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Partnership and Financial Innovation part II: Reall, affordable housing markets and Covid-19 in urban Africa and Asia

↳ By Andrew Jones

1. Introduction

1.1. Background

In 2020, *Housing Finance International* published a prize-winning research article that presented practitioner insights and learnings on delivering affordable housing and affordable mortgage finance for people on low incomes in urban Africa and Asia. This did so through a focus on Reall, an innovator and investor in climate-smart affordable housing for the bottom 40% of the income pyramid in urban Africa and Asia.¹

Reall invests in credible African and Asian developers to demonstrate the socio-economic impact and commercial viability of affordable urban housing, while simultaneously working in strategic partnerships to tackle market bottlenecks and crowd in new

actors and resources into the affordable housing space. The 2020 article presented case studies of innovative financial partnerships by three of Reall’s in-country partners:

- **Casa Real:** a social enterprise developing resilient, affordable housing in Beira, Mozambique. Casa Real leveraged good relations with the Beira Municipality to access prime development land and co-develop an innovative mortgage product with Absa Bank Mozambique for its middle- and lower-income clients (the first of its kind in the country).
- **Ansaar Management Company (AMC):** a social enterprise in Pakistan, developing affordable housing in large cities such as Faisalabad, Lahore, Multan, and Peshawar. AMC negotiated a ground-breaking agreement with the semi-state-owned House

Building Finance Company (HBFC) to supply mortgages to low-income AMC clients.

- **Syntellect:** an Indian fintech start-up based in Mumbai. With Reall’s support, Syntellect has developed cutting-edge software (RightProfile) to be used by housing finance institutions. RightProfile enables lenders to better understand and assess the credit risk of unbanked, new to banking, and new to credit customers for long-term mortgage finance.

One year later, this follow-up article revisits these three case studies to update on progress and evaluate further developments. As the original piece was authored on the cusp of the global Covid-19 outbreak, this also provides a timely opportunity to reflect on how the shocks of the pandemic have impacted on the affordable housing and

FIGURE 1 Reall’s Global Network, with location of case studies highlighted



¹ Andrew Jones et al. 'Partnership and financial innovation: Reall and unlocking affordable housing markets in urban Africa and Asia'. *Housing Finance International*. Autumn 2020.

housing finance space and share learnings and recommendations with the wider sector.

1.2. The Affordable Housing Challenge and Opportunity

Affordable housing is a profound, cross-cutting global challenge. At least 1.2 billion people worldwide live in substandard housing, often lacking access to basic services and infrastructure. This challenge is especially acute in rapidly urbanising Sub-Saharan Africa and South Asia, as urban population growth outpaces the capacity of national and municipal governments to cope.

The scale of the challenge is reflected in cumulative regional housing deficits of 60 million homes in Sub-Saharan Africa, and 80 million homes in South Asia.² These backlogs have contributed to urban sprawl, a lack of housing options and infrastructure, and given rise to overcrowded slums such as those found in Accra, Cape Town, Kampala, Karachi, Lagos, Manila, Mumbai, and Nairobi.

Scalable, affordable housing solutions can improve the health and economic opportunities of people on low incomes, while driving inclusive growth, climate mitigation and urban resilience at scale. Despite the impactful opportunity, delivery is often inhibited throughout Africa and Asia by systemic market bottlenecks. On the supply side, these include a lack of affordable land, insecure title, ineffective regulations, and insufficient incentives for developers.³

Effective demand is also constrained by a lack of affordable long-term finance and mortgages. Housing finance systems are restrictive and underdeveloped in most emerging markets, with standard mortgage terms characterised by large deposits, high interest rates, inaccessible income thresholds, and limited availability. This pushes people at the bottom of the income pyramid towards informal settlements, and incrementally building their own housing using expensive informal credit. This challenge is acute for people in informal employment (the majority of working adults in Africa and Asia), who typically lack documentation and are more susceptible to economic shocks.⁴

FIGURE 2 The Impact of Covid-19 in India, Mozambique, and Pakistan, as of 1 June 2021⁶

