

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Peru
▪ TC Name:	Strengthening of the incremental housing construction system for BoP in Peru
▪ TC Number:	PE-T1313
▪ Team Leader (TL)/Members:	Manuel Fernandini (OMJ/CPE), Team Leader; Daniel Granada (OMJ/OMJ)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Operational Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	BoP access to finance and assistance for the progressive construction for housing (PE-L1142)
▪ Reference to Request ¹ : (IDB docs #)	TBD
▪ Date of TC Abstract:	January 2014
▪ Beneficiary:	Habitat for Humanity, Office for Latin America and the Caribbean (HABITAT) Financiera Edyficar S.A. (EDYFICAR), Peru
▪ Executing Agency and contact name:	HABITAT Contact name: Mario Morán Product Development and Training Manager Housing Finance Department P: (506) 2296-8120 ext. 4043 M: (506) 8706-9757 E: mmoran@habitat.org
▪ IDB Funding Requested:	US\$150,000
▪ Local counterpart funding, if any:	US\$150,000
▪ Disbursement period:	18 months
▪ Required start date:	February 2014
▪ Types of consultants:	Firms
▪ Prepared by Unit:	OMJ
▪ Unit of Disbursement Responsibility:	OMJ
▪ Included in Country Strategy (y/n);	Y
▪ TC included in CPD (y/n):	Pending
▪ GCI-9 Sector Priority:	Contribution to creating better access to new or improved housing

II. Objective and Justification

2.1 The project's goal is to contribute to reducing the housing deficit in Peru. In order for that, this technical cooperation is aimed at strengthening the progressive construction system of housing for the base of the pyramid in Peru, where HABITAT, as an expert in this field, will foster the capacities and

¹ A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

collaboration among the key actors of this sector: Edyficar –the leading financial institution in the provision of funding for progressive construction in the country, the suppliers of inputs or hardware stores, and the self-employed construction foremen. In this sense, it is expected to generate synergies and benefit families in need of such construction and the sector as a whole.

- 2.2 The present technical cooperation builds on the results of the MIF project "Strengthening of the systems of microfinance of housing" (RG-M1132), where HABITAT advised EDYFICAR along with other financial institutions in Bolivia and Peru, to increase access to microfinance and construction services to low income families for home improvement. In this sense, the proposed TC seeks to take advantage on the results and lessons learned from the above-mentioned operation to leverage and generate synergies with the NSG loan transaction "BoP access to finance and assistance for progressive construction for housing (PE-L1142)", financed by OMJ to EDYFICAR in order to facilitate access to finance for incremental housing construction to more than 20,000 low-income families in Peru.
- 2.3 The business model promoted by HABITAT and implemented by EDYFICAR is based on the establishment of partnerships with hardware store networks and self-employed construction foremen at the national level, generating value for end clients not only by providing them with access to finance and good prices and terms of inputs, but also by providing access to advices for the progressive construction. In this sense, the technical assistance, which will be implemented along with the loan provision, will strengthen the capacities of the key actors in the described model and thereby deepen the synergies between them, contributing to greater impact on the end clients.
- 2.4 This operation is consistent with the eligibility criteria set out in the NSG operating guidelines (GN-2400-17) and the criteria of Opportunities for the Majority - OMJ (GN-2430-7). Also, the transaction is consistent with the Bank's strategy in Peru (GN-2668) which establishes social housing and urban development as a priority. It is also in line with the GCI-9.

III. Description of activities and outputs

- 3.1 In order to accomplish the objectives, the project will finance the following components:
 1. Capacity development for the families in need of progressive construction. The objective of this component is to raise the capacities of the families by facilitating access to information, basic knowledge and assistance on materials, techniques and good practices, as well as to access to basic services and paperwork for obtaining land titles. The activities to be funded are; (a) Development of the contents, (b) Design and printing of the material, (c) Accessibility to materials through the web, and (d) Training for advisors of EDYFICAR for the integral advisory services to the end client families.
 2. Training for construction foremen. The objective of this component is to develop the capacity of the construction foremen for the incremental housing construction, since the majority of those workers are not properly trained. The construction foremen are expected to play a role as a training channel for end clients in alliance with hardware stores, while they receive formal trainings from professional entities. The project will finance two activities; (a) Designing of training program, and (b) Implementation of training program.

