

# Editorial: Housing

*Patrick McAllister*

I have an early memory of entering my childhood home: entering through a screened back door, I pass a door frame where my height, along with that of my brother and sisters, was faithfully recorded through the years in ascending pencil marks and corresponding dates. In the kitchen, with its garish 1970s red and orange wallpaper, I recall seeing my mother waiting for me with some delicious snack. Over the years, I have called 19 different places home, on four continents, and could conjure such evocative memories for each.

No matter where we live, or for how long, home has resonance and meaning. It is essential to our ability to survive and thrive – to raise our families, celebrate our triumphs, support a healthy environment, and increasingly to work. Our home is our first protection from harm, as has become so vividly clear during the pandemic. Access to *adequate, safe and affordable housing and basic services* is included in the Sustainable Development Goals, but globally we are far from achieving it. For too many people, housing is not adequate: contributing to health issues rather than protecting from them; insufficient to prevent harm to their families; and unaffordable even to those earning even good incomes.

This special issue of *Enterprise Development & Microfinance* brings hope. Its articles demonstrate new approaches that hold promise for achieving that sustainable development goal.

The issue begins with a review by Elisabeth Rhyne of a new book dedicated to financing housing for low-income families. *Taking Shelter: Housing Finance for the World's Poor*, edited by myself and Daniel Rozas, updates best practices and trends in affordable housing finance. With chapters by leaders in affordable housing from government, bilateral and multilateral institutions, and the private sector, *Taking Shelter* shows how finance is being used to make better housing available to poor families. Rhyne rightly points out that finance for rental housing is critical but remains inadequately covered.

Marja Hoek-Smit, Arthur Acolin and Richard Green make a powerful case that governments should prioritize housing as a pandemic-beating focus for stimulus. Citing new evidence that housing's contribution to GDP is similar to that of manufacturing, with strong employment and consumption multipliers, the authors provide five principles to guide such investment. The article also proposes specific short- and medium-term actions that fiscally constrained governments can take to reap the economic and social benefits of affordable housing.

Scott Merrill and colleagues take us on a fascinating journey inside the decision-making processes of low-income households and the masons that build their homes in Kenya, India, and Peru. Social networks and social norms were studied to produce detailed Value Network Maps for each country, illustrating the influence of various actors on decision-making related to housing. The authors show how the 'hidden' influence of social norms can be as powerful, or indeed more powerful, than simple analysis of availability and cost of building materials and relevant building

codes or other regulation. Masons prove a weak link in all three countries, limiting households' ability to innovate in the use of materials and technologies.

Like all infrastructure at this unprecedented time, more housing is needed to meet the needs of growing populations (particularly in the rapidly expanding urban areas of emerging market and developing countries), without adding to the destruction of the environment. Rusmir Musić makes the case that green affordable housing is not only possible, but also profitable for the US\$4 tn housing market. Drawing on the experience of the IFC's Green Market Transformation Program, the article illustrates the six drivers of profitability for green affordable housing, using more than a dozen examples from countries and cities that have gone green in their housing construction and finance projects.

Finding solutions that can be scaled quickly to meet the pressing need for more affordable housing is critical. Julie McBride and Eric Oetjen offer the promise of scale through franchising. Drawing on the successful example of social enterprise housing developer ECHALE in Mexico, the authors walk us through the business model and explain what makes a social enterprise suitable for franchising. They then illustrate how a joint venture master franchise structure can be used to expand a successful social enterprise model to other countries, specifically Uganda and Malawi. The article ends with recommendations for housing practitioners, policymakers, and researchers to explore franchising as a means to scale affordable housing.

Coming full circle, we return to the issue of finance, without which affordable housing cannot be solved. Unfortunately, financial institutions have been slow to develop products for affordable housing, as evidenced by the paltry mortgage lending rates in emerging market and developing countries. In the final article in this special issue dedicated to housing, Andrew Jones presents evidence of how underwriting housing loans can be made less risky, even for those with informal incomes, using alternative credit scoring technology. In the case of Syntellect, a fintech start-up in India, the key is knowing the customer. Syntellect's technology is customizable to the specific risk profiles and demographics of each financial institution, demonstrating potential for use in other markets, such as Sub-Saharan Africa, where the incidence of informal incomes is high and housing finance is scarce. Yet Jones points out that the data sets needed for such a technological solution must be built before they can be called on to provide the capability so urgently needed across the globe.

When I agreed to edit this special issue over a year ago, I wanted to present innovative research and experiences from the perspective of those working directly to make more affordable housing a reality. I sought out authors who are true experts in their fields with something new and different to say. My greatest hope is that they capture your imagination as they have mine, and make you see affordable housing in a slightly different way. Working with these authors has made editing this special issue an absolute pleasure.

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Guest Editor