	INDIA	MOZAMBIQUE	PAKISTAN
Population	1.366 billion	30.37 million	216.57 million
% Urban	34,8	36,5	36,9
National Housing Deficit (units)	50 million units	2 million units	10 million units
Confirmed Covid-19 cases	28 million	70 795	922 824
Confirmed Covid-19 deaths	331 895	836	20 850
Economic growth (GDP) in 2019, pre-pandemic	4,20%	2,20%	1,90%
Projected economic contraction (GDP) in 2020, post-pandemic	-7,50%	-0,50%	-1,50%

The global Covid-19 pandemic has further demonstrated the persistently poor housing conditions that characterise many African and Asian cities, and how these exacerbate the risk of infection. The escalating housing deficits across both continents therefore also appear as a potential health and humanitarian crisis, creating new impetus for solutions. The pandemic has also heightened awareness of the wider socioeconomic impact of housing beyond the household – highlighting how affordable housing is a key opportunity for post-Covid economic growth strategies.

At the same time, the lockdown measures and stay-at-home orders that have characterised many national responses to the pandemic have triggered severe economic shocks and contractions (Figure 2). This has resulted in millions of low-income households losing jobs and livelihoods and depleting precious savings. This may limit the potential of low-income borrowers to afford decent housing and diminish the risk appetite of investors and banks to enter the market.

New solutions are urgently needed that can enable the delivery of decent, sustainable, and genuinely affordable housing to people and families on low incomes in Africa and Asia. Meeting this challenge will require new financial models and approaches, new types of partnership, new forms of financial innovation, and the more effective application of disruptive technologies.

1.3. Reall's Affordable Housing Network

This article explores these themes through the practitioner lens of Reall and its network of partners. Headquartered in the UK, Reall is an innovator and investor in climate-smart affordable housing for the bottom 40% of the income pyramid in urban Africa and Asia. Reall's priority focus is in Kenya, India, Nigeria, Pakistan, and Uganda – with a wider footprint that includes Ghana, Mozambique, Nepal, the Philippines, and Zimbabwe. Reall catalyses finance from the Swedish and UK governments to support credible African and Asian partners with potential for scale and replication – investing over \$80 million into impactful affordable housing developers and their projects on both continents since 2000 (Figure 1).

FIGURE 3 Reall's global impact statistics in Africa and Asia since 2000, as of 1 June 2021⁷

Total Invested	\$80.2 million
Number of projects	171
African countries worked in	11
Asian countries worked in	4
People housed	106,000
Jobs created	83,000
Women and children housed	76,000
Average basic home completion cost (2016 – 2021)	\$11,000

² Housing deficit estimates calculated by Reall, based on most recent available data.

³ McKinsey Global Institute. *A blueprint for addressing the global affordable housing challenge*. Washington, D.C., 2014.

⁴ Bruce Ferguson et al. 'The new political economy of affordable housing finance and urban development', in J. Bredenoord et al. (eds.), *Affordable Housing in the Global South: Seeking Sustainable Solutions*, pp.40-54. Routledge. Abingdon. 2014.

⁵ Kecia Rust. 'Housing Finance in Africa: Central to a post COVID-19 resilience and recovery strategy'. CAHF. Johannesburg. 2020. <https://housingfinanceafrica.org/documents/housing-finance-in-africa-central-to-a-post-covid-19-resilience-and-recovery-strategy/>

⁶ Data sourced primarily from World Bank Development Indicators and Our World in Data, using most recently available information. 2021.

⁷ Reall. 'Data Dashboard: Global Impact'. Reall. 2021. <https://www.reall.net/data-dashboard/global/>

Reall and its partners amplify these strategic investments by brokering changes in policy, regulation and finance in national housing markets.⁸ These interventions typically span the entire value chain, from influencing local planning policies and driving down construction costs, to leveraging green investment and enabling people on low incomes to access affordable mortgages for the first time. Through working in partnership, sharing innovation and fostering take-up, Reall is committed to improving the lives of 100 million people in urban Africa and Asia by 2030.

