have a very effective and resilient system.”

Festus Fofie
Ghana Country Program
Catholic Relief Services

This desk review is the first step in an effort to ‘increase CRS’ capacity to leverage markets to achieve homes and communities’ outcomes at scale by detailing and testing a markets engagement process suited for CRS.’

Millions of low-income families around the world get their housing through market systems. If those market systems were more inclusive and efficient, more vulnerable families could get safe and dignified housing.

CRS is in a unique position to develop housing market systems so that they effectively serve vulnerable families sustainably and at scale. The agency works across crisis, recovery and development situations. CRS country program teams have a wealth of lessons on how households and communities can become more resilient, as well as practical experiences working through housing markets in crisis and recovery situations. CRS country programs are reaching the conclusion that building back better with resilient materials and techniques is a logical next step following a crisis. Furthermore, to reach households at scale and sustainably, the materials, information and services needed to build back better must be provided sustainably by market actors. Developing a strategy that takes a systemic approach to intervening in housing markets with a focus on resilience will be a logical transition for country programs.

There are also new processes, approaches and skill sets that will be needed to leverage markets effectively. As a learning organization, CRS is positioned to build its capacity to effectively develop housing markets.

CRS also has a strong reputation with humanitarian funders, including those that have an appetite for longer term funding. Working to develop the resilience of housing markets for vulnerable families by enhancing how CRS works with market actors will further improve CRS’ reputation. In addition, both private sector engagement and disaster risk reduction in the context of climate change are important foci for many donor agencies. Increasing work in this area would open new funding opportunities for CRS. There are few, if any, NGOs working in housing markets with a focus on resilience, enabling CRS to fill a niche that differentiates its work from other organizations.

EXPERIENCE IN HOUSING MARKET SYSTEMS TO DATE

Markets and market actors are found in most operating contexts for development programs, including programs involved in housing market systems. They are increasingly appreciated as sources of sustainable solutions and partnerships that can deliver large scale impact.

The desk review found a wide range of examples of working with markets within CRS’ different programming areas. These include direct procurement, cash and vouchers, value chain development, financial services development, supporting lead firms, business enabling environment reform, skills development and market systems development. These experiences are currently housed in complex siloes across departments, country programs, and programming themes. Easing cross-learning can help establish an accessible collection of experiences, lessons, tools, and processes that CRS can use to develop effective, and context specific strategies that can deliver impact in housing markets at scale.

The breadth of interactions with markets does differ between CRS’ work in housing compared to other programming areas. The bulk of CRS’ experience concerning housing comprises of ‘using’ and ‘supporting’

markets to procure the products and services needed for emergency or recovery responses. In other programming areas, especially agriculture, CRS plays a wider range of roles, including that of a facilitator.

In other agencies, the bulk of experience with housing markets is also in 'using' and 'supporting' markets. The concept of taking a systemic approach to address market failures sustainably in the housing market system is still relatively new. Habitat for Humanity's Terwilliger Center for Innovation in Shelter and the Affordable Housing Institute are two of the first agencies applying this approach. There is, however, considerably more experience in housing finance markets and markets for water, sanitation and hygiene. There is also emerging experience in markets for renewable energy for houses. There are also a number of guides, frameworks and tools within and outside of CRS on market-based approaches covering the steps of market assessment, strategy development, implementation and monitoring, evaluation, accountability and learning.

UNDERSTANDING THE HOUSING UNIVERSE

The housing market system for low-income consumers in a particular geographic location will be subject to disruptions and shocks. While the situation in a given context will change from crisis to recovery to development, the markets and market actors that make up the housing market system are largely the same. Taking advantage of the opportunities that crisis, recovery and development situations offer to improve the way that the housing market system works can help programs transform markets over time.

There are different types of low-income housing consumers. They may be segmented by geographic location (rural, urban), temporary or permanent migrants and displaced families. These, and other characteristics such as stage of life, will influence low-income families' needs, demands and aspirations for their housing. Private sector market actors typically understand targeting consumer segments using this type of analysis.

Low-income families can get housing by renting, building or buying it. Renting and building are the more common options. Renting may be temporary or more permanent. Building is typically done incrementally as funds become available to homeowners.

There are a number of markets within the housing market system. These include:

- **Materials**, typically provided by private manufacturers through a network of wholesalers and retailers.
- **Information**, including information for consumers on what products and services are available, how to design and build houses and tips on how to build better or cheaper, as well as information for other market actors.
- **Finance**, including savings, loans, mortgages, and insurance.
- **Labor**, the informal builders that low-income families hire to provide advice, project management, skills and manual labor to build their houses.
- **Professional services**, particularly design and project management services provided by engineers, architects or other highly skilled professionals.
- **Water and sanitation**, including all the markets above as well.
- **Energy**, including electricity and gas and covering materials, information, finance, labor and professional services as well.

There are also a range of formal and informal rules and norms that govern housing market systems. Formal rules include land access/land tenure policies and regulations, housing codes and enforcement and policies and regulations affecting markets within the housing market system. Social norms and consumers' perceptions heavily influence families' housing decisions and practices. Norms also affect the supply side of the housing market system.

The development community has achieved significant outreach in housing finance because partners, particularly micro-finance institutes, were already reaching many low-income consumers and development organizations assisted them to add housing micro-finance products. However, finance alone is often not sufficient to enable vulnerable families to get safe and dignified housing. There is potential to use some of the lessons learned in housing finance, as well as sanitation, to address constraints in other key housing markets.

WORKING WITH HOUSING MARKETS TO ACHIEVE SCALE

Market based approaches, such as market systems development, have been applied across a number of different contexts, from large, dynamic economies to fragile and conflict-affected contexts. To be effective, programs select which markets and constraints to prioritize based on the following questions:

- Which are the most relevant markets for the program's objectives?
- In which markets is there potential for generating impact amongst the target group?
- In which markets are there viable partnerships available?
- Can intervening in these markets generate impact within a specific timeframe?
- What are the donor's priorities and how can they align with opportunities to sustainably improve the inclusivity and functioning of markets?

The next step after selecting appropriate markets is to understand the markets better. This step may vary between an emergency and a development situation as the two situations differ in priorities, timescales, and expected impacts. Emergency responses typically focus on specific markets or even specific commodities around housing to design a response. Development programming, on the other hand, requires a broader and deeper understanding of all the inter-connected markets around housing to design and implement appropriate interventions. Because the target group in housing programs is the consumer, it is important to start with strong consumer market research. Analysis of the supply of housing products and services can follow this research, highlighting in particular where supply diverges from demand.

Successful market systems programs design their intervention portfolios based on coherent and dynamic strategies. A clear road map helps a program to translate the opportunities on paper into impact on the ground. For CRS, a strategy for a housing market system would have to consider the crisis, recovery and development continuum. Each of these situations would present a program with different priorities, which in turn would impact the development of the strategy. There is an opportunity for CRS to pioneer strategies that can help programs navigate changing situations and reach impact at scale.

Designing interventions is an iterative process. It often starts with the program team considering how one or several market actors could address constraints in the strategy by taking advantage of an opportunity. But it can also start with a market actor's innovation that fits into the program's strategy. Either way, an intervention has to incorporate both the program team's and market actors' input. An intervention incorporates:

- **a business model** that one or several program partners will use to provide specific products and/or services to low-income families or other market actors, and
- **how the program and the partner will work together** so that the program partner can initiate, sustainably operate and, if relevant, expand the business model.

Experience in housing shows that bundles of housing products and services are often most appropriate for low-income consumers. These bundles must meet consumer demand as well as make commercial sense. For example, materials companies providing technical support to builders or homeowners has proven successful because the materials companies have an incentive to improve their reputations by satisfying customers.

Partners can be diverse and partnerships can take many forms in market development programs. Partners may be in the private sector, public sector, CSOs and religious organizations or development partners. In housing, programs might partner, for example, with materials companies, wholesalers, engineering firms, universities, government agencies, social media companies, builders and/or energy companies. To develop the housing market system, the program puts the partner in the driving seat, ensuring that the partnership has clarity of purpose and fits the partner with a customized suite of support. With the strategy providing a roadmap, a program can develop a portfolio of interventions with partners which, over time, transforms the housing market system to benefit low-income families at scale.

FUNDING AND RESOURCES

In order for CRS and other actors to pursue a long-term vision for a housing market system that better serves vulnerable families at scale in a particular context, relatively long-term and flexible funding is needed. A combination of sources is most likely to deliver the level, longevity and flexibility of funding required. There are a number of bilateral donors, foundations and emerging corporate donors that may have an interest in funding housing market systems programs. Working through markets provides the opportunity to leverage funds and resources from local market actors. This means that donor funding goes further and can accomplish more. There are also emerging sources of finance for market-based work in housing, particularly impact investing and social venture capital.

1. INTRODUCTION

“Under Vision 2030, CRS has established the Homes and Communities (H&C) strategic platform (SCP2). The SCP2 indirectly targets 8.5 million people to secure safe and dignified homes and communities over the next decade. The H&C platform seeks transformational change at scale by influencing government systems, private sector actors and peer agencies so they take up innovation or good practices so more people access safe and dignified housing and services in emergency, recovery and development context. Alongside influencing governance, humanitarian and development systems, market systems have been identified as a critical entry point for achieving scale.”¹

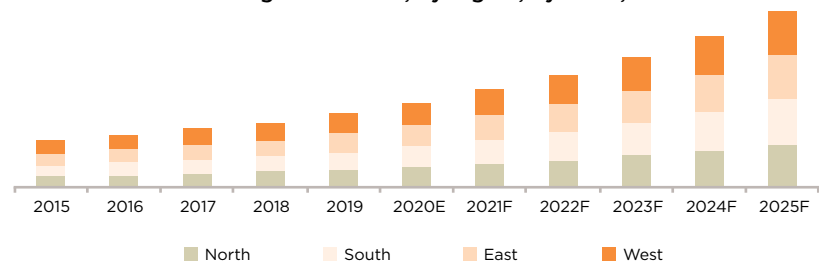
From the Safe, Dignified Homes and Communities Strategic Change Platform

This desk review is the first step in an effort to ‘increase CRS’ capacity to leverage markets to achieve homes and communities’ outcomes at scale by detailing and testing a markets engagement process suited for CRS.² This effort recognizes that housing market systems around the world provide millions of low-income people with housing. If those market systems better incorporated and served low-income people, those people could access better housing and more people could access safe and dignified housing. A well-functioning market system could reach low-income people at scale and sustainably over time.

THE GROWING AFFORDABLE HOUSING MARKETS IN INDIA

India provides an example of what is possible when government agencies, private sector actors and civil society focus on housing for low-income families. Over the last five years, the Indian government has made a renewed push to increase housing for low-income families with initiative such as ‘Housing for All by 2022’ and a cut in the GST rate for affordable housing. These initiatives have spurred private investment in housing developments and growth has been impressive. TechSci Research forecasts continued strong growth in this market for the foreseeable future, despite the COVID 19 pandemic. (TechSci Research, 2021)

India Affordable Housing Market Size, by region, by value, 2015-2025F



Source: TechSci Research (adapted)

Growth and innovation are also happening beyond housing developments with little government involvement. Private companies are investing in new or improved housing products and services for low-income families building or improving their homes. (TCIS, 2019-2021) The sector is attracting impact investors, which is increasing access to capital. (Caspian, n.d.) Rental markets are also developing, providing more opportunities particularly for urban families. (Cooper, 2021) While there is more work to do, particularly in reaching the most vulnerable families, markets are proving to be a strong vehicle for enabling low-income families to get or improve their housing at scale.

Growth and innovation are also happening beyond housing developments with little government involvement. Private companies are investing in new or improved housing products and services for low-income families building or improving their homes. (TCIS, 2019-2021) The sector is attracting impact investors, which is increasing access to capital. (Caspian, n.d.) Rental markets are also developing, providing more opportunities particularly for urban families. (Cooper, 2021) While there is more work to do, particularly in reaching the most vulnerable families, markets are proving to be a strong vehicle for enabling low-income families to get or improve their housing at scale.

¹ Emergency shelter is not included in this analysis as it focuses on permanent housing.

² From the Scope of Work.

CRS works in emergency response, recovery and development situations. This provides a critical opportunity to foster housing market systems that effectively cater to low-income people in each of these situations, when needed in partnership with humanitarian actors. Indeed, many of the contexts in which CRS works are crisis prone and, therefore, shift back and forth among emergency response, recovery and development situations over time. CRS already has experience in using and supporting markets to help provide safe and dignified housing in crisis contexts. The agency has less experience in developing a housing market system with a long-term vision for how that market system will provide safe and dignified housing to low-income families sustainably and at scale. However, CRS does have experience in developing other types of market systems, such as agricultural market systems. In addition, some of the practices that CRS is already using in homes and communities in emergency and recovery situations can be built upon to develop a housing market system in all three situations over the long term to better serve low-income families. The effort to improve CRS' capacity in leveraging markets for scale in housing can build on this experience as well as the lessons from other agencies and actors working in market systems for affordable, quality housing for low-income families.

The objective of this desk review is to provide a foundation for CRS' effort to improve its capacity in market-based programming in housing, by summarizing and analyzing what is already known. The desk review summarizes experience and lessons from within and outside CRS on using market-based approaches to enable low-income families to access safe and dignified housing. It analyzes these experiences and lessons to distill implications for CRS in moving forward with the effort to better leverage markets to deliver safe and dignified housing for low-income families. Because CRS' experience is stronger in using and supporting markets than in developing them, the review purposely puts more emphasis on developing housing market systems.

The review is divided into five sections as follows:

Section 1 is this introduction.

Section 2 summarizes the experience to date in market-based programming in housing both within CRS and among other agencies. This section includes a summary of the tools in use for market-based programming in housing including those developed by H&C as well as others from within and outside CRS.

Section 3 describes the housing market system relevant to response, recovery and development situations. It discusses consumer segments; the ways in which consumers get housing; the markets, rules and norms within the housing market system; and selected cross-cutting issues relevant to housing. The section closes with a summary of lessons on how to focus programming within housing market systems.

Section 4 analyzes experience within and outside CRS in working with markets to achieve scale. It provides advice based on experience on various aspects of working in market systems that are relevant to housing. It covers selecting appropriate countries and contexts to work in, choosing appropriate markets to target, assessing the housing market system and developing a strategy, embedding sustainability into programming, designing interventions, forming partnerships, and cultivating a portfolio of interventions over time.

Section 5 provides information on funding and resources for market-based programming in housing. It covers funding from institutional donors, leveraging resources from markets and emerging sources of financing, particularly impact investing and social venture capital.

A housing market system refers to all the public and private actors, infrastructure, policies and regulations, social norms and perceptions and processes required for people to build, acquire and maintain housing. It incorporates a number of markets including materials, finance, information, labor, professional services and land, as well as ancillary markets such as those for water, sanitation and energy. It covers different types of consumers as well as different ways to get housing including building, renting and buying. Although a housing market system in a specific context is affected by different situations - emergency, recovery and development, the market actors and many of the other components of the market system are the same in all these situations.

2. EXPERIENCE IN HOUSING AND MARKET SYSTEMS TO DATE



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Markets and market actors are found in most operating contexts for development programs, including programs involved in housing market systems. They are increasingly appreciated as sources of sustainable solutions and partnerships that can deliver large scale impact. Consequently, development institutions and programs work with several markets-based approaches to incorporate markets and market actors in their activities. Some prominent examples are cash and vouchers, market systems development and its components such as private sector engagement, value chain development, and lead firm support, skills development, and business environment reform.

This section explores some of the approaches that are in use within and outside of CRS. Priority has been given to exploring approaches that are being applied in housing. However, where relevant, examples from other sectors are highlighted as some of the thinking is transferable to housing.

2.1. HOW CRS INTERACTS WITH MARKETS

The desk review found a wide range of examples of working with markets within CRS' different programming areas. This rich collection of experiences highlights the existence of different resources (i.e., networks, people, frameworks, and tools) that may be transferable to programming in the housing market system. These experiences are currently housed in complex siloes across departments, country programs, and programming themes. Easing cross-learning can help establish an effective collection of experiences, lessons, tools, and processes that CRS can use to develop effective, and context specific strategies that can deliver impact in housing markets at scale.

