

GREEN AFFORDABLE HOUSING FINANCE

THE FEASIBILITY STUDY FINDINGS REPORT



TABLE OF CONTENTS

Executive Summary	4
Introduction:	7
The Problem Statement.....	7
Affordability Challenges in Housing Access	7
Value Chain Ecosystem Challenges	8
GAHF Programme Design	9
Feasibility Study Methodology and Objectives	10
The GAHF Ecosystem	11
Journey: Key Milestones and Achievements	12
The GAHF Feasibility Study Findings:	12
The GAHF Gender Products Consortium (2024).....	12
Key learnings.....	13
GAHF Market Validation Kenya (March 2024).....	15
Global Engagement and Thought Leadership.....	16
Monitoring, Evaluation, and Learning (MEL) Framework Development.....	18
Designing of The GAHF Framework:.....	20
Guarantee Refinement and Development.....	20
The Enabling Environment Model:	28
RightProfile Alternative Credit Assessment.....	30
Green Certification Standards	30
Corporate Structure: Kenyan Pilot Subsidiary	31
Research Findings and Market Insights	32
Demand Side Assessment	32
Supply Side Assessment.....	33
The Opportunity: From Feasibility to Implementation	34
GAHF Potential Impact	36
Target Demographics and Innovation.....	36

Key Lessons and Recommendation.....	36
Replicating GAHF Globally	38
Conclusion	39
Next Steps	40
APPENDICES.....	41
GAHF THEORY OF CHANGE.....	41

EXECUTIVE SUMMARY

In 2023, a multi donor initiative supporting critical financing gaps in the development sector, SDG Impact Finance Initiative (SiFi) awarded a Feasibility Study Grant to Reall to design and launch its Green Affordable Housing Finance (GAHF), a programme aiming to address the deeply gendered global housing challenge and the urgent need for climate-smart building solutions. Through systematic research in its thematic areas, stakeholder engagement, and innovative framework development, the GAHF feasibility study sought to establish a foundation for scaling green affordable housing solutions sustainably. Previously incubated by the Global Innovation Lab for Climate Finance, the feasibility study grant supported programme refinement and market testing during 2024-2025.

Following its recently concluded pre pilot Feasibility, GAHF is intended to pilot in Kenya before scaling to other identified markets in Sub-Saharan Africa and Southeast Asia. Kenya was identified as an ideal pilot country due to its rapid urbanization trajectory with urban population growing at ¹3.7% per annum. At the current growth rate, the urban population will comprise ²50% of the total population by 2030, up from 31.2% in 2019. This growth has intensified housing demand, resulting in an annual housing deficit of approximately ³200,000 units and an accumulated deficit exceeding 2 million units. Notably, an estimated ⁴60% of Kenya's urban population resides in informal settlements, more than double the global average, underscoring the urgent need for affordable housing solutions.

The feasibility study generated critical insights across GAHF's strategic areas validating GAHF's market readiness which begun with the gendered housing finance gaps and recommendations study. Following receipt of comprehensive analysis of similar programs across different markets in the region, GAHF has made great strides in identifying and building up scalable gender-specific financial products, borrowed from innovative solutions across different regions. These solutions were amalgamated into viable options for integration into the GAHF guarantee model. The gendered report findings also highlighted significant barriers facing women, including insufficient credit histories and restrictive evaluation tools that limit access to tailored gender-responsive products recognizing women as primary household decision-makers and economic contributors. The report also

¹ https://unhabitat.org/sites/default/files/2023/07/kenya_country_brief_final_en.pdf

² https://unhabitat.org/sites/default/files/2023/07/kenya_country_brief_final_en.pdf

³ https://unhabitat.org/sites/default/files/2023/07/kenya_country_brief_final_en.pdf

⁴ https://unhabitat.org/sites/default/files/2023/07/kenya_country_brief_final_en.pdf

borrowed insights from a workshop held for local financiers whose feedback revealed that performance and default guarantees are highly applicable for reducing lending risks associated with women borrowers.

GAHF, through its sponsor Reall also participated in several meaningful market validation engagements in Kenya and the region with the objective of showcasing the program capabilities and onboarding partnerships. The engagements confirmed a growing demand for green affordable housing finance supported by robust local partner ecosystems of primary lenders with demonstrated scalability potential. Key among them being participation at the World Urban Forum (WUF 2024) in Cairo, AGES Summit (2025) in Cape Town, and other local conferences sponsored by value chain players such as the Kenya Green Building Society (KGBS) whose confirmed global alignment on interventions needed to address the global affordable housing crisis against a backdrop of increasing climate challenges.

The study further developed an ideal Enabling Environment Facility (EEF) framework outlining guidelines and principles to inform delivery and decision-making processes with the core objective being to provide activities and tools supporting GAHF's delivery of catalytic access to financing for individuals or enterprises that may not typically qualify for loans under existing regulatory environments in the lending sector. Through the designing efforts, GAHF pilot is proposed to incorporate a blend of funding sources and financial instruments, with execution varying based on the objectives of value chain beneficiaries. For illustration purposes, whilst banks would require technical assistance to evaluate the benefits of adopting alternative credit evaluation models, developers would need technical assistance to upskill on green technology using platforms such as IFC-Excellence in Design for Greater Efficiency (EDGE).

The refinement of guarantee model was conducted collaboratively throughout the feasibility period, bringing together expertise from The Global Innovation Lab for Climate Finance, a team of gender products refinement consultants, and Reall's experienced staff. Through comprehensive analysis, GAHF determined that an offtake-focused guarantee model would most effectively address both construction financing and mortgage access constraints. This insight led to prioritizing the Income Stabilization Guarantee (ISG) as the primary intervention, recognizing that securing reliable demand for completed housing units represents the most critical risk factor limiting both construction finance and end-user mortgage availability.

The ISG model specifically targets informally employed women and women-led households who can demonstrate income streams but face exclusion from conventional lending due to income volatility. Operating as a Partial Risk Guarantee (PRG) mechanism, the ISG protects

lenders against defaults arising from temporary income disruptions. The financial model reflects a patient capital profile, with returns realized over the longer term. Revenue generation stems from increased guarantee uptake over time as financial institutions and end users gain confidence in the model, fee income from origination and annual premiums, and efficient treasury management that preserves and grows capital during the formative years when claim rates are expected to be relatively low.

