Our value proposition to Microfinance Institutions & their borrowers

François Perrot, head of Affordable Housing
May 25, 2016
Content of the presentation

What do we want to build? Affordable housing for LafargeHolcim

Why construction assistance matters

Best practices in the delivery of Construction Technical assistance
What we are building: a business initiative with social impacts

- **Our definition of Affordable Housing:** “*Housing for people who do not have access by usual financial ways to decent housing*”
  - Emerging countries: 4 billion people (‘Base of the pyramid’)
  - Developed countries: 150 million people without decent house conditions

- **Our objective:** building new markets for LafargeHolcim and improving housing conditions

- **A dedicated team at Corporate and local projects embedded within the local teams of LafargeHolcim subsidiaries**
THE AFFORDABLE HOUSING PROGRAM OF LAFAERGEHOLCIM

25 COUNTRIES WITH PROJECTS LAUNCHED OR IN DEVELOPMENT
Affordable Housing with LafargeHolcim in numbers

25 countries involved

Over 400,000 people impacted in 2015

More than 15,000 housing loans distributed through our partners in 2015

Contribution to LafargeHolcim of additional CHF 15m EBITDA
Affordable housing segments

MICROFINANCE

• **Customer need:** Indivual home builder’s access to finance
• **Our solution, based on our cement bags retailers network:** Providing access to credits & technical assistance (catalogues of house designs, bill of quantities, ...)

EARTH&CEMENT

• **Customer need:** alternative to burnt clay bricks
• **Our solution:** Mix of cement and soil to produce non burnt clay bricks, keeping aesthetic and thermal inertia of earth construction

SLUM REHABILITATION

• **Customer need:** looking for good waterproof solution
• **Our solution:** Bagged concrete supplied to small customers in informal settlements

MASS AFFORDABLE HOUSING

• **Customer need:** quality & speed of large scale projects
• **Our solution:** Lafarge works with developers to improve quality & speed of construction.
Our Housing Microfinance model, tailored to local conditions

Benefits for the MFI
- Introducing a customer needed and financially beneficial product
- Creating strong positive impact
- Product diversification
- New customers carefully selected

Benefits for the customer
- Access to top quality technical assistance in house design, construction process, ...
- Ability to generate new incomes
- Enjoying a more comfortable life

Benefits for LafargeHolcim
- Creating a new market
- Contributing to the social development of low income families

Over 15,000 households received construction assistance in 12 months
Our value proposition to Microfinance Institutions

- **Market assessment methods**
  - End-user surveys
  - Focus group meetings

- **Marketing campaigns to promote Housing Finance**
  - Promotion tools
  - Activation campaigns

- **Training of loan officers on housing**
  - Topics include construction practices, project assessment & safety

- **Access to funding & technical assistance**
  - Cooperation & refinancing agreements
  - Network of practitioners
Our value proposition to borrowers

Construction Technical assistance
- Project visit by Lafarge counselors
- Bills of quantities
- Plans

Catalogues of house designs
- Nigeria
- Indonesia

Access to building materials retailers
- Lafarge-led network
- Rebranded stores

Affordable construction materials
Content of the presentation

What do we want to build? Affordable housing for LafargeHolcim

Why construction assistance matters

Best practices in the delivery of Construction Technical assistance
Impact of construction technical assistance

Addressing structural assessment and if needed retrofitting

Key issue: columns for 1 storey ≠ columns for 2 storeys.

As seen in other low-cost projects

Non-Standard Column

Standard Column 350x350
Impact of construction technical assistance

Proper attention to slabbing

Key issue: thin/unsound floor slabs endanger safety and durability

Non-Standard Slab, below 100mm

Standard Slab, 100mm +
Content of the presentation

What do we want to build? Affordable housing for LafargeHolcim

Why construction assistance matters

Best practices in the delivery of Construction Technical assistance
Best practices in the delivery of construction technical assistance

Best practice # 1: Start with safety

Best practice # 2: Promote step-by-step construction

Best practice # 3: Application on tablet

Best practice # 4: Training of loan officers
Unsafe job sites are more expensive

A safe site
  = No accident
  = No delays
  = Less wastage of materials

And saving lives has no value

Major issues:
• Protection equipment
• Work at Heights
• Housekeeping
Question: is it a safe site?

Real example from Indonesia

Question: Is it a safe site?