The breadth of interactions with markets does differ between CRS' work in housing compared to other sectors. The bulk of CRS' experience concerning housing comprises of 'using' and 'supporting' markets to procure the products and services needed for emergency or recovery responses. In other sectors, especially agriculture, CRS plays a wider range of roles, including that of a facilitator. Detailed below are the different ways that CRS interacts with markets in housing as well as in other sectors.

Direct procurement: This has been an important method for securing products and services for direct delivery to affected populations during emergencies. Direct procurement has been most common during situations, such as the Tsunami in Aceh, Indonesia in 2004, where a crisis has had a deep impact on the entire geographic location. (Wallusche Saul, Global WASH TA, CRS, 2021) Products and services procured have ranged from building materials to labor and design services. (CRS, 2018) In most circumstances, local markets have been the preferred source of products and services. However, when materials have not been available or where local materials were causing serious environmental concerns, international markets have been considered. (CRS, n.d.) (Martin, 2017)

Cash based approaches: CRS uses cash and vouchers extensively to provide the necessary products and services to affected populations. Cash and vouchers have been used to target specific markets (i.e., building materials) or multiple markets (i.e., markets supplying a basket of basic needs products). (CRS, 2019) (CRS, n.d.) The most commonly used tools are conditional (cash for specific activities) and unconditional

cash transfers (cash to beneficiaries for use at their discretion) and vouchers (redeemable at specific locations or for specific products).

Cash based approaches have provided CRS with several important outcomes. Firstly, cash transfers and vouchers to beneficiaries and vendors in affected areas have injected much needed cash into the local economy. This is important for revitalizing local markets faster so that they can actively participate in the emergency response and subsequent recovery. Secondly, cash-based approaches put the beneficiaries in the driving seat of their own recovery. Cash in the hands of beneficiaries provides them the ability to choose and make their own decisions, thus handing over some level of control over how they rebuild their lives.

Cash based approaches have targeted both households and vendors in local markets. In Haiti, the humanitarian response has included providing cash and technical assistance to businesses involved in selling building materials or products relevant for basic needs. (Ward, 2018) Cash and vouchers are also accompanied by direct delivery of critical services such as design of better housing, project management, and quality control for housing. (CRS, 2018)

Value chain development: CRS has used the value chain development approach extensively in agriculture. There are whole of value chain programs, such as in cotton in Burkina Faso and vanilla in Madagascar. In these programs, CRS works with a number of different market actors to address market failures in specific value chains. The impacts generated have been multi-faceted involving market actors as well as producers.

Financial Services Development (FSD): CRS has some experience working in FSD mostly relevant to agriculture. We did find an example of CRS working on an FSD intervention relevant to the ancillary market system of water, sanitation and hygiene (WASH). In Ghana, CRS supported community members to participate in Savings and Internal Lending Communities (SILC), groups for saving money to invest in latrines, hand washing stations, and education on hygiene. (CRS, 2017) CRS has also worked on establishing credit guarantee facilities to encourage agricultural lending by micro-finance institutes. (Voges & Forcino, 2020) Finally, CRS has started exploring impact investments and blended finance vehicles that package financial and technical support for micro, small and medium enterprises (MSMEs), in both WASH (Azure) and A(Isidro) (CRS, 2020) We did not find any cases or examples that refer to CRS developing financial products and services in the housing sector.

Supporting Lead firms: There has also been CRS programming around supporting lead firms, such as Sweet N' Dried in Kenya or Tomato Jos in Nigeria that produces dried mangos and processed tomatoes respectively for local markets. The support included technical advice on business development as well as investment in production and processing infrastructure. CRS has also supported specific innovations such as promoting the Hello Tractor app in Kenya to bring supply and demand of tractors closer together. (Voges & Forcino, 2020)

Business enabling environment reform (BER): There are a few examples of CRS engaging in BER such as promoting organic cotton cultivation in Burkina Faso or brokering public private dialogue in Burundi to harmonize the tax regime for cross border trade with the Democratic Republic of the Congo (DRC). (CRS, 2020) (Voges & Forcino, 2020) The desk review found one example of BER in relation to the housing market system. A CRS project in Bosnia, Social Housing in Bosnia Herzegovina, worked with local and national governments to clarify the enabling environment and standards around social housing. (CRS, 2020)

Skills development: Where feasible, CRS has worked with local builders to mount an emergency or recovery response. This has involved

developing the skills and capacity of the builders with respect to the specific support provided to affected communities. For example, in India, CRS has worked with builders to adopt a new way of building resilient housing. In Madagascar, CRS worked with local artisans to construct hazard resistant homes using local building materials. (CRS, 2018) (CRS, 2018) In India, the inclusion of skills building of local builders helped highlight the profile of cost effective and disaster resilient housing design to diverse audiences, including the local government. Furthermore, the project beneficiaries showed some evidence of investing in their transitional, CRS-supported shelters, to make them into more permanent structures. Considering the influence of builders in the decision-making process of homeowners, it would be interesting to explore if there are any such connections. The desk review did not find any examples of developing the market system around skills in relation to housing, such as introducing commercially feasible, sustainable, and in-demand training programs, introducing training as an embedded service for material companies, or developing incentives for builders to invest in their own training.

Market systems development: The ACCES project in Senegal provides the closest example in CRS of applying a systemic approach to increasing access to latrines and reducing incidences of open defecation in the project areas. The ACCES project worked across a range of functions such as finance, construction, retail, and building awareness with a number of different partners. Early signs indicate impact at scale and exit of CRS from specific areas, such as supporting sanitation retailers, because of the sustained involvement of the private sector. (CRS, 2020)

2.2. HOW OTHER AGENCIES INTERACT WITH MARKETS AROUND HOUSING

The bulk of the work around housing and shelter involves agencies and projects 'using' and 'supporting' markets to implement their emergency or recovery responses. Studies done by CRS and Oxfam confirm the narrow range of activities in humanitarian interventions, including in housing and shelter, to support local markets. Most of it has been through grants (and some TA) to formal and informal traders. (Julliard, Supporting markets in the housing market system, 2017) The concept of taking a systemic approach to address market failures sustainably in the housing market system is still relatively new.

Humanitarian Sector: The [Global Shelter Cluster](#) as well as the [Markets in Crisis Group](#) in the SEEP Network are important repositories of case studies and examples of projects using markets to address emergency and recovery situations. The case studies featured in these forums highlight various examples of direct delivery of products and services procured from local and international markets. In the Global Shelter Cluster, there are a number of cases where humanitarian agencies have worked in the housing market system specific to rentals. Please refer to this [link](#) for more information.

Market Systems Development: Looking at the housing market system as a collection of core and ancillary markets is still nascent. [Habitat for Humanity's Terwilliger Center for Innovation in Shelter \(TCIS\)](#) is the front runner in applying a market systems approach to the housing market system. They have piloted this approach in five country programs (called Shelter Venture Laboratories) in Peru, Mexico, Kenya, India, and the Philippines. TCIS often started these programs with a focus on a

single market in the housing market system. However, implementation experience has highlighted the inter-connected nature of different markets around housing, and their impacts on each other and the beneficiaries. This has prompted TCIS to move towards a multi-pronged strategy of addressing housing outcomes through simultaneous interventions in various important markets such as materials, information and labor.

Some core and ancillary markets within the broader housing market system have seen more progress than others. These are housing finance and WASH. Finance for housing market systems have been an exciting and impactful area of work that has seen several large organizations including TCIS, the Mastercard Foundation, and the World Bank put money into it. The bulk of the work has been around providing financial and technical assistance to financial institutions who are interested in developing dedicated finance products for the housing market. [The MicroBuild Fund](#) is a great example of this kind of work. It is important to note that the work in housing finance has been targeting low-income households or individuals, who are building homes. There are untapped opportunities around doing the same for housing market actors so that they can be better placed to introduce products and services into the market that can also impact cost, quality and choices for households in the long run.

WASH markets have seen a lot of time and money flow in, particularly around developing WASH services, self-supply and commercial supply of water to households, and sanitation marketing. NGOs and CSOs have played important roles in this progress. (Smith & Butterworth, 2019) CRS's Azure blended finance initiative works with governments, municipalities, private sector, financial institutions and civil society to expand water access to local communities and more recently to large scale housing projects. There are also available, nuanced strategies borne out of these experiences that inform increased uptake of WASH products and services by different classes of beneficiaries. (iDE, n.d.) Market systems programs, like Kenya Markets Trust, have designed interventions to improve water supply to rural and urban consumers. (Kenya Markets Trust, 2019) [Investing in Infrastructure \(3i\)](#) in Cambodia is another private sector development program working with infrastructure companies in electricity and water to extend the reach of utilities to Cambodian households. They work with the private sector by providing grants to local infrastructure companies.

Impact investors, such as Acumen, are investing in for profit business models, such as [Sanergy](#) that manages latrines in urban settlements commercially and transforms fecal sludge into fertilizer. The startup forum and fund-raising portal, [AngelList](#), has a number of references to up-and-coming startups in the sanitation space. The status of each of the startups listed on this web page is not clear. However, it is clear that this is an exciting and expanding field for investors.

Impact investments and startups: In recent years, the housing market system around Bottom of the Pyramid (BOP) customers has seen the entry of a number of non-traditional actors. The most prominent development is the emergence of a new class of market actors: impact investors and startups. Reflecting development programming, impact investors show a richer record of investing in affordable housing solutions (including housing finance and rental investments) and renewable energy related to housing. The Global Impact Investing Network's (GIIN) evaluation of impact performance in housing investments highlights examples and lessons learnt by impact investors.

(GIIN, 2019) The cadre of impact investors with portfolios in housing is expanding. Some examples that came up in the desk review are: [Acumen](#), [Vital Capital](#), and [Triodos Bank](#).

Renewable energy for households is a popular area for impact investors as well as blended finance programs. While this is not directly related to building a house, this market is still important as access to power has implications on the quality of life of the occupants of a house. Organizations, such as UNCDF, are designing blended finance packages for supporting companies that offer renewable energy products or off-grid solutions to expand and reach more customers. A number of impact investment companies have invested in off-grid power solutions for home and small business use. [Acumen](#) is a leader in this area. iNGOs, such as Mercy Corps, are also working with markets and market actors to improve access, uptake and affordability of renewable energy to households, particularly in remote areas. (Mercy Corps, 2020)

For more information on impact investments in housing markets, please refer to the [State of Investment in Affordable Housing](#) report. (Elmer, 2017)

Startups are the newest entrants into housing market systems. They are not an orthodox part of the international development ecosystem. However, they are increasingly a source of innovation. Given the inherent risk of startups and the challenge this poses for startups to secure funding, a partnership between development agencies (with their ability to shoulder risks) and startups may be a win-win proposition for both. Startups are focusing on a few areas around affordable housing, such as improving building efficiencies, driving down cost of construction, developing ICT solutions to construction, and developing new building materials. For a list of notable startups in affordable housing, please visit [AngelList](#).

Of interest, and apart from the Shelter Venture Labs, TCIS also implements the [Shelter Venture Fund](#) and the [ShelterTech Accelerator](#). The Shelter Venture Fund, managed by TCIS, invests in and nurtures entrepreneurs and enterprises focused on introducing housing products and services targeting low-income households. The ShelterTech Accelerator seeks to identify, nurture and accelerate startups and growth stage companies in the housing market system.

Finally, there is evidence of interest from large technology companies to invest into affordable housing solutions. Apple is perhaps the most prominent such example with their pledge to eventually invest USD 2.5 Billion in this space. (Washington Post, 2020) There may be more such examples available. These investments are currently meant for affordable housing in developed nations with little direct connection to CRS' mission in homes and communities. However, there may be opportunities for fund raising, skills transfer or joint ventures on innovations in housing between these companies and CRS or CRS partners in country programs. This is an interesting development that is not covered extensively in this desk review. Pending feedback or interest from CRS, we can look into this further.

While these developments involving a new class of socially motivated investors are interesting, there are specific challenges that come with them. The primary challenge is to acclimatize the investors and innovations to the context around low-cost housing in developing countries. At the early stages, innovative materials or services may be too expensive for low-income households. Similarly, impact investors and startups may need to become comfortable with the longer journey

to profitability that developing country contexts may offer. Lessons learnt from trying to introduce new products and services to low-income households suggest that sometimes the most effective innovation is improving availability and access of tried and tested products (such as concrete hollow blocks).

Given the narrow base of experience in applying a systemic approach to the housing market system, there is ample space to invest and experiment more.

2.3. TOOLS IN USE IN MARKETS-BASED PROGRAMS

There are several guides, frameworks, and tools in use within and outside of CRS informing markets-based approaches.

Frameworks/ Guides:

- Making Markets Work for the Poor Operational Guide (The Springfield Centre, 2015)
- Market Systems Development Tool Kit (World Vision, 2019)
- The Value Chain Development Toolkit and Getting to Market: From agriculture to agro-enterprise (CRS, 2009)
- Private Sector Engagement Playbook (CRS, 2020)
- Market Based Programming (MBP) (Markets in Crisis, 2016)
- Minimum Economic Recovery Standards (MERS) (UNHCR, 2017)
- HC SCP2 Tools and Processes

Tools:

	Humanitarian	Development
Market Assessment	MBRRR tools	MSD market assessments
	Labor market analysis- especially for humanitarian contexts (Truelove, et al., 2016)	Multi-Sector Market Assessment: Market place analysis; supply chain analysis; market system analysis. (UNHCR, 2020)
	Labour Market Analysis (LMA) – supports the construction sector specifically (Julliard, Pietschmann, Morgenstern-Kennedy, & Maillard)	Market system analysis for decent work (Somji & Mandelli, 2020)
	Emergency Marketing Mapping and Analysis (EMMA)	Gender analysis toolkit ³
	Pre-Crisis Market Analysis and Shelter-Pre-Crisis Market Analysis toolkit (PCMA and S-PCMA) (USAID/ IRC/ Oxfam, 2016) (Habitat for Humanity, 2020)	Norms and Perceptions Research (Habitat for Humanity, TCIS, 2019)
	Consumer focused research	Market actor profile development (Habitat for Humanity, TCIS Philippines, 2019)

³ Multiple sample analyses across CRS projects

	Humanitarian	Development
Strategy Development		<p>Country strategy (scaling vision and H&C influence hypothesis) ⁴</p> <p>Feasibility checklist</p> <p>Influence barometer</p> <p>Value Chain Development toolkit</p>
Implementation		<p>H&C Investment planner and tracker</p> <p>PSE playbook (including pointers on intervention design, types of agreements, budget development, partner selection, fit analysis and risk review tool)</p> <p>Value Chain Development toolkit</p> <p>Going to market (CRS, 2009)</p> <p>MSD program tools (Concept notes and agreements)</p>
MEAL	<p>Market Monitoring, Analysis, and Response Kit (MARKit) (CRS, 2020)</p> <p>IndiKit (shelter and non-food item indicators in emergencies)</p> <p>Shelter Cluster Evaluation Framework (REACH ME Presentation) (REACH, 2014)</p>	<p>PSE Playbook (including indicators, MEAL frameworks, and partnership assessment tools such as the partnership scorecard and learning/ sharing tips)</p> <p>MEAL Guidance for Scaling</p> <p>Scaling outcomes:</p> <ul style="list-style-type: none"> ■ Direct/ Indirect indicators ■ Influenced outcomes ■ Performance Indicator Reference Sheet (PIRS) <p>Results chain based measurement plans in use by MSD programs (quantitative and qualitative changes, especially behavior change)</p> <p>Investment MEAL frameworks such as AIMM (International Finance Corporation), IRIS + (Global Impact Investing Network), Impact Measurement and Management (IMM).</p>
Learning	Case studies (Shelter Cluster and Markets in Crisis)	<p>CASCADE Case studies</p> <p>CRS Case studies</p>

⁴ Our understanding is that only some strategies include the scaling vision and hypothesis. CRS is however pursuing the development of more strategies which include a scaling vision and hypothesis.

3. UNDERSTANDING THE HOUSING UNIVERSE

Housing market systems not only provide housing products and services to consumers, they are also significant contributors to economies. For example, housing construction and rental markets contributed more than 14% of GDP in Tanzania in 2018, valued at approximately USD30 billion (Centre for Affordable Housing Finance in Africa, 2020). This expansive market ecosystem provides opportunities for the provision of safe, affordable and dignified homes for low-income families.