The key considerations for the GAHF governance framework broadly cover:

- **Impact:** The structure is expected to provide seamless support that catalyzes access to finance, sufficiently incentivizing local financial institutions and end-users to access financing seamlessly.
- **Sustainability:** The capital structure should support the longevity of the GAHF programme, ultimately transforming into a self-sustaining instrument.
- **Flexibility:** Given the evolving governance and policy framework in the pilot country on affordable housing matters, the EEF facility will ensure the ability to adapt to changing needs and conditions in respective markets.
- **Risk Management:** The EEF framework must incorporate sufficient de-risking mechanisms to mitigate potential financial, operational, and project-specific risks, ultimately protecting the interests of various stakeholders and the legitimacy of the GAHF programme.
- **Scalability:** The EEF will be primarily capitalized through non-refundable grants as well as fee payments via service contracts.

These findings collectively demonstrate GAHF's readiness for pilot implementation in Sub-Saharan Africa, with validated market demand, refined gender-focused financial instruments, committed partner networks, and comprehensive strategies positioned to catalyze transformative impact in green affordable housing finance.

INTRODUCTION

The Problem Statement

The global housing crisis presents an unprecedented challenge that demands immediate and systematic intervention. According to the ⁵World Bank, 300 million new homes are needed globally by 2030, with the majority required in rapidly urbanizing emerging markets of Africa and Asia. This crisis is particularly acute in Kenya, where the World Bank estimates a current shortage of 2 million homes, with this deficit growing by 250,000 units annually, highlighting the urgent scale of intervention required to meet basic shelter needs for the country's expanding population.

The climate imperative adds another critical dimension to this housing challenge, as the buildings and construction sector has become a major contributor to global environmental degradation. According to the United Nations Environment Programme, this sector accounted for 34% of global energy demand and approximately 37% of energy and process-related CO2 emissions in 2021, underscoring the urgent need for climate-smart solutions in addressing the housing deficit. The World Green Building Council's findings further emphasize the opportunity for transformative change, stating that 80% of buildings that will exist in Africa in 2050 are yet to be built, with 90% of these expected to be residential homes, presenting a unique window of opportunity to embed sustainable practices from the outset. Here's the content rephrased into two paragraphs highlighting affordability challenges and gender disparity:

Affordability Challenges in Housing Access

Recent data from the ⁶Kenya Housing Survey (2023/2024) demonstrates severe housing affordability constraints, with 40% of the population earning under KES 20,000 monthly—income levels that effectively exclude these households from conventional housing markets. Despite the government affordable housing 'Boma Yangu' initiative pricing units at KES 1.5-3 million, still exceeds the financial capacity of these income groups. Based on their earnings, these households can only sustain housing costs below KES 1 million, creating a critical supply-demand mismatch that leaves Kenya's most vulnerable populations without viable housing options.

Beyond income-based exclusion, the survey also highlights that the ⁷population distribution by gender as being almost equally distributed with women at 50%. Although specific data on women ownership is not available, the survey highlights that men (68%) are more likely to be employed than women(55%) Additionally, home ownership rates remain significantly higher at 60% for the

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⁶ [2023/24 Kenya Housing Survey - Basic Report - Kenya National Bureau of Statistics](#)

⁷ [2023/24 Kenya Housing Survey - Basic Report - Kenya National Bureau of Statistics](#)

employed reflecting deeply entrenched structural barriers including limited access to financing, restrictive land inheritance norms, and cultural practices that systematically hinder the informal or self-employed from acquiring or registering property solely in their names.

Value Chain Ecosystem Challenges

The delivery of green affordable housing faces interconnected supply-side challenges that create a cascading effect throughout the market ecosystem some of which are as highlighted:

Supply-Side Challenges:

- Lack of sufficient confidence in green building materials limits market adoption of sustainable construction practices
- Absence of adequate collateral preventing developers from obtaining sufficient debt funding to scale projects and achieving cost efficiencies
- Inherent and perceived development risks often lead to reduced market appetite and are transferred to unit prices, making homes unaffordable and discouraging mortgage investments
- Limited derisking financial tools available to mitigate development risk and mobilize institutional lending
- High or volatile domestic interest rates increase long-term capital costs for housing projects
- Expensive supply chains add multiple cost layers that impact project viability

Demand-Side Challenges:

- Lack of sufficient housing finance products tailored for low-income and informal earners who cannot meet conventional lending criteria
- Absence of secondary mortgage markets and guarantee mechanisms constrains lending capacity to informal income earners
- High building material costs and inflation continuously erode housing affordability
- Government subsidies are poorly targeted and are slow to reach the majority most in need
- Stringent eligibility requirements (formal pay slips, minimum income, large down payments) systematically exclude informal workers and low-income earners from homeownership

GAHF PROGRAMME DESIGN

The Green Affordable Housing Finance (GAHF) program was originally conceptualized by Reall, an organization that has established itself as a pioneering force in affordable housing development, demonstrating measurable impact across multiple markets through innovative financing mechanisms and strategic partnerships. With a proven track record of delivering sustainable housing solutions, Reall identified the critical need to bridge the financing gap between environmental sustainability goals and affordable housing delivery. Reall creates the conditions for families to secure their own homes. With 1.2 billion people without somewhere decent to call home globally, through its work across five priority markets, Kenya, Nigeria and Uganda in Africa and India and Pakistan in Asia, Reall has a commercially and environmentally viable solution that drives macroeconomic development and catalyzes pathways to net zero, Reall has pioneered and offered thought leadership in the global affordable housing space for more than 30 years.

Reall has demonstrated significant commitment in upgrading communities across its operational jurisdictions as evidenced by successfully improving the lives of three million people through its comprehensive affordable housing initiatives. The organization's commitment to economic empowerment is evidenced by the creation of over 200,000 jobs, providing sustainable livelihoods and contributing to local economic growth. In addressing critical infrastructure needs in affordable housing, Reall has facilitated provision of clean water access to half a million people, ensuring this fundamental human right reaches underserved communities. Additionally, the organization has delivered sustainable sanitation solutions to over a million people, addressing essential public health requirements and improving overall quality of life in the communities it serves

⁸The Green Affordable Housing Finance (GAHF) model was co-designed by The Global Innovation Lab for Climate Finance (The Lab) hosted by Climate Policy Initiative (CPI). and Reall in 2022-23, as a financial solution to catalyze housing finance ecosystems and provide new routes to green and affordable home ownership – particularly among women. GAHF's goal is to disrupt the global housing market, tapping into the estimated USD 1.5 trillion climate-smart investment opportunity that exists in green homes as well as close in on the estimated 300 million new homes that will be needed by 2030 in ways that serve people, planet and prosperity. Following comprehensive market analysis and stakeholder consultation, Reall's strategic partnership with leading organizations resulted in modelling of GAHF which was designed on the backing of the organizations complementary strengths with the key roles being:

⁸ [Green-Affordable-Housing-Finance_Instrument-Overview.pdf](#)

- **Reall:** On-ground partner engagement, testing, resource mobilization and implementation expertise with the requisite affordable housing development experience
- **The Lab** and partners: Designing, analyzing and developing the problem and generation of potentially viable solutions
- **SiFi (SDG Impact Finance Initiative):** \$200,000 Grant feasibility seed donors who enabled pre-pilot work on GAHF to take off in the pilot country in Kenya. SiFi also provided expertise in blended finance mechanisms and impact measurement frameworks, enabling innovative risk-sharing models essential for green affordable housing ventures.
- **Convergence:** Agency intermediary service providers who have also contributed extensive knowledge and provide investor match making opportunities in mobilizing private capital for development outcomes, providing critical insights into investor requirements and market structuring approaches.

