

Dec. 21, 2017

Can we adapt market systems strategies for housing?



Scott Merrill



Sheldon Yoder

All blogs

A market systems approach to improve the efficiency and effectiveness of markets to respond to global incremental building needs.

“Why are you here - I thought you just build homes?”

Because Habitat for Humanity’s name is synonymous with volunteers building homes, we are asked this question often at market systems events, most recently at this year’s [SEEP conference](#). But Habitat’s [Terwilliger Center for Innovation in Shelter](#) is a rare actor in the affordable housing space because we take a market systems approach to improve the efficiency and effectiveness of markets to respond to the incremental building needs of the 1.6 billion individuals globally who live in substandard housing, a number that could grow to 3 billion by 2030.

Our markets programming, initially focused on [access to housing finance](#), has advanced in fits and starts as we’ve adapted existing guidance and practices in market systems development, originally designed to promote economic growth, to housing. Following are some of the lessons we have learned on how a market systems approach to housing differs from programming focused on increasing income.

Focus on achieving multiple outcomes simultaneously

While we knew we wanted to expand access to adequate housing, for a house to be adequate it needs to be accompanied by a certain level of tenure security, be affordable, appropriately designed, and durable. It also must have reliable access to water, sanitation, and energy.

Each of these are potential outcomes. While most “traditional” market systems programmes focus on a singular outcome (like increased income or access to safe water), we determined that we’d need to target multiple outcomes.

Focusing on only one outcome is a recipe for minimal impact.

Adopt a portfolio strategy

In the early years, we sought to improve households’ access to formal financing. But we also recognised that this is a partial answer.

In many cases, families lack access to a range of other services and products, such as design advice, qualified contractors, and durable materials.

Livelihoods programmes sometimes practice a portfolio approach, intervening in multiple sectors, to reduce implementation risk and maximize impact. Because we are working towards multiple outcomes and because housing is composed of many individual products and services, a portfolio approach is required.

For example, in India, we are starting with an initial focus on the value chains for roofing, waterproofing, and manufactured sand, but anticipate expanding this list.

Highlight the enabling environment

Many of the biggest levers for change reside in the housing enabling environment, especially policies and social norms.

For example, 81 per cent of housing price increases globally are explained by land costs, and these are often driven by policy decisions.

As an example of social norms, the house, as a family’s biggest asset, communicates their wealth and status. Because of this, most families aspire only to expensive concrete block construction, despite availability of cheaper and similarly durable materials.

We are attempting to address both these formal and informal enabling environments in our programmes.

Shift focus from producers to consumers

The bulk of existing guidance views the producer as the target group for a market systems programme.

In contrast, a housing programme (like other basic services' programmes) seeks to benefit the consumer. This means that, for example, where a livelihoods programme may focus on masons to improve incomes, we work with masons to improve the services they offer to households. The extra income they earn is an indication of the sustainability of the services they offer to households but is not our primary objective.

Begin with consumer research

Our early market systems analyses often began by interviewing firms within the wider housing system and treated consumers as a small part of the analysis.

These early attempts taught us that if we didn't start with detailed consumer research, our programme staff would not have the clarity necessary to prioritise systemic constraints nor value chains for more detailed analysis.

For livelihoods programmes, initial research is often narrowly focused on which value chain incorporates the largest number of potential beneficiary producers and presents the best opportunity for income growth. Detailed analysis of the end markets typically takes place following selection.

In contrast, housing market systems programmes must juggle many more considerations (such as prevalent housing types, consumers aspirations, current construction practices and defects, affordability analysis, and more) prior to selecting which housing-related value chains to prioritise.

Do not focus on the poorest

For housing, a family requires ownership of some assets, at minimum occupancy rights to the land. This reduces our ability to focus on the poorest of the poor as potential programme beneficiaries.

Strengthening markets to improve progressive housing often doesn't reach the poorest, and we shouldn't try to force it. There may be other approaches that reach this segment more effectively, for example by intervening in rental markets, and we are looking to explore this in the future.

Consider all barriers to affordability

Affordability is always the primary issue in early conversations with firms, who often tell us: "The biggest problem is that the base of the pyramid simply can't afford our products!"

Our team must show them that while purchasing power does often exclude the poorest, some segments are excluded for reasons beyond sticker price.

Consumer knowledge, norms and preferences, physical access, appropriate marketing and messaging, product design, and financing are all barriers that when addressed can meaningfully improve access without requiring a change in purchasing power.

Market systems programmes focused on income generation can more easily target lower-income segments by improving their purchasing power. Housing programmes, however, do not directly address purchasing power and the required investment by the household is an order of magnitude greater than the investment needed to improve a maize crop or expand basket-making facilities.

Focus on urban households

The greatest concentration of inadequate housing is found in urban areas, so our programmes have focused almost exclusively on this setting.

This contrasts with livelihoods programmes, which are typically concentrated on rural areas. Working in urban areas brings with it some unique challenges, particularly around access to land and land tenure, the importance of rental housing, higher costs of living, and proximity of nearby markets (for food, work, etc.). These areas may also boast a higher population of skilled labourers but less information on their reliability and quality. We have also found that shelter in the city is often just a house - the “home” is in the village of origin and is the priority for investment.

Since our efforts to strengthen non-financial housing market systems began in earnest last year, the Terwilliger Center has partnered with 20 housing supply firms and is set to double that number over the next two years in the Philippines, India, Kenya, Uganda, Liberia, Macedonia, Mexico, and Peru.

We are also pursuing strategies to enhance or change consumer behaviour and to improve building codes or local housing policies to better incorporate the needs of low-income households. And we are exploring a range of issues, including resilience in disaster-prone regions through preparedness and response, as well as development of more specialised market systems for rental and labour markets.

Our ambition is to reach at least one million individuals globally by 2020. It's a big goal, but it's a necessary one if we wish to make meaningful strides toward impacting the more than 1.6 billion individuals who live in inadequate housing today.

To keep up to date with our work, or if you have any questions for us, or just want to share your ideas, visit www.habitat.org/tcis or send us an email at tcis@habitat.org. We'd love to hear from you!

Printed from <https://beamexchange.org/community/blogs/2017/12/21/market-systems-strategies-housing/> on 04/19/2024 at 18:17