Hybrid Value Chains

International Conference
on
Social Entrepreneurship

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ASHOKA

Business

Barriers

- Inadequate product offering
- Lack of affordable and integrated solutions
- Limited access to financing
- Lack of access to complementary goods at scale (land, infrastructure)
- Inefficient and costly delivery of goods and services

Citizen Sector Organizations

Goals

- Access to markets
- Greater profitability

Assets

- Vital goods and services
- Ability to operate at scale
- Investment Capacity
- Operational Capacity
- Infrastructure and Logistics

Goals

- Improved products/services to communities
- Increased income streams

Assets

- Deep knowledge of communities and consumers
- Ability to aggregate demand
- Social Networks
- Behavior change capacity

Business

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Ashoka Hybrid Value Chain

- Enables collaborative entrepreneurship at a country and global level
- Identifies and engages partners providing complementary competencies
- Demonstrates how to deliver integrated solutions at scale
- Spread knowledge, learning and specific know-how emerging from HVC applications

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Business

Citizen Sector Organizations

Benefits

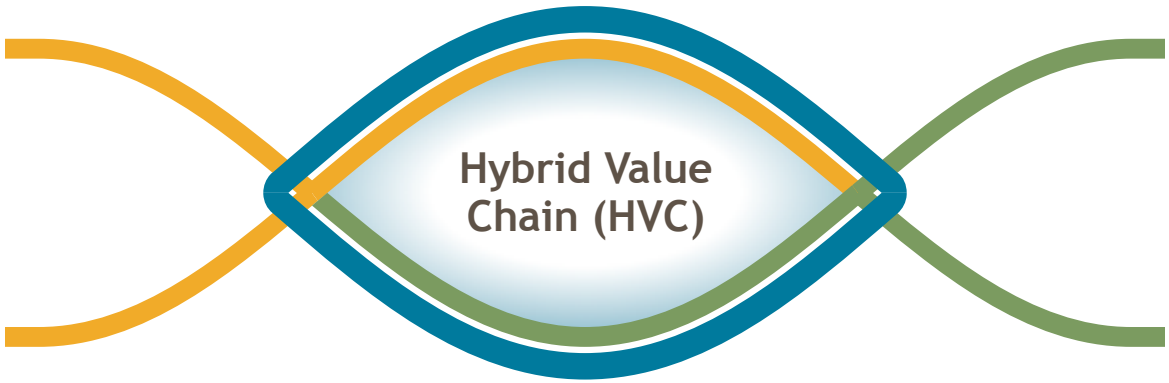
- Access to markets
- Greater profitability
- Goodwill in the community
- Innovation blowback
- First-mover advantages

Benefits

- Access to quality of life enhancing products and services at scale
- Increased livelihood opportunities at the community level
- Scaling up enabled through partnerships between companies and CSOs, local and national governments
- Market-based competition delivers quality services at lowest cost to empowered consumers

Benefits

- Improved products/services to communities
- Increased and more diverse revenue streams, greater sustainability
- Goodwill in the community



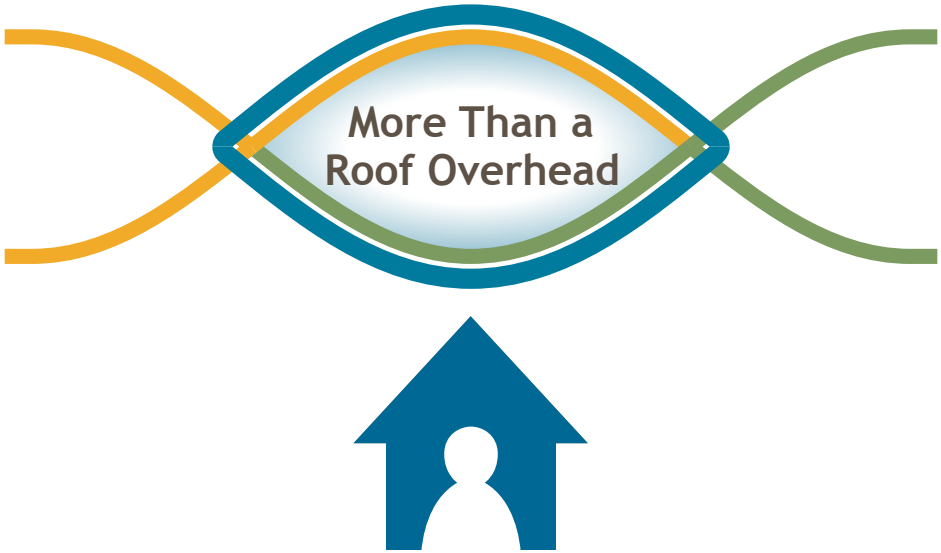
- Hybrid Value Chain is a new operating framework for transforming markets by leveraging the strengths of business and social actors