Feasibility Study Methodology and Objectives

The SiFi contract was designed with the fundamental purpose of supporting the efforts by the design partners in creation of a robust and self-sustaining local housing finance ecosystem in Kenya that specifically provides accessible routes to homeownership for women. The initiative aimed to conduct comprehensive feasibility and pre-implementation activities that would lay the groundwork for the subsequent deployment of commercial risk guarantees to local financial institutions. These guarantees are intended to be strategically combined with targeted support mechanisms, including concessional loans and technical assistance, to effectively unlock flows of finance for the construction of green affordable homes. The ultimate objective was to facilitate homeownership opportunities specifically for female-headed low-income households, addressing both the gender gap in housing finance access and the critical need for sustainable, affordable housing solutions in Kenya's rapidly growing urban areas.

The study further sought to pilot the instrument in Kenya before expanding to other identified markets in Sub Saharan Africa and South Asia. The instrument will target new markets that face similar market dynamics as Kenya, including small or non-existent green building industries, low mortgage uptake, large informal economies, and a pathway to alternative credit assessment adoption by local financial institutions. The feasibility study generated critical insights across GAHF's strategic areas validating GAHF's market readiness through systematic research in its thematic areas, stakeholder engagement, and innovative framework development.

The GAHF Ecosystem

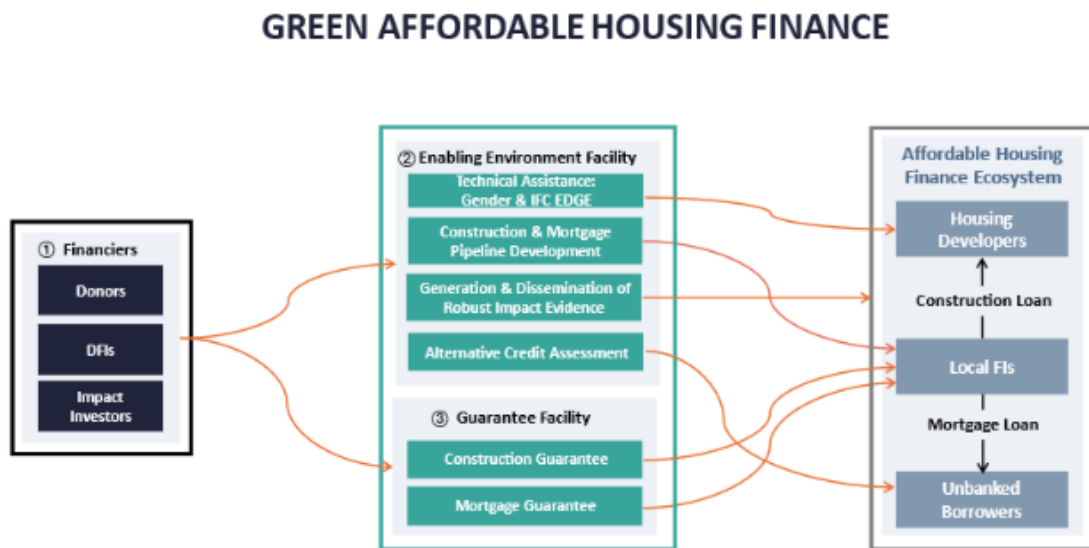
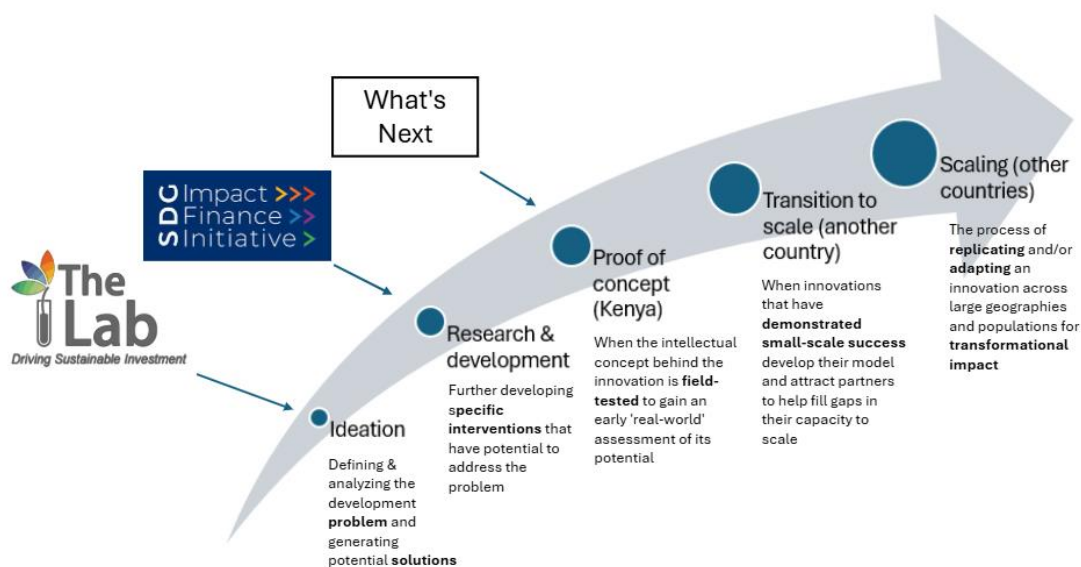


Figure 1 – The GAHF Ecosystem

GAHF bridges key barriers for lenders and housing developers and is underpinned by two mechanisms: An Enabling Environment Facility (EEF) and a Guarantee Facility. Together, the two mechanisms aim to foster a self-sustaining, locally driven housing finance ecosystem to leverage private finance for the delivery and offtake of green, resilient, inclusive and affordable homes for low-income families. The instrument addressed four key criteria which secured its endorsement by the design partners.

- **Innovative:** Deployment of construction and mortgage loan guarantees to local financial institutions is unique in addressing a coordination problem between supply and demand-side actors.
- **Financially Sustainable:** Integration of alternative credit assessment technology into guaranteed criteria enables the instrument to price risk more effectively than the market, allowing fee revenue to exceed net payouts on guaranteed loans.
- **Catalytic:** Guarantee finance to spur local, private-sector construction and mortgage lending into an untapped multi-trillion-dollar global market for affordable housing.
- **Actionable:** The proponent, Reall, has over ten years of experience deploying construction loans for affordable housing in the instrument’s target markets.

