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# Is inclusive housing finally on the development agenda? Some clues point to yes



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All blogs

## Markets play a key role in making housing more inclusive

Demographics have a way of catching up with us. For decades, increasing urbanisation and its attendant impact on global health, education, environment, culture and infrastructure have been acknowledged. What is often not discussed is where all these people – and the 80 per cent of rural dwellers living in poverty – actually live.

The [September issue of the Enterprise Development and Microfinance Journal \(EDM\)](#), which I had the pleasure of guest editing, is devoted to exploring current thinking and practice in affordable housing. Its six articles demonstrate new approaches that hold great promise for tackling the hurdles that prevent cities, states and societies from ensuring that all people have a safe, healthy place to live. Nearly all of these articles address the key role that markets play in making housing more inclusive, representing a seismic shift away from an old paradigm that equated affordable housing with state built and managed homes, relegating 'affordable' housing to what states could afford in their budgets.

Perhaps it has taken a global pandemic to awaken us all to the fact that most people in emerging markets and developing countries live in poor housing conditions, which affects us all. I am beginning to see signs that this may be the case.

This special edition of the EDM journal follows two papers from [Habitat for Humanity's Terwilliger Center for Innovation in Shelter](#) that highlight the role

inclusive housing can play in responding to the pandemic<sup>1</sup>. Not only by providing much needed improved housing, but through boosting economic growth as well. Last year's [Cornerstone of Recovery report](#) showed the true contribution of housing to GDP in many emerging market countries is greater than official estimates show. This report was well received and has now spawned a multi-disciplinary coalition to amplify its message. The recent [Ladder Up report](#) uncovers the housing sector's outsized impact on job growth and reveals even more about how residential construction can jump-start economies. In the nine countries analysed, an additional US\$1 million in construction output created 26 to 119 direct jobs plus 16 to 83 indirect jobs, and in several countries over US\$2 million of additional total output was added to the economy.

Adding to, and expanding this base of knowledge, some articles in the EDM journal direct their message squarely at emerging market governments. Marja Hoek-Smit, Arthur Acolin and Richard Green [suggest five principles to guide such investment](#):

1. Support housing for the underserved middle- and lower-income households that has high potential to deliver economic, health and social multiplier effects
2. Include both ownership and rental markets
3. Include both formal and informal housing markets
4. Incorporate communities in the decision-making process
5. Be aware of the potential long-term negative effects on housing and housing finance market development.

The article goes on to propose specific short- and medium-term actions that fiscally-constrained governments can take to reap the economic and social benefits of inclusive housing.

Other articles turn their attention to market suppliers. Rusmir Musić builds the [business case for green affordable housing](#) directly with industry, breaking down the six drivers of profitability for building inclusive housing while protecting the environment:

1. Access to international green finance
2. Minimised incremental cost through early planning
3. Faster sales through market differentiation
4. Savings on utility bills for owners and renters
5. Lowered default rates and superior collateral value for green mortgages
6. Fiscal and non-fiscal incentives from local or national governments.

This last driver reinforces the role governments play to provide incentives that bring builders and developers into the inclusive housing market.

Finally, some articles focus on the consumers in the market. Scott Merrill and his co-authors provide fresh insight into the issue of consumer preference and how it is shaped. They focus on the **role of social norms** and their impact on both the masons that build much of the housing for low income families, and the decisions of the families themselves. The article describes research that produced detailed Value Network Maps for India, Kenya and Peru that illustrate how social networks and social norms influence decision-making related to housing. The ‘hidden’ influence of social norms can be as powerful, or indeed more powerful, than the availability and cost of building materials or other more evident factors. Masons prove a weak link in all three countries, limiting households’ ability to innovate in the use of materials and technologies.

Other articles in the journal cover topics as varied as:

- › **Using a franchise structure to scale affordable housing internationally**
- › **Digital credit scoring for affordable housing finance**
- › **and a book review by Elisabeth Rhyne of *Taking Shelter: Housing Finance for the World’s Poor***

Today we can see smart governments harnessing the market to leverage their scarce resources (particularly when the pandemic has reduced the fiscal space considerably). I am heartened by the growing awareness that we all need a safe, clean, affordable place to call home. But even more than awareness, the burgeoning portfolio of examples that do it equitably, economically, and with consideration for the fragile environment that supports us all indicates that, perhaps, we are on the right path.

<sup>1</sup>The author has worked for Habitat for Humanity International

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