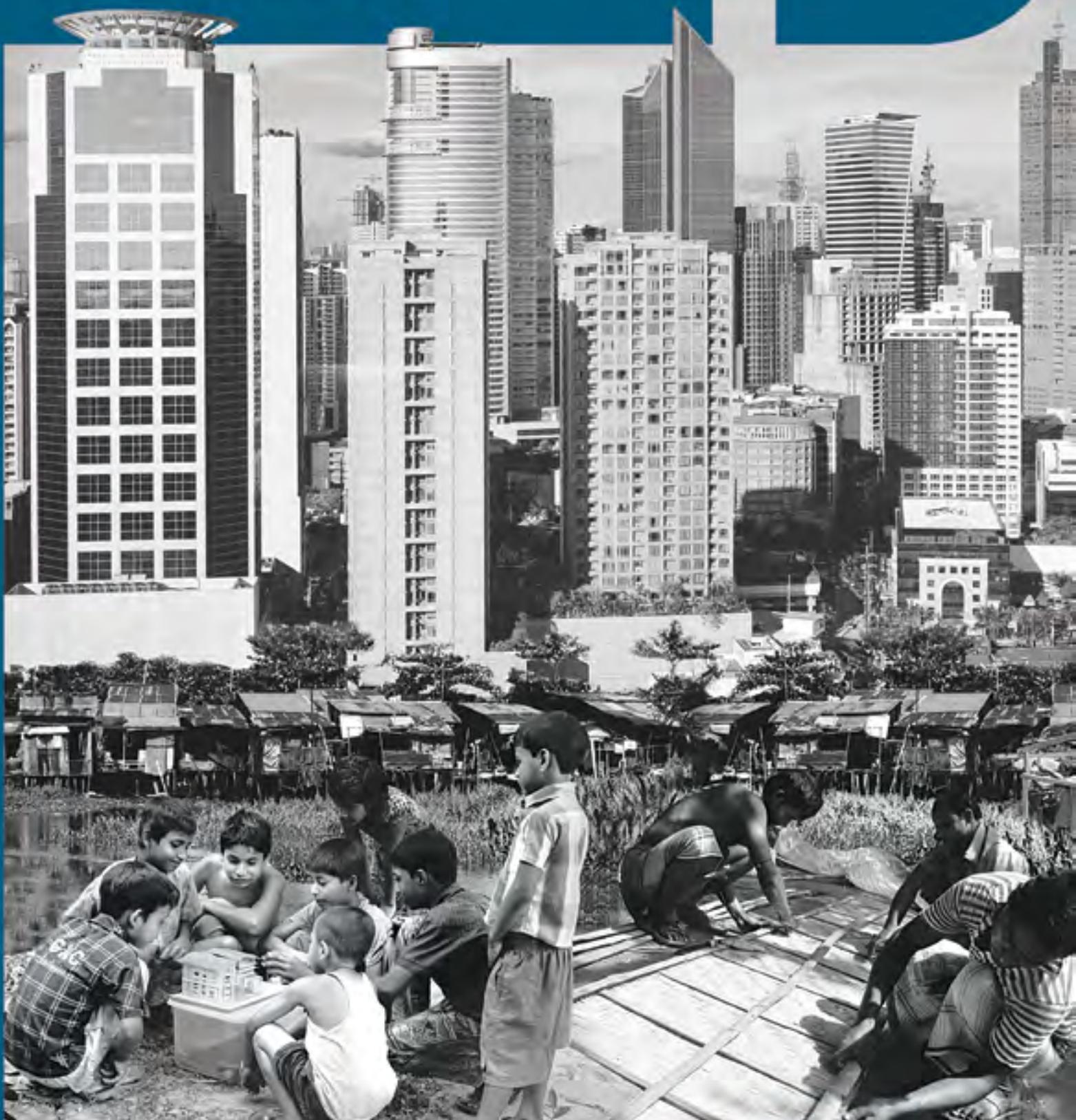


# FAIRBUILDING NETWORK

# B



**Construction with a Conscience**

**BCI** MEDIA GROUP



Introducing

# FAIRBUILDING NETWORK



*Creating a new marketplace.*

*Enabling construction with a conscience.*

*Overcoming poverty, one project at a time.*

The **FairBuilding Network** is an online platform that brings together willing buyers and willing sellers in the Base-of-pyramid (BoP) construction market.