Journey: Key Milestones and Achievements



THE GAHF FEASIBILITY STUDY FINDINGS

1. The GAHF Gender Products Consortium (2024)

Recognizing the critical importance of gender-inclusive approaches to housing finance, GAHF onboarded specialized gender experts to ensure equitable access and outcomes. The Green Affordable Housing Finance model is primarily designed to tackle the issues of housing affordability and sustainability, with a particular focus on addressing barriers faced by women in Kenya. The consultancy aimed at building in-depth understanding of women's barriers to accessing finance for housing in Kenya and developing gender-specific de-risking products to incentivize local bank lending to women and co-headed households. This study aimed to provide an analysis of comparable gender-specific products from diverse regions including India, Senegal, Ghana, Indonesia, Bangladesh, and El Salvador to give actionable insights into the Kenyan context.

Following submission of the report, GAHF through the consortium of Protos Capital, Kenya Green Building Society and Augusto & Co., co-hosted a webinar in partnership with the Kenya Bankers

Association to discuss research findings with both opportunities and gaps in the market for local finance institutions on housing finance needs for women in Kenya. This webinar, which was attended primarily by financial lenders in Kenya, explored key challenges, barriers, and opportunities in housing finance for women, insights from financial institutions on de-risking and guarantee products, adjustments to housing finance products for equitable access by women especially those in the 'mortgage gap', women's access to housing finance, gender-responsive design principles, and economic empowerment through housing investments.

The gendered report findings highlighted significant barriers facing women, including insufficient credit histories and restrictive evaluation tools that limit access to tailored gender-responsive products recognizing women as primary household decision-makers and economic contributors. The report also borrowed insights from a workshop held for local financiers whose feedback revealed that performance and default guarantees are highly applicable for reducing lending risks associated with women borrowers

Key learnings

Successful implementation of gender-specific guarantee products within the GAHF model requires partnerships, capacity building, monitoring and evaluation. Through partnerships with financial institutions, real estate developers, and government bodies, the GAHF model can access the necessary capital from financial institutions, expertise from real estate developers, and regulatory support from the government that are key to the development of innovative housing finance solutions.

Stakeholders require continuous technical assistance training on the benefits and implementation of gender-specific guarantee products as well as alternative credit scoring. By understanding and adopting these methods, financial institutions can better offer specialized mortgage products that focus on women borrowers. In addition, developers can use market intelligence to design projects that meet the actual needs of women borrowers, ensuring financial viability.

A robust monitoring, evaluation and learning framework is a crucial component in the implementation as the key source of unlocking the data needed to refine these products, ensuring that the GAHF model remains responsive to the evolving needs feeding into the model's overall effectiveness. The adaptation and improvement of these products will be pegged on the availability of robust monitoring and evaluation mechanisms.

As the needs of women borrowers continue to develop, there is a need to identify best practices and areas for improvement through regular data collection and analysis. In addition to securing support from stakeholders, the GAHF model can maintain a focus on impact measurement to demonstrate the value of gender-specific guarantees.

From the research findings, GAHF recommends borrowing from the sampled case studies showcased in the report towards designing of a bespoke Income Stabilization Guarantee (ISG) to promote the financing of environmentally sustainable housing projects by reducing the financial risk for lenders, developers and ultimate homeowners. The ISG is expected to play a critical role in encouraging homeowners to ultimately seek to invest in green built houses whilst ultimately incentivizing developers to embrace sustainable technologies and the underserved.

By providing a first loss cover, the incentive makes green housing projects more attractive and feasible, particularly in a market where the perceived costs of sustainable interventions in construction can be a deterrent. This will in turn compliment designing of a Construction Guarantee incentivizing lenders to advance construction loans to developers on the backing of the derisked offtake model propagated by the ISG. The product is intended to provide temporary financial relief i.e. risk-based approach cover up to thirty-six (36) months on a revolving bases during the loan tenure to ensure continued payment of housing obligations, thereby reducing the risk of default for borrowers and enhancing the stability of the demand-side housing market.

-The Income Stabilization Guarantee (ISG) is proposed as an Offtake solution that is to be rolled out as a phased Implementation for the following reasons:

- Risk Mitigation: Gradual scaling will allow for early identification and correction of prototype design, reducing default risk exposure in initial years
- Revenue Optimization: Owing to the initial lower utilization rates in the first years. The fund could potentially generate interest income using efficient reserves management that partially offsets slower fee accumulation
- Market Development Time: Assuming a staggered uptake targeting 30% incremental annual growth provides adequate time for financial institution capacity building and borrower awareness
- Capital Efficiency: GAHF intends to fundraise 80-90% of the capital requirement whilst applying efficient capital recycling actively in Year 3-4 that maximizes deployment
- This model positions the guarantee fund as a catalytic blended finance instrument a lot more than it is a static commercial investment vehicle as the intent presupposes a shift in market behavior that results in increased debt uptake.
- The model projects modest financial returns which are offset by other benefits:
 - ✓ Higher leverage: 3-4x leverage on total housing debt funding
 - ✓ Capital preservation: guarantee capital retained under normal default scenarios owing to recycling of facility as well as retention of revenue earned from fee income
 - ✓ Prototype piloting will lead to establishment of sustainable green housing finance ecosystem

- ✓ Data and Evidence backed proof of concept that de-risks future commercial capital deployment

For impact investors and development finance institutions, this represents an attractive risk-adjusted profile where near-capital preservation combines with measurable development impact, positioning the guarantee fund as essential infrastructure for unlocking the broader green affordable housing finance market in East Africa

Notable key challenges expected within the piloting period include:

- Extended breakeven period with fee income remaining modest in early years owing to slower uptake levels requiring patient capital
- Lower absolute returns: Total return on guarantee capital over 5 years is projected to be in a low to modest range. This is attributed to staggered uptake levels.
- Set up costs will require to be sought from donor partner institutions in the form of non-refundable grants. This decision is likely to be impacted by broader challenges affecting the donor-funded development sector globally, which may hinder timely program implementation. This initial donor dependency is mitigated by the program's longer term transition strategy, where enabling environment activities including technical assistance, capacity building, and other related services will evolve into revenue-generating operations beyond the pilot period. This shift from grant-dependent to partially self-sustaining operations, combined with demonstrated financial viability through guarantee fee income, significantly enhances the program's attractiveness to longer-term investors.

