

Habitat Business Award - Reporting Format

1- BEST PRACTICE IDENTIFICATION

Name of the Best Practice (short descriptive title)



Name: **Patrimonio Hoy**

"crece tu casa y tu Patrimonio Hoy" –build your house and get empowered–

A social program designed by CEMEX (*Cementos Mexicanos*) (NYSE: CX) to attend the building needs of the low-income families.

2 - Contact Person:

Title (Mr. Ms, Dr. etc.) **Mr.**

Last Name: **Moreno-Barceló**

First Name: **Israel**

Job title: **Patrimonio Hoy's General Manager** _____

3- COMPANY PROFILE

Company Name: **CEMEX**

Address line 1: **Ave. Constitución No. 444 Poniente. Col. Centro**

Address line 2

City: **Monterrey**

Postal Code: **64000**

Country: **México**

Telephone (including country code):

Fax (Including country code):

Email address:

Website: **www.cemex.com**

Year of establishment: **1906**

Number of employees: (in 2008): **As of December 31, 2008, CEMEX had 56,791 employees worldwide.**

Annual revenues for the last five years:

4 - INDUSTRY SECTOR (choose from the following categories):

Materials and Construction

5 - CORPORATE MISSION [100 words]

Describe your company's corporate mission

Our mission in CEMEX is to serve the global building needs of our customers and build value for our stakeholders by becoming the world's most efficient and profitable building materials company.

As a global industry leader, we work to provide high quality and reliable service to customers and communities around the world. We advance the well-being of those we serve through our efforts to pursue innovative industry solutions and efficiency advancements and to promote a sustainable future.

6 - MEMBERSHIP to voluntary initiatives and business associations [100 words]

- UN Global Compact
- CSI – Cement Sustainability Initiative
- WBCSD - World Business Council for Sustainable Development
- ISO 26000

7 - CATEGORY of the Best Practice

From the list below, select ONE theme that best describes the focus of the best practice:

1. Affordable housing solutions

8 – PARTNERS

List up to four significant partners that are involved in the best practice:

Patrimonio Hoy (PH) has managed to create a collaborative local network – *alliances at the local level* – being present in the communities by collaborating with public schools (PH Escolar), hiring community-based promoters and working with local retailers.

Nevertheless, nowadays PH has developed and is developing several partnerships in order to improve the program:

1. **Name of Organization:** Comisión Nacional de Vivienda (CONAVI) – *National Council for Housing*
Type of organization: Central Government Entity
Address of the Organization: Presidente Masaryk No. 214, 1er Piso, Col. Bosque de Chapultepec, México, D.F., 11580; , <http://www.conavi.org.mx>
Type of partnership: PH established an agreement with the federal government institution CONAVI within the program “Esta es tu casa” to offer subsidies with the aim to accelerate the building process, but only in the distribution of products. It is important to mention, that PH only awards subsidies if the client has saved at least 5% of its building project through PH for two reasons:
 - (A) To avoid reliance on subsidies and to support empowerment and ownership
 - (B) To encourage the commitment of the clients to build their houseFinally, PH is the only program which guarantees that the subsidy is used for building or improving housing conditions, as PH never delivers money, but material only.
2. **Name of Organization:** Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) - German Technical Cooperation
Type of Organization: German Government Enterprise: the GTZ is an international cooperation enterprise for sustainable development with worldwide operations.
Address of the Organisation: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH,

Insurgentes Sur 826 - Piso 11 (entre Av. Eugenia y Tijuana), Col. del Valle, México, DF 03100,
www.gtz.de

Type of partnership: The overall objective of the ppp-project is to produce social and economic impacts within the target group, and improve the standards of living.

PH is running a pilot with GTZ Mexico to introduce environment friendly products in order to sensitize its clients to global warming and climate change issues to develop in the long-run know-how with the GTZ in eco-efficient housing as a whole – sustainable “green” housing. This means that the target group saves money and is able to invest more in housing or other activities. In addition, the partnership enables also PH to improve its training-program for the community-based promoters, building up new capabilities.

3. Name of Organization: The William Davidson Institute (WDI) at the University of Michigan

Type of Organization: The William Davidson Institute is a non-profit, independent, research and educational institute dedicated to developing and disseminating expertise on issues affecting firms in transition and emerging market economies.

Address of the Organisation: WDI, 724 University Avenue, Wyly Hall, First Floor, Ann Arbor, Michigan 48109-1234, U.S.A., <http://www.wdi.umich.edu/>

Type of partnership: PH was selected for the *Multidisciplinary Action Projects* (MAP) Program realized by the WDI and in conjunction with the Ross School of Business. The MAPs last for two month, including three-weeks stay on-site. The aim of the project, which will finish the end of April, is to analyze and update the cell-level business model for scalability and to develop a plan to enter a new geographic region at full scale.