It identifies and highlights projects developed by NGOs, local government units and social housing developers that are normally off the radar of the mainstream building industry. By aggregating projects that would otherwise be scattered and obscured the FairBuilding Network scales up market demand from the under-privileged part of society and the underdeveloped part of the construction market.

# THE CHALLENGE

According to the World Bank, over 2 billion people are living below the poverty line on less than USD \$2 a day.

Inadequate housing, poor health, inconsistent access to education and unreliable infrastructure; the impacts of poverty are interrelated, profoundly harmful and, all too often, hereditary. Eradicating poverty is especially challenging in the context of a world-wide population that is dramatically increasing. The current population of 7.2 billion people is estimated to grow to well over 9 billion by the year 2050. This growth is set to occur predominantly in developing countries.

Asia makes up 60% of the world's current population. Over the next 35 years, the population of just South-east Asia could increase by more than 300 million people.

Close to 1 billion people lack formal housing. The housing challenge is particularly pressing in Asia, where nearly a third of the urban population live in slums or informal settlements. The urbanisation rate is the fastest in the world and predictions suggest that by 2050, the urban population will nearly double, bringing it to 3.4 billion.

That means Asian cities will need to meet a daily housing demand of at least 20,000 new dwellings per day.

BCI Fellowship's research suggests that poverty and the lack of adequate housing and infrastructure can often be attributed to market failure.

Community initiatives and social housing developments are disproportionately disadvantaged in accessing the goods and services of the building industry. Harvard Professor Kasturi Rangan observed five main reasons: lack of information, lack of competition, entry barriers, lack of property rights and high transaction costs.

Disadvantaged communities and families – and those representing their interests in securing functional and affordable buildings – face an uphill battle when it comes to sourcing products and services from the building industry: demand is scattered and opaque, there is a lack of scale and virtually no competitive bidding. This uneven distribution of market power does not lead to more profit for the construction industry, it leads to projects that fall below the line of possibility.



# IN THE PHILIPPINES

One of the Philippines' most urgent and prevalent infrastructure deficiencies is housing. Currently, 22.8 million people in the Philippines live in slums or informal settlements. Residents lack resources to legally settle in urban areas and have nowhere else to go, occupying private and government-owned land which is often in high risk areas such as riverbanks, bridges, railroad tracks and hillsides. As a consequence, informal settlement residents are exposed to both natural and man-made hazards. They do not hold land rights. They lack sanitation and clean water access. They are exposed to pollution, congestion and noise. Their home-made dwellings are highly vulnerable to natural disasters.

Exposure to natural disasters is a major issue in the Philippines. The country is prone to typhoons, landslides, floods and earthquakes. On average, the Philippines is hit by 20 typhoons a year. The combination of widespread informal housing and the frequency and severity of natural disasters makes human catastrophes a regular occurrence. In 2013, the category 5 super typhoon Haiyan (Yolanda) devastated the Philippines,

killing over 6000 people. The economic damage has been estimated at USD \$14 billion. Millions lost their homes. The rebuilding process will take years. Unaffordable land and house prices in urban and suburban areas in the Philippines are only two of many reasons why slums and informal settlements spread. The challenges of saving enough capital for a deposit are exacerbated by the high transaction costs caused by unclear land use policies and a reluctance of many land owners to engage in the Community Mortgage Program.

## HABITAT FOR HUMANITY – PHILIPPINES BISTEKVILLE I

Bistekville I was developed by Habitat for Humanity Philippines in partnership with the local government of Quezon City to give public school teachers and their families the opportunity to own their own homes. It was in response to a study which found that 65% of teachers in Quezon City rented, squatted or lived impractically far from the school. These housing difficulties were found to have a detrimental impact on their morale and work performance and consequently on the educational outcome for students.

Habitat for Humanity Philippines joined the local government of Quezon City, the National Housing Authority, the Home Development Mutual Fund (Pag-IBIG) and the Department of Education to build 334 houses. Beneficiaries included 86 teachers and their families, 104 informal settler families and 144 families who had been living in danger areas of the city.

The project is expected to be completed by July 2014.

## PHINMA PROPERTIES INC. BISTEKVILLE II

The success of Bistekville I was followed by Phinma Properties Inc. who partnered with the Quezon City government to design and construct the city's largest social housing project. The fundamental idea behind the pioneering project was to integrate the former slum settlement into the urban landscape, rather than relocating the informal settlers. Residents were granted loans with the repayments dependent on age and income.