2. GAHF Market Validation Kenya (March 2024)

Market validation activities formed a crucial element of the feasibility study, with GAHF engaging extensively with ecosystem partners across Kenya and the broader region. As a precursor to the feasibility study, GAHF via its feasibility host Reall co-hosted a 'Financing Affordable and Sustainable Housing in Kenya' workshop with the Kenya Green Building Society, alongside the IFC EDGE Buildings and the Centre for Affordable Housing Finance (CAHF) in Nairobi, Kenya in March 2024. The workshop played a vital role in establishing a clear roadmap for the innovative financing of affordable housing in Kenya and witnessed strong commitments from all actors to work up a pilot guarantee-backed housing deal, paving the way for homeownership opportunities for countless Kenyans. The workshop in Kenya served as a critical validation exercise, bringing together local financial institutions, developers, government representatives, and community organizations.



Picture 1 – GAHF Stakeholder engagement forum

Key Learnings:

The comprehensive stakeholder engagement workshop yielded critical feedback that demonstrated substantial market demand for green affordable housing finance solutions across Kenya with financial institutions, developers, government agencies, and other value chain players consistently expressing strong interest in accessing financing mechanisms that integrate environmental sustainability with affordability considerations.

Throughout the session, participants collectively identified a range of regulatory and operational barriers that currently impede the flow of capital toward green affordable housing, including restrictive lending criteria that exclude low-income borrowers, lack of standardized green building certification frameworks that create uncertainty for lenders.

Building on these insights, workshop participants endorsed the proposed development localized guarantees tailored to Kenya's specific market conditions. There was also positive sentiment towards the introduction of credit assessment that recognizes informal income streams.

3. Global Engagement and Thought Leadership

GAHF actively participated in key international forums to advance the green affordable housing agenda, leveraging these platforms to build strategic partnerships and showcase innovative solutions. These forums included representation at the World Urban Forum (WUF) and at the AGES Summit, where GAHF showcased its innovative financing mechanisms to a targeted audience of development finance institutions, connected strategically with impact investors and institutional funders to build its funding pipeline, and contributed meaningfully to policy dialogue on sustainable urban development, positioning the organization as a thought leader in the intersection of climate finance, gender inclusion, and affordable housing delivery.

Other notable collaborations include active engagements with The Kenya Green Building Society (KGBS) to deliver IFC EDGE Expert training to 14 national and sub-national Government of Kenya officials. Global Green Growth Institute (GGGI) that seek to scale green affordable housing solutions across East Africa. This collaboration leverages the partners expertise in green growth policy and Reall's proven track record in affordable housing finance, creating a powerful alliance to address the region's housing deficit while advancing climate resilience objectives. The partnership enables knowledge sharing, policy advocacy, and coordinated market development efforts essential for systemic change in the East African housing sector.



Picture 2 – KGBS/GAHF IFC Edge training session



Picture 3 – KGBS annual conference GAHF showcase



Picture 4,5 – GAHF at the AGES 2025 summit presentation to investors

Key Learnings:

- Ideal governance structures in the Green Economy continue to be a major hurdle, particularly around rigid regulatory frameworks, the absence of pricing standards and a gap in credible benchmarking systems. To attract blended finance models that combine both public and private sector investments, innovative solutions will be essential for success.
- There is a dire need to reevaluate development models that prioritize long-term environmental sustainability over short-term economic gains. This shift is necessary to effectively accelerate Africa’s access to climate finance and to build a more sustainable, green economy.
- The climate finance gap: Current funding meets less than a quarter of Africa’s needs, largely due to perceived risks and a shortage of bankable projects. With only 18% of climate finance coming from the private sector, there is a clear gap in creating more investable projects and engage the private sector more effectively in addressing Africa’s climatic challenges.
- Building a strong, evidence-based pipeline of investable projects is critical to driving meaningful change. By leveraging data effectively, it is possible to unlock more opportunities for impactful investments and accelerate progress towards a climate-resilient Africa.

4. Monitoring, Evaluation, and Learning (MEL) Framework Development

The Monitoring, Evaluation and Learning (MEL) Framework has been designed through active collaboration with consultants Move on Afrika Ltd. and sought to track progress, assess performance and inform learning of the implementation of the GAHF program in Kenya. The MEL framework provides a comprehensive approach on how evidence generated through the implementation of the GAHF project will be measured, within the housing sectors in Kenya. The MEL framework comprises broadly of:

- Impact measurement methodologies
- Performance indicators and benchmarks
- Data collection and analysis protocols
- Reporting strategies and recommendations

Key Learnings

From the Monitoring, Evaluation and Learning Framework exercise, the following was established:

1. GAHF will require to establish clear data sharing protocols with key institutions such as the property developers, housing finance institutions, government agencies such as Kenya National Bureau of statistics (KNBS), Central Bank of Kenya (CBK) and Kenya Green Building Society (KGBS) and Architectural Association of Kenya (AAK) for effective data collection and reporting.
2. Secondary reports published by CBK, KNBS and CAHF will provide adequate data disaggregation for impact level indicators and where the reports have no adequate disaggregated data, GAHF will pursue partnerships that will enable data that require disaggregation to be collected by relevant institutions.
3. Housing finance institutions and property developers need to collaborate effectively with GAHF to be able to use data collection tools that provide adequate information on the indicators on a timely basis and that such information will be accurate.
4. Evidence from the baseline study indicates that a number of GAHF impact indicators can be reported through the review of reports published by existing players e.g. KNBS and CBK. However, it is noted that the reports do not provide the level of Disaggregation needed to report on the GAHF impact indicators. A key recommendation is that Reall can engage the CBK and KNBS so that during the data collection processes, tools used by the two institutions are able to capture the level of disaggregation needed for the GAHF impact indicator.
5. Housing developer and financial institutions will play a key role in data generation for GAHF especially for outcome and output indicators. These institutions already have systems that support their data collection processes based on the services they provide. However, there currently does not exist specific tools to collect the GAHF indicators and the disaggregation that will be needed. It is recommended that GAHF develop tools e.g. spreadsheets or questionnaires that can be used by the institutions to collect the

necessary data. Reall will also need to develop reporting templates that can be used by the institutions to provide the necessary information.

6. Based on the discussions with property developers and some of the representatives from the local financial institutions, there will be need for capacity building especially around the tools and reporting on the GAHF project indicators. Regular technical support will ensure that the teams assigned to support the Reall team are able to collect and report quality data.
 7. Key institutions within the housing sector hold sensitive data, for this reason, there will be need for clear data sharing protocols to support the exchange of data and information between GAHF and institutions such as housing developers, LFIs, KGBS and AAK.
 8. There is also not a single source or report cited by Kenyan government that consolidates the reporting of housing sector indicators with the exception of the one produced by Center for Affordable Housing Finance (CAHF). There is need to lobby actors within the housing sector to develop a common database for the housing sector.
- [Link to MEL report](#)

Note: The MEL framework represents proprietary Reall intellectual property with potential for broader application in impact measurement initiatives in a wider context.