The case studies below document three innovative Reall partners in Mozambique, Pakistan, and India respectively. These follow on directly from practical findings published by *Housing Finance International* in 2020 ('Partnership and financial innovation: Reall and unlocking affordable housing markets in urban Africa and Asia'). To ensure this article remains accessible to readers, each case study begins with bullet points to briefly summarise the previous article.⁹

2. Casa Real and Absa Bank in Mozambique: Financial Innovation and Landmark Inclusionary Mortgages

2.1. Summary of 2020 Case Study

- Casa Real was established in 2018 as an affordable housing social enterprise, in Beira (Mozambique's second city).
- Reall invested in Casa Real and provided capital for a pilot housing project. This facilitated the development of 10 quality, affordable and climate resilient homes in Beira.
- The Beira Municipal Council supported Casa Real's work by reducing legal minimum plot sizes for housing construction. The Government of the Netherlands also supported and promoted Casa Real. These engagements strengthened Casa Real's credibility to banks and investors.
- Several commercial banks in Mozambique were attracted by the proposition of providing mortgages for Casa Real's customers, to open new markets in a country with little history of inclusionary housing finance.

- Absa Bank Mozambique (formerly Barclays) proceeded to formal partnership with Casa Real and agreed to launch a new mortgage product targeted at Casa Real customers with monthly incomes of 15,000 MZN (\$250).
- As this income threshold is generally affordable for households around the 50th percentile of the income pyramid in Beira, this represented a substantial improvement on previous mortgage offers and an ideal entry point to test the market.
- Absa accepted the risk of lending to a lower-income segment, and tailored the mortgage product terms and conditions. Casa Real accepted responsibility for identifying customers, facilitating agreements with employers, assisting with opening bank accounts and providing relevant documentation.
- While Absa's initial expected return on investment was lower for this segment compared to higher income clients, the potential is apparent for a suite of new products and, in time, lucrative returns from increased efficiency and economies of scale.

2.2. Recent Developments: Landmark Mortgage Approval and Financial Innovation by Casa Real and Absa Bank

Casa Real are developing affordable, inclusive, and climate resilient housing solutions in an extremely challenging environment. More than 90% of the Mozambican population is categorised as low-income, and only 21% of the population have a bank account. While the national housing policy commits the government to provide housing to all of the population, in practice most are excluded due to high costs and strict requirements to access finance. An estimated 80% of the houses in Mozambique are self-built with low quality materials, which renders them vulnerable to frequent natural disasters.¹⁰

Casa Real's partnership with Absa Bank to make formal housing finance accessible and affordable to lower-income borrowers is therefore genuinely revolutionary in the Mozambique context. In Spring 2021 Absa fully approved the first Casa Real customer for a long-term housing mortgage loan. This is itself worthy of celebration as the first inclusionary commercial mortgage in the history of Mozambique.¹¹

FIGURE 4 Casa Real affordable housing development in Beira, Mozambique



© Reall, 2020

⁸ Andrew Jones and Lisa Stead. 'Can people on low incomes access affordable housing loans in urban Africa and Asia? Examples of innovative housing finance models from Reall's global network'. *Environment and Urbanization*. 32:1, pp.155-174. 2020.

⁹ Reall. Corporate Strategy 2020 – 2025. Reall. 2020. <https://www.reall.net/wp-content/uploads/2020/06/ReallA4.pdf>

¹⁰ Centre for Affordable Housing Finance in Africa (CAHF). *2020 Yearbook – Housing Finance in Africa: A review of Africa's housing finance markets*, pp.179-182. CAHF. Johannesburg. 2020.

¹¹ Reall. 'Reall partner Casa Real and ABSA Bank have developed the first ever mortgage for low-income households in Mozambique'. Reall. 2021. <https://www.reall.net/blog/casa-real-launch-landmark-affordable-mortgage-in-mozambique/>

While Absa's first mortgage approval is a landmark achievement, Casa Real also submitted more than 100 viable clients with full documentation that did not make it through the bank's income and creditworthiness assessment mechanisms. This slow progress of mortgages does not reflect a lack of commitment within Absa to enter the lower-income space and develop new business lines. Rather, the inherent dysfunction of the Mozambique housing finance market (high interest rates and large perceptions of risk), combined with Absa's unfamiliarity with the lower-income segment, has constrained the bank from approving clients at scale. This reinforces how crowding in new actors and moving downmarket is always a gradual process.