Housing market systems are complex. CRS targets low-income housing consumers with different characteristics who get housing in different ways. The market system itself encompasses numerous markets, including for materials, information, finance, labor, professional services and ancillary products and services such as WASH and energy. The housing market system is governed to varying extents by formal government policies and regulations and significantly influenced by norms and perceptions. This section unpacks the housing market system and what we know about its component parts. It then provides lessons on how to focus work in this complex market system.

3.1. EMERGENCY, RECOVERY AND DEVELOPMENT SITUATIONS

The housing market system for low-income consumers in a particular geographic location will be subject to disruptions and shocks. The most obvious of these is an emergency situation such as a natural disaster or conflict. But market systems will also be subject to other disruptions, arising, for example, from political decisions, supply issues in related markets, general economic downturns, demand for construction labor in other sectors etc.

Disruptions can change market incentives and present opportunities to introduce innovations or change the behaviors of market actors. However, disruptions can also make market actors more risk averse or reduce the resources they have to innovate. When markets are operating normally or growing, there may be complacency or market actors may be ready to use resources to experiment with reaching new market segments or launching new products and services. Understanding the incentives in different market situations and how to use them to transform markets over time to be more responsive to low-income consumers is key to reaching these consumers at scale.

During an emergency, market-based challenges are primarily around the availability of products, services and information. In contrast, market-based challenges in a development situation tend to be more around quality both in terms of the demand for quality products, services and information and the supply of those.

In some contexts, businesses and consumers perceive that disaster response is the domain of NGOs and government only. Consumers expect that NGOs will rebuild houses after an emergency, usually better than before, so they wait instead of investing in housing resilience and upgrades. Businesses don't prepare for, or respond in emergency situations because they feel that NGOs will crowd them out with free or subsidized products and services. While this is not universal in all contexts, it does happen around the world (Peach, Consultant, 2021).

It is important to recognize that emergency and development situations are happening in the same geographic locations at different times. The markets and market actors that make up the housing market system

are the same, even though the situation changes. Therefore, it is useful to understand the housing market system and how it operates and responds in different situations. Taking advantage of the opportunities that emergency, recovery and development situations offer to improve the way that the housing market system works can help programs transform markets over time. Recovery is a critical moment for a program to transition from using/supporting markets to developing markets and to ensure activities are fostering long term change in market actors' behaviors and sustainability. In some emergency contexts, this thinking on long term change and sustainability can be present from the start; CRS' approach of listening to and working with communities in emergency situations promotes thinking on long-term solutions to communities and families' challenges. (Reilly, Director Emergency Technical Assistance, CRS, 2021) Extending this thinking to the housing market system will encourage sustainable improvements to the way markets work so that they can benefit more and more people over time.

3.2. TYPES OF CONSUMERS

CRS targets low-income consumers and those with limited access to safe and dignified housing. These consumers have diverse needs and aspirations but there are a number of characteristics that can be used to divide them into distinct segments with regards to housing demand. These follow with a brief description of each segment, bearing in mind that they are generalizations that will not apply to every country and context. The discussion closes with some general points about low-income consumers.

Geographic location: Rural and urban consumers typically face different issues with respect to housing and also often have different aspirations. Rural consumers more often have access to land (if not completely secure land tenure) and tend to incrementally build their own houses. Homesteads are often occupied by extended families and housing grows as families grow. Urban consumers tend to rent more often than their rural counterparts. Land access issues are often more severe in urban areas. Over-crowding is common. Urban consumers are more often targeted with social housing developments than rural consumers. Some urban consumers, particularly seasonal migrants but also some permanent urban residents, don't consider their urban housing as their 'home' but rather consider their rural family homestead as 'home.' This can make them less interested in investing in their urban housing and more interested in using any available funds to invest in their rural family homesteads. (TCIS, 2019-2021) (CRS, 2021)

Migrants: Temporary migrants require adequate housing but are often not interested in investing significantly in improved housing, as they would rather invest in their more permanent family homesteads. Temporary migrants may receive housing through their work but are often required to find their own. They often rent housing or stay with friends and relatives. Permanent migrants, on the other hand, may want to invest in permanent housing but often have little savings to invest.

Displaced families: Displacement occurs when families flee their homes due to conflict or economic need or when natural disasters destroy homes. These different circumstances create different housing requirements. Those who have to relocate to a new area may anticipate that they will be able to go back to their own houses at some point. Therefore, like temporary migrants, they need adequate

housing but may not be interested in making long-term investments in improved housing. They may be more likely to rent than aspire to own in their displaced location. However, this can change with long-term displacements. In fact, on average, refugees are displaced for 22 years and therefore inevitably build a life for themselves in their new location. (Khan, 2021) Therefore, they may want to invest in permanent housing. Those whose houses have been destroyed may have a big incentive to invest in housing improvements to withstand future shocks or make improvements in the context of a rebuild, although they often have little means to do so.

In general, low-income consumers are constrained by their lack of savings and income. Price is a major consideration in their choices when renting, building, renovating or improving their homes. However, this does not imply that they lack aspirations nor that factors besides utility don't matter. In fact, consumer research shows that norms and perceptions play a significant role in the housing choices of low-income consumers. (See the discussion in section 3.4 below.) Long-term loans and mortgages are often not available to low-income consumers. Therefore, they often build their houses incrementally, saving and making improvements when they can. Low-income consumers' perceptions of risk vary, but research in some countries shows that they do not think it is possible for their houses to withstand natural disasters, even with improvements. This dampens their demand for DRR solutions. This attitude is symptomatic of a wider lack of access to relevant information on housing, house building and potential improvements. (TCIS, Habitat for Humanity, 2019)

Low-income consumers can be further segmented by characteristics that affect their housing demand. For example, TCIS Philippines found that newlywed couples were the most likely consumer group to build a structure from scratch in rural areas. New builds provide opportunities for DRR that are much harder in retrofits, particularly building adequate foundations. Newlywed couples are likely to incrementally add to their houses as their families grow. Therefore, there is an opportunity to market house designs to newlywed couples that are easy to add onto later. Adult children in the Philippines are often interested in improving the family homestead of their parents, and they often have more means than earlier in life to contribute. This provides opportunities to improve aspects of the house that were previously inadequate such as electricity and plumbing, as well as some DRR aspects such as waterproofing. Aesthetics tend to play a significant part in decision-making for this consumer segment. (TCIS Philippines, 2019) Private sector market actors typically understand targeting consumer segments using this type of analysis.

3.3. HOW TO GET HOUSING

Access to adequate housing is affected by the total stock of affordable houses in a particular context, among other considerations. Housing is typically available to low-income consumers in three ways: renting, building themselves or buying a house in a social housing development.⁵ Increasing and/or improving housing supply through any of these three mechanisms will contribute to improving access to housing for low-income families, but will likely reach different consumer groups. A brief description of each of these mechanisms for getting housing is provided below.

CRS: Rental Assistance for Syrian Refugees in Jordan

In Jordan, CRS and partner, Caritas Jordan, provided approximately 1,800 Syrian refugees with rental assistance through prepaid debit cards. Assessment found that the highest priority need expressed by Syrian refugee families, 80% of whom were living in urban or peri-urban locations, was rent assistance. Rental markets were working in Jordan, but rents were often out of reach for low-income refugee families. CRS support enabled families to rent safe and dignified housing without going further into debt. (CRS, n.d.) (Gamer, 2015)

⁵ Emergency shelter is not included in this analysis as it focuses on permanent housing.

TCIS: Backyard Rental

The TCIS MicroBuild Fund has worked with MFIs to lend to people to provide backyard rental units. This increases the availability of affordable housing and provides the borrower with an income to help repay their loan. (Merrill, TCIS, 2021)

3.3.1. Renting

Many low-income people rent housing. This is most prevalent in urban and peri-urban areas, but also exists in rural areas. The rented facilities can range from a room to an apartment to a house. There is often the assumption that landlords are all big companies or wealthy individuals with many units. However, there are also a significant number of individuals with just one or a few units for rent. Populations who expect to be in a location only short term are more likely to rent, including temporary migrants and some displaced people. (TCIS, 2019-2021) (CRS, 2021) In Kenya, TCIS found that some people who move to the cities to earn more income often rent in the city and use available income to build a home in their rural place of birth. However, there are many low-income people who rent their housing long term and increasing the stock of affordable options for rent can make an important contribution to the low-income housing market system. (Nielsen, Associate Principal, Miyamoto International, Inc., 2021)

The Global Shelter Cluster has developed a [Review of Best Practices in Humanitarian Rental Market Interventions](#) that details useful lessons on intervening in rental markets.

3.3.2. Building

Many low-income people build their houses themselves, typically incrementally as resources are available. While this mode of getting housing is prevalent in all areas, it is particularly common in rural areas. Owner-driven construction (ODC) takes place on owned land but also on land with customary tenure or other tenure arrangements and even on land with no clear ownership or tenure arrangements. The extent to which households that are constructing their own home have a clear right to do so varies by context.

Owner-driven construction does not mean that the homeowners do everything themselves, although this does happen in some cases, particularly when there are members of the family with construction experience. Typically, however, the homeowners buy in the services of builders. In some cases, the builders just provide labor with the homeowner making all the decisions and directing the whole project. In other cases, particularly when the family has a bit more resources, the homeowner hires a 'foreman' who acts as an adviser on housing decisions including design, choice of materials and hiring additional labor, and manages or co-manages the project with the homeowner. It is rare, however, for homeowners to purchase professional services, such as design from an architect or engineer. Finance typically comes from savings, current income, gifts/loans from family members, informal finance or formal loans. Often construction stops while the homeowner takes time to get more resources. (TCIS, 2019-2021)

3.3.3. Buying

Recognizing the housing crisis, governments around the world are encouraging, funding and/or subsidizing the building of social housing developments. The houses in these developments are then provided to low-income households, sometimes for free, more typically subsidized and/or with low-interest loans or long-term mortgages. Building social housing developments in big business in many countries, with construction companies getting millions of dollars in revenues from government and other funders. Social housing is often a very politicized

space as it is a hot button issue, particularly in over-crowded cities. Whether a low-income family gets a house in a housing development can depend as much on connections as need, but may also depend on their ability to qualify for a loan or mortgage. This may depend on having a formal sector job or assets, as well as connections. (TCIS, 2019-2021) (Nielsen, Associate Principal, Miyamoto International, Inc., 2021)

There are also some examples of small and medium private developers building affordable housing, although the perceived risk of not being able to sell the houses acts as a significant disincentive. (Nielsen, Associate Principal, Miyamoto International, Inc., 2021) Another model is a co-sharing housing project where households get together, buy land and build.⁶ (Khan, 2021)

The extent to which social housing developments provide 'adequate' housing, including the houses themselves, the location and the services needed in communities, varies considerably by context.

3.4. MARKETS WITHIN THE HOUSING MARKET SYSTEM

Below are brief descriptions of the key, core markets and ancillary markets in the housing market system.⁷ While these markets are generally present to some extent in most contexts, how they function varies considerably.

3.4.1. Materials

Materials constitute the things that houses are built from, such as cement, bricks, rebar, roofing, timber, pillars, windows/doors, fastenings, paint etc. These are typically provided by private sector manufacturers through a network of wholesalers and retailers. They may be local or imported; often houses contain a combination of both. While there can be accessibility issues, generally basic housing materials are available in most contexts.

While materials are generally available, there are opportunities to improve access to quality materials or improve the quality of materials that are available. Improved materials can provide more resilience to disasters as well as improve comfort, safety and/or affordability. Some examples are provided below:

- CRS worked with private companies in Odisha, India to develop and market housing columns that are more resistant to flooding. (Richardson, CRS, 2021)
- In Latin America, a development organization assisted a private company to develop bricks that look like others on the market but are more resistant to earthquakes. (Fogelberg, Managing Consultant, Springfield Centre, 2021)
- In India, TCIS has worked with a company to put an additive into paint that improves its waterproofing capacity. (Peach, Consultant, 2021)

There are often strong norms around what materials constitute a desirable house. Introducing completely new materials with little resemblance to those in common use can run up against ingrained perceptions about what houses 'should' be built with. Better consumer acceptance has been achieved with improving existing products. (Fogelberg, Managing Consultant, Springfield Centre, 2021) (Peach, Consultant, 2021)

⁶ For examples, see the Asian Coalition for Housing Rights [Collective Housing Case Studies in Asia](#).

⁷ The market for land is a critical part of the housing market system. However, it is not covered here as a market but is instead addressed in Section 3.4 under government policies and regulations.

TCIS: Information the Fun Way in the Philippines

In the Philippines, TCIS found that households were more likely to consume information if it was provided with entertainment. TCIS worked with a dedicated content developer to pilot a reality TV series where households competed to make their houses disaster resilient on a limited budget. The housing improvements were judged by an expert panel that discussed the best ways to make houses more resilient, particularly to typhoons which are the most common threat in the Philippines. TCIS Philippines got feedback on the show from households to make it more appealing. As social media is widespread in the Philippines, the aim was to stream the shows on social media, paid for by advertising from housing product and service companies, rather than go through mainstream TV stations where airtime was more expensive. (TCIS, 2019-2021)

3.4.2. Information

Information covers all the other markets: materials, finance, labor and professional services. It includes information on what products and services are available, how to design and build houses including aspects such as DRR and comfort, and tips such as how to save money in house building. Information is not only for consumers but also for other market actors such as builders and finance providers. Information can be delivered by different market actors and in different ways. For example, private firms, such as materials suppliers, can provide information as part of their marketing. Government agencies or other market actors can provide information through public awareness campaigns such as an awareness campaign on building disaster resistant houses. Dedicated media actors, such as content developers, radio stations and TV producers, can provide information paid for by advertising or subsidized by public funds. Because this market is so diverse, it's important to be clear on the audience for the information and their preferences, and then to focus delivery on the channels that will reach that audience effectively.

3.4.3. Finance

Housing finance for low-income households is the market where the highest scale has been reached to date compared with the other markets discussed.⁸ Two examples follow:

- The previously mentioned MicroBuild Fund, an investment vehicle co-owned by investment fund managers, mobilizes capital to lend to MFIs, which in turn provide loans to families. TCIS typically also provides these MFIs with technical assistance to improve their housing loan portfolio. MFIs supported by the MicroBuild Fund have reached over 950,000 individuals (190,000 households) in 32 countries through 55 institutions. Lending from the fund is sustainable and the fund only lends to MFIs that can show they have reached operational sustainability. (Habitat for Humanity, 2020)
- Mibanco in Peru, one of the largest housing microfinance providers globally, has a housing microfinance product, Micasa, that had reached 201,000 clients as of May 2017, representing 18 per cent of Mibanco's entire loan portfolio. (Prieto S. a., 2020)

The financial services market for low-income households has experienced tremendous growth over the last two decades. The number of financial institutions offering housing microfinance products nearly doubled between 2006 and 2011. There are now more than 100 institutions offering housing microfinance worldwide and others offering mortgages or other forms of long-term credit for low-income families. (Prieto S. a., 2020) Despite housing finance for low-income households reaching significant scale, availability of affordable and appropriate financial products for low-income households still falls well short of the demand. (Prieto S. a., 2020)

Figure 1 provides an overview of the housing finance market.

The key financial products relevant to low-income consumers in the housing finance market are:

- Savings to build up funds for house purchase, building, renovation or improvement;
- Loans, typically housing microfinance to fund house building, renovation or improvement;

⁸ The housing finance market for low-income households is considerably better researched than other housing markets. A thorough review of literature on this market is beyond the scope of this desk review. However, if CRS decides to work in this market, a more thorough literature review is merited.