DESIGNING OF THE GAHF FRAMEWORK

Guarantee Refinement and Development

The refinement of GAHF's guarantee products was a collaborative process undertaken on an ongoing basis, bringing together expertise from The Global Innovation Lab for Climate Finance, the gender products consortium, and Reall's experienced staff. This multi-stakeholder approach ensured that the guarantee design reflected both technical financial considerations and on-the-ground market realities.

Through comprehensive analysis, GAHF determined that an offtake-focused guarantee model would most effectively address both construction financing and mortgage access constraints. This insight led to prioritizing the Income Stabilization Guarantee as the primary intervention, recognizing that securing reliable demand for completed housing units represents the most

critical risk factor limiting both construction finance and end-user mortgage availability. By addressing offtake risk first, GAHF creates confidence throughout the value chain, from developers seeking construction loans to lenders considering mortgages for non-traditional borrowers.

Key Guarantee Assumptions

- **Target Market:** The Income Stabilization Guarantee (ISG) specifically targets informally employed women and women-led households who can demonstrate income streams but face exclusion from conventional lending due to income volatility and lack of formal documentation. Operating as a Partial Risk Guarantee mechanism, the ISG protects lenders against defaults arising from temporary income disruptions, a common occurrence in informal employment. This protection mechanism acknowledges the reality that informal earners may experience reliable long-term income patterns despite short-term fluctuations, and that default risk can be substantially reduced by providing temporary payment support during income gaps.
- **Capital Requirement:** The financial model for the ISG reflects a patient capital approach, with returns realized over the long term. Revenue generation stems from growing guarantee uptake as financial institutions gain confidence in the model, accumulating fee income from origination and annual premiums, and efficient treasury management that preserves and grows capital during the initial years when claim rates are expected to be relatively low. This patient capital orientation positions the ISG as a catalytic development finance instrument designed to transform market behavior and establish new lending patterns, rather than as a commercial investment vehicle seeking immediate returns.
- **Implementation of the Supply Side Guarantee:** The ISG will complement designing of a Construction Guarantee incentivizing lenders to advance construction loans to developers on the backing of the derisked offtake model propagated by the ISG. The product is intended to provide temporary financial relief, specifically risk-based cover up to thirty-six months on a revolving basis during the loan tenure to ensure continued payment of housing obligations, thereby reducing the risk of default for borrowers and enhancing the stability of the demand-side housing market.
- **Key Risk Addressed:** The Income Stabilization Guarantee is proposed as an offtake solution that is to be rolled out as a phased implementation which applies sufficient risk mitigation through gradual scaling will allow for early identification and correction of prototype design, reducing default risk exposure in initial years. Efficient revenue optimization recognizes the initial lower utilization rates in the first years; the fund could potentially generate interest income using efficient reserves management that partially offsets slower fee accumulation. Assuming a staggered uptake targeting up to 30% in loan value provides adequate time for financial institution capacity building and borrower

awareness. Capital efficiency means GAHF intends to fundraise 80-90% of the capital requirement whilst applying efficient capital recycling actively in Year 3-4 that maximizes deployment.

- **Blended Funding:** This model positions the guarantee fund as a catalytic blended finance instrument a lot more than it is a static commercial investment vehicle as the intent presupposes a shift in market behavior that results in increased debt uptake. The model projects modest financial returns which are offset by other benefits including higher leverage at 3-4x leverage on total housing debt funding, capital preservation where guarantee capital is retained under normal default scenarios owing to recycling of facility as well as retention of revenue earned from fee income, prototype piloting leading to establishment of sustainable green housing finance ecosystem, and data and evidence backed proof of concept that de-risks future commercial capital deployment.
- **Efficient Fund Management:** For impact investors and development finance institutions, this represents an attractive risk-adjusted profile where near-capital preservation combines with measurable development impact, positioning the guarantee fund as essential infrastructure for unlocking the broader green affordable housing finance market in East Africa. Notable key challenges expected within the piloting period include extended breakeven period with fee income remaining modest in early years owing to slower uptake levels requiring patient capital, and lower absolute returns where total return on guarantee capital over 5 years is projected to be in a low to modest range attributed to staggered uptake levels.
- **Set up costs** will require to be sought from donor partner institutions in the form of non-refundable grants. This decision is likely to be impacted by broader challenges affecting the donor-funded development sector globally, which may hinder timely program implementation. This initial donor dependency is mitigated by the program's longer term transition strategy, where enabling environment activities including technical assistance, capacity building, and other related services will evolve into revenue-generating operations beyond the pilot period. This shift from grant-dependent to partially self-sustaining operations, combined with demonstrated financial viability through guarantee fee income, significantly enhances the program's attractiveness to longer-term investors.
- **Key sources for underlying assumptions:** The Guarantee Facility model represents the cornerstone of GAHF's strategic approach to unlocking housing finance at scale in Kenya. This comprehensive model was developed using robust data sources, drawing from Reall's existing Kenya investment portfolio and incorporating wider market intelligence including prevailing interest rates, Kenya Mortgage Refinance Company (KMRC) mortgage terms, standard guarantee fees, and current house price trends to ensure realistic projections and market alignment. The financial modeling demonstrates remarkable leverage potential, showing that a strategically structured Guarantee Facility requiring an initial \$5

million in total funding—comprising \$1 million for initial setup and \$4 million for capitalization.

- **Replicability and Scale:** The model's flexibility ensures sustainability and adaptability, with data inputs designed to be regularly reviewed and updated as market conditions evolve over time. Beyond its primary implementation purpose, the modeling framework provides invaluable intelligence for GAHF's broader market engagement activities, particularly in negotiating and supporting deals between commercial banks and third-party guarantee providers, thereby maximizing the organization's impact across multiple intervention pathways in Kenya's housing finance ecosystem.
- **Capital Sources:** The facility is expected to be capitalized by an up-front non-refundable grant to fund the Kenya pilot operations and set up, followed by retained earnings and long-term concessional equity to self-sustain, scale operations and enter new markets. This proposed structure accommodates slight variations based on the specific context of the guarantee partners objectives. The overarching theme will remain within the implemented objectives of the GAHF framework. GAHF estimates that it requires USD 5m worth of a guarantee to *operationalize and capitalize its pilot*.
- **Pilot Programme:** It is recommended that the guarantee proposition is delivered as a Partial Risk Guarantee (PRG) that is developed further through a phased pilot prototype before advancing to scale and replicate. It is expected that once the pilot phase is completed, the guarantee would be hosted by a locally registered guarantee service provider for the long term.
- **Funding Sources:**

The funding sources of the guarantee scheme shall consist of

(a) equity, grants, donations,

(b) monies from any other source as may be approved by the GAHF Board Committee

The Guarantees will initially be implemented in collaboration with existing guarantee providers in the pilot country (Kenya) with the aim of leveraging off their existing infrastructure and knowledge base on the modalities of guarantee issuance. The guarantee proposition aims to deliver a Partial Risk Guarantee for both construction and mortgages.