The Covid-19 outbreak has also been an important inhibitor on progress. The pandemic reached Mozambique as the country recovered from prior economic, political, and climate-related shocks, and exacerbated developmental challenges. While the total number of confirmed cases and deaths has been relatively low, the country has experienced significant economic contraction. Wage reductions and job losses have resulted in increasing loan defaults, and many banks have renegotiated debts with clients and extended loan term periods. In this climate, financial institutions struggle to internally justify financial products targeting the bottom of the income pyramid.¹²

To streamline Absa's entry into the market, Casa Real has developed an innovative Rent-to-Buy model. Through this, customers can rent affordable homes directly from Casa Real. In return, Absa agrees to consider clients for mortgage loans after they have made three years of rental payments, using the cumulative payment as a deposit. A significant advantage and selling point of this model is that it reduces the initial annual cost of homeownership below the high interest rates characteristic of Mozambique and many other African economies.¹³ This approach also de-risks Absa's lending by building up credible track records of client repayment.

Overall, the Casa Real and Absa Bank partnership remains strong in Mozambique, despite hardships stemming from Covid-19. Both parties acknowledge the challenges of the local market, and while the pandemic

and accompanying economic shocks have stalled progress, both remain committed to developing inclusive housing solutions. This includes innovative new financial models such as Rent-to-Buy. The challenge ahead is to successfully navigate the pandemic period, stabilise, and identify pathways to scale up.

Reall's role as an impact investor in enabling this partnership has been crucial. Reall's patient capital enabled Casa Real to establish itself as a viable business, deepen the evidence base, and deliver a quality product. Together, Casa Real and Reall demonstrate how smart, targeted investments are essential to kick-start affordable housing markets and crowd in new actors and resources. Casa Real is now transitioning into a self-sustaining business, that does not rely on Reall's continued investment. Partnership with commercial banks such as Absa will be essential to realising this, and ultimately unlocking decent and resilient housing for all Mozambicans.

3. Ansaar Management Company (AMC) in Pakistan: Growing Influence and Impact in an Enabling Environment

3.1. Summary of 2020 Case Study

- AMC is a social enterprise headquartered in Lahore, developing affordable housing within or close to large cities such as Faisalabad, Lahore, Multan, and Peshawar.
- With Reall's support and capital investment, AMC has constructed 700 homes and 600 serviced plots within desirable and sustainable communities for the bottom 40% of the income pyramid.
- AMC patiently nurtured a long-term partnership with the House Building Finance Company (HBFC), a semi-state-owned housing finance institution operating in the public interest. This partnership ultimately resulted in the launch of a new HBFC mortgage product.
- HBFC agreed to provide affordable mortgages to low-income AMC customers with monthly incomes of at least 25,000 PKR (\$160). HBFC mortgages are loaned at a

fixed interest rate of 12% for up to 20 years – a significant breakthrough in a country with little mortgage penetration.

- AMC de-risked HBFC by delivering a desirable, quality affordable housing product – grounded in AMC's nuanced understanding of the target market and customer base.
- Over 60 HBFC mortgages have been approved to date to AMC customers, and the initial performance of these loans has been excellent. Successfully demonstrating the viability of this model is essential for incentivising new lenders and developers into the affordable housing space in Pakistan and catalysing political and regulatory changes.

3.2. Recent Developments: AMC and Reall in an increasingly conducive national environment

AMC's partnership with HBFC to provide mortgages to low-income clients was genuinely pioneering in Pakistan – a country with little mortgage penetration and no notable history of lower-income lending by commercial banks.¹⁴ The partnership was underpinned by AMC's delivery of quality housing that is affordable and desirable to the bottom 40% of the income pyramid. All AMC homes are also developed through the lens of a 'placemaking' approach, that looks beyond a sole focus on delivering units towards fostering sustainable and inclusive communities with quality infrastructure and services.¹⁵

Partnership with HBFC has heightened AMC's profile and reputation within Pakistan, and this growth in credibility dovetailed with the emergence of a more conducive national political environment for affordable housing. The current Federal Government, led by Prime Minister Imran Khan, has taken significant steps to foreground housing in national development policies and enable the market. The centrepiece of this strategy is the official Naya Pakistan Housing Programme (NPHP), launched in 2018 to facilitate the construction of 5 million affordable housing units by 2023.¹⁶