- Helmets
- Shoes
- Housekeeping
Best practice #2: improving the construction project

What happens without construction assistance

- **The customer:** I want a loan to build a 100sq.m house right now, the same house as my neighbor

- **The loan officer:** I am sorry, you cannot afford a loan for a 100sq.m. house. Better you come when you have more revenues

- **The customer:** Ok … (thinking: I will do it on my own)
Best practice # 2: improving the construction project

Our solutions to build affordable houses

1. Promote step by step construction

Objective: modular houses, adapted to loan size / maturity and family income

2. Use new construction technologies

Ex: Soil stabilized bricks by Lafarge

- Gain of 25% from traditional construction method. High quality product
- Built to last: SSB bricks are stronger than burnt clay bricks

→ Using catalogues of house designs to promote affordable solutions and products
Best practice # 3: accelerating the loan processing

Fast processing of housing loans is key

• Customers highly value site visits
  BUT
• They want their loan application to be processed rapidly

⇒ New software on tablet
Best practice #3: accelerating the loan processing

Lafarge software available on Android
Best practice # 3: accelerating the loan processing

4 components

1. Catalog of house designs
2. Sketch preparation
3. Quotation
4. Client file processing
Best practice # 3: accelerating the loan processing

Step 1: showing examples to the customer
Best practice # 3: accelerating the loan processing

Step 2: preparing / adapting sketches
**Best practice # 3: accelerating the loan processing**

**Step 3: preparing the Bill of Quantities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>116,085.20 Dhs</td>
</tr>
<tr>
<td>Structural Work</td>
<td>116,085.20 Dhs</td>
</tr>
<tr>
<td>Foundations</td>
<td>38,907.66 Dhs</td>
</tr>
<tr>
<td>1st Floor</td>
<td>77,177.52 Dhs</td>
</tr>
<tr>
<td><strong>Surface</strong></td>
<td>20.00 m²</td>
</tr>
<tr>
<td><strong>Total for Surface</strong></td>
<td>64,314.60 Dhs</td>
</tr>
<tr>
<td><strong>Floor</strong></td>
<td>12,862.92 Dhs</td>
</tr>
<tr>
<td><strong>Total for Floor</strong></td>
<td>77,177.52 Dhs</td>
</tr>
</tbody>
</table>
## Example of Bill of Quantities

**Best practice # 3: accelerating the loan processing**

<table>
<thead>
<tr>
<th>Product</th>
<th>Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stone</td>
<td>2.60</td>
<td>m³</td>
<td>140.00 Dhs</td>
<td>364.00 Dhs</td>
</tr>
<tr>
<td>Cement CPJ 35</td>
<td>0.10</td>
<td>50KG Bag</td>
<td>65.00 Dhs</td>
<td>6.50 Dhs</td>
</tr>
<tr>
<td>Water</td>
<td>0.60</td>
<td>m³</td>
<td>10.00 Dhs</td>
<td>6.00 Dhs</td>
</tr>
<tr>
<td>Cement CPJ 45</td>
<td>20.80</td>
<td>50KG Bag</td>
<td>67.50 Dhs</td>
<td>1,404.00 Dhs</td>
</tr>
<tr>
<td>Welded Mesh</td>
<td>51.40</td>
<td>Kg</td>
<td>7.00 Dhs</td>
<td>359.80 Dhs</td>
</tr>
<tr>
<td>Sand</td>
<td>1.40</td>
<td>m³</td>
<td>330.00 Dhs</td>
<td>462.00 Dhs</td>
</tr>
<tr>
<td>Slab</td>
<td>200.00</td>
<td>U</td>
<td>7.00 Dhs</td>
<td>1,400.00 Dhs</td>
</tr>
<tr>
<td>Agglomerated</td>
<td>264.60</td>
<td>U</td>
<td>5.70 Dhs</td>
<td>1,508.22 Dhs</td>
</tr>
<tr>
<td>Flume</td>
<td>3.10</td>
<td>m³</td>
<td>40.00 Dhs</td>
<td>124.00 Dhs</td>
</tr>
<tr>
<td>Brick</td>
<td>441.00</td>
<td>U</td>
<td>2.00 Dhs</td>
<td>882.00 Dhs</td>
</tr>
</tbody>
</table>
Best practice # 3: accelerating the loan processing

Step 4: Preparing the client file

![New Client File](image)