*ROWHOUSE:  
NAVOTAS AND PAYATAS, QUEZON CITY*

## CONSTRUCTION NEEDS OF MANILA'S POOR: THE FACTS

As part of its commitment to corporate social responsibility, BCI in 2012 conceived the 'BCI Fellowship' initiative to investigate ways to support impoverished communities to obtain affordable housing. In collaboration with Asian Social Enterprise Incubator Inc. (ASEI), BCI Fellowship explored the socio-economic and housing situation of informal settlements in Metro Manila, and the ramifications for the building industry.

A 2013 quantitative market study was conducted to identify the potential for urban social housing development. The objective was to estimate the potential construction market volume represented by low income families within the study area (Quezon City).

The market potential represented by low income families was defined through the following parameters:

- Potential replacement value of material and labor
- Additional annual market volume created by urban increment of low income families
- Locked land assets caused by informal settlements

The study extrapolated the Quezon City results to conclude that the total market volume for construction material to replace Metro Manila's informal settlements amounts to over USD \$650 million. With an assumed 6% annual population growth, an additional USD \$40 million value will be added each year. There would also be a substantial market for home improvement. Additionally, government figures estimated that there is approximately USD \$481 million in locked land assets that cannot be utilized due to informal settlers occupying these lands.

These numbers highlight considerable opportunities for the construction industry in one city; the likely market potential for the Philippines is even greater.



*Housing for public servants and informal settlers in partnership with the LGU, DepEd and private corporations.*

*BISTEKVILLE 1, PAYATAS QUEZON CITY*

# OPPORTUNITIES FOR THE BUILDING INDUSTRY

There is a remarkable misperception of global markets that prevents empowerment of underprivileged communities. In economics jargon, billions of impoverished people are referred to as ‘the base of the pyramid’ (BoP). It is commonly understood that individually, they lack economic power and so businesses tend to dismiss any potential for retail success. It was C.K. Prahalad who turned this misconception around and highlighted the tremendous potential benefits to large companies if they could suspend long-held orthodoxies and choose to serve BoP markets in ways responsive to their needs.

Preconceptions are no less engrained in the building industry. It is commonly believed that it is disproportionately difficult to compete profitably in an undeveloped market. In recent years, however, there have been notable successes by forward looking multinational corporations and organizations who have devised innovative projects to open up BoP markets.

The housing sector is by far the most valuable construction sector, particularly in developing countries with fast growing populations. Housing is also the most critical and widespread need in disadvantaged communities.

Constructing homes for the world’s slum dwellers and homeless could represent close to 8% of the USD \$8 trillion global building market. This constitutes an immense, untapped market.

## CASE STUDY: CEMEX

Some of the most socio-economically beneficial efforts succeed because their poverty alleviation approach is inextricably linked to their market-oriented business model. A prime example of this is the ‘Patrimonio Hoy’ (‘Property Now’) program, launched in Mexico in 1998 by the multinational cement manufacturer, CEMEX.

CEMEX had uncovered that low income families represented a market that was highly resistant to economic crises. CEMEX realized that there was a huge potential to diversify its customer base and hedge against economic and business downturns. This epiphany was only the first part of the story; the company needed to rethink their usual approach:

- Low income families could only afford to buy building material in small quantities. They did not have considerable savings or access to loans to fund the entire building so finishing the construction of a house could take years. CEMEX introduced an innovative Savings-Credit-System whereby low income families obtained access to credit based on their savings and payment discipline.
- Distributors were not interested in delivering small volumes of building material to remote areas where the poor lived. At the same time, distributors’ stores of building materials piled up, exposed to the elements for years and deteriorated for lack of adequate storage space. To solve two problems at once, CEMEX provided professional storage space and served as an intermediary for distributors of building material other than cement. They also increased delivery volumes by bundling the requirements of several families.
- Once provided with building material, families frequently lacked the requisite expertise to build their houses. To overcome this hurdle, CEMEX provided engineering and architectural expertise once families became members of the program.

Since the program first began operating in 2000, Patrimonio Hoy has provided affordable solutions to more than a million people throughout Latin America and has enabled more than 350,000 families to build their own homes. Houses took a third of the time to build, at a third of the costs.

# OUR STORY

In most emerging and developed market economies, the building sector enjoys relatively favorable and consistent market conditions. That said, lack of transparency makes it systemically hard for market demand and supply to meet and match up, causing not only market inefficiencies but also making room for corruption and graft. This is where BCI Media Group comes in.

