Patrimonio Hoy
Low-income housing that improves quality of life

BY ISRAEL MORENO BARCELO

CEMEX is a growing global building materials company that provides high-quality products and reliable services to customers and communities across the world. Founded in Mexico in 1906, CEMEX now operates in more than 50 countries and maintains trade relationships with more than 100 nations.

The challenge

ADEQUATE HOUSING is a basic human right enshrined in the Universal Declaration of Human Rights. Yet, like many other human rights, not everyone has experienced it. Mexico faces a severe housing shortage that affects the daily lives of more than 20 million people. Many low-income families devote their free time to building their homes. These homes are typically very basic, and construction is slow and inefficient.

The opportunity

THE LOW INCOME segment has traditionally been a great cement consumer: it consumes 30-40 percent of bagged cement produced in the country. However, high market fragmentation and dispersion, as well as the small size of purchase

Construction materials for this house in La Paz (on the outskirts of Mexico City) were purchased through the CEMEX housing program.
transaction, make serving this segment both complicated and costly. Additionally, it is difficult to create substantial brand differentiators that may be kept up over time.

In 1998, CEMEX decided to invest in research which made it possible to better understand the segment’s behavior and find out if it was possible to design value offers that would contribute significantly to a better quality of life for low income communities through better housing conditions.

Social research design

An interdisciplinary team was put together in order to achieve a wider scale in the identification and analysis of the critical aspects of the construction and social patterns of low income communities. Its primary objective was to increase knowledge related to these practices, their reason for existing and their consequences. The team was given an explicit instruction to conduct an impartial observation process of community mechanisms and practices, refraining from making judgments related to what is usually expected from the cement business.

Pilot selection

The early objective was to develop a vision of the performance of the segment which would be representative of low-income communities in Mexico. An area situated in the northeast section of the city of Guadalajara named Mesa Colorada was selected for this purpose. The main reason was that both cultural features and construction practices could be found in a large area of the country’s western and central zones, as these comprise some of the major Mexican urban centers. It was also important to consider that the northern region of the country has traditionally included more dynamic communities in economic terms. Conversely, the southern regions of Mexico have traditionally shown weaker macro-economic indicators.

Furthermore, the size of the community under study was a highly significant factor. At that time, the population of Mesa Colorada was 90,000 habitants, which provided an ample scope for surveys and community consultations.

Initial access

Community visits started by seeking direct contact with families. Team members went door to door, introducing themselves as CEMEX representatives with an interest in learning about the problems families faced when trying to go forward in the expansion of their dwellings. Families living in partially built houses were chosen.

Initial conversations were short but always pleasant. Families were asked if they were willing to go further with their building plans in the near future. The team faced several barriers such as the fact that the company was somehow unknown to the community, as well as that it was not simple to conduct the interviews with housewives—who were usually the ones available at home—given that some of the team members were men.

The team opted for a series of measures which resulted very effective: a) they started to work as couples, women and men held conversations with housewives and when this was not possible, the appointment was set up with two neighboring ladies in order to have the interview with both simultaneously; b) they kept strictly to the visit scheduled; c) the garments used visibly showed they pertained to the "cement company," as t-shirts always bore the logo of the cement brand predominating in the area.

Conditions found in the community

The daily, direct and close contact with the community started bearing fruit. Once the level of trust needed for effective communication was established, the families began to speak about a variety of indicators that reflected their individual and social practices for facing life.

The traditional construction process turned out to be intrinsically intermittent and took a long time to be achieved. Periods of 20 to 25 years for the construction of a five-room dwelling are par for the course. Access to technical knowledge about building and the best way to expand a home is practically inaccessible to the families. The purchase of building materials was done under a criterion centered exclusively on price. Thus, it was common to purchase each building material from a different supplier. Given the small amount of the typical buying transaction, this process did not allow home delivery of materials needed. On the other hand, the buyer usually was unaware of the adequate proportions of a given building material one job called for versus another. The construction process was a single family activity as the community lacked the ability to create a collaborative network that could facilitate it.