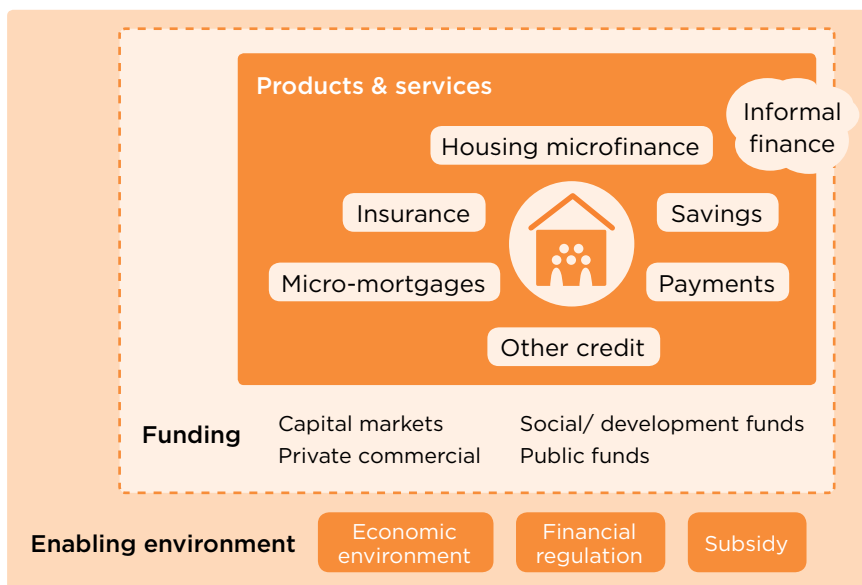


Figure 1: The housing finance market, adapted (Rozas, 2020)

- Mortgages, typically micro-mortgages, that provide longer term capital to finance housing purchase or building;
- Insurance to cover the risks of disasters, theft, fire or other damage.

The market for loans is the most developed with housing savings and mortgage markets also developing. However, the insurance market seems to be lagging well behind. There are few, if any, commercially viable property insurance providers serving low-income populations yet. (Merrill, TCIS, 2021)

As with other housing markets, there are opportunities for consumer segmentation that allow financial institutions to sustainably meet consumer demand. For example, many overseas workers are keen to provide funds to support house building or improvement for their families in their home countries. Therefore, some financial institutions are providing housing finance products linked to remittances.

Experience has shown that it is useful to divide financing into money to start a house and money to finish a house. Typically, money to start a house can come from credit, but money to finish a house comes from savings. Consumers often start building a house but run out of money to complete it. Therefore, it is useful to promote loans to initiate building or improvements but to promote savings to help consumers ensure they will be able to complete the project.

Evidence indicates that housing finance has improved housing outcomes. For example, an evaluation of the Kenya Women Microfinance Bank housing microfinance product in 2015 showed that housing finance had a positive impact on the overall housing conditions of beneficiaries in areas such as space, better roofing, improved walls, having a separate kitchen, sanitation and access to water. The evaluation also showed a positive and significant improvement in housing satisfaction among consumers of the housing finance product. In addition, the evaluation showed an attributable, positive impact on self-reported health. There was no evidence that spending on housing diverted funds or resources away from income-generating activities in the short run nor that there was an impact on households' income or expenditure. (G:ENESIS et al., 2018)

Taytay Sa Kauwagan: A Rare Example of Housing Micro-Insurance

In the Philippines, typhoons are a regular threat to people's houses. Taytay Sa Kauwagan Inc. (TSKI), a Philippine MFI, implemented a bundled insurance product for its clients that provided payouts in the case of death and severe home damage. After the catastrophic Typhoon Haiyan in 2013, TSKI and its insurance partner, MicroEnsure, paid out EUR 5.2 million to over 37,000 households whose homes were severely damaged or destroyed. (Rozas, 2020)

3.4.4. Labor

While arguably labor is a professional service, these two markets are split as they operate substantially differently in housing markets. Labor consists of the builders that help consumers build their own homes. Many of the same builders work on housing developments. However, as these are hired through the construction companies building the housing developments, this aspect of the labor market is not discussed here.

Builders are typically categorized by their technical specialization and their level of skill and responsibility in building. Technical specializations include masonry, carpentry, tiling etc. as well as ancillary market specializations such as plumbing and electrical work. Levels range from unskilled manual labor through semi-skilled and skilled workers to foremen who manage a building or renovation project and often have more than one skill specialization. Foremen may have some formal sector construction experience and usually hire the rest of the labor required for a project. Some workers may also have some formal sector construction experience, or they may have only worked in the informal sector. Manual laborers are often youth just getting into the sector. Most builders learned their skills on the job in formal and/or informal jobs from other builders or foremen. (TCIS, 2019-2021)

Foremen act as key advisers to homeowners in the building design and process. They typically advise on design specifications, choice of materials and the labor and time needed to complete the project. In most contexts, consumers choose builders based on family/friendship connections and personal references. (TCIS, 2019-2021)

There is disagreement on the extent to which builders lack technical skills. In some contexts, technical skill deficiencies have been found, while in others, the technical skills of builders have been found to be mostly adequate. One factor contributing to builders' skills is the interaction between the formal and informal labor markets. Where builders work both in the formal and informal sectors or where formal sector builders pass on their skills to informal builders, technical skills seem to be less of a constraint than in other contexts. In a small survey of builders working on low-income housing in the Philippines, builders felt that they generally had adequate skills in their area of specialization and could learn more from foremen. However, they were keen to gain skills in additional specializations, such as masons gaining skills in flooring and tiling, in order to improve their potential for getting jobs. (TCIS Philippines, 2019)

One of the key reasons to intervene in the labor market is that builders are key advisers to homeowners. This and their role in overseeing building projects means they have a significant impact on the quality and cost of housing. However, intervening in labor markets is challenging because there are many, disconnected builders, with few obvious leverage points. In many contexts, there are few incentives for builders to get formal training as social recognition and trust are more important than skills in getting jobs. (TCIS, 2020) CRS and other NGOs have trained builders directly or in partnership with government agencies, particularly in skills related to DRR. (See example below.) An assessment by Miyamoto International in Haiti showed that practices learned during training do persist and are even passed on from trainees to other builders through on-the-job learning. (Nielsen, Associate Principal, Miyamoto International, Inc., 2021) CRS evaluations similarly showed that practices learned during training were usually continued

CRS: Training builders in DRR techniques

After the earthquake in Nepal, CRS trained builders in DRR techniques in collaboration with the Nepali government's National Reconstruction Authority. Incentives were strong both from builders and from households to hire trained builders because the government provided money to reconstruct houses only to those who could reach defined compliance standards. In Malawi, CRS has worked on a training and certification scheme to improve the skills of builders. CRS has also trained builders in DRR techniques in India, Pakistan and Bangladesh. The techniques taught depend on the nature of the hazards in each context. For example, training in flood prone areas of India and Bangladesh focused on building plinths and other techniques to make houses more resistant to flooding. (Richardson, CRS, 2021) (Reilly, Director Emergency Technical Assistance, CRS, 2021) (Turnbull M., 2019)

and that trainees felt more resilient implementing the practices learned. (Turnbull M. , 2019) However, donor-funded training is not sustainable. Sustainable provision of training could, potentially, reach many more builders. TCIS is experimenting with materials companies training builders so that the satisfaction with their products increases and builders are more likely to recommend them. (TCIS, 2019-2021)

An important subset of the labor market is the market for maintenance services. While some housing is substandard due to design and building issues, lack of maintenance can be a prime culprit in poor housing quality. While in some cases and contexts, builders provide both building and maintenance services, in others maintenance providers are a separate group to builders. Maintenance services typically start with a homeowner or renter identifying a problem. The homeowner or landlord then addresses the problem or hires a service provider to address it. However, more effective maintenance services are provided regularly through on-going contracts. This rarely happens with individual homeowners, however. Regular maintenance contracts typically only occur through landlords that have a number of units or homeowners' associations. (Nielsen, Associate Principal, Miyamoto International, Inc., 2021)

3.4.5. Professional services

Professional services encompass design (architectural and engineering) and project management. These skills are often not recognized or particularly valued by households or builders. However, they are fundamentally important in housing outcomes.

Design significantly influences housing from comfort to disaster resilience to cost. However, it is an aspect of housing that requires significant skill, not easily picked up informally or over a short period. In higher income housing markets, architects and engineers provide the skills needed for design. However, these professions are largely absent from low-income, owner-driven housing construction and renovation and repair. (TCIS, 2019-2021)

Project management includes a range of skills and tasks that ensure quality and affordable housing outcomes. For housing improvements or repair, project management starts with diagnosing problems and prioritizing improvements. Inadequate skills or inappropriate prioritization at this stage can result in poor housing outcomes or missed opportunities to improve disaster resilience, comfort and/or safety. Project management broadly includes the following elements:

- Diagnosis of problems and prioritization of repairs/improvements
- Planning for building/improvement
- Budgeting and analyzing cost/quality tradeoffs
- Risk identification and management
- Design (where it is not handled by a professional separately)
- Choosing appropriate builders for the project
- Quality assurance of design and construction
- Choice of materials
- Determining quantities of materials (bill of quantities - BOQ)
- Interpretation of designs in construction (where there is a design)
- Supervision of workers

Miyamoto International and iBuild: Support from Remote Engineers

In Puerto Rico, Miyamoto International and iBuild collaborated to develop an app that supported engineering students to assess houses for disaster resilience and recommend retrofit improvements. The app helps the students to look at key aspects of the house and take relevant pictures. The pictures are then assessed by an engineer to validate or improve recommendations. While the app was developed due to restrictions on travel and social distancing during the COVID 19 pandemic, the model might provide a basis for affordable micro engineering services. (Nielsen, Associate Principal, Miyamoto International, Inc., 2021)

Microfinance for WASH and Energy

Microfinance for WASH and energy has been growing significantly over the last decade. Dozens of MFIs in South Asia and East Africa partner with energy enterprises to offer finance for energy products. Loans for WASH products, particularly latrines, are growing. Providing loans for energy and WASH products gives MFIs the opportunity to gain new customers or increase their engagement with current customers. The introduction of new, more affordable energy and WASH products, such as solar panel systems and easy to build, standardized latrines, are enabling more families to install these in their houses with appropriate financing. (Rozas, 2020)

In owner-driven construction, the homeowners manage many of these tasks themselves with varying levels of support from a foreman. The skill deficit of builders has generally been found to be more severe for these 'soft skills' than for technical skills. (TCIS, 2019-2021)

There is some early experimentation with improving builders' skills in these areas and/or provision of micro-services from professionals such as architects and engineers. (TCIS, 2020) However, intervention in this market is at a nascent stage.

3.4.6. Ancillary markets

A house requires more than just a structure in order to provide a family with safe, comfortable and dignified living conditions. Two of the most important features of housing are water and sanitation and energy. While these markets are dealt with separately below, they also encompass the markets above: materials, information, financing, labor and professional services.

Water and sanitation⁹

Water and sanitation markets for houses encompass plumbing products (sinks, taps, pipes etc.), latrines (many of the same materials as above, plus pans, septic tanks etc.) and services like water supply, plumbing installation and repair, latrine construction, fecal sludge management, etc.

Programs around the world have used a wide range of market-based interventions to increase access to and supply of water and sanitation in emergency, recovery and development contexts.¹⁰ This includes: (Global WASH Cluster, 2019)

- **Using markets:** offering cash or vouchers to access WASH products and services; local procurement for WASH products and services in emergency situations.
- **Supporting markets:** providing support to vendors such as grants to restock their businesses or technical support to enable them to accept digital payments.
- **Developing markets:** social marketing to increase demand for and use of specific WASH products and services; support to vendors to develop new products and services.

As with other markets related to housing, market analysis is a key first step to effectively working with markets to increase access to and supply of WASH products and services that low-income families want and will use. There are typically a wide range of market actors already operating in WASH markets, from individual water sellers to large companies offering WASH construction materials to government agencies regulating water supply. As with other housing products and services, low-income consumers have specific preferences. For example, in Harare Oxfam found that the majority of households could afford to purchase water purification chemicals, but chose not to because of their taste and smell and the fact that they would be provided free of charge during a disease outbreak. (Parkinson, 2018) WASH is a 'mixed good,' meaning that it is often provided partly by the public sector and partly by the private sector. Thus, it is particularly important to understand the political economy of the market and its influence on market actors' and consumers' incentives. (Taylor, 2013)

⁹ This section only considers water and sanitation for houses. It does not consider community water supply.

¹⁰ There is considerable experience and lessons in water and sanitation markets for houses. A thorough review is beyond the scope of this report, but a literature review is merited if CRS decides to work in this market. Two useful websites: [Global WASH Cluster](#) and [Sustainable Sanitation Alliance](#). A useful resource: [Guidance on Market-Based Programming for Humanitarian WASH Practitioners](#).

Oxfam: Pre-crisis support to enable markets to respond in an emergency

During large-scale flooding events in Jakarta, poor and vulnerable families are temporarily relocated to centers for shelter and safety. But these centers often do not have adequate toilet and shower facilities. When the city was not in a crisis, Oxfam provided grants to private sector WASH providers to upgrade public toilet and shower facilities and signed framework agreements with them to maintain the functionality of these facilities during flooding. When a flood happened, Oxfam provided vouchers to poor and vulnerable families to use these facilities through an e-payment system. Ensuring these facilities were ready for increased use during flooding reduced the risk of disease outbreaks in and around centers without such facilities. (Parkinson, 2018)

Energy (Electricity and Gas)

Energy markets in housing include products, such as fixtures, plugs and wiring, and services such as electrical installation and repair, electricity supply and gas supply. Energy markets also includes alternative supply products such as solar systems.

The provision of alternative energy systems for low-income households is experiencing considerable growth. A number of donors with a climate change focus are funding programs that focus on providing alternative energy systems in housing. (Merrill, TCIS, 2021) Finance is also increasingly available for accessing energy, particularly for alternative energy systems. There are a number of financing systems that reduce or remove the high upfront cost of energy systems for consumers including: (Mercy Corps, 2020)

- **Pay-as-you-go** which allows for consumers to pay for energy products over time rather than upfront. Organizations are working with energy companies and payment providers to establish manual or mobile-based payment systems.
- **Build-Operate-Lease-Transfer of Ownership** which enables households, businesses and public institutions to eventually own reliable alternative energy systems. The initial capital investment is repaid under monthly lease contracts. At the end of the contract, the ownership of the system is transferred to the consumer.
- **Results Based Financing** where an organization pays an agreed subsidy to an alternative energy system provider upon completion of the installation and satisfaction of the customer. An initial subsidy for a new product can build the confidence of both consumers and suppliers.

Élan and Practical Action: Developing markets for clean energy for households in crisis-affected situations

During large-scale flooding events in Jakarta, poor and vulnerable families are temporarily relocated to centers for shelter and safety. But these centers often do not have adequate toilet and shower facilities. When the city was not in a crisis, Oxfam provided grants to private sector WASH providers to upgrade public toilet and shower facilities and signed framework agreements with them to maintain the functionality of these facilities during flooding. When a flood

happened, Oxfam provided vouchers to poor and vulnerable families to use these facilities through an e-payment system. Ensuring these facilities were ready for increased use during flooding reduced the risk of disease outbreaks in and around centers without such facilities. (Parkinson, 2018)

Like WASH, energy is a 'mixed good' where government and the private sector are involved in provision. Organizations are facilitating the interaction between government and the private sector to increase provision of energy to remote and underserved locations.

Palladium: Connecting rural areas to the electricity grid: government – private sector collaboration

Less than 60 percent of Cambodians are connected to the national grid. The [Investing in Infrastructure](#) project is working with the Cambodian government and the private sector to bring electricity to more rural areas. The project's research indicated that subsidies could help approximately 60 existing electricity companies to expand their networks and bring affordable electricity to communities currently relying on costly diesel generators or other polluting fuels. The project worked with relevant government agencies to attract investment into low density areas by providing infrastructure grants and household connection subsidies. (Investing in Infrastructure, n.d.)

3.5. RULES AND NORMS

Formal and informal rules that govern the housing market system are a significant influence on how it operates. While the strength of the influence of formal government policies and regulations depends considerably on context, informal norms seem to significantly influence consumers' decision making in almost all contexts.