- **Name**: JP Palau
- **Address**: 24 Brown Street
- **Phone**: 9789678678

**PROJECT INFORMATION**

- **Description**: Adding new floor
- **Quotation**: JPP Quotation (154,992.80 Dhs)

**MICRO FINANCE INFORMATION**

- **Micro Finance Institution**: HSBC
- **Branch Name**: 

© LafargeHolcim 2015
Best practice # 3: accelerating the loan processing

Step 4: Comprehensive client file
Best practice # 3: accelerating the loan processing

Step 5: PDF sent to loan officer by email
Housing loans require specific competences

For the promotion

- Understanding construction projects & basics
- Promotion the housing product
- Explaining the benefits, compared to consumption loans

For the processing

- New Standard Operating Procedures
- Training the front and back office
- Impact on the IT system (vouchers, money transfer)
Contacts – Corporate Affordable Housing team

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Corporate website :
www.lafargeholcim.com/affordable-housing

Join our collaborative platform
www.affordablehousinghub.com
Workshop on Housing Microfinance – Concepts, Practices, Examples
Imagine you are a small entrepreneur in Timor Leste and in need of a loan to pay for an extension of your house. Which institution would you approach?

- A bank
- A MFI
- Loan shark
- Friends
- Relative

Which type of institution will you approach when you are in need of housing loan?
Impressions from Timor Leste
Would you enter the housing finance market in Timor Leste (MFI’s perspective)?

Some facts:

• Timor Leste - young nation of 1.2m citizens
• 40 – 50% of population live below poverty line
• Housing demand drivers:
  • Growing population (3 - 5% per year)
  • Rising urbanization
  • Young population
• Insufficient housing conditions
• Weak land administration systems and construction sector
• At present, no HMF product offered
Why should I enter into the housing microfinance business?

• Clients ask for it
• Fits well into mission of microfinance
• Housing is a basic human need
• Client retention
• Attract new clients
• Risk diversification
• Cross selling
• Institutional development

Many MFIs hesitate – why?
Global trends in microfinance industry: increasing interest in product diversification, housing microfinance considered one option?

• Relatively recent development in formal microfinance (developed in Peru, Bolivia)
• Reaction to inaccessibility to (formal) mortgage finance
• Need to retain microfinance clients
• Designed for home improvement and incremental housing rather than home acquisition
• HMF Products largely offered by MFI and NGOs but commercial banks are getting interested

Source: Linkedin.com
Housing microfinance - a market opportunity?

- Two-thirds of the world’s emerging market population live in substandard shelter
- Rising demand for housing due to growing populations and increasing urbanization
- 70% of the world’s population access shelter through “progressive housing” (Ferguson. 2003)
- BOP ("base of the pyramid") spends more than USD 330 billion annually on housing (WRI 2007)
- Investment potential in BOP housing sector over next 10 years: USD 214 - 786 billion or up over 4 times microfinance (JP Morgan 2010)
- Over 20% of microenterprise loans commonly are used for housing
Principles of HMF lending – an appropriate answer to challenges in the sector?

- Incremental construction or improvement
- Proof of house/land ownership
- Borrower contribution to project cost
- Provision of construction technical assistance
- Disbursement in tranches
- Loan terms longer than business loans
- Promotion of savings

Source: Roy

Incremental construction - Madagascar

Source: IFC
Can I make money with it?
Example Afghanistan – introducing housing products under volatile conditions

Major challenges:
• Highly volatile environment and weak legal and regulatory framework
• Skills shortages
• Weak governance structure
• 80% of population in Kabul live in informal settlements
• Limited access to credit
First Micro Finance Bank Afghanistan’s HF portfolio accounts for 17% of total lending activities ($65.5m) in 2013.
Takeaways

• Growing demand for housing finance creates unrivalled opportunity for lenders to tap into this market

• Housing finance operations could contribute to profitability and sustainability of lenders

• The key is the right product and right strategy to achieve sustainable and profitable operations
  • Understand the difference between needs, preferences and capacities
  • Clear market segmentation

Source: lifehealthpro.com
Housing demand in India

◊ UN Habitat estimates indicate that there is a need for 2 million new homes every year in India and a total of 40 million homes that need to be improved to provide safe, sanitary and permanent housing. However, the greatest need is faced by those households that are informally employed and informally housed.