Founded in 1998, BCI Media Group researches close to 250,000 construction projects per year across Southeast Asia (including Hong Kong), Australia and New Zealand. BCI serves over 10,000 professionals in over 6,000 member firms and maintains a network of over 50,000 industry contacts in the region.

By comprehensively researching and illuminating the demand side of the market – projects in the development pipeline from concept design all the way to construction – BCI creates a degree of market transparency that allows the building industry to compete efficiently and on a level playing field. Where BCI is active and utilised, developers and designers have more choice when sourcing products and

services. Better quality products are specified and the lowest bidders win. Unfair trade practices and corruption lose the protective environment of murkiness and secrecy in which they thrive.

We started to ask, what if we were to extend BCI's role as transparency catalyst in the mainstream market to the market of underprivileged? The answer came with the formation of BCI Foundation, an Australian not-for-profit entity, which became the social action arm of BCI Media Group and operates the FairBuilding Network.



# HOW IT WORKS AND HOW YOU FIT IN

The FairBuilding Network is a web-based information database which serves as a marketplace for construction projects with a community benefit. Construction is more than bricks and mortar: it is a secure home, a safe place to learn and play, health and well-being, livelihood, enterprise, independence and opportunity. FairBuilding Network highlights and elevates these projects by enabling mutually beneficial connections between the construction industry and deserving developers. It is the FairBuilding Network's market-based concept that assures its long-term sustainability.

## FOR PROJECT DEVELOPERS



Project developers can be any entity from international non-governmental organisations (NGOs) to local government bodies to neighbourhood associations to inclusive developers whose social-benefit credentials BCI Foundation will verify. For qualifying project developers, the FairBuilding Network is a marketing platform to help them source construction materials and services for their projects.

Every time a new project is added to the Fairbuilding website, the specific products and services required are matched against the building industry partners' and a notification email is sent out to each matching Partner. It is up to the recipient to choose whether to respond to these 'Invitations to Contact'.

To populate the FairBuilding Network site with projects, BCI has begun signing up project developers who have construction plans they are yet to realise. Projects are posted for free and list the required products and services required (ideally including the bill of quantities) and who to contact with offers. Project developers can also proactively search and contact registered Partners. At this juncture, Habitat for Humanity, Plan International and No One in Need have all signed on to publicise their projects on the FairBuilding Network.

## FOR SUPPLIERS, MANUFACTURERS, CONTRACTORS, PROFESSIONALS



For the building industry, the FairBuilding

platform is a welcome opportunity to expand their market into the under-appreciated low income segment. This segment has historically shown to have high levels of brand loyalty and resilience to economic downturns. Moreover, the FairBuilding Network gives building industry companies and professionals an outlet to express their commitment to social responsibility. By trading over the FairBuilding Network, (i.e. becoming a 'FairBuilding Partner') they can show community concern and a desire for social inclusion – without having to surrender their legitimate commercial interests.

Giving does not necessarily need to mean sacrifices; it could be an efficient way of dealing with slow moving inventory, excess building material or B-grade products.

FairBuilding Network Partners include building material manufacturers and suppliers, tradespeople, contractors, engineers and designers that are looking to do good whilst expanding their market reach by doing business with the underserved market of BoP projects.

## GETTING STARTED



Unlike BCI's commercial information service, use of the Fairbuilding Network site is free. All it takes to participate is to register as a Partner, providing contact details and the services or products offered.

FairBuilding Partners will be promoted in a variety of ways, not least through their inclusion in the listing of Partners on the FairBuilding Network website. Being a Fairbuilding Partner will be a badge of honor; it will show that the company or the building professional has a genuine concern for disadvantaged communities and a willingness to do well by doing good. Partners agree to stretch their commercial possibilities to support projects to contribute to a social benefit. Once a Partner starts supplying to projects over the FairBuilding Network, they become a 'FairBuilding Gold Partner' and as such are rewarded with extra space on the FairBuilding Network site where they can showcase their corporate social responsibility (CSR) credentials.



# LAUNCH OF THE FAIRBUILDING NETWORK IN THE PHILIPPINES



After over two years of conceptualisation, design and development, the FairBuilding Network was launched on the 24th June 2014. More than 100 invited guests from the construction industry, government and not-for-profit sector attended the event. The day marked not only a huge milestone in the development of BCI Media Group's social action endeavours but also a major step towards a more socially inclusive construction market.