There are a variety of formal government policies and regulations that influence the housing market system in a country context. These include:

- **Land access/land tenure policies and regulations:** Types of land ownership vary between countries, ranging from individual freehold ownership to communal rights and temporal leasehold on government-owned land. Land law and policy, including aspects of zoning and land use planning, guide how land may be used and what types of structures may be built on it. The laws, practices and infrastructure that govern land ownership (collectively known as tenure, title and cadaster) form the building blocks of property rights. Property rights include not only the rights themselves, but also recording of the rights and access to those records. Property rights not only affect whether a family can build a house on a specific piece of land but also whether they can access finance to build or improve a house. Property rights are often not fixed but can change based not only on government agencies but also on the actions of those using the land, even if without permission. In many countries, it is land administration, rather than property rights per se, that are failing low-income families. Ineffective land administration can result in families' claims to land not being recognized, available land not being allocated for housing, houses being built in unsafe and inappropriate locations and insufficient infrastructure for communities. (Rozas, 2020)

- **Housing codes and enforcement:** Building codes are meant to assure safety and city planning. But codes are generally designed for commercial buildings or formal housing for the upper-middle classes and above. They are typically overly restrictive and inflexible for low-income families. They are also open to corruption. Enforcement of housing codes is often minimal or non-existent in low-income housing with the exception of social housing developments. Therefore, many low-income houses are built without any reference to building codes. While this provides more flexibility, it also leaves room for unsafe practices in building. (Rozas, 2020)
- **Policies and regulations affecting markets within the housing market system:** In addition to policies and regulations that directly affect the housing market system, there are policies and regulations for each of the markets described above. For example, housing finance is affected by finance policies and regulations.

Informal norms and perceptions in the housing market system affect both the demand and supply of housing. Social norms and consumers' perceptions heavily influence families' housing decisions and practices. While norms are context specific, there are some findings in this area that appear to cut across multiple countries. These are discussed below.

Many low-income families around the world aspire to homes that resemble those of higher income families, typically walls built with concrete blocks or reinforced cement and roofing made of corrugated metal sheets. This is partly due to the availability and transportability of these materials but also the perception that these materials are as sign of wealth and status. This 'standard' home is usually preferred even when local alternatives are both better and less costly. For example, in many countries, bamboo is an abundantly available and inexpensive local materials that is also flexible against earthquakes. Roofing constructed from natural fibers is more effective at cooling and safer in the face of high winds. But these materials are viewed as 'old-fashioned' by low-income households and considered temporary at best until the household can afford more modern materials. (Rozas, 2020)

Home-building decisions are strongly gendered. Typically, men have more control over construction decisions related to overall design, materials, external appearance and the choice of builders. Women often have more decision-making control over internal design decisions. (Parry, 2019)

Families typically choose builders based on family or friend connections and referrals, rather than certifications or experience. Low-income consumers often do not communicate problems with housing construction to the builders, rather viewing these problems as part of the process. Families typically verify construction work based on superficial indicators such as the quality of plastering, rather than on the long-term durability of the construction because they lack knowledge of how to recognize quality. (Parry, 2019)

Disasters and risks are viewed as inevitable. Many consumers believe that there is little they can do to guard against damage to their houses in the face of disasters. This perception dampens their demand for spending money to make their houses more disaster resilient. (Parry, 2019) However, there are ways to change perceptions and behaviors. CRS and its partners found that people are motivated by 'universal motivators:' having enough food, creating a better future for their children, and living in a safe home. Five determinants of behavior significantly influence the adoption of hazard-resistant construction in

CRS: Influencing social housing developments in Bosnia-Herzegovina

With this intervention, CRS was trying to assist the most vulnerable group of displaced people that had not been able to return home to Bosnia-Herzegovina. To do this, CRS studied social housing models in the EU, harmonized those standards with CRS' own, then piloted different models with initial funding from the Dutch government. They scaled this up first through geographic spread with different donors and in different municipalities, then by choosing to influence many levels and types of government to adopt social housing standards, including rent subsidies. Now, a decade or more later, having influenced and assisted the Bosnia-Herzegovina government to take on a social housing program, CRS is impacting 3,000 families across the nation rather than only the 296 families CRS assisted when CRS was physically building the apartments. (CRS, 2020)

disaster-affected households. Cues for action were the most significant; observing disaster resilient homes proved to be a powerful motivator. Access to appropriate materials and skilled labor is important. As found in other research, perceived risk was found to affect behaviors; when people felt that their community was likely to be affected by another disaster and recognized that the way their houses were built was making them more vulnerable, they were more likely to adopt hazard-resistant housing practices. The motivation was stronger where households associated construction practices with preventing damage to their homes during a disaster. Finally, to some extent, people's knowledge of and ability to pay for hazard-resistant practices affected their behaviors. (Turnbull M. e., 2015)

Consumer preferences also figure strongly into decisions on housing. In many contexts, security is a prime consideration. This is not only objective security from theft or other crimes but also an occupant's feeling of being secure when inside a home. Day to day comfort is also often a priority. This includes a home being water-tight, as well as factors such as having enough space, ventilation etc. (TCIS, 2019-2021) CRS and TCIS have also found that aesthetics play an important role in housing choices.

3.6. CROSS-CUTTING ISSUES

There are a number of issues that are relevant to the provision of safe and dignified housing for low-income families through markets. Disaster risk reduction, environmental protection and women's empowerment are discussed in this section.

Disaster Risk Reduction

DRR is a key goal in housing for CRS and considerable work has been done in this area, including using market-based approaches as referenced above. An area for further innovation is working with market actors to better prepare for emergencies. Market actors can offer products and services that help communities and families be more hazard-resistant. Market actors can also prepare themselves to better respond with useful products and services during emergency situations as well as make their own businesses and organizations more resilient in the face of emergencies. Because of the current focus on climate change, there are funding opportunities in DRR that CRS may be able to take advantage of.

Environmental Protection

Building or improving houses has the potential to harm the environment. At a minimum, ensuring environmental protection in housing includes:

- Avoiding the use of environmentally destructive materials, and
- Being careful with the use of local resources.

For example, the humanitarian response to the Myanmar Rohingya crisis in Bangladesh put pressure on local timber and bamboo resources as well as led to unsafe extraction of rocks and other local resources. (Martin, 2017)

Environmental protection can also include promoting the use of clean energy and appropriate water management. These areas are also current interests of a number of donors. They also offer commercial opportunities for suppliers to meet the demand for energy and WASH from households.

Women's Empowerment

Women often do not enjoy equal opportunities as men in the housing market system, both as consumers and in supply chains. As a minimum, programs must:

- Recognize women's roles as housing consumers including decision-making on housing choices; and
- Recognize women's roles as market actors in housing markets.

While these are development imperatives, they also provide opportunities for market actors. Vendors that recognize women's roles as consumers are more likely to be able to market products and services to women effectively. Recognizing women's roles as workers and business owners opens new avenues in human resources and business partnerships. Market development in other program areas has shown the potential of finding new ways for market actors to operate that empower women and benefit the market actors themselves.

3.7. LESSONS ON FOCUS

Given the complexity of the housing market system, where should humanitarian and development organizations focus? There are differing viewpoints. On one side is the view that decisions should be completely contextual. An organization should focus on the way(s) to get housing and the housing markets that are most likely to reach the most people and have the most impact on them in the context. On the other side, the view is that an organization has to focus at the global level because housing markets are so complex. In order to be able to provide effective technical assistance and share lessons across programs, an organization should focus all its programs on a subset of the housing market system.

Experience shows that the most important criteria for focusing a program is the constraints and opportunities in the local housing market system. Only by understanding in detail how the local housing market system works and determining where there are feasible opportunities for intervention will a program have significant impacts at scale. Nevertheless, there is a role for global guidance. This can include narrowing the potential scope of the universe to some extent, while maintaining flexibility for programs to go outside that scope when there is a compelling reason to do so. More importantly, global guidance can provide a market assessment and strategy development process that helps local teams to focus in a particular context.

Emergencies create the opportunity for market disruption. Development provides the opportunity to improve resilience and disaster preparedness and to develop markets in fundamental ways when need is less immediate. Recovery is the link between the two and needs attention as this is the time to transition from using/supporting markets to developing markets.

The rest of this section provides some lessons on focusing in different aspects of housing market systems.

3.7.1. Ways to get housing

In terms of focusing on the ways that consumers get housing, promoting some global focus may make sense because the markets around rentals, owner-driven construction and social housing developments are so different. Nevertheless, being rigid means that programs may miss

opportunities to impact particular populations or have a significant impact where a particular market offers attractive opportunities. Therefore, focusing on one way that consumers get housing may be a useful starting point, while still providing the flexibility for individual country programs to intervene in a different way if there is a compelling reason in the local context.

It is worth noting that the potential for corruption seems higher in large social housing developments, presumably because of the large contracts involved. There have been a number of high-profile corruption cases in social housing. These have discouraged humanitarian and development actors from working in this space. (Merrill, TCIS, 2021) Never-the-less there are opportunities to work with smaller housing developers in the affordable housing space and demonstrate the commercial viability of reaching low-income families with appropriate housing. (Nielsen, Associate Principal, Miyamoto International, Inc., 2021)

TCIS: Choosing a focus in the housing market system

TCIS has taken a middle ground on this debate. They use an 80%/20% rule for ways to get housing, meaning that they focus 80% of their work on one way to get houses while allowing 20% of programs to choose another way because it is important in a particular context. TCIS focuses on owner driven construction partly because there are not very many other not-for-profit actors in this space in the countries where they work. Government is typically focusing mostly on social housing developments. The decision is also driven by where TCIS can have the most impact. It's easier to persuade homeowners to invest in their homes than to persuade landlords to invest in the homes they rent. However, TCIS does work in rental markets where there is a compelling reason in terms of need and outreach and an opportunity in a particular context. For example, TCIS has worked in lending for backyard rental to increase the availability of rental housing.

In terms of choosing on which markets to focus, TCIS has employed a similar thinking as in ways to get housing. Because they need to build up an understanding of a complex market system and want to share lessons across programs, they focus their efforts on the core housing markets: materials, information, finance, labor and professional services. Within this, they started with a focus on finance as the easiest and most feasible place to intervene. Over the last five years or so they have diversified into other core housing markets. The commonalities in these markets have arisen from local design efforts rather than been decided at a global level. While TCIS focuses its global efforts on core market systems, they do allow country teams to work in the ancillary markets of water and sanitation and energy. They follow a 70%/30% rule, aiming for 70% of their work to be in core housing markets and 30% in ancillary market systems. This approach not only allows contextual focus but also takes advantage of funding opportunities in ancillary market systems. For example, TCIS has some funding in the energy sector to focus on electricity for houses. (Merrill, TCIS, 2021)

3.7.2. Markets

In terms of determining on which markets to focus, the local context is critical. While there are some common threads in housing market systems in various countries, detailed assessments reveal that there are substantial differences in the way markets operate in different countries and contexts. The feasible opportunities for intervention may lie in different markets in different contexts. Therefore, a market assessment and strategy design process should guide the choice of markets on which to focus in a particular context. Never-the-less, putting some flexible boundaries around the choice of markets may help an organization offer effective technical assistance and share lessons among different country programs.

To date globally, scale has been achieved in housing finance markets. Scale has not yet been achieved to a significant extent in the other markets around housing: materials, information, labor and professional services. This is likely because financial institutions existed that were reaching low-income people at scale and development organizations were familiar with these institutions, either because they were their own financial institutions or partnerships already existed. This made it relatively easy for development organizations to encourage MFIs to develop housing products and for those products to then reach thousands of low-income people. There is now considerable experience and useful emerging lessons in this area. However, there is much less experience working with markets for housing materials, information, labor and professional services, partly because most MSD programs have focused in agriculture and livelihoods. Experience is starting to emerge in a few agencies, but it is not yet deep enough that there are examples of reaching a large scale. A significant exception to this is the ancillary market of sanitation, particularly latrines. There are a number of agencies working in this area and the lessons are starting to enable agencies to reach significant scale.

In the absence of particular funding opportunities, it seems to make sense to focus on the core housing market systems first so that a country program team gains an in-depth understanding of how these markets work and who are good partners with whom to work. However, as opportunities arise, adding ancillary markets can make sense. For example, there may be opportunities to package core and ancillary products or services together or good partners that work in both types of markets.

Decisions on which core housing markets to target need to be contextual. However, some findings from other programs are presented in the table on the next page.

Market	Pros	Cons
Finance	<p>The most common starting point.</p> <p>Familiar partners.</p> <p>Existing experience, business models and lessons.</p> <p>Institutions that are already reaching scale.</p> <p>Finance is a big constraint to accessing adequate housing for low-income households.</p>	<p>In the absence of addressing other issues, opportunities to improve quality of housing are constrained.</p>
Materials	<p>Strong demand from consumers, the main housing component they think of.</p> <p>Typically, materials are available so there are plenty of potential partners.</p> <p>There are companies that are already reaching scale.</p> <p>There are opportunities for improving DRR.</p>	<p>Often not the most significant constraint – materials and even quality materials are often available.</p>
Labor	<p>Frequently an area with constraints – informal builders who work on ODC often lack info and skills to build better houses; skills particularly weak in design, project management and quality control.</p> <p>Builders, particularly foremen, have a strong influence on consumers' housing choices.</p>	<p>Difficult to find leverage points for scale with informal builders, many small ones without links to companies.</p> <p>There are often few incentives for formal training; hiring usually depends on family/friend connections rather than training or even skills.</p> <p>Analysis has, in some cases, put an overemphasis on labor and the importance of skills development, while missing other constraints that might be easier to address.</p>
Professional services	<p>Design services are essential for adequate housing and a high level of skills is needed; design services from qualified professionals (architect, engineer) are often almost absent from the ODC market.</p> <p>There are opportunities for improving DRR.</p>	<p>There are few examples of business models for services from qualified professionals to reach low-income consumer segments.</p>
Information	<p>Clear constraint.</p> <p>Can positively influence all the other markets.</p> <p>Can be integrated into business models focused on other products/services.</p>	<p>Information is often an unrecognized market.</p> <p>There are few examples of sustainable business models for delivery.</p> <p>Media is a complex market in itself and choosing appropriate media partners requires an understanding of the media market.</p>

Experience to date indicates that working in only one market or working in markets in isolation is not the most effective approach. Bundles of products and services seem to be most appealing to low-income consumers and products and services work together to address overall constraints in low-income consumers' access to safe and dignified housing. It makes more sense to work in several markets in an integrated way, looking for opportunities to develop business alliances across markets and/or develop bundles of products and services that will appeal to low-income consumers and result in cost savings. Because materials and finance are in high demand and the markets for them are often well developed, these markets can be a useful starting point. Working with materials companies or financial institutions can also offer opportunities to address constraints in the other core markets of labor, information and professional services.

3.7.3. Rules and norms

While focusing on government policies and regulations has the potential to reach scale, the extent to which these actually affect low-income families' access to safe and dignified housing varies by context and by the ways in which target families access housing. More importantly, the potential to affect government policies and regulations varies considerably by context but also by the length of time an organization has worked in a context and the connections it has. In addition, in many contexts there are other, better placed actors, such as the World Bank, working on housing policies and regulations. Therefore, the decision on whether to focus on government policies and regulations should be made locally based on a realistic assessment of the potential for impact and CRS' value add.

In contrast, experience shows that working to address social norms and perceptions must be a part of any market-based housing program. At a minimum, this means understanding social norms and perceptions because they have a significant impact on the way that housing market systems work. Often, it also includes behavior change and social marketing approaches that work to gradually influence norms and perceptions that are constraining low-income families from accessing safe and dignified housing.

4. WORKING WITH HOUSING MARKETS TO ACHIEVE SCALE



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Markets and market actors have specific attributes that can help development programs achieve impact at scale in housing. Some examples of these are below.

- Specialist skills such as in finance, logistics or manufacturing;
- Networks of customers or other businesses through which to disseminate information or innovations; and
- Sustainability (without external funding), which enables public and private market actors to reach more consumers over time.

For example, the TCIS Shelter Venture Lab in Kenya partners with local software developers to develop virtual match making portals for future homeowners and the appropriate builders. (Mutua, TCIS Kenya, 2019) Similarly, the MicroBuild Fund works with MFIs to introduce housing finance products to their large networks of clients. (Habitat for Humanity, TCIS, 2013) Programs can, of course, procure these attributes directly from the market as part of their implementation activities. However, given the finite nature of development funds, what programs can source directly is usually much smaller than what the local markets can provide.

Markets and market actors also possess certain advantages that are not easily found in development programs, especially programs with a short implementation period. Most market actors have some human and financial resources already in place. There may be emergency situations where both of these are severely compromised, such as during a devastating natural event or intense conflict. However, in other situations, one can usually find one or both around target groups. Similarly, market actors have context specific knowledge that informs them on consumer behaviors and the viability of specific solutions.