Indicative Guarantee Framework

<p>Pilot specifications</p>	<ul style="list-style-type: none"> • Guarantee Types: Green Construction and Income Stabilization Guarantee (ISG) • Concessional guarantee subsidized fund • Standby fund for call up eventualities: blend of refundable and non-refundable grant • Fund Sources: Co capitalized using existing guarantee providers in country, DFIs to scale • Guarantee Tenure <ul style="list-style-type: none"> I)Up to 24months (Construction) II)Up to 36months (Housing finance/Mortgage) • Pilot roll out: Via existing Guarantee providers in country to leverage off existing infrastructure and efficiencies • Pricing: Onboarding fee/annual premiums to be negotiated with providers • Negotiable with the providers
<p>Structure</p>	<p>The pilot programme would need to be assimilated within an existing institution. This may include an existing guarantee provider or an industry partner with sufficient capacity for the following reasons:</p> <ol style="list-style-type: none"> i. Established presence in entry market (Kenya) ii. Proven track record of providing guarantees for Kenyan projects. iii. Provision of local currency guarantees. <p>The implementation of the pilot programme would require technical capabilities that may not necessarily be present within these organizations' framework at the onset, for this reason the guarantee provider may have to develop or contract specialists to implement the same.</p>
<p>Target Market</p>	<p>Construction Guarantee: The Pilot programme would target pre-vetted and qualifying developers with requisite experience in delivering projects at scale. The developers must be willing to commit to certified projects meeting green building standards (e.g. IFC EDGE). The participating LFI will undertake the</p>

	<p>standard due diligence in line with construction finance with GAHF jointly ensuring the risk is well mitigated through the enabling environment facility.</p> <p>Income Stabilization Mortgage Guarantee (ISG): The Pilot programme would target the mortgage gap-households primarily with a focus on informal earners. This product will predominantly target women or women led households for offtake.</p>
<p>Pricing</p>	<p>The Pilot programme would need to develop a Partial Risk Guarantee (PRG) product designed for the Kenyan property development and mortgage market with a focus on specific target market segment.</p> <p>The pricing of the guarantee product would need to be aligned with the potential exposure that the guarantee provider would face for underwriting the facility under a risk-based framework.</p> <p>Underwriting the guarantee product will be based on various underlying factors and rely on Local Financial Institutions due diligence framework which will broadly include:</p> <ul style="list-style-type: none"> i) The outstanding amount according to a theoretical repayment schedule ii) Borrower risk profiles iii) Occupation, and income frequency iv) Tenure of the PRG v) Age of the mortgagee vi) Value of the collateral. vii) Fulfillment of provision of all requisite licensing for developers <p>It is imperative that the guarantee terms remain an attractive instrument for all the parties involved including the donors, investors and lenders alike e.g. mispricing may come at a cost of potential capital loss or non-utilization. Ultimately the attractiveness of the guarantee to its ultimate beneficiary is critical to the programmes success.</p>

	<p>The Pilot Programme would need to work closely with lenders to utilize existing data from potential borrowers within the target market segment to analyze these pricing factors and develop appropriate pricing framework</p>
<p>Product Features</p>	<ul style="list-style-type: none"> -Partial Risk Guarantee Scheme provision (Up to 40% exposure construction, Up to 30% exposure mortgage) -Subsidized pricing from concessional refundable grants and/ or equity -First loss cover for defaults - Maximum loan to Value (LTV) up to 90% -Origination Fee:0.5-1% -Annual Premium Fee:2-3% -Guarantee tenure will vary with the option to potentially refinance with longer term patient capital from other investors e.g. Housing levy, Pension Funds or Green Bonds -Housing Projects must be certified by IFC Edge -Commitment to green build practices via an IFC Edge prototype targeting low/ informal income baseline standards -Alignment with the official affordable housing scope in -Gender focused -The project financing tenors will be guided by the LFI product guidelines -The product design should align with lender’s product profile as well as remain competitive for it to be affordable for borrowers
<p>Capital Structure</p>	<p>The initial capital from the PRG can be sourced as detailed below:</p> <p>1)<i>Self-Capitalization</i>: From the capital set aside from Sponsor’s balance sheet as the primary guarantee provider running the Pilot Programme.</p>

	<p>II) <u>Donor Capitalization</u>: The Guarantee Provider or GAHF can seek grant funding to run the Pilot Programme jointly under the provider's infrastructure</p> <p>III) <u>Blended Capitalization</u>: The Guarantee Provider can blend funding from its balance sheet with donor funding to operate the Pilot Programme.</p>
<p>Risk Assessment</p>	<p><u>Alignment with grantors/ lenders</u>: The institutions would need to be committed to the cause of catalytic affordable housing to the proposed target market for the scheme to be impactful. This can be through the development of specific housing finance products targeting the market segment. The risk framework and due diligence would align to the LFI policy framework</p>
<p>Aggregation Strategy</p>	<p><u>Supply Aggregation</u>: From renown existing developers who have capacity to deliver at scale and are committed to the GAHF mandate. Local lenders recommendation based on existing relationships with viable developers would be considered.</p> <p><u>Demand Aggregation</u>: To ensure sufficient traction and visibility on the demand for Affordable housing by leveraging on the lending / developer partners data base as well as collaborating with local institutions/ governments' platforms such as Kenya's 'Boma Yangu' platform that holds data on prospective homeowners.</p>
<p>Distribution</p>	<p>To ensure uptake of the guarantee, GAHF will need to form partnerships with a core group of selected lenders to collaborate with for effective distribution. It is critical to ensure that the selected lenders are strategically aligned to the core objective of rolling out affordable housing to the select target market segment. The Pilot would ideally seek to broaden its offering and have different types of institutions within this core group such as:</p> <ul style="list-style-type: none"> i) Commercial banks ii) Mortgage lenders iii) Microfinance institutions iv) SACCOs <p>This would allow for knowledge sharing on best practice from across these institutions based on their products, and operational</p>



capabilities. Partnership with the institutions during the pilot phase would be extended to incorporate product development and data analysis.

The Enabling Environment Model:

The comprehensive model incorporates an optional concessional debt component within the Enabling Environment Facility (EEF), which essentially aims to create opportunities for strategic partnerships between organizations with complementary core competencies both in debt finance provision and technical assistance capabilities.