AMC (represented by its CEO Jawad Aslam) is a permanent member of the Naya Federal Task Force, and is notably the only affordable housing developer to be included at such a

¹² World Bank. 'Mozambique Economic Update: Growth Expected to Rebound by 2022'. Maputo. 2021. <https://www.worldbank.org/en/news/press-release/2021/03/04/mozambique-economic-update-growth-expected-to-rebound-by-2022>

¹³ Olu Olanrewaju. 'Boosting African home ownership through help-to-buy models'. *New African*. London. 2021. <https://newafricanmagazine.com/25908/>

¹⁴ World Bank. *Pakistan Housing Finance Project – P162095*. World Bank. 2018.

¹⁵ Reall. *Affordable Housing and Sustainable Communities in Urban Africa and Asia*. Reall. 2021. <https://www.reall.net/wp-content/uploads/2021/03/Affordable-Housing-and-Sustainable-Communities.pdf>

¹⁶ Tabadlad. *Optimizing the Naya Pakistan Housing Policy Opportunity*. Islamabad. 2019.

high level.¹⁷ This has raised AMC's profile significantly and created a pathway to political influence. AMC has already leveraged this entry point to champion for reforms to the country's slow and opaque construction permits approval process, which historically impeded the ease of doing business and impacted on the viability and affordability of low-cost housing development. AMC's successful advocacy has resulted in a streamlining and rationalising of the approvals process into a 'one-window' facility, reducing timeframes and costs significantly.¹⁸

The Covid-19 outbreak and resultant lockdowns have impacted significantly on Pakistan's society and economy. The total number of confirmed cases and deaths has been relatively low in Pakistan, compared to many of its neighbours. However, national gross domestic product contracted by an estimated 1.5% in 2020, and half of the working population experienced either job or income losses.¹⁹

The pandemic has also strengthened the government's commitment to affordable housing as a vehicle for economic recovery, and further incentives have been introduced to galvanise the market. While the Naya Housing Programme predated the COVID-19 crisis, it gained new impetus as the government identified the construction and housing sector as a vehicle to 'build back better' from the pandemic. Most notably, in July 2020 the State Bank of Pakistan (SBP) mandated that all banks must lend at least 5% of their loan portfolio for housing and construction financing by December 2021.²⁰

In parallel, the government has pushed through key reforms relating to foreclosure laws and land registration, that collectively make mortgage financing a more attractive commercial proposition.²¹ Despite these initiatives, many established Pakistan banks remain risk adverse in their attitude towards long-term affordable housing loans and the low-income segment. However, it is clear that a more conducive housing finance environment is slowly emerging – reflected in a growth of the housing and construction loan portfolios of Pakistan banks by 54 billion PKR (\$350 million) between July 2020 and March 2021.²²

FIGURE 5 Girls travelling to school from their homes in an AMC affordable housing community, Faisalabad, Pakistan



© Reall, 2018

These developments have prompted many banks and financial institutions to directly approach AMC in search of viable affordable housing investment opportunities. AMC has capitalised on this interest to develop new projects and partnerships, with Reall's backing and financial support. The original partnership with HBFC to provide low-income mortgages (enabled by Reall's patient capital) has therefore ultimately helped catalyse a new level of engagement and influence with the financial sector.

Going forwards, Reall is expanding its network of Pakistan partners in Pakistan to leverage new market opportunities. This includes capital investment by Reall into a promising start-up (ModulusTech) that is pioneering modular and low-carbon building technologies.²³ Reall is also exploring support for new housing finance institutions that have sprung up in response to a more conducive financial environment, most notably Trellis – a newly formed Non-Banking Finance Company (NBFC). Trellis applies global best practices and digital systems to modernise mortgage lending to low-income and informally employed borrowers.²⁴ Key stakeholders must continue to collaborate

and explore new approaches in Pakistan, to broker further policy changes and build mortgage markets that enable sustainable and affordable housing solutions.