Finally, market actors are incentivized differently than development programs. The private sector is incentivized, at least partly, by growth or profitability, whereas the public sector may move forward because of direct financial support, or alignment of activities with political aims. Successful markets-based programs rely on mapping these incentives accurately to develop partnerships that introduce sustainable solutions and even transform market systems around target groups. Market actors, especially the private sector, are driven by business cases. They have the ability to sustain activities beyond a program's duration if convinced of the business case.

Current practice among markets-based programs suggests a sequence of analyses that underpin the assessment of the market and market actors and the design of a strategy and interventions in a specific context. The following sections elaborate these different analytical steps of understanding markets and developing effective partnerships for reaching impact at scale as they relate to housing in emergency, recovery and development situations.

4.1. SELECTING APPROPRIATE COUNTRIES AND CONTEXTS TO WORK IN

Markets based approaches, such as MSD, have been applied across a number of different contexts, from large, dynamic economies, to fragile and conflict-affected contexts. Some prominent examples are:

- [Gaza Sky Geeks](#), an accelerator for ICT businesses run by Mercy Corps in the Gaza strip;
- [SHARPE](#), a market systems program operating in the post conflict context of refugee camps in Ethiopia;
- [PRISMA](#), a large MSD program working in Indonesia across several core and ancillary market systems in agriculture; and
- [Market Development Facility](#), an MSD program working in the shallow market contexts of small island developing states.

Market-based approaches have been applied to a wide range of contexts in agriculture and livelihoods. However, experience in housing markets is shallower. Given this, it makes sense to choose more conducive contexts to implement programs working in housing markets until more experience is gained. Experience in housing markets suggests that the following contexts are more conducive to market-based programming in housing:

- Lower-middle income countries are easier to work in than the lowest income countries because adoption typically happens faster. This is evident in the prevalence of housing finance programming in East Africa or the choice of TCIS countries: Philippines, Mexico, Peru, India, and Kenya.
- Presence of dynamic markets that have some depth to them as well as the presence of a vibrant ecosystem of market actors. Materials and finance have been preferred starting points for housing market system programs because of the dynamism present in the markets.
- Confluence of funding, constraints that a program can feasibly address in partnership with market actors, promising local partners to work with, and the existence of opportunities in multiple interlinked markets. A great example is the sanitation marketing interventions in Cambodia where donor support met viable partnerships for impact. (International Development Enterprises, n.d.)
- Existing gaps in serving particular market segments, specifically low-income people and the base of the pyramid. This is the case in the Philippines where TCIS works with the base of the pyramid markets that are under-served and in turn could be recognized by private sector players as the next big market. (Mielbrahdt & Sen-Bekkers, 2020)
- Strong competition and some market saturation in serving higher-income consumer segments with housing as this will create an incentive for businesses to target lower-income consumer segments. This is the case in Kenya where TCIS is working with the private sector to move into the untapped consumer segments of low-income households. (Mohsin & Posthumus, 2019)
- Capitalizing on opportunities to improve DRR, as the desire to avoid damage from disasters can be a powerful motivator. (Turnbull M. e., 2015)

Taking a facilitative or partnership approach to working with markets also presents unique challenges that are different than those found in direct delivery approaches. We hypothesize that market systems programming in housing could be more successful in contexts that already have experience with markets-based approaches in other sectors such as in livelihoods or sanitation. CRS country programs in Haiti or Uganda, for example, could be interesting as they have a history of value chain development and humanitarian response programming around shelter. (Barthmeier, 2021) Facilitation experience gained from working with the private sector in agriculture would, theoretically, be transferable to housing market systems.

There is also some evidence that focusing on a market-based approach around housing in a new location away from a program's humanitarian response has been more effective. This way, both the program and the potential partners avoided confusion and misunderstandings as the facilitation approach did not clash with any history of direct delivery, where the program funded or provided all necessary support. For example, TCIS Philippines works in areas different to Habitat for Humanity's other programs. This deliberate distancing contributes to clearer discussions with private sector partners without the expectation that TCIS will purchase products or services from them. (Axalan, 2020)

4.2. SELECTING THE MOST APPROPRIATE MARKETS

Humanitarian and development programs often work within time and resource constrained circumstances. Their aim is to catalyze improvements that will endure without ongoing support and be resilient to changes in the context. This reality requires programs to be selective about which markets and constraints to prioritize. For most market systems programs, this decision is based on answers to the following questions:

- What are the most relevant markets for the program's objectives?
- In which markets is there potential for generating impact amongst the target group?
- In which markets are there viable partnerships available?
- Can intervening in these markets generate impact within a specific timeline?
- What are the donor's priorities and how can they align with opportunities to sustainably improve the inclusivity and functioning of markets?

For programs working in housing market systems, the political economy around housing presents an additional layer of screening. There may be strong political will and momentum around specific topics such as social housing or house building subsidies which can offer new entry points to address challenging issues such as skills. For example, the Government of Kenya has a robust agenda for developing large numbers of social housing units which are compliant with building codes in the country. This presented an entry point for the TCIS Kenya program to work with TVET institutes in training builders who can then be employed at these project sites. (Mutua, TCIS Kenya, 2019) Conversely, there may be politically thorny issues, such as infrastructure development around housing estates, which programs may be wise to avoid.

This exercise of selecting the appropriate markets in which to work can help a program get the most value for its money. Experience suggests that such an exercise can also help programs identify which markets to intervene in directly versus which markets to collaborate on with other, better placed, organizations. For example, land tenure and land rights can be an important but complex challenge for housing market system programs to solve. This, however, could be an area that the program can work on in collaboration with a multi-lateral organization, such as the World Bank, who is better able to navigate the head winds that usually come with this topic. In fact, the World Bank, which works in housing policy and finance in numerous countries, can provide a good indicator of and information on the state of housing policy in a particular country. Where they are not working yet on finance, the reason may be that the policy environment is not yet conducive to housing market development or even policy reform.

4.3. MARKET ASSESSMENT

The next step after selecting the appropriate markets is to understand the markets better. This step may vary between an emergency and a development situation as the two situations differ in priorities, timescales, and expected impacts. The desk review points to emergency responses focusing on specific market systems or even specific commodities around housing to design a response. Whereas development programming requires a broader and deeper understanding of all the inter-connected market systems around housing to design and implement appropriate interventions.

Because the target group in housing programs is the consumer, rather than the producer or worker as is typical in agriculture or livelihood programs, it is important to start with strong consumer market research. (Fogelberg, Managing Consultant, Springfield Centre, 2021) (Merrill, TCIS, 2021) This research investigates both current practices in how low-income consumers access housing and demand for housing and housing products and services among the low-income consumers. It is also important to understand what a safe and dignified house looks like in the local context for different consumer segments as well as how current housing differs from this. Finally, it's critical to understand norms and preferences around housing as these play a strong role in the way housing markets work. Analysis of the supply of housing products and services can follow this research, highlighting in particular where supply diverges from demand.

In an emergency situation a program may prioritize speed, cost effectiveness, scale, and compliance with standards with respect to their activities. (Obrecht & Bourne, 2018) This may lead a program to conduct a specific type of assessment that helps them understand the supply chain scenario of specific commodities.

There are a number of such focused assessment tools in use in the humanitarian sector around housing, including by CRS. The most prominent examples are the Emergency Market Mapping Analysis (EMMA) toolkit, the Pre-Crisis Market Analysis (PCMA) toolkit and the shelter specific Shelter-Pre-Crisis Market Analysis (S-PCMA). CRS has numerous examples of successful implementation of the EMMA toolkit. (Reichert & Cocconi, 2020). For more examples of EMMAs and PCMAs, please visit [Emma-toolkit.org](https://emma-toolkit.org). S-PCMAs are a relatively new tool developed by Habitat for Humanity's TCIS. We did not come across any examples of the use of this tool during the desk review.

These market assessments, however, can be commodity specific at the expense of exploring the situation around services, such as labor. (Catre, 2021) For example, the EMMA conducted for the Cyclone Idai response does not talk about labor. A more specific tool, the Labor Market Analysis toolkit for humanitarian contexts has been developed and in use recently to address this gap.¹¹

Assessments of markets in emergency settings are shifting from trying to understand markets post-emergency to trying to understand markets pre-crisis, especially in crisis prone areas. There is also expansion of thinking around response to include preparedness and developing mitigation scenarios for crises. (Julliard, Revised Pre-Crisis Market Analysis (PCMA), 2016) The literature around humanitarian responses does flag concerns that crisis centered assessments of markets can take a narrow view of markets as a way to reduce implementation uncertainties in providing direct support to affected communities. This narrow view may lead to 'bracketing the complex' or focusing on a narrow part of the problem, particularly in situations involving protracted crises or vulnerabilities extant in the communities. (Obrecht & Bourne, 2018)

In a development situation, a housing program's priorities and timelines may be quite different. This situation is likely to present the program with the luxury of time which may be used to develop a deeper understanding of the housing market system. Holistic assessments of the housing market system (and its core and ancillary markets) are still new. The most relevant examples of such holistic assessments are those conducted to inform the strategies developed for the TCIS Shelter Venture Lab countries. The [Affordable Housing Institute](#) also conducts holistic market assessments of housing markets using proprietary Housing Ecosystem Analysis tools. They have conducted a number of assessments for the World Bank, but these are not, for the most part, public documents. (Nielsen, Associate Principal, Miyamoto International, Inc., 2021)

Housing finance does have more examples of extensive market assessments. The Centre for Affordable Housing (CAHF), The MasterCard Foundation, and TCIS have great examples of extensive market mapping and analysis for housing finance markets. These assessments provide a nuanced view of the clients of housing finance as well as the financial sector actors involved in providing services. Some examples of such assessments are:

- The 2015-16 State of Housing Microfinance (Habitat for Humanity, TCIS, 2016),
- Building assets, unlocking access: shelter solutions for the poor (Habitat for Humanity, TCIS, 2015), and
- Strategic Workshop on Kenya's Affordable Housing Sector, (71point4, 2019).

Within CRS there are examples of market assessments in development situations. These examples are mostly in agriculture. Toolkits such as the Value Chain Development Toolkit (Shriver, Ferris, & Barthmaier, 2019) provide detailed guidance on how to map agricultural markets. Outside of CRS, prominent examples of market assessments can be found in multi-sector MSD programs such as PRISMA or through tools such as the Multi-Sector Market Assessment Toolkit (UNHCR and NRC, 2020). What is important to note is that there are examples within and outside of CRS of developing nuanced understanding of markets and market

¹¹ For more information on these tools, please refer to [Chapter 2](#) of this desk review.

actors. These examples have the potential to be adapted to work in housing market systems.

CRS' experience and expertise in understanding the profiles of targeted families and communities comes through strongly in the desk review. We came across several examples of emergency and recovery responses around housing and shelter that spoke of incorporating beneficiary feedback into intervention design. TCIS has also invested heavily in consumer and demographic research to aid with intervention and investment design. TCIS publications, *Hand in Hand with Homeowners* (TCIS and MarketShare Associates, 2019) and *Preparing for the Worst* (TCIS and MarketShare Associates, 2019) are great examples.

4.4. STRATEGY

Successful market systems programs design their intervention portfolios based on coherent and dynamic strategies. The clear road map that these strategies provide allows a program to translate the opportunities on paper into impact on the ground. Key lessons learnt suggest that an effective strategy for engaging markets provides a vision for how the market can work better for the target group in the future, fits the program context, suggests a sequence of implementation activities for maximizing impact, and provides guidance for the program to navigate different scenarios.

CRS has a number of tools, such as the VCD toolkit and the PSE Playbook, that can be relevant for developing strategies. The H&C SCP2 also utilizes tools such as the scaling feasibility tool and guide, the influence barometer, and the investment planner and tracker. The strength of these tools lies in their detailed guidance to users on engaging with partners and developing partnerships.

Current practice by market systems programs in developing strategies suggests three distinct steps: assessing the relevant market system(s) (discussed in section 4.3); understanding underlying constraints and identifying opportunities. These steps have been adapted and further developed for market-based housing programs as well as in emergency contexts. Below the lessons in each step as they related to housing are highlighted.

- 1. Understanding the underlying constraints as they relate to the program objectives**, but also to sustainability, inclusivity, and resilience. Currently the market assessments run by CRS are usually short term in nature, trying to solve the problems faced during an emergency. (Weatherall & Sissons, 2021) (Richardson, CRS, 2021) However, in development contexts, a deeper dive to understand ultimate constraints, is required. Investing in understanding underlying constraints in development situations can help design effective interventions that create resilience in housing market systems. A more resilient housing market system responds better, even without the support of programs, when the next crisis hits.
- 2. Identifying the opportunities that exist to address these constraints effectively** where there are incentives for public and/or private market actors to change their behaviors in ways that will better serve low-income consumers. Identifying opportunities requires a combination of analytical skills and entrepreneurial flair. It is the process of seeing realistically how a market system could operate differently. Experience in housing markets indicates that some innovations will be incremental improvements that closely build

on what exists, such as small improvements that make existing materials more resilient. Others may be completely new ideas such as online portals to match the supply of labor with demand from low-income households. Emergency situations can also disrupt markets and encourage new behaviors among market actors. In the previously discussed example of interventions in Odisha, India, consumers and retailers have adopted water resistant rendering as the norm since its efficacy was proven during the emergency response. (Peach, Consultant, 2021)

A strategy describes these opportunities and provides a roadmap for realizing them on the ground. It also includes hypotheses of how the housing market system could feasibly work better for the target group in the future and the major changes in relevant markets that need to occur to achieve this vision. Strategies, however, are not rigid work plans. Effective strategies are dynamic and adapt to changing market circumstances and emerging opportunities.

Some observations from the desk review that CRS and other actors may find relevant to developing strategies:

- There is one market system in each context that goes through emergency, recovery and development situations. The actors and functions within it may change over time. Different situations such as emergencies, provide shocks to the system which then elicit certain responses. A strategy that aims to work in a context across different situations would need to appreciate this fact.
- The lines between crisis and post-crisis are becoming blurred with more cases of protracted crises that affect communities and their housing needs. Fragmented strategies that cover only one end of the emergency- development contiguuum can negatively impact the trajectory of recovery and resilience of beneficiaries. (Rama, 2017)
- There is a need to balance short-term, lifesaving priorities (in emergencies) with longer-term interventions targeting vulnerabilities in strategies. (Mosel & Levine, 2014)
- Strategies can provide guidance on a smooth transition of programming between situations to sustain recovery and instill resilience amongst affected populations. (Obrecht & Bourne, 2018)
- When emergencies become protracted and communities find themselves living in a prolonged state of crisis, there is a case for crafting broader, more forward-looking strategies that go into resilience and cover multiple market systems relevant to housing. (Zarins, 2018)
- Strategies can be made stronger with the inclusion of proactive (preparedness and resilience) and reactive (response to emergencies and emerging opportunities) elements. (Obrecht & Bourne, 2018)

Our experience in developing strategies for housing market systems highlight a few important lessons that CRS and other actors may also consider:

- Services, particularly non-technical services like project management, are often ignored in programs. However, these can play a significant role in the quality of housing outcomes, and therefore, should be considered in market assessment and strategy development.

- Design thinking is useful in housing markets. The target group is the consumer, and their demand and preferences are key to reaching them effectively. Tools that focus on consumers, such as human-centered design, have been useful in developing products and services that appeal to and benefit low-income consumers. (TCIS Kenya, 2019)
- Housing markets are political and there are significant vested interests. For example, land tenure is often a hot-button political issue that attracts considerable controversy. It's important that housing market assessments investigate the political economy of the market system, identifying controversial issues, existing vested interests and political incentives. (Mutua, TCIS Kenya, 2019) (Peach, Consultant, 2021)

4.5. SUSTAINABILITY

Sustainability is a prerequisite to achieving impact at scale. A sustainable intervention holds the potential for generating impact far beyond the life of a program. The question of what needs to be sustainable does vary between emergency and development situations. In housing and shelter, sustainability may be considered as it relates to direct delivery or implementing an emergency response.

In an emergency situation, programs may have a community focus and explore sustainability from a technical, environmental, and affordability perspective with respect to the affected community or location. (UNHCR, 2021)

In a development context, sustainability extends to other market actors in the private and the public sectors. Some important areas of discussion under this concept are norms and perceptions as influencers of sustainable behavior change, business models, changes in the capacity of partners, and response of markets to the interventions.