- Ashoka pursues HVC's to end the exclusion of two thirds of the world's population from global markets and to catalyze businesses, social and government actors that will create the enabling conditions for everyone to become a Full Economic Citizen

"Currently, one-sixth of the world's population — one billion people — live in urban slums in emerging countries. In addition, virtually all net growth of 2.6 billion in world population between now and 2050 is projected to occur in these cities. In effect, **relatively poor nations will need to build the equivalent of a city of more than one million people each week for the next 45 years**.

New market-based approaches to affordable housing are essential to reach the massive scale commensurate with this enormous demand. Modern corporations in the home-supply/building materials sector can create great value for households and capture a large share of these markets through forging "**hybrid affordable housing value chains.**" Successful affordable housing products package key inputs (e.g. technical assistance in design and construction, housing microcredit, quality building materials, financial planning etc.) to make the process shorter, less expensive, and more efficient. Typically however, corporations have little access to, understanding of, and trust of poor communities. Hence, corporations usually work best in these environments through partnering with local citizen-sector organizations."

— **Dr. Bruce W. Ferguson**, former Senior Housing and Urban Economist of the World Bank; Advisory Board of *Global Urban Development Magazine*, author of three books and 40 articles on housing and urban development in emerging countries and the US.



Health Implications

- Basic health considerations
- Safety
- Sanitation
- Clean water
- Secondary impacts on education and productivity

Livelihood Implications

- A place of work
- A productive asset that can be leveraged
- An appreciating asset

Social Implications

- A social symbol and source of dignity
- Point of connection to community and social fabric

A home is more than shelter.

Access to housing and better living conditions can transform the lives of individuals, families and communities.

The Market for Housing for All

- **The Need**
  - About 1.1 billion people are living in inadequate housing conditions in urban areas alone (United Nations Centre for Human Settlements)
  - An estimated 21 million new housing units are required each year, in developing countries, to accommodate growth in the number of households between 2000 and 2010.
  - 14 million additional units would be required each year for the next 20 years if the current housing deficit is to be replaced by 2020 (UNHCS)
- **Market size**
  - Total low income housing market is estimated at $331.8 billion, where low income populations are classified as those with incomes below $3000 in local purchasing power. (World Resources Institute)
  - Additional untapped US$ 9.3 trillion in estimated "dead capital" in informal housing, which could be leveraged

The Market for Housing for All

- **Key Market Constraints and Opportunities**
  - Lack of financing options.
    - Mortgage Financing as a share of Gross Domestic Product
      - Brazil – 2 %
      - India- 4 %
      - Colombia – 7 %
      - As opposed to 79.6% in the United States and 54% in Germany
  - Custom creation of technical solutions
  - Lack of collaborative efforts and hence, integrated and scalable solutions.

Hybrid Value Chain Actors and their Roles

Business

Housing for All

Citizen Sector Organizations

Housing Related Products

- Construction materials
- Tools

Builders and Technical Assistance

- Architects
- Builders
- Real Estate Developers

Finance

- Microloan products
- Mortgage products

Aggregators

- Aggregating pools of consumers
- Mobilizing sales forces
- Aggregating small producers of housing related products

Complementary Services

- Permits, documentation
- Screening
- Finance and loan products
- Financial literacy

Access Enablers

- Access to water/electricity
- Link to municipality

National Overview

Colombia

- Deficit of 1.3 Million Units corresponding to 12% of population
- 1.5 M homes needing upgrades (15% of population)

India

- Low Income Market size: US $62.1 Billion
- Deficit of 24.7 Million Units

Brazil

- Low Income Market size: US$ 10 Billion
- Deficit of 7.2 Million Units
- 10.5 M homes needing upgrades to meet minimum quality standards

Egypt

- Deficit of 3.7 Million Units of low income homes
- Estimated 20 M people leaving in homes needing upgrades

Home Improvements – *Colombia*

Business

ColCerámica S.A.
Empresa de la Organización Corona

Santafé

Finamérica

Citizen Sector Organizations

Kairos corporación

Aprodefa

Highlights

- Phase I, Since 2007–2009
  - Over US$ 11.7 million in sales with 28,000 housing solutions delivered profitably (ex. floors, kitchens and bathrooms)
  - More than 179 women earned average of US$230 month as sales promoters in 8 Colombian cities.
  - CSO's generated new sources of revenues and more than US$70,000 in funding for community projects.
- Phase II, 2009 to present
  - Completed Feasibility study on the creation of new home improvement financial entity (HIFE) with capacity to deliver at scale – over US$100mm – integrated financial and technical assistance solutions
  - Development of HIFE business plan in partnership with Affordable Housing Institute, with co-financing of Hilti Foundation and 3 local companies.
  - Ashoka leading creation of a national network of CSOs and a scalable system for delivering standardized home improvement solutions