4. Syntellec in India: Applying FinTech Innovation to Affordable Housing Finance Barriers

4.1. Summary of 2020 Case Study

- Syntellec is an Indian fintech start-up based in Mumbai. Syntellec has developed cutting-edge software for the credit assessment of underserved individuals in India for long-term mortgage finance.
- This software (called RightProfile) is a unique customer profiler specifically catering for the unbanked, new to banking, and new to credit customer segment – with a focus on the informal micro-entrepreneur (which represents the 'typical' Indian customer).
- RightProfile addresses a substantial gap in the market, applying an exhaustive bank of technologies to analyse loan applications,

¹⁷ Naya Pakistan Housing Programme. 'Task Force Members (Federal)'. NPHP. 2021. <http://nphp.com.pk/task-force-members/>

¹⁸ Daily Times. 'PM seeks roadmap to launch one-window, online approval processes for housing sector'. Lahore. 2020. <https://dailymtimes.com.pk/644876/pm-seeks-roadmap-to-launch-one-window-online-approval-processes-for-housing-sector/>

¹⁹ World Bank. 'The World Bank in Pakistan'. 2021. <https://www.worldbank.org/en/country/pakistan/overview>

²⁰ Shahid Iqbal. 'SBP decrees banks to increase housing loans'. Dawn. Karachi. 2020. <https://www.dawn.com/news/1569282/sbp-decrees-banks-to-increase-housing-loans>

²¹ Business Recorder. 'Housing Finance: The road to 5 million houses'. Karachi. 2021. <https://www.brecorder.com/news/40094817>

²² Jawaaid Bokhari. 'Challenges in the financing of low-cost housing'. Dawn. Karachi. 2021. <https://www.dawn.com/news/1623031>

²³ Reall. *Reall Partnerships: ModulusTech*. Reall. 2020. <https://www.reall.net/wp-content/uploads/2020/09/ModulusTech.pdf>

²⁴ Trellis Housing Finance Limited. 'About Us'. Trellis. 2021. <https://trellisfi.com/about/>

reduce processing costs, and input into larger financial services architecture.

- RightProfile has been used by a prominent housing finance lender in India (HDFC Bank) to approve 14,000 informally employed clients for mortgage finance. Early data indicates these loans are performing better than sector norms for delinquency rates, while the lender’s turnaround time for loan sanctioning was reduced by at least 40% due to digitisation.
- Reall is investing patient capital to support Syntellect’s growth as a business and accelerate the integration of RightProfile’s credit scoring platform within the operations of new lenders and developers.
- With Reall’s guidance and investment, Syntellect will eventually adapt and export the technology to Sub-Saharan Africa where the need and market opportunity is huge.

4.2. Recent Developments: Syntellect and Reall in South Asia and Sub-Saharan Africa

Affordable housing has been the focus of successive governments at the Federal and State levels in India, and the industry has massive growth potential. India is also one of the fastest digitising countries in the world, as reflected in remarkable recent leaps in internet usage and smartphone penetration.²⁵ This digitisation has stimulated the emergence of a vibrant financial technology (‘fintech’) sector in India, which is rapidly transforming loan origination processes and approaches to credit and risk evaluation.²⁶

Syntellect’s RightProfile software platform demonstrates how these innovative technologies can be applied in practice to affordable housing finance challenges and opportunities. RightProfile collects data on low-income and informally employed customers and applies advanced technologies (including AI and machine learning) to produce detailed customer profile reports. These reports can be used by housing finance institutions to enable more accurate and objective assessments of the creditworthiness of underserved clients for mortgage finance, with a focus on ‘informal’ micro-entrepreneurs.

The Covid-19 pandemic has impacted significantly on Syntellect’s operating environment,

as recurring lockdowns have prevented vital in-person work while hindering the signing of new commercial agreements. This impact has been particularly apparent in the opening months of 2021, as India experienced a deadly second wave of viral infections.²⁷ However, the affordable housing finance segment that Syntellect seeks to reach remains a viable market opportunity, and the disruptive potential of RightProfile and fintech is still apparent.