3. Innovation of the financing technology for progressive construction. Contrary to the actual financial products offered by microfinance institutions which are based on partial credit, the objective of this component is to develop a line of financing for incremental housing construction, which offers an integral solution for the completion of their construction throughout the cycle: (a) Designing of financial products, (b) Product development in the information system, (c) Trial period and implementation in EDYFICAR, and (d) Training and Deployment of branches network.
 4. Knowledge management and diffusion. The objective of this component is to document the results of the project to facilitate the diffusion and the scaling of the program. The activities to be financed are; (a) Systematization of the results and reviewing of lessons learned, (b) Strategic design of scaling of the program, and (c) Final workshop for the diffusion of results.
 5. Monitor, evaluation, and audit. A final program evaluation will be carried out. The evaluation will include the analysis of the results and activities related to coordination of the project, external audit, and the input of miscellaneous expenses that the project could generate.
- 3.2 Expected products: (a) Component 1: Support materials for end client families in printed form or available on the web: documents and videos that will systematize the successful practices by identifying lessons learned and better practices, (b) Component 2: Training program to construction foremen, (c) Component 3: Line of financing for progressive construction, implemented in the information system of EDYFICAR, and (d) Component 4: Strategy of scalability of the elaborated program.
- 3.3 Expected results: (a) 10,000 families at the BoP with credit, (b) 1000 construction foremen with formal training, and (c) 500 construction foremen integrated in the model.

IV. Budget

- 4.1 The total budget of the project amounts to US\$ 300,000, of which the IDB provides US\$ 150,000. The details are included in the table below.

Indicative Budget

Activity/Component	Description	IDB US\$	Counterpart US\$	Total US\$
1.Capacity development to support end client families	- Development of the contents - Design of the material - Printing the material - Accessibility to the material through the web - Training for advisors of EDYFICAR	10,000	10,000	20,000
2.Introduction of the construction foremen to the business model	- Design of training program - Implementation of training program for construction foremen	40,000	40,000	80,000
3. Development of the integrated system for management of the financing for progressive construction	- Design of the financial product - Development of the product in the information system - Trial and implementation - Training and deployment to the agent	65,000	65,000	130,000

	network			
4.Management and diffusion of the knowledge	- Technical assistance for systematization of the results and review of lessons learned - Designing of strategy for scaling of the program - Final workshop of diffusion of results	10,000	10,000	20,000
5.Monitor, evaluation, and audit	- Project coordination - Project evaluation - Audit - Miscellaneous (2%)	25,000	25,000	50,000
TOTAL		150,000	150,000	300,000

V. Executing agency and execution structure

- 5.1 The project will be executed by HABITAT, an international, non-governmental, and non-profit organization, which was founded in 1976. HABITAT has been devoted to building "simple, decent, and affordable" housing. It provides training and promotes access to finance for the purchase of building materials and technical assistance for housing construction, under a system that allows families to become home owners through affordable payments. The international operational headquarters are located in Americus, Georgia with the administrative headquarters located in Atlanta. Their office for Latin America and the Caribbean is located in San Jose, Costa Rica.
- 5.2 For the execution of this project, HABITAT will have an executing unit led by its Product Development and Training Manager.

VI. Project Risks and issues

- 6.1 **Risk 1:** The project does not successfully capture the interests and commitment of construction foremen. **Mitigation:** In order to mitigate this risk, the project will include a rigorous selection process of the candidates, considering their profile, experiences, age, future projections, etc. Moreover, the project will provide short-term training courses on construction skills in order to identify the groups of workers interested in completing a certificate program.
- 6.2 **Risk 2:** The training of the construction foremen does not continue after the project cycle. **Mitigation:** The alliance with the hardware store network will allow the project to maintain effective and scalable to national level.

VII. Environmental and Social Classification

- 7.1 The social and environmental risks associated with the activities outlined in this operation are minimal. Based on the Environmental and Saveguards Policy B.13 and considering that this project is classified as Financial Intermediary, impact classification may not be feasible.