4. Name of Organization: ACCIÓN International

Type of Organization: ACCION International is a private, non-profit organization, providing “micro” loans, business training and other financial services to low-income families.

Address of the Organisation: ACCION International & ACCION USA Headquarters, 56 Roland Street, Suite 300, Boston, MA 02129 USA, <http://www.accion.org>

Type of partnership: Acción International and PH worked out new microfinance products, which enabled PH to test and offer new and in particular flexible elements in its portfolio, covering different needs of its clients (e.g. different amount of credits, immediate access to microloans for building material and to pure microloans). In addition, PH changed some organizational structures within its local offices. Currently, the pilot phase is almost finished and PH is evaluating what kind of products and organizational changes can be implemented at the national level.

9 - BUSINESS GOAL [100 words]

Describe the business goal of the best practice. *Example: To finance lighting infrastructure in slum areas from advertising in order to reduce the crime rate and improve business activities in these areas*

To offer a market-based solution to the housing needs of low-income families in urban marginalized areas in order to improve their quality of life and empower them (“win-win situation”).

One example how PH achieves this win-win situation is the community-based promoters. These are mostly women having little or no previous working experience or education¹ and were mainly former clients who get empowered through training, promoting activity, income and recognition within the community (social and economic impacts). Most importantly, they are the key factor for trust-building and for generating commitment within the participants (economic performance).

10 - MARKET COVERAGE and TARGET GROUP [100 words]

Describe the current market coverage e.g., International / Regional / National - and the size and nature of the market e.g. individuals, companies and institutions targeted by the initiative.

¹ Female promoters: 95 percent; any working experience: 51 percent; school education: primary 52 percent, secondary 27 percent (PH Data 2009)

Current market coverage

PH started as a national program, being present in 21 of 32 federal states and in 45 Mexican cities. So far more than 235,000 families have improved their housing. This means that the living conditions of more than 1 million people have improved.²

International market coverage

In addition, the program has been implemented in Colombia, Venezuela, Nicaragua and Costa Rica and until now 15,000 families have benefited from the program.

Target group

The program targets low-income families, living in marginalised urban and semi-urban areas.

11 - BUSINESS CONTEXT: [200 words]

Describe the business context (key economic, environmental, technological and human resources opportunities and challenges).

PH's main challenge is to develop strategies and products that enable PH (1) to grow substantially (large scale-roll-out) and (2) to enrich the program with social and environmental impacts in order to bring innovative construction solutions to low-income families.

To reach this ambitious goal, it is essential to build up capabilities and capacities within the organization (e.g. improved IT and delivery systems, strengthen the sales force and technical advisory capabilities) and to develop partnerships, which contribute through investments, know-how and experience to increase the coverage and to consolidate and widen proactively the measured social and economic impacts at the local level.

The main opportunities are: (1) internal or external significant investments or a low-interest loan.³ (2) reach low-income families in rural zones, the poorest of the poor, (3) deepen PH-Escolar to strengthen community engagement and sales force efforts, (4) introduce micro-insurances, presenting social benefits and counter the drop-out rate, (5) implement as soon as possible the started pilot for environmentally friendly products, impacting on clients economy and raising awareness, (6) set up a partnership to improve and to develop a holistic and replicable capacity building program and process, (7) Services of masons.

12 - PROCESS [300 words]

Describe the process and activities for achieving the initiative, including technologies, tools, business models and methods.

(A) Background – Research

In order to impact on Mexico's housing crisis and create value for the company, CEMEX launched the program Patrimonio Hoy (PH) in 2000, after having conducted an extensive socioeconomic research (1998-1999) within low-income communities in the suburbs of Guadalajara, Mexico's second biggest city.⁴

(B) Business model

PH is a subsidiary of CEMEX that allows low-income families to obtain access to services and building materials on credit through a well-planned savings and credit scheme.

Main features

1. *Technical assistance.* PH provides individual technical advice to meet the needs of the low-income families.
2. *Materials.* The building plan is fragmented into packages of materials that are delivered in an adequate sequence according to the needs of the beneficiaries. The acquisition of these packages is facilitated by means of micro-financing.

² Average family size: 5 persons (PH Data 2009)

³ One opportunity could be the UN-Habitat ERSO-program.

⁴ An interdisciplinary team of 8 CEMEX executives was realizing face to face interviews, focus groups and survey's 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.