Financial resources typically came weekly to those who were employed. Although those who had a trade earned money in sundry fashions,
many of the payment commitments within the community were also on a weekly basis—for instance, purchases on credit from the corner store. No formal saving practices such as banking accounts were found; for the most part, savings credit was achieved through small groups of people who delivered their earnings to one of the members of the group randomly chosen every week—a mechanism known in Mexico as a tanda.

A tanda was the savings mechanism used by many people in the community. However, it was not effective for certain purposes such as construction, due to the great number of diverters that show up once people have access to accumulated resources. Access to formal credit was practically non-existent because of the impossibility of guaranteeing payment, the fear of making long-term commitments, and finally, little familiarity with the formal processes implicated in obtaining and operating financing; all of these, insurmountable barriers.

Lastly, the inability to obtain resources, lack of knowledge and access to technical guidance, and the low buying power stemming from the attainment of a low level of service resulted in a slow building process. The building process was also very costly due to waste stemming from surplus materials that could not be stored for lack of space. Most of the families that attempted to build progressively were caught up in this restrictive cycle. This evolved into a state of resignation where the family found itself incapable of freeing itself of any of the restrictions that limited their ability to obtain more space and better housing conditions in the short term.

Proposal adaptation process

The first version of the proposal designed for communities did not work. The challenge was to produce a solution package that would solve most of the restrictions. Some of the main problems that came up were:

- **Generating trust.** The proposal called for the family to participate with their previous savings in order to obtain materials on credit. Verbal and written communication did not generate enough confidence for the families to deliver money in exchange for the promise of building materials on credit.

- **Technical advice at home.** The families were visited in order to provide counseling in situ. Complying with scheduled appointments was an indispensable requisite for an efficient process. Social practices such as “flexible” schedules, together with misgivings about housewives having to let a man enter the house to take measurements for the project building, did not allow advising at home to be feasible.

- **Keeping up the tanda groups.** The traditional tanda was adapted as a savings mechanism to apply resources for the purchase of building materials. The complexity of keeping together groups of 10 to 12 people—during the 70 weeks needed for an expansion project of at least one room—could not be resolved.

- **Keeping up the tanda coordinator role.** It was not possible to give the tanda promoter tasks such as the timely collection and delivery of funds, as well as the forthright and consistent explanation of the building program to participants.

The adjustment process of the initial proposal was carried out in participation with members of the community. Typically meetings discussed the best way to adequate the components of the program so they would make sense and show value to the community. This was a great achievement. It took almost 18 months of group work to adequate and stabilize the main features of the program.

Results

**Patrimonio Hoy** has become a progressive housing program serving low income communities. It provides individual technical advice to meet the needs of every family interested in improving its housing conditions. The building plan is fragmented into packages of materials that are ordered in an adequate sequence according to needs. The acquisition of these packages is facilitated by means of micro-financing. With a previous saving of 20 percent of the materials needed for completing the construction project, credit is granted for the resting 80 percent. The weekly charge per family is $163 Mexican pesos (about USD $15), $138 (about USD $13) of which pay for the materials, and the remaining $25 (USD $2) of which covers the services including:

- Free access to technical consultants
- Fixed prices guaranteed for 70 weeks (typical duration of projects)
- One year of materials storage
- Home delivery of materials packages
- Financing for 80 percent of the value of the materials received.

The program creates a collaborative network within the community: families in need of better housing conditions, CEMEX distributors with presence in the regions who are in charge of delivering materials, and CEMEX providing families directly with financial services and technical advice.

By the end of 2007, a total of 185,000 Mexican families had been benefited through the Patrimonio Hoy program, building the equivalent of 95,000 ten-square meter rooms. To this end, credits for 83 million USD had been granted, with an on-time payment rate of more than 99 percent.

The future

The program has been successfully implemented in Colombia, Venezuela, Nicaragua and Costa Rica. The idea is to assess the potential replication of Patrimonio Hoy in other markets where CEMEX operates and where the socio-economic conditions could make possible its financial viability.

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