Global Overview of Housing for All: Home Improvements

Opportunities

- In most developing countries, self-financed progressive housing represent 50% or more existing housing market.
- Tremendous opportunity cost of not participating negates impact in terms of higher #'s of families to be benefited as well as less disruption for them in terms of social networks and proximity to jobs
- Untapped existing low income asset base of over US$ 9.3 trillion- this "dead capital" is not leveraged or active in the market
- Significant impact and return for relatively small investments per household in the short and medium terms

Challenges

- Infrastructural impact is limited
- Achieving scale requires system innovations at multiple levels
- Striving towards quality and standardized solutions
- Achieving scale through standardizing Technical Assistance and upgrade kits

Home Improvements: Key Innovations and Successes

- Community based distribution model, resulting in consumers and sales force from the same community. Access to products and livelihood improving opportunities
- Creation of a consortium of diverse players who are committed to participate in HVC
- Greater competition, greater value

Business

New Homes – *India*

Citizen Sector Organizations

COMMUNITY HOUSING LIMITED

VINTRON Infrastructure & Projects Pvt. Ltd. asset management division

DBS

SANTOSH ASSOCIATES

Mahindra Finance

DHFL

GRUH FINANCE LIMITED

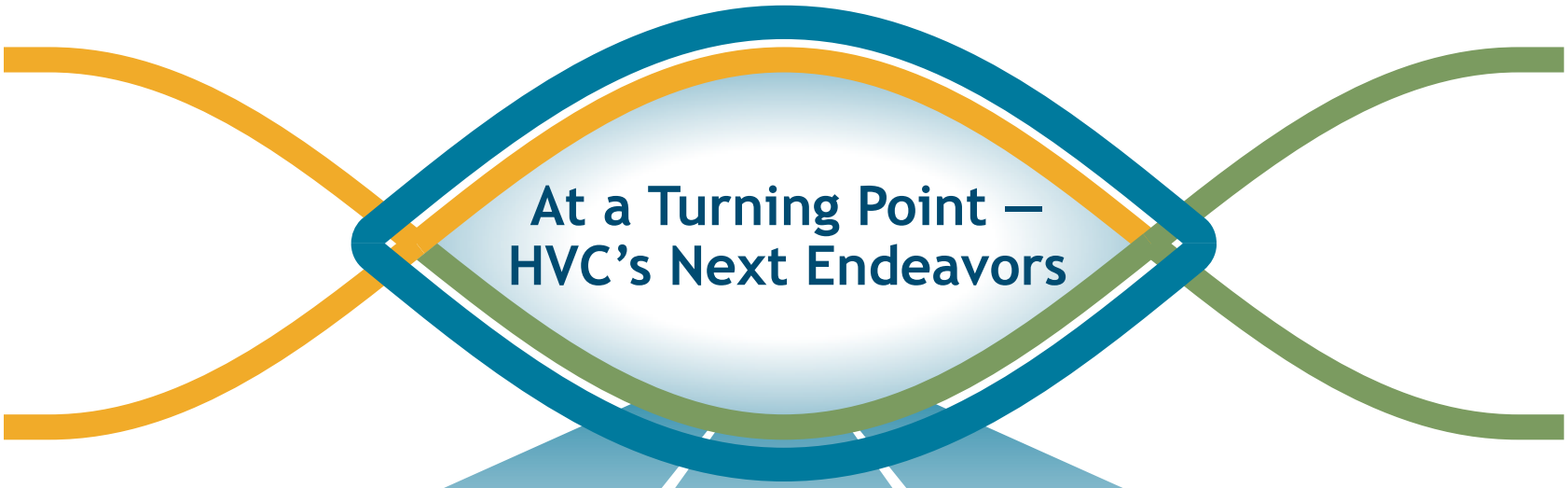
SEWA

SAATH

Highlights

- Pioneering a new way of working between mortgage financers, developers, CSOs and the community (informal sector)
- First project launched and fully sold within a week of launch
- Expansion across 5 cities in India
- 2200 new homes to be launched by August, 2010
- Online resource base for Housing sector stakeholders to be launched by End 2010

