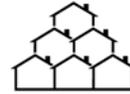


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Brief Description of AHI's ecosystem/ value-chain approach

To assess a country's housing market, AHI has developed a practical, rigorous, and comprehensive tool to understanding a country's housing environment, which we call the Housing Ecosystem approach. Going beyond a classic market study, the Housing Ecosystem approach includes a detailed mapping of current stakeholders on both the supply- and demand-side value chains, identifying both current and potential roles within the ecosystem. This framework naturally leads to the development of possible interventions and affordable housing solutions.

We apply the biological concept of ecosystem – everything interacting with everything else, and the environment arising out of the totality of those interactions – to the economic and housing markets, using the same principles. The goal is a holistic but granular understanding of a country or city's housing ecosystem and the ways in which that ecosystem is enabling or disabling the production of affordable housing. This tool enables us to map out the overall housing development processes, identify and work with key stakeholders in both the public and private sectors, identify systemic gaps or blockages, and easily compare across countries and housing environments.

Applying ecosystemic thinking to housing entails organizing information on the housing sector along supply- and demand-side value chains. A successful housing market is treated as the outcome arising when two value chains operate effectively, replicably, and at scale:

- **The supply side**, meaning the production of physical homes that people want to live in – a culmination of the following steps along its value chain:
 1. Land: to identify, acquire and prepare land for physical development.
 2. Trunk infrastructure: to connect site to trunk infrastructure.
 3. Site layout: to plan location and program of site components.
 4. Design: to configure and design project – units, buildings, landscape.
 5. Risk assumption: to absorb potential risks and commit funds to project. (Includes development finance, public-private partnerships, capital markets, etc.)
 6. Construction: to construct project.
 7. Offtake: to occupy, sell, or allocate housing units.
 8. Management: to run facilities, management and operations, and maintain occupancy.

- **The demand side**, representing people's ability to borrow money to finance purchase of a home. This value chain is comprised of:
 1. Eligibility: to identify target market and determine who is eligible to receive housing product.
 2. Application: to market potential applicants and solicit applications.
 3. Subsidy: to secure commitment for subsidy.

4. Credit underwriting: to perform due diligence and select applicants.
5. Loan closing: to execute all legal documents.
6. Funding: to source additional loan funds.
7. Loan servicing: to collect payment of principal and interest from borrowers.
8. Enforcement: to mitigate risk of default, to mitigate loss if default occurs, and to recover losses if default occurs.

Finance is inherent in the demand side because housing is a typical household's most expensive asset and one of the few assets which is priced at levels equal to several years' income of the occupant family anywhere in the world.

The model has proven immensely effective at:

- Capturing all the data that can possibly be obtained, and organizing it systematically.
- Identifying weak or missing links in either value chain.
- Analyzing why those links work poorly, and where the 'market failure' may be.
- Diagnosing what changes would enable the market to function sustainably.
- Recommending 'maxi-min' solutions (maximum impact for minimum intervention cost).

This can then lead into the development of a Housing Sector Roadmap, complete with a policy document and implementation plan, that is action oriented, big picture down to granular steps, and readily comprehensible by many levels of stakeholders, including those who are not expert in developing or financing housing but who deeply care about its value and quality.

The approach has proved its worth and value in Nigeria, Ethiopia, Cameroon, Vietnam, Mongolia, Indonesia, Abu Dhabi, and Haiti, among other places. With this approach, AHI has successfully taken stock of the housing sector and its stakeholders in a number of countries, designed affordable housing strategies and programs, and fostered public-private partnerships to leverage resources and capacity for expanded affordable housing delivery. The ecosystem approach lays the foundation for AHI to design and implement new paradigm solutions for urgent affordable housing and urban development challenges for which there is no established paradigm. Each solution is custom-designed to address the particular needs and weak or broken links in the supply- or demand-side value chains of the country or city of interest.