◊ On several occasions, Microfinance Institutions portfolio witnessed a major part of loan getting utilised for home improvement/home construction.

◊ Inhabitants of informal settlement, especially women and children are at range of wider socio-economic risks. Therefore giving women the ownership rights secures their future.

(last budget speech by Honourable FM. Shri. Arun Jaitley)
Affordability Index across World

The higher the Index, more likely for the population to Afford a property

http://www.numbeo.com/property-investment/rankings.jsp
Understand the informality of Land Tenure

1. **What is a Land tenure?**
   
   It refers to the way in which land is held by an individual from the Government. It could be Free Hold, Registered Lease or Licensed to live.

2. **How a person residing on it looks at it?**
   
   She owns the land- stayed there since decades. Purchased with chain of land/property documents. Have possession slip in the name of parents/in-laws

3. **How Lending Institutions, dealing with formal income look at land tenure?**
   
   Registered Sale Deed/ Title Deed, whose information can be traced from the Government Records. Since Indian Law requires complete registration of sale of land/property.

4. **How SEWA Grih Rin Ltd looks at it?** *(points below are few of the many conditions and not necessarily mandatory)*
   
   - Women having long associations with SEWA, with good record/client history
   - Women residing in an area, having a Possession slip and the plot is not cancelled
   - Some surety on associating the current address where the client is living-like electricity bill, water bill, property tax receipt.
Our proud customer

Bandana is one of our first customers who lives in Savdaghehra resettlement colony. Savdaghehra lies on outskirts of west Delhi. She was relocated from Laxminagar area (east Delhi) in year 2006, as part of the Slum free City program. She had migrated from West Bengal since 25 years in search of a promising new life in Delhi. However, life was not fair as expected, and she and her husband Anand had to save for years to construct their house. Finally the house that they made was basic to the core and the dream house still needed extension and finishing. She was not interested to approach any Local money lender since the interest rates were 5% per month. One day she heard about SGRL, and immediately enrolled for the loan program since she liked the door step service, ease of documentation and lower interest rates.
Committed to creating positive social impact

Approximately 1500 lives impacted

**Impact-1**
First Lender for Housing Loans
Has been the first lender of housing loan to all their customers, providing them finance to build their first pakka house.

**Impact-2**
Induction into the financial services fold
Through its innovative use of alternative collateral documents/progressive tenure documents; has brought many people into the financial services fold who were denied housing loans for lack of clear title to property.

**Impact-3**
Women Empowerment
SGRL offers loans primarily to women to create a tangible asset in their name, thereby empowering them by enhancing their social status.

**Impact-4**
Addressing the basic need of housing
SGRL is committed to fulfilling the basic need of housing and hygiene and enabling people in urban and peri-urban India to lead a dignified life.
Innovative business model mitigating the risks relating to operating in this segment

- Sourcing and collections customers directly by Loan officers
- Sourcing through SEWA Network

High cost of customer acquisition and collections

- Disbursements in tranches to ensure end use of funds
- Loans of smaller ticket size to cater to needs of the EWS based on their income visibility
- Regular customer visits and checks

Difficulty in assessing creditworthiness of borrowers

- Thorough Reference checks
- Credit Bureau checks
- Unique Credit Policy

Loan funds utilized for other than housing purposes

- Para legal title to establish ownership
- Alternate collateral document

Absence of clear title to land/property

Risk related to operating in the low income group

Risk mitigation strategies adopted by SGRL

SGRL has developed a well thought out operating model, while maintaining the critical credit evaluation and credit servicing process, hence maintaining the strong connect with its customers.
Our operations and future plans

Statewise housing needs in year 2022

<table>
<thead>
<tr>
<th>State</th>
<th>Rural (ml)</th>
<th>Urban (ml)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi</td>
<td>0.3</td>
<td>3</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>2.1</td>
<td>4.5</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>2.2</td>
<td>5.1</td>
</tr>
<tr>
<td>Bihar</td>
<td>1.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>1.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>1.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Odisha</td>
<td>0.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>1.4</td>
<td>2.9</td>
</tr>
<tr>
<td>North Eastern States</td>
<td>1.4</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>14.6</td>
</tr>
</tbody>
</table>

Urban Housing Demand by year 2022 is 23 million for the target states of SGRL.
SGRL Portfolio