At a Turning Point — HVC's Next Endeavors



Knowledge and Spread

- Synthesize key insights about housing business models, barriers to growth and scale
- Communicate learning and best practices
- Engage thought leaders, practitioners and stakeholders as part of the solution

Collaborative Entrepreneurship

- Develop clear incentives for competition to trigger collaboration within each country program and beyond
- Refine model to focus on leveraged points of intervention with the highest potential to accelerate sector transformation (ex. policies, financing at increasingly larger scale)
- Think and act system change

Creating an Open Network

- Enable a core set of services to companies and CSOs so that HVC models can self-multiply
- Introduce web-based and social marketing tools to accelerate HVC mindshift and change negative perceptions
- Mobilize competitive and sustainable home financing at a global level

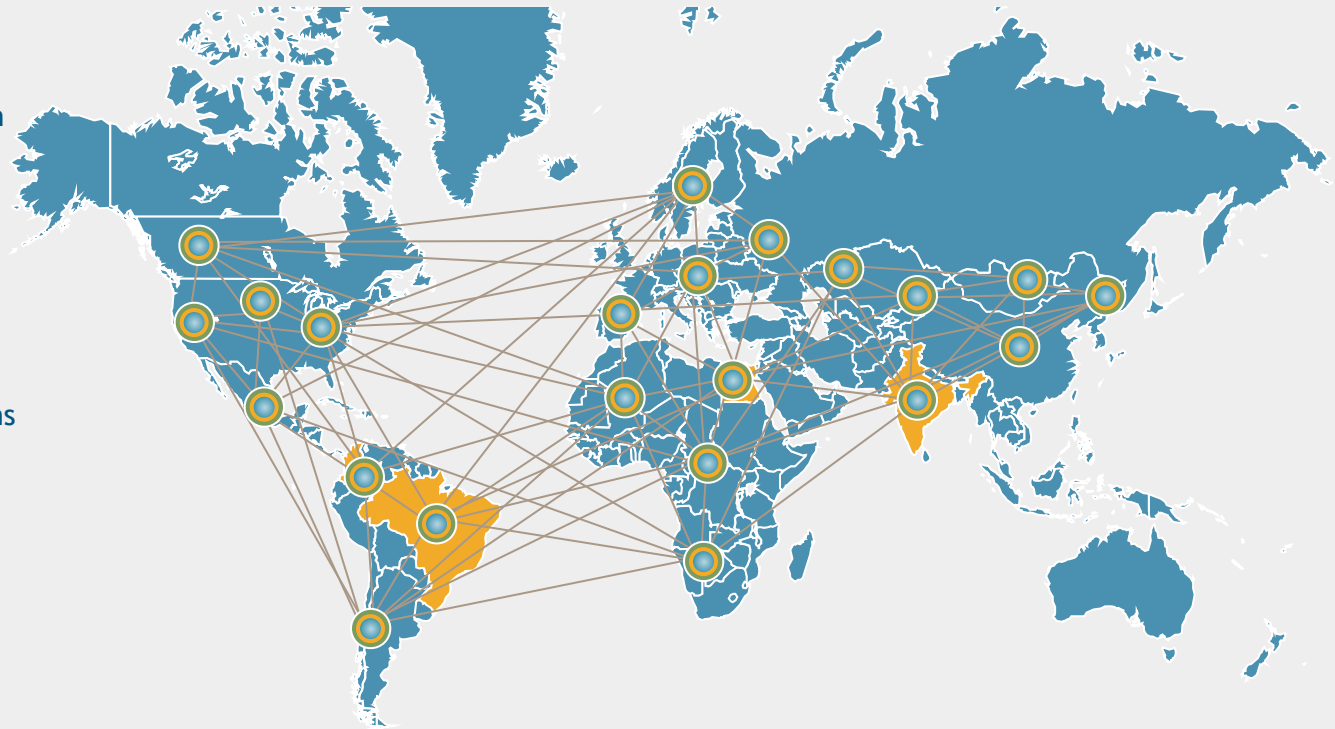
Achieving Global Scale

Key HVC Innovations

- Integrated, localized solutions
- Large commercial applications in low income markets
- Congruence of wealth creation and social value creation

Achieving Global Scale through an Open Network

- Catalyze entrepreneurship by building a global community of peers with the capacity to self-multiply HVC housing applications
- Foster a set of partnerships with key players internationally, combining North-South and South-South alliances
- Incentivize collaborations focused on the development of standardized and scalable solutions for both home improvement and new homes



Markets
for Good
Foster greater market growth
Foster greater economic citizenship
HOUSING FOR ALL INITIATIVE
ASHOKA