



GREEN AFFORDABLE HOUSING FINANCE

SECTOR: ENERGY EFFICIENCY, SUSTAINABLE CITIES, BUILDINGS, WATER / WASH, WATER, SANITATION, HYGIENE SERVICES, CLIMATE RESILIENCE

REGION: AFRICA, SOUTH ASIA

INVESTMENT TYPE: GRANTS, CONCESSIONAL EQUITY, CONCESSIONAL DEBT

PROPONENT: REALL

Demographic trends in Africa and Asia necessitate massive investment in affordable homes for the hundreds of millions people living in sub-standard housing. As buildings account for 37% of energy-related GHG emissions globally, it is imperative that this housing gap is met with a housing stock that is more sustainable than that which exists today.

Well-built, energy- and water-efficient housing can help marginalized communities adapt to climate-linked disasters, including extreme heat, flooding, drought, and tropical cyclones, while secure tenure and low energy bills provide a route to long-term financial independence and resilience.

However, a chronic lack of finance for developers and prospective homeowners constrains the construction of climate-smart affordable homes at the scale required to address these challenges.

Green Affordable Housing Finance deploys construction and mortgage loan guarantees alongside targeted enabling interventions to foster a locally driven and self-sustaining affordable housing finance ecosystem

INNOVATION

Green Affordable Housing Finance's core innovation lies in its capacity to incentivize local lenders to finance both construction of affordable green homes and the purchase of those homes by households with low and informal incomes. It does this through the coordinated deployment of construction and mortgage loan guarantees to support the supply and demand side of the affordable housing sector. In doing so, the instrument aims to build the foundation for an eventual self-sustaining housing finance ecosystem for climate-smart, affordable homes.

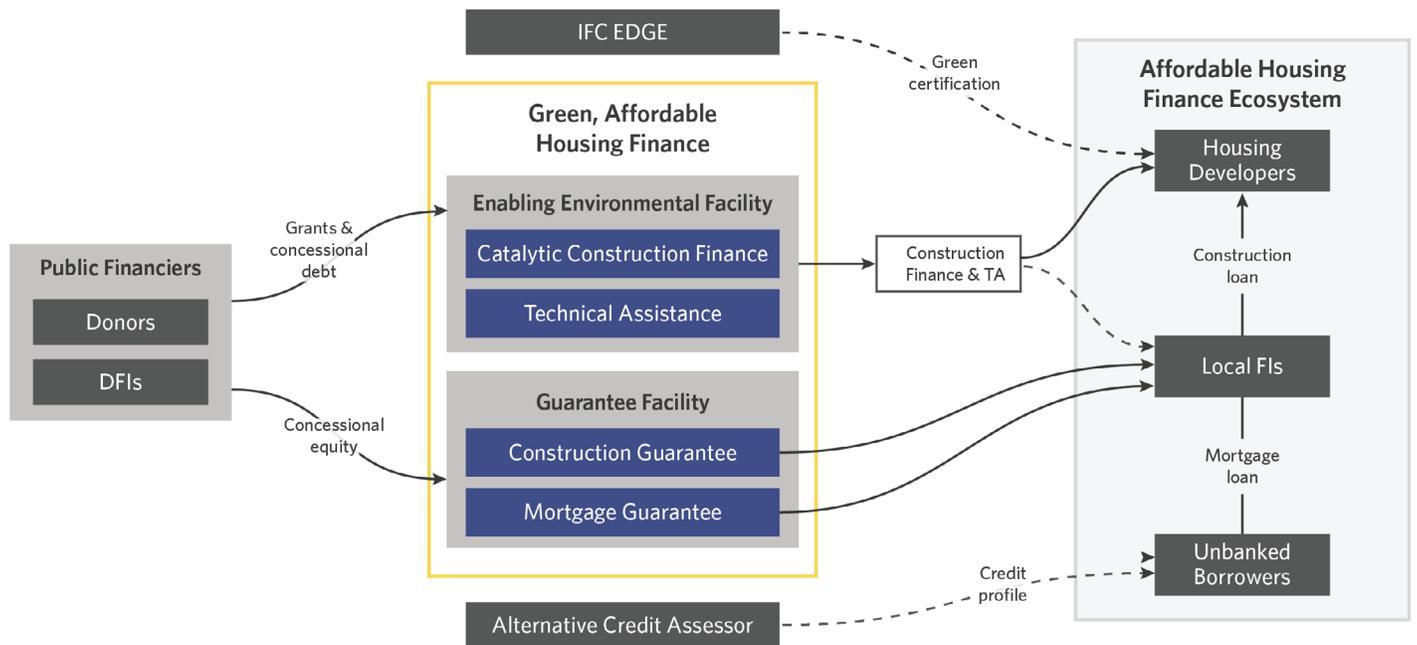
IMPACT

Reall will pilot the instrument in Kenya before expanding throughout Sub-Saharan Africa and South Asia. All homes supported by the instrument will meet industry standard green certification requirements and target populations unserved by conventional housing finance solutions. Over time, the instrument will target increasingly innovative and high-impact home designs as it approaches net zero construction. During the five-year pilot phase, the Guarantee Facility is expected to mobilize USD 37 million in lending activity for green, affordable homes. Upon scale-up, the guarantee facility is expected to support over USD 400 million in local private loans over a 15-year period.

DESIGN

The instrument will capitalize an Enabling Environment Facility (EEF) and a Guarantee Facility to provide coordinated support for green affordable homes across the housing finance value chain.

To catalyze new housing supply, the EEF will deploy targeted construction finance and technical assistance to allow high-impact local developers to establish an operating track record and attain bankability. Meanwhile,



the Guarantee Facility will de-risk construction loans issued by local lenders to further scale development of certified green affordable homes.

In parallel, the EEF will support local lenders in adopting alternative credit assessment to underwrite borrowers with low and informal incomes. The Guarantee Facility will then de-risk mortgages for those borrowers to expand credit access and offtake for developers of green affordable homes.

The deployment of technical assistance and construction finance via the EEF alongside construction and mortgage guarantees via the Guarantee Facility provides a value chain approach to accelerate the development of a self-sustaining housing finance ecosystem.

TEAM

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INVESTMENT OPPORTUNITIES		
TYPE	ROLE OF CAPITAL	AMOUNT
ENABLING ENVIRONMENT FACILITY		USD 10M
NON-REFUNDABLE GRANT	Technical assistance for housing developers and LFIs	USD 2M
CONCESSIONAL DEBT	Construction loans for innovative green home designs	USD 8M
GUARANTEE FACILITY		USD 5M
NON-REFUNDABLE GRANT	Start-up costs, including fund formation and associated legal fees	USD 1M
REFUNDABLE GRANT	Capitalization of Guarantee Facility	USD 4M

The Global Innovation Lab for Climate Finance identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development. The Lab's 2022 programs have been funded by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), the German Federal Ministry for Economic Cooperation and Development (BMZ), the Swedish International Development Cooperation Agency (SIDA), US Department of State, and the UK Department for Business, Energy & Industrial Strategy (BEIS). Climate Policy Initiative (CPI) serves as Secretariat and analytical provider.