

GREEN AFFORDABLE HOUSING FINANCE

Instrument Overview

CHALLENGE

The built environment already contributes 37% of global greenhouse emissions (GHG), however, 70% of the buildings that will exist in Africa and Asia in 2050 have yet to be built.

Rapid urbanisation in Africa and Asia demands massive investment in affordable homes for millions of people living in sub-standard housing. At the same time, reducing emissions from housing construction is necessary to meet the goals set out in the Paris Agreement. Currently, a chronic lack of finance for developers and prospective homeowners constrains the delivery of green housing construction at scale.

SOLUTION

Green Affordable Housing Finance has been developed to unlock local finance flows into the delivery and purchase of climate-smart homes. Through the coordinated deployment of guarantees, the vehicle incentivises local lenders to finance both the construction of affordable green homes and the purchase of those homes by informally employed, low-income families and women-headed households. This will be achieved alongside technical support, research and development, and concessional loans to demonstrate proof of concept innovations in green construction and affordable, gender-equitable housing finance products.

Green Affordable Housing Finance delivers a solution that will:

- Embed and mainstream green construction practices, mitigating GHG emissions for scaled affordable housing delivery
- Catalyse more equitable urban growth and protect the livelihoods of those who are most vulnerable to climate change

REGION: Reall will pilot the instrument in Kenya before expanding to Sub-Saharan Africa and South Asia.

Reall is an innovator and investor in green affordable homes in urban Africa and Asia. With over 30 years' experience working in emerging markets, Reall has invested over USD 72 million and impacted over 3.5 million people.

SDG FOCUS:



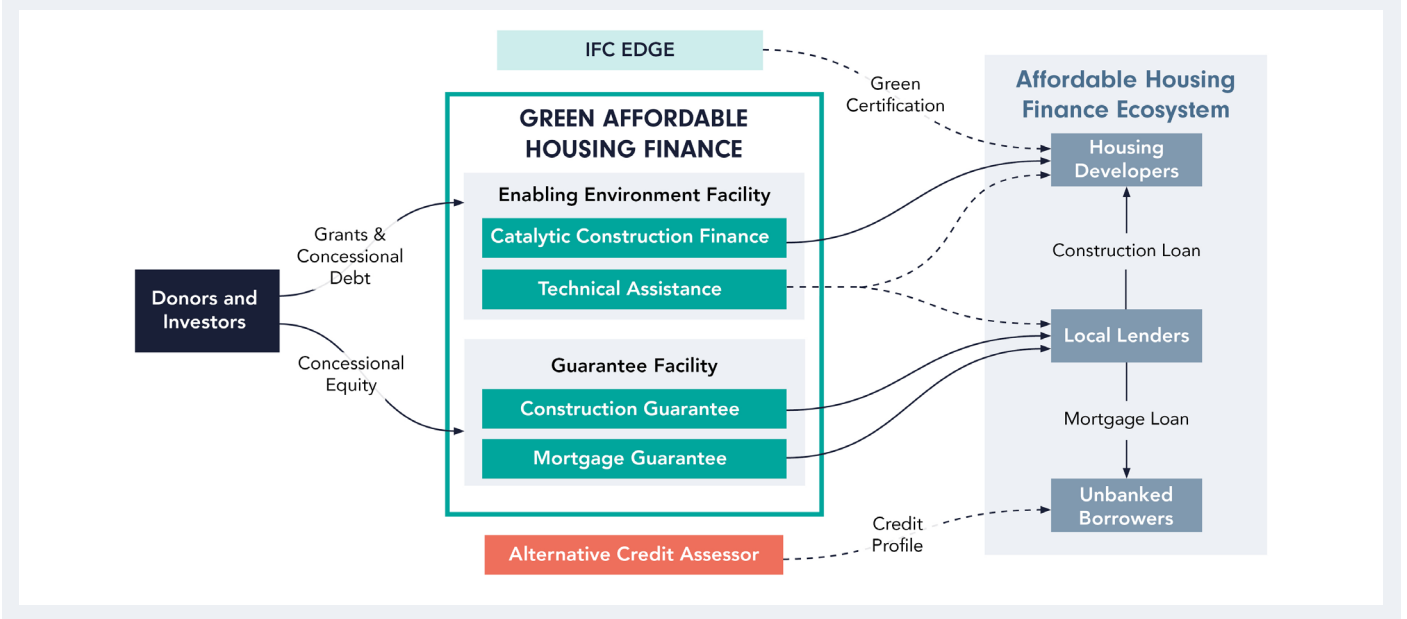
IMPACT

During the five-year pilot, Green Affordable Housing Finance will mobilise USD 38 million in lending activity for green affordable homes, which is estimated to rise to over USD 400 million in local private finance over the 15-year modelled period. **The five-year pilot will deliver green-certified homes for 11,000 people, and compared to conventional construction, will:**

- ✓ Avoid over 8,000 tonnes of CO₂ in embodied energy emissions
- ✓ Save 1.7 million m³ of water
- ✓ Reduce energy consumption by 65,000 megawatts

All homes will meet green certification requirements and target populations with informal incomes unserved by conventional housing finance. Well-built, energy- and water-efficient housing will help marginalised communities adapt to climate-linked disasters, including extreme heat and flooding, while secure tenure and low energy bills provide a route to long-term financial independence. Over time, the instrument will target increasingly innovative and high-impact home designs as it approaches net zero construction. The instrument will offer subsidised guarantee terms for women-headed households, to fast-track the rollout of gender-focused loans and enable the necessary track record to be built at pace.

STRUCTURE



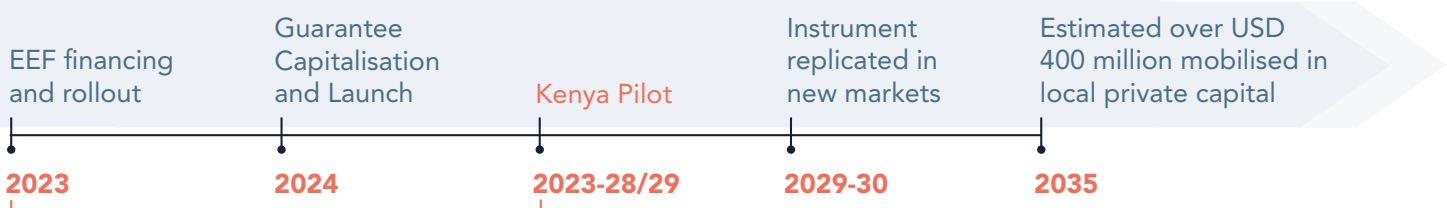
Phased Implementation:

1) An Enabling Environment Facility will deploy targeted construction finance that allows high-impact local developers to establish an operating track record and attain bankability. Technical assistance will support the integration of alternative credit assessment tools within local lending systems and embed green certification across developer and lender processes. This will be reinforced by associated data gathering and research to test and demonstrate green construction techniques, inform the development affordable, gender equitable housing finance products, and set up the dedicated Guarantee Facility to deliver at scale.

2) The Guarantee Facility will de-risk construction loans issued by local lenders. Guarantees are also

extended to de-risk mortgages to expand credit access and increase offtake for developers of green affordable homes.

3) Over time the instrument will enable local financial institutions and developers to build a track record in the delivery of climate-smart affordable homes. As lenders build confidence in the market, the activities of the Enabling Environment Facility and the Guarantee Facility will be phased out leaving a newly established **self-sustaining housing finance ecosystem**, which can successfully operate independent of concessional support. The instrument will be subsequently rolled out and replicated across Sub-Saharan Africa and South Asia, demonstrating a mass market solution for green affordable homes with significant scale up potential.



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INVESTMENT OPPORTUNITY

Enabling Environment Facility		USD 9.5M
Non-refundable grant	Technical assistance, research and stakeholder outreach	USD 4.5M
Refundable grant	Construction loans for innovative green home designs	USD 4.5M
Concessional Debt	Construction loans for innovative green home designs	USD 0.5M
Guarantee Facility		USD 5M
Non-refundable grant	Start-up costs, including fund formation and associated legal fees	USD 1M
Refundable grant	Capitalisation of Guarantee Facility	USD 4M