The market opportunity and impact are evident in a recent Reall-brokered assignment for Syntellect with Altum Credo – an Indian housing finance company eager to engage with a more diverse customer base. Syntellect has evaluated Altum Credo’s systems, optimised their processes, and integrated the RightProfile software into their lending infrastructure. This integration process has proceeded patiently and incrementally – gradually reshaping Altum Credo’s operations through real-time digital information and big data analytics.

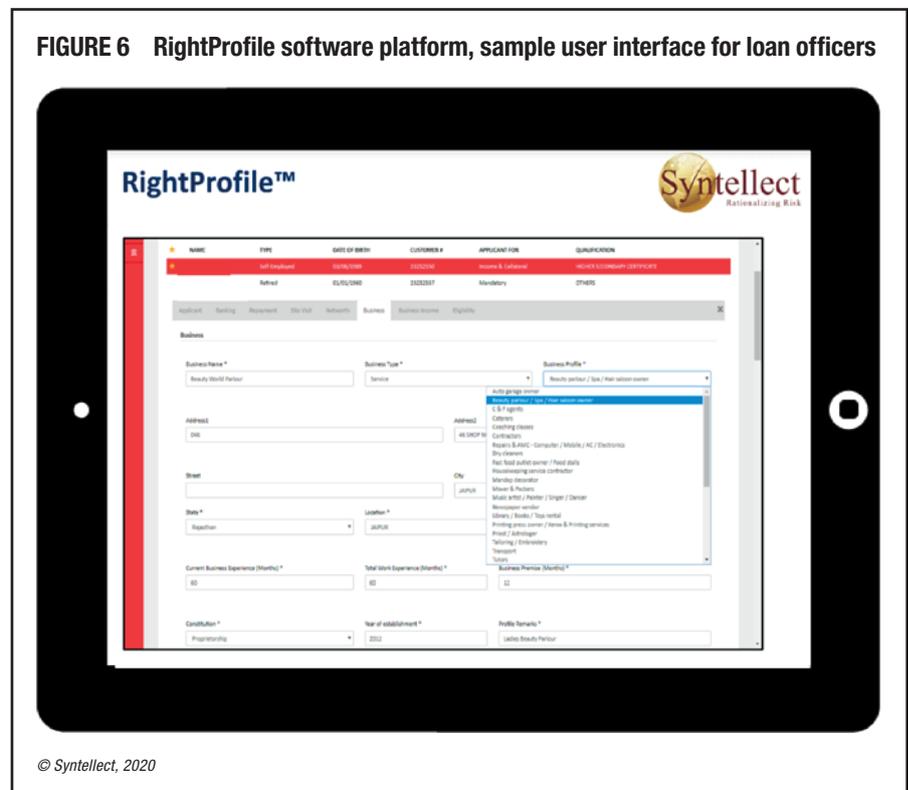
It is anticipated that with Syntellect’s input, Altum Credo will evolve its portfolio towards a larger proportion of informal micro-entrepreneurs through the use of RightProfile. Entering

further into this space is a risk for financial institutions, and Syntellect’s engagement illustrates that any move downmarket by established lenders is necessarily a gradual and iterative process – underpinned by strategic vision, a healthy risk appetite, and the deployment of digital enablers. Syntellect has further commercial agreements with Indian housing finance institutions progressing through the pipeline, which will grow their business while generating primary evidence and data that Reall can leverage.

Syntellect has also extended operations to Pakistan, working with key public and private stakeholders to formulate agreed standards and data points for informal income credit assessment in the affordable housing space. This market capacity development initiative will contribute towards widening access to housing finance for low-income and informally employed customers in the country, which remains a huge gap in the market despite a rapidly enabling environment.

Furthermore, Syntellect and Reall are committed to adapting RightProfile to Sub-Saharan Africa, where the housing need is vast. This process of adaptation began in 2020 in Kenya through initial research,

FIGURE 6 RightProfile software platform, sample user interface for loan officers



© Syntellect, 2020

²⁵ McKinsey Global Institute. *Digital India: Technology to transform a connected nation*. McKinsey. Washington, D.C. 2019.

²⁷ Rajesh Ranjan. ‘Characterization of the Second Wave of Covid-19 in India’. medRxiv preprint. 2021.