Loan Portfolio: 5.77 Cr
Borrowers: 301
Average ticket size: INR 0.1 million - INR 0.8 million
Average loan tenure: 3 years to 15 years
Interest rate: 18% on decreasing balance
Operations: Delhi, Rajasthan, MP
Documentation: Photo id proof, Address proof, Title documents with progressive land tenure
Service: Door step service
Geological spread: Urban India, Tier-I and Tier-II

Share holders of SGR

- AHI Capital Gateway Inc: 17%
- Acumen Fund Inc: 13%
- SEWA Mutual Benefit Trust: 22%
- HUDCO: 13%
- National Housing Bank: 7%
- HDFC Holding Ltd: 11%
- Sarva Capital LLC: 9%
- Axis Bank: 8%
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HOUSING MICROFINANCE

EXPERIENCE OF KYRGYZSTAN

Victor Mints
Housing Finance Specialist

May 24, 2016, Washington DC
Home improvement / extension lending in Kyrgyzstanz

215 – Microfinance institutions (MFI) active in Kyrgyzstanz.

405 thousand active clients (about 30% of households).

Up to 50% of MFIs loans are used for housing purposes

Housing Microfinance (HMF) lending introduced in 2013

Specially designed to serve housing improvement / extension needs of poor people.
Making HMF the best option to finance home improvements / extensions.

**Financial Costs**
- Reduction of Financing Cost – Interest rate cut

**Technical costs**
- Engineering costs
- Materials costs
- Labor costs

- Subsidy required
- Unsustainable
- Risk of misuse of funds
Methods to reduce Technical costs under HMF

- **Engineering costs**
  - Advice on selection of technology, prepare list of materials, cost estimate, etc.
  - Predevelop advice for the most demanded improvements
  - Software tools, electronic calculators

- **Materials costs**
  - Discounts on construction materials
  - Agreements with materials' suppliers: MFI directs HMF borrowers to them in exchange for the discounts.
  - Leaflets, videos, standard drawings, comics books

- **Labor costs**
  - Educate borrowers on how to conduct works on do-it-yourself basis
### Erection of walls of the building

<table>
<thead>
<tr>
<th>Wall material</th>
<th>Material</th>
<th>Length, m</th>
<th>Width, sm</th>
<th>Height, sm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Burned brick</td>
<td>25</td>
<td>12</td>
<td>6.5</td>
</tr>
</tbody>
</table>

### Windows

<table>
<thead>
<tr>
<th>Window of the first type</th>
<th>Window of the second type</th>
<th>Window of the third type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material of the window lintel</td>
<td>Concrete</td>
<td>Concrete</td>
</tr>
<tr>
<td>Quantity</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Height, sm</td>
<td>150</td>
<td>14b</td>
</tr>
<tr>
<td>Width, sm</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
</table>

### Exterior wall

- **2 brick**
  - Material: Concrete
  - Thickness, sm: 51
  - Length, m: 30
  - Height, m: 3

### Interior load bearing wall

- **1.5 brick**
  - Material: Concrete
  - Thickness, sm: 38
  - Length, m: 8
  - Height, m: 3

### Interior wall - (partition)

- **0.5 brick**
  - Material: Concrete
  - Thickness, sm: 12
  - Length, m: 10
  - Height, m: 3

### Seismic elements

- **Seismic ring beam**
  - Length, m: 38
  - Width, sm: 25
  - Height, sm: 20

- **Lintels**
  - Thickness, sm: 13
  - Width, sm: 25
  - Quantity: 12

- **Reinforced concrete columns**
  - Number of joints between partitions and bearing walls: 0

- **Partition to bearing wall connection**

### Diagrams

- 3D model of the building with walls and doors highlighted.
- Close-up of a wall section showing materials and dimensions.
## Materials unit of measure