3. *Credit*. With a previous saving of 20% of the materials needed for completing the construction project, credit is granted without any requisites for the remaining 80%. The weekly instalment per family is MXP 200 (USD14.80): MXP165 (USD 13.00) cover the cost of the materials and the remaining MXP 35 (USD1.80) cover the services including:

1. Access to professional technical consultants
2. Fixed prices guaranteed for 70 weeks (typical duration of projects)
3. One year of materials storage, valid from the date you get the right of each delivery
4. Home delivery of materials packages
5. Financing for 80% of the value of the materials received
6. Improvement of public schools' infrastructure located in the area.⁵

The program creates a collaborative network within the community: families in need of better housing conditions, CEMEX distributors based in the regions, and CEMEX, which provides families directly with financial services and technical advice. Furthermore, the program has several social and economic impacts, which will be outlined in section 13.

13 – ASSETS [150 words]

Describe the assets used and needed to carry out the initiative.

Over the past 10 years, CEMEX invested around USD 21 million in designing and implementing the program. The primary capital needed was human capital, enabling a high-qualified interdisciplinary team to realize the above-mentioned study (see 8 – Process). At the same time, before the break even of the local offices, PH required investments in human capital, generating a well-trained and highly socially committed staff, in order to build up the aforementioned collaborative local network.

In addition, there were assets needed to build up an efficient IT-platform (operative hard and software) and to develop the management system. Furthermore, the continuous financial and technological support of CEMEX was and is essential. One of CEMEX's and PH's most important asset is the accumulated knowledge of the low-income market. Nowadays through PH's experience, CEMEX's is perfectly familiar on how to operate or to implement new elements or even programs in this segment.

14 - REVENUE STREAMS [200 words]

Describe how revenue is generated to finance the activity.

PH has three revenue streams.

(1) **MARGIN ON MATERIALS' PRICE**: This is the margin that PH is able to negotiate with the local distributors, covering the administrative and operating costs. PH sells its products as an average of the local zone prices. This margin is generally positive, however, due to floating prices, it has sometimes been negative for PH and thus, positive for the families.

(2) **MEMBERSHIP FEE (from Clients)**: Participants of the program pay weekly MXP 200, of which MXP 35 cover the package of services (credit, technical advice, fixed prices et. see in detail – 8 Process).

PERCENTAGE ON CEMENT SALES (from CEMEX): As PH sells CEMEX's cement sales through the local distributors (and not directly), it receives from CEMEX a certain percentage of this additional cement sales.

15 - ACHIEVEMENTS [200 words]

Describe the achievements to date in its current market, as well as expected growth. Also describe how performance is measured and by whom.

(A) **ACHIEVEMENTS**:

⁵ Part of the membership fees covers the improvement of local public schools (PH Escolar), to which PH delivers building materials and offers technical assistance.

Since 2004 PH Mexico is self-sustainable and has given loans for more than USD 115 million with a payment rate of more than 99% on time. Until now more than 1.3 million square meters has been build in the participating communities and has enhanced the infrastructure more than 500 local public schools.

(B) MEASUREMENT OF PERFORMANCE:

Economic performance is measured by the outlined revenue scheme (see 10 – revenue streams) directly by PH’s management, reporting monthly to CEMEX’s headquarters. Furthermore, CEMEX has founded in 2007 a *Social Council* in order to measure, amongst other goals, the social performance of its programs in a standardized way. In addition, there were several external analyses, amongst others, by McKinsey (2007) and Acción Internacional (2008) to improve PH’s performance.

(C) EXPECTED GROWTH:

PH Mexico will open some new offices in 2009. At the same time CEMEX is assessing the potential replication of PH in other countries, where the socio-economic conditions could make possible its financial feasibility. The 2009 objective is to implement PH in Egypt and there are plans to evaluate the implementation in the Philippines and in the Dominican Republic.

16 - KEY DATES [100 words]

Provide no more than five dates and describe their significance in the best practice (example: launch of product, signature of agreement, reach of a certain market level, etc.).

1998-1999: CEMEX conducted an extensive socioeconomic research within low-income communities in the suburbs of Guadalajara, Mexico’s second biggest city.

2000: Launch of Patrimonio Hoy: first office in Mesa Colorada, Guadalajara.

2004: PH achieves self-sustainability, having a total of 35 office.

2006: *World Business Award* in support of the Millennium Development Goals 2006 by United Nations Development Program (UNDP)

2008: Most successful year of PH, reaching 36,000 new clients and 90 percent of its 85 offices being self-sustainable.

17 – IMPACTS [200 words]

Describe the impacts of the initiative in terms of:

- o Improving the company’s social and environmental responsibility in the urban environment;
- (1) **CLIENT SATISFACTION:** The last representative surveys realized with the NPS method⁶ showed that client satisfaction is over 90 percent.
- (2) **COMMUNITY ENGAGEMENT:** The improvement of public schools with the clients’ active participation increases children’s security, learning conditions and community cohesion. (41 words)
- o Having technological impact on urban life styles and ecological systems;
- (1) **TECHNOLOGICAL IMPACT:** Technical advisory create new building technologies, practices and materials. In addition, PH enables low-income families to build 3 times faster at 1/3 less cost.
- (2) **FAMILY LIVING:** family members and children in particular, have more space and privacy. This results in better learning conditions for children (social development) and family relations.
- (3) **EMPOWERMENT:** building their house with their own resources results in clients having higher self-esteem and on futures vision learning to save money.