We were privileged by the attendance of the **Honourable Jejomar Binay, Vice President of the Republic of the Philippines**, who gave the keynote speech. He pointed towards the challenges in the Philippines housing

sector and emphasised the need for industry to support the national efforts to alleviate the prevailing housing crisis and the social inequalities manifested in the country's sprawling informal settlements.

In an impassioned speech, **Dr Matthias Krups, CEO and Founder of BCI Media Group and the FairBuilding Network**, summarised the story of the FairBuilding Network and emphasised the potential benefits of a structure which puts the base-of-pyramid building market on the building industry's radar and creates a win-win situation for both sides. Attendees also heard from **Markus Dietrich, CEO of ASEI**, who presented the results of the recent BCI Fellowship

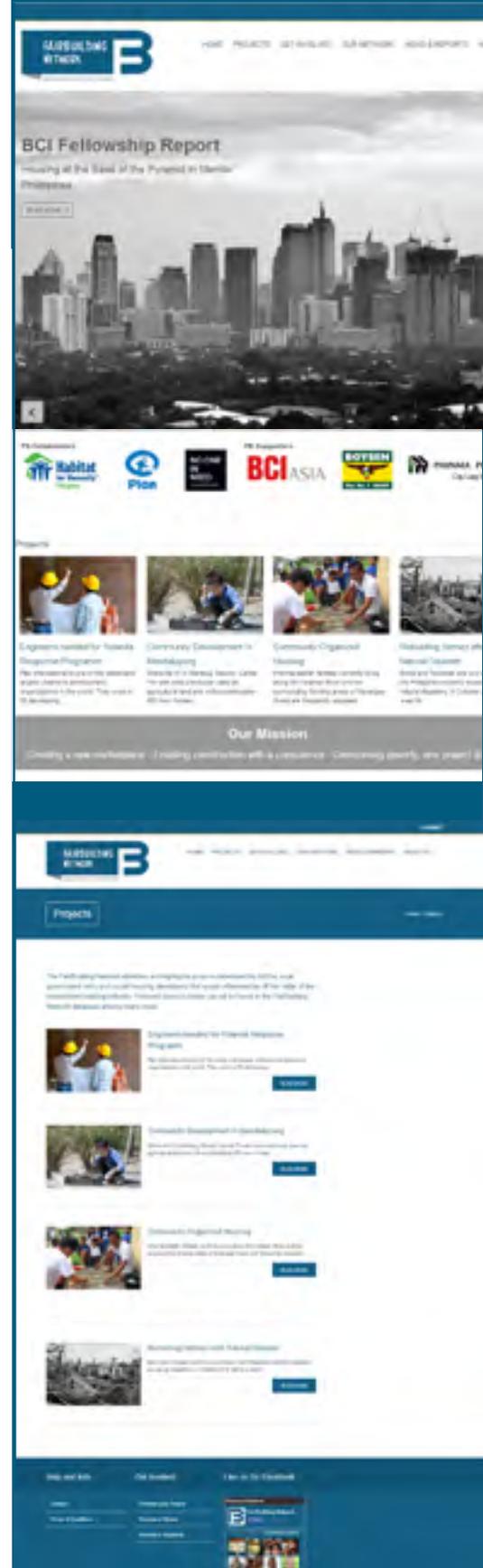
supported market study. This landmark report analysed the potential construction and replacement value of the base-of-pyramid housing. Some of the FairBuilding Network's Supporters and Collaborators also spoke. Founding Supporters, **Johnson Onking, Vice President of Boysen Pacific Paint** and **Willie J. Uy, President and CEO of Phinma Property Holdings Corporation** commended the market-driven approach of the FairBuilding Network. Founding Collaborator, **Charlie Ayco, CEO of Habitat for Humanity**, acknowledged the chance to increase his organisation's capacity through better cooperation. Moving forward, Matthias Krups has

VISIT OUR WEBSITE:  
[www.fairbuilding.org](http://www.fairbuilding.org)



committed to some ambitious goals to grow the FairBuilding Network. He wants to see the Network's database of projects expand exponentially, aiming to reach 100 projects by the end of 2014, 1,000 by the end of 2015 and 10,000 by the end of 2016.

To develop and engage the industry side, the FairBuilding Network aims to sign up 100 FairBuilding Network Partners by the end of 2014. To further infuse some energy into the process, Matthias Krups has undertaken to make a PHP 1,000 donation to each of our three Founding Collaborators for every FairBuilding Partner we are short of the goal on 31 December 2014.





*The FairBuilding Network is proudly supported by:*



*Assisted by:*



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