<table>
<thead>
<tr>
<th>#</th>
<th>Materials</th>
<th>unit of measure</th>
<th>quantity</th>
<th>unit cost in Som</th>
<th>total cost in Som</th>
<th>Supplier of materials*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>nails</td>
<td>kg</td>
<td>10.4</td>
<td>55.2</td>
<td>574</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>2</td>
<td>Edged board (Russia): dealsection 100*100</td>
<td>cu.m</td>
<td>0.22</td>
<td>13800</td>
<td>3036</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>3</td>
<td>Edged board (Russia): dealsection 50*150 (beams and diagonals )</td>
<td>cu.m</td>
<td>0.84</td>
<td>13800</td>
<td>11592</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>4</td>
<td>Edged board (Russia): dealsection 50*150 (posts)</td>
<td>cu.m</td>
<td>0.93</td>
<td>13800</td>
<td>12834</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>5</td>
<td>Edged board (Russia): dealsection 50*100 (pillars, joists, crippling)</td>
<td>cu.m</td>
<td>0.3</td>
<td>13800</td>
<td>4140</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>6</td>
<td>wire 4 mm</td>
<td>kg</td>
<td>5.44</td>
<td>69</td>
<td>375</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>7</td>
<td>metal strip for beams and rafters</td>
<td>m</td>
<td>14.26</td>
<td>52.44</td>
<td>748</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>8</td>
<td>metal anchor 12 mm length 10 cm</td>
<td>pcs</td>
<td>22</td>
<td>13.8</td>
<td>304</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>9</td>
<td>waterproof material ( roofing felt, tar felt etc.)</td>
<td>m</td>
<td>6.48</td>
<td>32.2</td>
<td>209</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>10</td>
<td>anchor bolt for wallplate 200 mm</td>
<td>pcs</td>
<td>14</td>
<td>41.4</td>
<td>580</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>11</td>
<td>Deal timber cross section 5 x 5 (Russia)</td>
<td>m</td>
<td>359.42</td>
<td>36.8</td>
<td>13227</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>12</td>
<td>square ridge</td>
<td>m</td>
<td>11.23</td>
<td>101.2</td>
<td>1136</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>13</td>
<td>roofing self-threading - 35 mm</td>
<td>pcs</td>
<td>789</td>
<td>2.76</td>
<td>2178</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>14</td>
<td>barge board flashing</td>
<td>m</td>
<td>22.95</td>
<td>138</td>
<td>3167</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>15</td>
<td>Galvanized metal tile thickness 0.5 (Russia )</td>
<td>sqm</td>
<td>125.37</td>
<td>303.6</td>
<td>38062</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>16</td>
<td>OSB (Oriented Strand Board) thickness 8</td>
<td>sqm</td>
<td>42.5</td>
<td>216.2</td>
<td>9188</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>17</td>
<td>tapping screw 30 mm</td>
<td>kg</td>
<td>2.55</td>
<td>165.6</td>
<td>422</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>18</td>
<td>self-threading - 70 mm</td>
<td>pcs</td>
<td>137</td>
<td>4.14</td>
<td>567</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>19</td>
<td>Foam plastic PAU 15 thickness 5 cm Number of layers 2</td>
<td>m2</td>
<td>125.4</td>
<td>161</td>
<td>20189</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>20</td>
<td>Edged boards 20 mm rough ceiling deck</td>
<td>cu.m</td>
<td>1.34</td>
<td>13800</td>
<td>18492</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>21</td>
<td>Strips 3*4</td>
<td>m</td>
<td>176</td>
<td>23.46</td>
<td>4129</td>
<td>StroyArsenal</td>
</tr>
<tr>
<td>22</td>
<td>Plastic dowel/anchor with plastic rod 12-long for thermal insulation</td>
<td>pcs</td>
<td>125</td>
<td>9</td>
<td>1125</td>
<td>Market Price</td>
</tr>
</tbody>
</table>

Total cost of materials 146 275
CONSTRUCTION MATERIALS’ costs reduction

Basics of the agreement:

- HMF borrower is RECOMMENDED to purchase materials from selected supplier but is allowed to choose another one.
- Supplier will benefit from the inflow of clients only if his materials are really of good quality and have discount for HMF borrowers.
- Supplier does not pay any commission to the lender.

Win-win situation

FI:
Growth of lending volumes

Supplier:
Inflow of clients increased

Borrower:
Cost of materials reduced
LABOR costs reduction

Video or comics type instructions outlining in details the whole procedure of the work.
Key specifics of HMF project in Kyrgyzstan

• The same funding source for HMF as for Microfinance loans – the same terms of loans.

• HMF loans demanded because borrowers value ability save on technical costs.

### Advantages
- No need for subsidized funding
- No control over target use of funds
- No need for engineers

### Disadvantages
- Up-front costs for developing HMF tools and for training of credit officers.
THANK YOU!

VICTOR MINTS, VMINTS@IFC.ORG