⁶ NSP – Net Promoter Score: “How the Net Promoter Score (NPS) Can Drive Growth – The Economic Advantage of Superior Customer Relationships” (Harvard Business Press, 2006)

- (4) **EMPOWERMENT & GENDER:** 95% of the community-based promoters are women whose empowerment results in an improved participation in strategic life choices. (96 words)

o Expanding the market chain and base towards reaching urban consumers in the lower income segments.

- (5) **UNCONDITIONAL ACCESS TO FINANCE:** 60% of clients confirmed that they would not have been able to build their house without PH.
- (6) **GENERATION OF EMPLOYMENT:** 55% of clients hire local masons. In addition, local material retailers increase their business activity thanks to the demand of PH.
- (7) **GENERATION OF LOCAL BUSINESS:** 29% of the participants use the new space to start or develop their business (e.g. shops, renting rooms).
- (8) **BUILDING ASSETS,** participants are able to increase their house's value.

To conclude, the participation in PH leads to a progressive, efficient and self-sustainable improvement in the quality of life, which goes beyond the sheer construction as it reduces their multidimensional state of poverty.

18 – SUSTAINABILITY [150 words]

Describe the sustainability of the initiative in terms of it's:

- development in the market given the financial, technological, and regulatory constraints
- adaptation to the use of renewable resources and
- accountability to environmental impacts of its activities
- replicability

Since 2004 PH is self-sustainable in terms of economic performance⁷ in Mexico and in the countries where it has been implemented.

The aforementioned social and economic impacts of PH at the local level substantiate its sustainable success: the entire direct chain of stakeholders, as well as community neighbours are benefiting from the program, e.g. new job opportunities, improved public schools infrastructure etc. (see 13 – Impacts). This means that PH is due to its operational infrastructures and standardized processes as well as its proved social impacts replicable.

Nevertheless, one of PH's key challenges is the started ppp-project with the GTZ, aiming to impact on environment. The introduction of eco-efficient products, an awareness-raising within PH and its clients through trainings and campaigns will be only the first step, developing in the long-term concepts and know-how for sustainable "green" housing.

19 - LESSONS LEARNED [150 words]

Describe the three or four most important lessons learned and how these lessons have been or are being incorporated in your initiative and/or other initiatives. Describe how these lessons learned have been or are being taken into consideration in determining ongoing or future policies, strategies and action plans.

1. **SOCIAL BUSINESS – BoP:** CEMEX's experience with PH revealed that it is feasible to make business with the BoP. Hence, CEMEX started implementing other social businesses like "Mejora Tu Calle," "Centros Comunitarios," creating a new line of business within CEMEX.
2. **CORPORATE IDENTITY:** The BoP-initiatives helped to strengthen a more holistic corporate identity, raising awareness that in particular a multinational company has to assume social responsibility.

⁷ With regard to the definition by the *World Commission on Environment and Development* (WECD) this refers to the aspects of resources and financials

3. **CHANGING PARADIGMS:** Albeit a strong social vision within CEMEX's management, it takes time to change business paradigms in terms of evaluating the performance of BoP-initiatives. The foundation of the *Social Council* within CEMEX aims to measure both its economic and social performances.⁸
4. **SHARING EXPERIENCE:** Once a successful BoP-initiative is implemented, the next challenge is to be aware and open to exchange experiences, establishing contacts and partnerships, bringing together know-how and experience from different institutions. The realized and planned partnerships of PH confirm this vision within CEMEX.

20 – REFERENCES [60 words]

Cite one main reference website that documents the best practice and list up to four web links that provide additional information on the initiative.

Main reference

The [official website of PH-CEMEX](#) gives an overview of the program.

Additional references

- World Bank [link](#) to PH
- United Nation Development Program (UNDP) [link](#) to PH
- Inter-American Development Bank (IBD) [link to PH](#)
- Harvard Business School, Business Cases [articles on PH](#)⁹
UN-Habitat [link](#) to PH

For more information on your submission, please contact UN-HABITAT Private Sector Unit:

bpsu@unhabitat.org

⁸ See also: *CEMEX – Building the Future – 2008 Sustainable Development Report*. Page 18; Online available under http://www.cemex.com/su/su_re_gr.asp

⁹ Segel, Arthur I., Michael Chu & Gustavo Herrero. (2006). "Patrimonio Hoy: a Financial Perspective". Harvard Business School, Business Cases (18 pages)