4.6. DESIGNING INTERVENTIONS

Designing interventions is an iterative process. It often starts with the program team considering how one or several market actors could address constraints in the strategy by taking advantage of an opportunity. But it can also start with a market actor's innovation that fits into the program's strategy. Either way, an intervention has to incorporate both the program team's and market actors' input. An intervention incorporates:

- a business model that one or several program partners will use to provide specific products and/or services to low-income families or other market actors, and
- how the program and the partner will work together so that the program partner can initiate, sustainably operate and, if relevant, expand the business model.

This section discusses business models in housing markets and the products and services provided through them. The next section discusses partners and how programs can work with them.

Housing Affordability in Africa

Research by the Centre for Affordable Housing Finance in Africa shows that the cheapest, commercially built houses in most African countries are out of reach of a large proportion of the population. For example, in 2020 only 68% of the population in Nigeria and 3% of the population in Tanzania could afford the cheapest newly built house. This shows that the market is not currently serving low-income households. (Centre for Affordable Housing Finance in Africa, 2020)

4.6.1. Business models

A business model describes how market actors will sustainably provide a housing product/service to low-income housing consumers or to other market actors in the housing market system. Experience shows that it is particularly important to put consumers at the center of business models in housing, keeping in mind consumers' demands, preferences and price thresholds. (International Development Enterprises, n.d.) (Centre for Affordable Housing Finance in Africa, 2020) It is also vital that a business model embodies a viable business case where a public or private actor has a clear incentive to provide products/services and can feasibly provide those products/services sustainably or profitably over the long term.

Figure 2 provides an example of a business model for a materials company to provide materials to low-income consumers. The business model shows that the materials company provides product information and training to builders on the materials and how to use them effectively in housing. The builders provide advice to consumers as well as building and project management services. The actual sale of the materials goes from the materials company to retailers to consumers, together with product information.

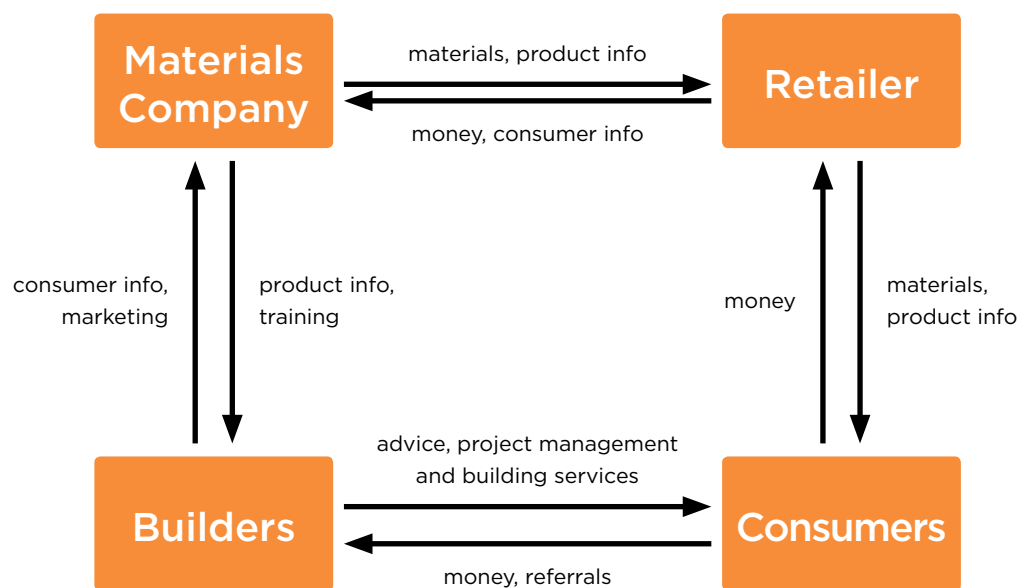


Figure 2: Example of a business model for a materials company to provide materials to low-income consumers

When developing a business model in the housing market system, it is essential to be clear on the housing improvements that a business model is trying to make. This means being clear on the technical and delivery deficiencies with current housing. For example, in a particular area, many people's houses may have roofs that will blow off in high winds. Or consumers may have no efficient way to compare the quality and prices of rental units. Then, the program team must be clear on how the business model will address the specific deficiencies sustainably.

It is also important to understand a program's additionality, particularly when a business model already exists, and the program aims to make it better. What is the program's value add to make the business model better? Why wouldn't this happen without the program?

Feasibility and sustainability are essential in business models. This means that the market actor(s) involved have an incentive to deliver the products/service sustainably and that there are enough revenues or funds to cover the costs and a profit margin for private sector actors. For example, a construction company operating in an environment with plenty of labor may have an incentive to train workers that they will subsequently hire but may not have an incentive to train builders in the informal sector. While, theoretically, the construction company might have an incentive to train builders in the informal sector for a fee, the revenues from this service are unlikely to be high enough to cover costs or to compete with the construction company's main business of building. In contrast, a materials company that targets low-income consumers may have an incentive to train informal sector builders if those builders are likely to subsequently recommend the materials and install them correctly, increasing consumer satisfaction. However, the costs of the training will still need to be lower than the increased profits the materials company will get from more sales.

Like in other sectors, innovations are unlikely to be adopted by the poorest households first, because these households tend to be the most risk averse. It is important to design housing products and services to be appropriate for low-income households including having affordable prices. However, it will likely take longer for poorer households to adopt new products or services than somewhat wealthier households. While accepting that it will take time to reach very poor households is sensible, a program must also ensure that the market develops inclusively over time. See the example on the iDE SanMark model below.

Housing Affordability in Africa

iDE SanMark model: Ensuring inclusive markets for latrines

iDE works with private sector actors to market appropriate latrines to communities. The design of the latrines takes into account affordability. However, iDE has also developed a system of three "sweeps" to ensure that the market develops and reaches the poorest in communities. The system uses the adoption curve to target different consumer segments and encourage inclusive market development.

- The first sweep targets those who are willing and able to pay cash – 'early adopters' and some of the 'early majority' market segment using adoption curve terminology. This primarily includes households that have enough available cash and are willing to invest in a relatively new and unfamiliar product.
- The second sweep focuses on reaching the 'early and late majority' households, including poorer households, through targeted marketing, professionalized sales, product innovations and sanitation financing. The wave of purchasers includes households that have less cash on hand and/or a desire to see their neighbors using a product before they are willing to invest themselves.
- Sweep three target the remaining 'late majority' and 'laggard' households without latrines (typically the poorest households) through smart subsidies. The subsidies are 'smart' when they minimize negative distortions on sanitation markets by effectively targeting only those households that are eligible to receive them. Voucher systems and effective targeting can all be components of a 'smart' subsidy.

iDE's experience using the sweeps approach shows that financing alone may not be sufficient to reach the poorest households, but that smart subsidies can be used to effectively target the poorest while still allowing a commercial market to develop that reaches many other poor households. (International Development Enterprises, n.d.)

There are several other emerging lessons on business models in housing:

- Introducing completely new housing materials has not shown a great deal of success because of limited consumer acceptance. However, innovation in services appears to be a more promising area for experimentation and there are several examples of successful or promising interventions.
- There is promise in business models that address incremental building such as standard designs for houses that can be added to later.
- Connectors are important and often missing or inadequate in housing markets, for example logistics, demand-supply matching services and transportation.

4.6.2. Bundles of products and services

Experience in housing shows that bundles of housing products and services are often most appropriate for low-income consumers. Higher income segments typically get housing products and services in bundles, and this makes sense for lower income segments as well. However, these bundles have to make commercial sense. There is a temptation to try to bundle everything together. For example, programs have tried to develop apps that bundle many housing products and services together such as product information, service information, match-making of service providers with consumers, sales of materials etc. However, these 'everything' bundles are often not appreciated by consumers or viable for vendors. (Fogelberg, Managing Consultant, Springfield Centre, 2021) Bundling too many products and services together can make bundles too expensive for cost-conscious consumers while sometimes providing products or services they don't want.

Bundles also have to be designed so that appropriate market actors are delivering each product or service in the bundle. For example, MFIs have tried to bundle housing loans with housing design and management services from loan officers. However, loan officers are not and do not want to be house building experts. While they need a basic understanding of housing to market and manage loans, their incentive is to sell loans and keep transaction costs low. (Merrill, TCIS, 2021) (Prieto S. a., 2020) A model that has worked better in some cases is a requirement that a portion of the loan be spent on project management services. In Kenya, a savings and credit co-operative required housing loan customers to allocate 1-1.5% of the loan for design/project management services. (Mutua, TCIS Kenya, 2019) Another model that has worked is technical support directly to consumers from materials suppliers with MFIs only providing a link to the materials suppliers. LafargeHolcim, a global cement company, found that providing technical assistance to housing microfinance borrowers, helped increase its turnover in the retail stores where those microloans were spent. Households that got the technical assistance benefited from quality construction inputs, reduced costs and improve quality in home construction. (Prieto S. a., 2020)

Overall, it is sensible to start with 'lighter' bundles of products/services and add more in later, rather than starting out with bundles that are too 'heavy' and, therefore, unlikely to be commercially viable or sustainable.

4.6.3. Anchor firm / anchor product

While bundles of housing products and services are useful, experience to date indicates that it is important to have an anchor firm. This anchor firm drives a business model, designs the bundle of products and services and coordinates inputs from other firms/organizations. Without this anchor firm, sustainability is unlikely. Materials companies and finance providers have proved to be good anchor firms because:

- there is clear demand from low-income consumers for their products/services,
- they reach many low-income consumers, and
- they often have incentives to package complementary products/services with their main offer.

There is also some evidence that, when introducing a relatively new product to a market, it's useful to have an 'anchor product.' While customizing products and services to different consumer preferences increases market penetration over time, there is evidence that having too many options when first introducing a product actually decreases adoption. Too many options can promote 'paralysis by analysis' as consumers hesitate because they don't know which option to choose and don't have enough background understanding of the new product to help them decide. For example, iDE has found that when introducing household latrines to areas where there are few, it is best to start out with one design that has been developed with community input. Having one design not only facilitates consumer acceptance but also takes into account the often limited capacity of latrine builders. Once the initial design is established in the market, iDE works with builders to introduce variations. (International Development Enterprises, n.d.)

4.7. PARTNERSHIPS

4.7.1. Who are partners?

For market systems programs, partners and partnerships can take any form depending on what the system needs and what opportunities exist to address this need. There are benefits to being partner agnostic because different types of partners can bring different attributes to a particular situation. This agnosticism may be valuable in situations where the market and market actors may be depressed post-crisis or the market system is shallow in general. The major categories of partners are:

- **Private sector**
 - *Pros:* Present everywhere; dynamic and resourceful; understand demand; will take over once bought in to the opportunity.
 - *Cons:* Commercial interests can clash with development outcomes; can be donor darlings to get the donor funds; more likely to go to places where there are opportunities as opposed to going to where there is a need.
- **Public sector:**
 - *Pros:* Can influence change through policies; design enabling frameworks for change.
 - *Cons:* Budgetary constraints; bureaucracy; politics; slow to respond; capacity issues; and in some cases, corruption.

■ **CSOs and religious organizations:**

- *Pros:* Present in most places; committed; embedded in the local context; willing to work in areas as per need rather than opportunities.
- *Cons:* Unsustainable business models; financial weaknesses; core competency not in interacting with markets.

■ **Development partners:**

- *Pros:* Supports risk taking and innovations; can be long term funders;
- *Cons:* rigidity in funding; process of accessing funds may be onerous; funding is usually not sustainable.

Savings and Credit Co-operatives of Kenyan boda boda (motorcycle) taxis

Support to the savings and credit co-operative on enforcing their savings culture and improving their financial literacy led to the development of housing estates for their members that assured quality and timeliness of the builds.

Depending on the situation, it might be prudent to work with a specific type of partner over others. For example, during an emergency or recovery, a housing market system program may decide to focus on the core markets of materials, information and labor, and work with actors who are relevant to these topics. As the situation changes to a more development orientation, the program may start working on more challenging issues such as business environment reform and the partners that come with this territory (i.e., business member organizations or the public sector). Experience with housing market system programs suggests that this decision depends entirely on the interventions pursued.

The table below provides examples of market actors who might be appropriate partners in different housing markets.

Providing short trainings to builders as an embedded service by material companies

Incorporating short trainings into the marketing activities of material companies can enable builders to use new technologies or materials while boosting sales of materials through builders' referrals.

Market	Examples of partners
Finance	MFIs, banks, insurance companies, savings/loans co-operatives
Materials	Materials companies (cement, timber, bricks etc.), materials wholesalers, materials retailers, construction industry associations
Labor	Construction companies, public and private TVET institutions, materials companies that work with builders to reach consumers, foremen / master builders, social media companies
Professional services	Architects/Architectural firms, Engineers/ Engineering firms, universities, professional associations, builders/ foremen
Information	Government agencies (e.g., those that address DRR), social media companies, radio, TV producers, content developers, companies that market products/services to low-income housing consumers
Water and sanitation	Materials companies above plus those with dedicated products like septic tanks, pipes, sinks etc., service providers (construction providers/ installers, plumbers, FSM etc.), government agencies that deal with water/sanitation

Market	Examples of partners
Energy	Materials companies with dedicated products like wiring, switches, light installations etc., electricians/installers, power companies (including renewables like solar equipment/installation companies), government agencies that deal with power/energy supply
Rules and regulations	Ministries, parastatals, business member associations, consumer protection agencies

Some lessons learnt on pairing the right partner with an intervention in housing markets:

- Impact at scale is much more likely when working with partners who are already reaching scale – e.g., cement companies or MFIs with wide outreach. (Fogelberg, Managing Consultant, Springfield Centre, 2021)
- Working on policies and BER can look attractive to programs with its potential for reaching a large number of people. Experience in housing (and other) market systems programs suggest that this depends on implementation of policies and regulations. There is a difference between policy in place versus policy in use; outreach is often not as much as first appears. (Wallusche Saul, Global WASH TA, CRS, 2021)
- It is important to be partner agnostic. Even those with a strong profit motive can be good partners if the incentives align. On the other hand, micro- and small enterprises can be sources of innovation but may not have the capacity to deliver impact at scale. It is the program’s responsibility to ensure that incentives are understood, and the right partners are matched to the right solutions.

We found limited examples of CRS working with the larger private sector entities in the housing market system outside of ‘using’ them to procure products and supply. However, there is appreciation of the ability of large companies, such as TATA in India, to tackle some of the more persistent problems in housing, such as low cost, cyclone resistant housing. (Richardson, CRS, 2021)

4.7.2. How to work with partners

Partnerships can take on different forms depending on the situation. During an emergency situation, a program may be more in control. We found several modes of implementing direct delivery by CRS during emergency situations.

- Direct procurement of goods and services from the market as quickly and cost-effectively as possible.
- Vouchers for affected families to be spent on specific products from specific vendors.
- Cash transfers to affected families to be used as they see fit.
- Cash transfers and/or other support to market actors to help them recover and re-start serving affected populations as quickly as possible.

iBuild: Choosing a partner with the right customer features

TCIS Kenya works with the local subsidiary of iBuild Global to develop a virtual portal that connects potential homeowners with a range of trained builders and accredited materials suppliers. The portal uses a system of user reviews and ratings to filter professional service providers and genuine home building projects. The transparency and control provided by iBuild to all its users is proving hugely popular in an industry context where distrust and inefficient processes are rife. TCIS Kenya's clear understanding of the key constraint around disconnected supply and demand centers in construction helped it think outside of the box and select iBuild as a partner over more orthodox choices such as hardware companies, individual large contractors, or public sector agencies with databases of 'skilled' builders.