²⁶ PwC India. *A Wider Circle: Digital Lending and the changing landscape of financial inclusion*. Delhi. 2019.

market scoping and stakeholder engagement, working in collaboration with key public and private ecosystem players. Adapting financial technology from India to Kenya presents challenges, and requires a thorough understanding of the target market and regulatory landscape. Syntellect's partnership with Reall is crucial for making this leap – benefitting from Reall's practical expertise and established networks of stakeholders in key African and Asian markets.²⁸

5. Conclusions and Key Learnings

The three Reall partners documented in this article exemplify how credible affordable housing models and solutions are incubated, developed, and implemented in African and Asian geographies – even within the challenging parameters of the Covid-19 pandemic. Indeed, the case studies set out here illustrate how innovative affordable housing solutions that reach historically underserved populations will be key to a more equitable and inclusive post-pandemic recovery.

As practitioners working at the cutting edge of this innovation, all three of Casa Real, AMC and Syntellect provide a distinctive lens on broader trends in emerging markets, illuminating key lessons for the wider affordable housing sector to engage with:

- **Smart investments for market transformation:** Reall's patient capital enabled Casa Real and AMC to establish themselves as credible developers in Mozambique and Pakistan and provided the launching pad for new innovations and partnerships. Reall undertakes similar investments throughout Africa and Asia, investing to demonstrate the commercial viability of affordable urban housing for the bottom 40%. In challenging low-income environments, investment in affordable housing must always be approached as an entry point to test the model and facilitate wider market transformation.
- **Partnering with commercial banks and housing finance institutions:** Persuading commercial banks to provide long-term housing loans to lower-income customers is challenging. Reall-supported partnerships in Mozambique (Casa Real) and Pakistan (AMC) prove that breakthroughs are possible, especially when underpinned with a quality product, extensive risk

management, transparent evidence and data, and a nuanced understanding of market challenges. Casa Real's partnership with Absa Bank in Mozambique also demonstrates that moving 'downmarket' is a necessarily gradual and incremental process, that requires patience and commitment on both sides.

- **Disruptive technologies and digital enablers:** Digitisation promises significant growth potential for financial sectors, and digital lending and digital financial services are booming in many African and Asian economies. While new technologies should never be embraced uncritically, Syntellect's RightProfile software demonstrates the potential for fintech innovation to bypass conventional housing market barriers and better reach the chronically underserved. Further evidence and data are required on disruptive tools and enablers, to leverage fresh investment and transform conservative-minded financial institutions. The Indian experience also indicates that digital tools require a conducive political and regulatory environment.
- **National policy environments:** As the experience of AMC demonstrates, a more conducive environment for affordable housing and housing finance is emerging in Pakistan as a direct outcome of government policy. A number of national and federal governments are engaging in similar interventionism throughout Africa and Asia, in recognition of the increasing scale of the housing crisis and its essential role in post-Covid recovery. While the state has an essential role to play, policy and regulatory change is never complete or uncontested and requires sustained input and evaluation from the wider ecosystem to deliver effectively. Innovators and investors such as Reall are vital to document best practice and share learnings across geographies.
- **Covid-19 and 'Building Back Better':** The global Covid-19 outbreak has increased awareness of persistently poor housing conditions across Africa and Asia, and how these are linked to the spread of disease. The economic shock of the pandemic has also deepened awareness among policymakers and stakeholders of the macroeconomic importance of housing, and its intrinsic role in underpinning urban resilience. As world governments draw up post-pandemic stimulus plans

and investment strategies, it will be vital to ensure that hard-hit economies are rebuilt in ways that are healthier, decarbonised, more resilient to future shocks and fairer to a wider range of people.

- **Enabling Environments:** These case studies highlight different aspects of the enabling environments required to reduce the cost and risk of affordable housing finance and crowd new actors into the sector. While new partnerships, mortgage products and disruptive technologies are vital pieces of the puzzle, at the macro-level there is ultimately a need for more robust and ambitious social welfare programmes. This includes various forms of insurance (notably life and unemployment insurance), which in the aftermath of Covid-19 should be incorporated within an expanded understanding of 'resilience'.

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