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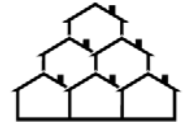
Innovative Approaches by Funders and Foundations

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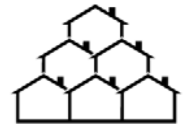
Three crucial statements from yesterday



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- “Slum upgrading isn’t a black hole” ...
 - ... but it is a money hole of finite size
- “Getting £5 billion in England was easy” ...
 - ... because it was perceived as a crisis for an essential voting constituency
- “When you build high-rise design, the costs lead to voluntary slow economic eviction” ...
 - ... which raises the question, what are we trying to do here?

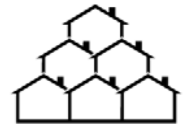
Complexity of the urban environment and interdependency of making change



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- Urban environments are complex, interdependent
 - Much more challenging interventions than rural
- Dimensions of change
 1. Housing (private investment in physical structure)
 2. Water and sanitation (including site infrastructure)
 3. Municipal trunk infrastructure
 4. Income generation (especially informal and variable)
 5. Education (especially of children)
 6. Health
 7. Capital access (beyond microfinance)
 - Introduction and evolution of new capital forms, capital value chain
- These are interdependent ... and expensive
 - None of these desirable outcomes works without external capital/subsidy
- Mission Entrepreneurial Entities can cross all the dimensions

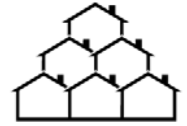
Mission Entrepreneurial Entities: non-recoverable costs at every stage of life



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- A Mission Entrepreneurial Entity is an ongoing enterprise
 - Makes *outputs*
 - Homes, toilets, piping
 - Has *organizational overhead*
 - Office, FF&E, administrative costs
 - Has *startup costs*
 - Establishment, R&D, initial working capital
- Each element has a non-recoverable cost
 - *Outputs* need subsidy for each unit of scale
 - Evergreen subsidy comes from government
 - *Organizational overhead* for a maturing entity
 - Cannot be done by volunteers forever
 - Paid for from profits (e.g. of 'cross-subsidy' ventures)
 - Build into the prices of outputs (ergo, risk of losing affordability)
 - Receive ongoing donations (endowment, public support)
 - *Startup costs* to demonstrate initial appeal
 - Typically funded by donors (scaffolding)

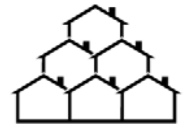
Changing the space: the role of pilots



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- “The solution is its own salesware.”
 - Political and economic support for an innovation usually follows only *after* a pilot succeeds
 - People are skeptics; they have trouble imagining interdependent innovations actually succeeding
 - “If you build it, they will fund”
- A good pilot should ...
 - Produce an attractive physical output (widget)
 - Be created by a new actor (MEE or government)
 - Involve multiple stakeholders (e.g. banks, companies)
 - Demonstrate application of a new idea
 - Benefit a worthy group of people
 - Attract media and academic attention

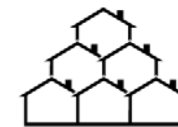
The value chain of MEE growth: donors as social venture capitalist



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- “Pick winners and help them win”
- Governance
- Financing
- Product development
- Relationships
- Establishment
- Startup (active coaching)
- Expansion (introduction, validation)

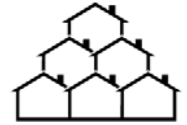
SDI's Urban Poor Fund International: putting your money where your mouth is



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- Self-managed, autonomous facility
 - Converts grant → equity
 - Converts equity → political impact
- Funnels cash (selection process) to national federations
 - Federations are expected to maintain capital recycling
- At **stabilization**, cash outflows are matched by cash inflows
 - Cash inflows come from an expanding syndicate of donors
 - Cash inflows can be targeted (specified by donors) to particular countries, income tranches
- The key is that the UPF has *equity for risk cash ...*
 - To make the political cycle work
- So there are substantial startup costs

Where we stand today: UPF activity and governance

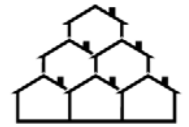


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- Design-build-operate
 - “Learn by doing” ↔ “Do by learning”
- Round 1 Spends have been made
 - Seven countries
 - India, Kenya, Malawi, Namibia, Philippines, South Africa, Zimbabwe
- Procedures (all agreed in writing)
 1. “Strategic and financial plan”
 2. “Call For funds”
 3. “Panel-beating”
 - “Returned for improvement”
 4. “Contract with fund recipient”
 5. “Learning and review”
- **Want the set of document? Email:**
 - dsmith@affordablehousinginstitute.org

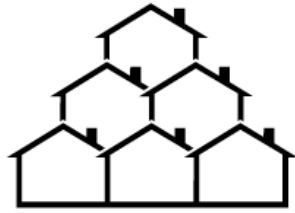


Reflections



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1. Community groups have demonstrated proof of concept
2. No one else is able to do what they do
3. Community groups need resources to do it
4. The targeting of resources requires development of critical learning strategies



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