As the situation changes to recovery or development, a housing market system program has to take on the role of a facilitator, putting the partner (whoever it might be) in the driving seat. Lessons learnt on working with partners in the housing market system:

- 1. Clarity of purpose.** This is an important early step in identifying and developing partnerships. The clearer a program is on the underlying constraints and opportunities in a market system, the better chances it has in finding and working with the right partner. For example, TCIS Kenya appreciates that one of the underlying constraints of skill building amongst builders is the cost involved for trainers and trainees alike. Armed with this clarity, the program is working with large construction companies to introduce accessible, and on-site trainings for their already large workforces.
- 2. Matching the right solution with the right partner.** Once a program has narrowed down its search of partners to a few potentials it has to select that one partner that is the right fit to implement an intervention. There are a few tools that are available to market system programs that can help with this final selection. These tools use a range of questions to understand the potential partner's will (motivation) and skill (capacity). Overall, programs have to find a win-win deal for themselves and the partner. This involves understanding incentives and assessing whether this lines up with the expectations of a program.
- 3. Develop a customized suite of support.** Specific contexts, situations, constraints, and partners can influence the intervention and activity design. In our experience implementing market system programs, we have found no set formula for developing partnerships. Each partnership has to be customized to suit the needs of the system and the partner. We have seen the best results come out of an iterative co-development process where the program and the partner develop an intervention together. This process secures ownership and commitment from the partner and roots the intervention design to the realities of the market. This ultimately also improves the likelihood of sustainable outcomes well beyond the program life.

Some specific lessons learnt with regards to developing and managing partnerships:

- There must be clarity of roles and responsibilities especially on who does what and who pays for what.
- Adaptive management of the partnership is necessary to evolve with opportunities and challenges.

4.8. CULTIVATING A PORTFOLIO OVER TIME

With the strategy providing a roadmap, a program can develop a portfolio of interventions with partners which, over time, transforms the housing market system to benefit low-income families at scale. Some key lessons on cultivating a portfolio over time follow.

- **Generate market momentum:** Market actors are also influenced by perceptions. If there is a 'buzz' around a market segment, more market actors will invest to serve that segment. Therefore, it is important to publicize successes of reaching low-income consumers profitably with housing products/services and to get prominent market actors on board.

- Facilitate innovations that complement each other: It can be difficult for market actors to profitably provide a particular housing product or service if complementary markets are not working well. For example, if logistics and distribution are weak in an area, then it will be harder for a materials supplier to serve that area with better quality housing materials. Market assessment and experience working in a housing market system will show a program team which complementary markets are critical and weak. Over time, guided by its strategy, a program can encourage innovations in complementary markets so that markets become more efficient in serving low-income consumers and therefore, prices can come down while sufficient profits remain.
- Practice adaptive management: It is essential to monitor and spot what works and what doesn't and then to analyze why. The reasons can inform the program team on how to adapt to improve program performance. For example, a new business model might not work because there is a related constraint that has not been addressed. The program team may have to address that constraint before or at the same time as supporting the new business model. Another reason that a business model may not work is that norms are working against it. Norms can change but typically require a multi-pronged and long-term effort. H&C already encourages adaptive management, with a focus on anticipating, as much as possible, the constraints that might prevent an intervention from working. The program team can then consider scenarios on how interventions can be adapted to work better if those constraints eventuate.



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5. FUNDING AND RESOURCES

“If you want to go fast, go alone. If you want to go far, go together... If we really want to go far and see the thing through, then we have to go together, get everybody involved, and make sure that we are achieving the transformation we want not only at a smaller level but at scale.”

Richard Ntibrey
Ghana Country Program
Catholic Relief Services

In order for CRS and other actors to pursue a long-term vision for a housing market system that better serves low-income families at scale in a particular context, relatively long-term and flexible funding is needed. It is helpful if funding is not confined to small geographic areas within countries because markets often cut across geographical boundaries. A focus on specific market segments within a country is more appropriate for market-based programming. A combination of sources is most likely to deliver the level, longevity and flexibility of funding required. Three sources of funding are discussed below that could contribute to the resources needed: institutional donors, market actors and emerging sources of financing.

5.1. INSTITUTIONAL DONORS

Institutional donors are a useful funding source because they provide relatively large funding levels. Humanitarian funding is typically focused on individual emergencies and may not provide the longevity needed to pursue effective long-term market-based interventions. Nevertheless, humanitarian funding can be a part of the funding puzzle and, in some cases, extends through recovery and even into development in some contexts. Development funding is typically more long-term and often more flexible. However, development funding for market-based approaches is often sector-specific and market-based work is often centered in the agriculture, livelihoods or private sector development units of donors. This can leave out the housing market system. Nevertheless there is increasing interest in market-based approaches among both humanitarian and development units in donors across most sectors. Private sector engagement is a strong emerging trend among bilateral donors in particular. In addition, with increasing interest in climate change mitigation as well as health and hygiene, opportunities in the ancillary markets for WASH and alternative energy as well as in DRR are available. (Merrill, TCIS, 2021) (Reilly, Director Emergency Technical Assistance, CRS, 2021)

Some bilateral donors that may provide funding for market-based programming in housing are:

- USAID including the Bureau for Humanitarian Assistance as well as development windows;
- [Agence Francaise de Developpement \(AFD\)](#), which provides support in a variety of sectors with relevance to housing including sustainable cities, water and sanitation and energy; AFD has a history of funding housing finance;
- [Swiss Development and Cooperation \(SDC\)](#), a strong supporter of market-based programming but primarily out of the employment and income unit; therefore market-based programs related to housing are typically focused on labor.

Another potential source of donor funding for market-based programming in housing is foundations. A few examples follow:

- [Hilti Foundation](#), where affordable housing and technology is one of five focus areas;
- [IKEA Foundation](#), although as a furniture chain, their understanding of housing market systems is not optimal;
- [Lafarge Holcim Foundation](#), focused on sustainable construction;
- [Ashoka Foundation](#), which has funded a number of social entrepreneurs in housing and acted as a convener around affordable housing.

USAID: Long-term funding for market-based interventions in housing in Haiti

The USAID funded Haiti Home Ownership and Mortgage Expansion (HOME) program was originally planned for three years 2015-2018 but was then extended for an additional 2.5 on the basis of positive results in the first three years. The program finished in December 2020. HOME leveraged USD 25.9 million in local private capital invested in activities such as owner-led microfinance products, developer-led housing infrastructure investments, and mortgage products in return for USD 2.9 million in incentives and technical assistance. This represents USD 9 leveraged for every USD 1 from the donor. HOME enabled several new developers to enter the market, production of six affordable housing developments, the first mortgage product to be offered in Haiti through a credit union and the establishment of a professional developers' association that will carry forward work in educating and engaging the private sector in affordable housing initiatives. All of the interventions strengthened the market system for affordable housing, enabling more low-income families to access safe and dignified housing over the last five years but also into the future. (Affordable Housing Institute, 2020) (World Council of Credit Unions, 2021) USAID's current housing and settlement strategy for Haiti emphasizes working with and leveraging markets and market actors, including both the private sector and government, to further increase and improve affordable housing over the next decade. (USAID, 2021)

There are emerging corporate donors targeting the affordable housing crisis in the United States. For example, in 2020 Apple allocated USD 400 million towards its USD 2.5 billion commitment to combat California's housing crisis. (Apple, 2020) There is merit in exploring whether there are corporations ready to commit funding for affordable housing programming in developing countries.

5.2. LEVERAGING

Working through markets provides the opportunity to leverage funds and resources from local market actors. This means that donor funding goes further and can accomplish more. Leveraging ratios in sectors such as agriculture and manufacturing are strong. While there is less experience in housing markets, experience to date shows that similarly strong ratios are possible. See the USAID example above.

Leveraging can occur in different ways and at different levels. When a program partners with a public or private market actor, the funding and technical support the program provides should be contingent upon investments, funding and/or resources from the partner for the joint objective of the partnership. These might include staff time and skills, investments in equipment and/or new processes and investment and/or working capital. If the partnership is successful, the partner can also be expected to invest additional resources into sustaining and expanding a new business model or way of working developed through the partnership. Several successful partnerships may encourage other private or public sector actors to copy new business models or behaviors. In this case, they invest their own resources to do so. Working through markets also means that consumers are investing their own resources to improve or access better housing.

Corporate social responsibility (CSR) is one way to leverage resources from companies, but it should not be the main focus. A firm's resources are typically concentrated on their core business rather than CSR. Therefore, programs are likely to leverage considerably more resources from private sector actors when a partnership addresses a business's core functions. Effective partnership development that ensures public and private market actors are committing their own resources to innovations not only leverages resources but also helps to ensure ownership and promote sustainability.

5.3. EMERGING SOURCES OF FINANCE

There are a number of emerging sources of finance for market-based work in housing, particularly impact investing and social venture capital. There is considerable interest among impact investors in housing finance. A few examples follow:

- The [CDC Group](#) invests in financial institutions that provide housing micro-finance.
- The [MicroBuild Fund](#) directs a USD100 million fund that supplies debt capital and technical expertise to help microfinance institutions increase the availability of housing loan products for their low-income customers. See Figure 3.
- [Caspian Impact Investment Advisers](#) is an India-based equity investor in financial inclusion, including in affordable housing finance.

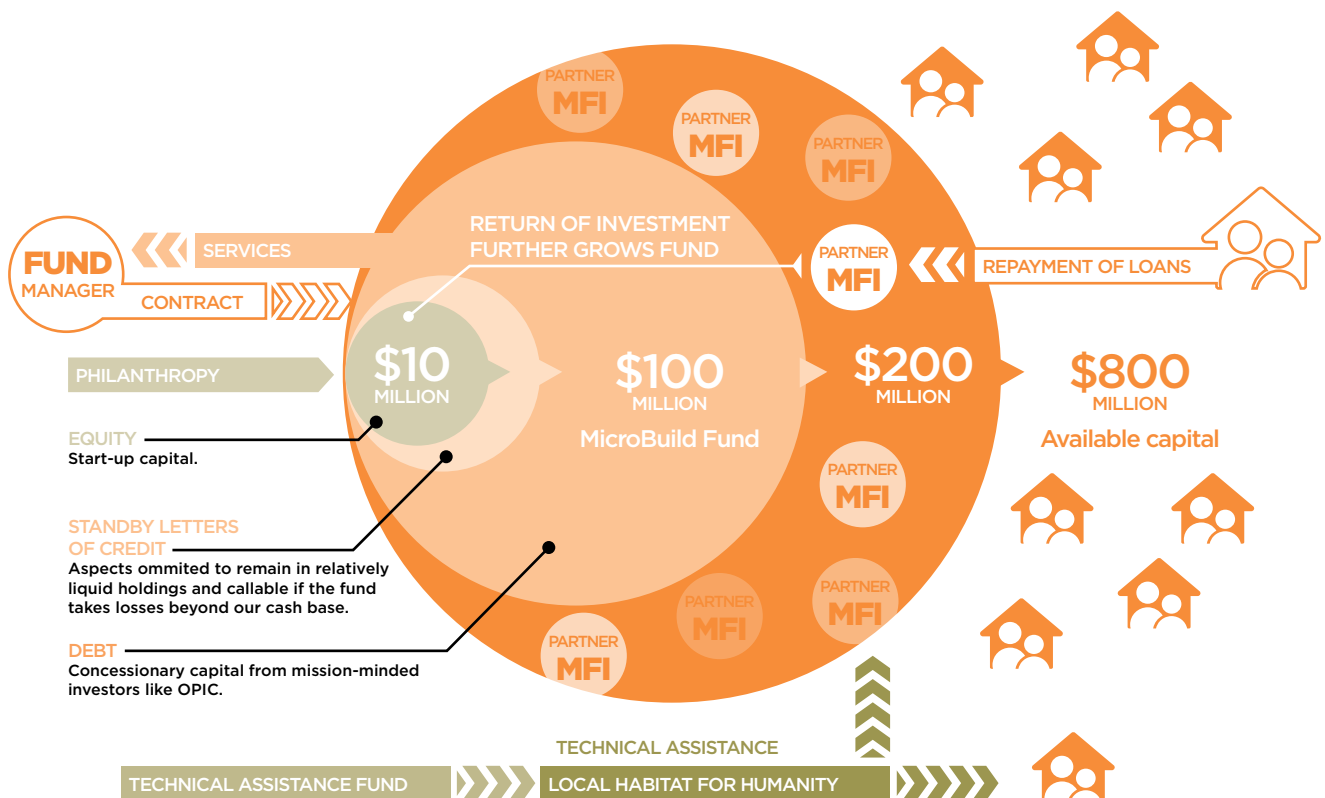


Figure 3: Mechanics of the MicroBuild Fund (adapted)

There is also growing interest in investing in affordable housing. These investments target companies who provide affordable housing or products and services associated with affordable housing. Two examples follow:

- The CDC Group invests in affordable housing through its [construction and real estate portfolio](#).
- Habitat for Humanity TCIS launched its [Shelter Venture Fund](#) in 2017 to invest in early stage companies with innovative housing products or services.

There are signs that investment in affordable housing is likely to expand. In Northern countries, opportunities to invest in affordable housing are increasing. For example, [VanCity](#) in Canada and [Integrity Housing](#) in the US offer opportunities to invest in affordable housing. [MarketWatch](#) in the US and the [Australian Housing and Urban Research Institute](#) have both written recent articles on impact investing in affordable housing. In addition, the global [Principles for Responsible Investment](#) included affordable housing in their guidelines in 2018. Also in 2018, [IIFL Asset Management](#) in India reported that Indian investors were “knocking on affordable housing door.” It can be expected that this trend will increasingly reach more developing markets.



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7. KEY RESOURCES

Listed below are reports, guidance notes, and websites, that we found especially relevant to working on housing market systems in different situations.

- Bear & Bekkers. (2018). In Search of the Sweet Spot in Implementing MSD Programmes: Why and How Embracing Messiness is the Key to Success. Market development Facility.** A case study that contrasts the assessment, strategy development and implementation experience of MDF in two different contexts. It provides realistic guidance on how programs can make sense of complex market systems and build effective and impactful intervention portfolios.
- Centre for Affordable Housing Finance in Africa . (2020). Housing Finance in Africa 2020 Yearbook. Johannesburg: CAHF.** Explanations of key trends in the housing market systems in African countries.
- Elmer, P. (2017). State of Investment in Affordable Housing. Habitat for Humanity, TCIS.** A review of current investments from impact investors in affordable housing.
- iDE. (n.d.). iDE's approach to sanitation marketing: principles and practices. Global Wash, iDE.** A report that elaborates iDE's 'three sweeps' strategy to introduce innovations in sanitation to different market segments, including the most poor and vulnerable.
- Mosel, I., & Levine, S. (2014). Remaking the case for linking relief, rehabilitation, and development. London: Humanitarian Policy Group, Overseas Development Institute.** A report that argues for the importance of the premise of one system undergoing different situations as the pre-requisite for developing effective strategies that balance emergency response and long-term resilience.
- Obrecht, A., & Bourne, S. (2018). Making Humanitarian Response More Flexible. ALNAP.** A report that argues for flexible design of humanitarian responses to make emergency programming more effective in delivering long-term, sustainable, and resilient outcomes.
- Shriver, J., Ferris, S., & Barthmaier, D. (2019). Value Chain Toolkit: Harnessing the Power of Markets to Drive Change. CRS.** An extensive guide on all steps of value chain development. While focused on individual value chains, many parts of the toolkit can be applicable for work in the housing market system.
- Turnbull, M. e. (2015). Extending Impact - Factors Influencing Household to Adopt Hazard-Resistant Construction Practices in Post-Disaster Settings. Baltimore: CRS.** A research report describing the factors that influence household behavior change related to resilient housing; the report shows the importance of norms, aspirations and perceptions to low-income consumers' housing choices.
- Voges, J., & Forcino, S. (2020). Examples of CRS private sector engagement, Private Sector Engagement Playbook. CRS.** An extensive guide on all steps of private sector engagement. Provides detailed guidance on intervention design and management.
- UNHCR and NRC. (2020). Multi-Sector Market Assessment Guidance and Toolkit. UNHCR.** A detailed guide on assessing multiple inter-connected core, support and ancillary markets in different situations.
- [Habitat for Humanity's Terwilliger Center for Innovation in Shelter \(TCIS\).](#) The virtual home for Habitat for Humanity's work in the housing market system.
- [The Global Impact Investing Network \(GIIN\).](#) A comprehensive repository of experiences and guidance relevant for impact investment and impact investors.
- [Donor Committee for Enterprise Development \(DCED\).](#) A knowledge portal on all aspects of private sector development.
- [BeamExchange.](#) A knowledge portal on the role of markets for poverty reduction.



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