This flexible structure enables concessional debt providers to collaborate with technical assistance specialists such as Reall, combining affordable funding for direct investment into housing developments with comprehensive capacity building support designed to build developer track record and competency. This ultimately positions them to subsequently access guarantee-backed bank finance.

The optional nature of this partnership approach allows organizations to leverage their respective strengths—whether in capital provision or technical expertise—whilst also maintaining the EEF's broader focus on ecosystem development activities including pipeline development, data management and analysis, promotion of green construction practices, and use of alternative credit assessment tools (e.g. RightProfile) in implementation, creating a versatile platform that can accommodate diverse organizational capabilities and strategic priorities within a unified blended finance framework.

The Enabling Environment Facility (EEF) will be delivered under four anchor offerings:

- **Technical Advisory Services (TAS):** This service will aim to provide expert guidance and support to the participating partners (developers/ development association members, project professionals etc.) within the ecosystem typically in areas that may require technical knowledge. These services may include but are not limited to needs-based training on Sustainable Green Build Practices, Investor Readiness, Risk mitigation amongst others.
- **Capacity Building:** Through provision of training programs, workshops, and Green Build certifications that enhance the skills and knowledge of professionals in the housing sector on best practices.
- **Evidence Generation:** GAHF will offer access to exclusive data, research, and market insights that are critical for decision-making in affordable housing projects by collating

project and wider market data to influence policy and decision making. The research will take various forms covering both generic open data and bespoke requirements meeting the unique needs of the users.

- **Demand Aggregation:** GAHF aims to support stakeholders by providing a platform that provides shared resources, expertise and infrastructure that support sustainable building practices. These services will ultimately allow multiple stakeholders e.g. developers, end users, housing associations, local authorities etc.) access to specialized green construction capabilities from the GAHF portfolio without each needing to invest heavily in individual resources. This will include but not limited to; Best practice techniques on Energy Efficient Design Technology such as green building materials, solar energy, waste management etc. The shared services would ultimately improve cost efficiency, scalability and quality control of the projects undertaken under the GAHF umbrella.

Key Learnings

-An ideal EEF Operating framework will capture a blend of both grants and revenue generating sources for ultimate sustainability as modeled below.

PILOT OPERATIONAL FUNDING MODEL (1-5 YEARS)	
80%	20%
GRANT	CO-FUNDING, IN-KIND
NON-REFUNDABLE / REFUNDABLE GRANTS	ACCESS & MEMBERSHIP FEE
<p><u>Sources:</u></p> <ul style="list-style-type: none"> -Multilateral and bilateral Donor Funded institutions -Government Bodies -Reall -Patient Capital Investors 	<p><u>Sources:</u></p> <p><u>GAHF Products:</u></p> <ol style="list-style-type: none"> 1. Greenbuild toolkit template 2. Member Data Base access 3. Pre-qualified end user and developer portal 4. Shared services access fee 5. Guarantee origination fee 6. Alternative credit assessment tool subs. 7. Shared services portal subs.
<p><u>Purpose:</u></p> <ul style="list-style-type: none"> -Start-up costs (Legal and Admin etc.) -Personnel costs -Partner contracting fee payments -Operational Expenses= 	<p><u>Purpose:</u></p> <ul style="list-style-type: none"> -Update and maintenance of software -Printable material -GAHF in country office set up costs -Operational expenses

The blended funding model assumes that 80% of the sources will be obtained from grants whilst the balance of 20% will be generated from revenue emanating from fee income from targeted corporate and in-kind sponsorships as applicable.

RightProfile Alternative Credit Assessment

Syntellect's RightProfile represents an innovative alternative credit assessment tool designed to enable lenders to evaluate the risk of extending finance to previously unbanked clients, particularly those earning income wholly or partially from the informal economy who lack the traditional documentation required to access conventional bank financing. Reall invested £40,000 for a trial rollout of the RightProfile default predictor in partnership with Kenya Women Finance Trust (KWFT) in Kenya, demonstrating commitment to testing alternative credit assessment solutions for underserved populations.

Key Learnings

Local lenders engaged during the feasibility generally expressed satisfaction in their existing capacity to serve informal earners using current tools highlighting use of AI as an option in the existing platforms as an added capability. While Kenya's fintech ecosystem is vibrant and includes similar programmes that address elements of RightProfile's functionality, most providers do not match Rightprofile's specific capabilities. As a way forward, GAHF recommends building strategic alliances with local FinTech providers with similar capabilities to design alternative credit scoring systems using mobile wallet activity and digital transaction patterns in regions with high smartphone usage.

Green Certification Standards

GAHF's green building sustainability metric is primarily anchored in the adoption and use of IFC-EDGE (Excellence in Design for Greater Efficiencies) as the benchmark for evaluating green standards. This leverages globally recognized certification systems to ensure international best practices in sustainable construction. Feedback obtained recommends broadening the standardization approach to accommodate other certification providers. This includes contextualizing locally designed green affordable housing within local frameworks through support in the development and support of indigenous green certification processes. This is also seen as an avenue for accelerating the adoption of sustainable building practices within lower-income housing segments e.g. supporting in further development of Safari Green Building Index in Kenya.

Key Learnings

IFC- EDGE has earned global recognition as a universally accepted green standard with ongoing initiatives aimed at broadening the baseline standards to meet dynamic market environments. GAHF could also potentially benefit from integrating other green building standards as well as existing local frameworks where appropriate to broaden acceptance and adoption of sustainable frameworks. This localized approach is expected to drive wider adoption of sustainable building practices in the affordable housing sector while upholding strong environmental performance standards.

Corporate Structure: Kenyan Pilot Subsidiary

The governance structure consultancy work aimed to examine the organizational and fiscal requirements for a Kenya-based Enabling Environment Facility (EEF) and Guarantee Facility, based on the analysis, the following were the recommended implementation options:

Option 1: Operating GAHF remotely via a Foreign based parent company

- Carries substantial tax exposure, as foreign entity would remain subject to certain taxes (Permanent Establishment Risk)
- Tax exemptions may be available for verified cases but require advance approval from the Kenya Revenue Authority

Option 2: Establishing a Kenyan presence via Branch, Subsidiary, or Public Benefit Organization (PBO)

The ultimate decision is centered on establishing the appropriate governance and fiscal frameworks noting the activities have both non-revenue and revenue generating aspects which have tax implications.

Given that the parent entity is a foreign multinational corporation seeking to establish operations in Kenya, establishing a locally incorporated subsidiary is the optimal structure for GAHF's activities. This approach involves creating an independent Kenyan company that operates autonomously from the parent organization while maintaining the flexibility to pursue both commercial revenue-generating activities and grant-funded development initiatives aligned with GAHF's dual mandate.

Key Learnings

The subsidiary structure offers several strategic advantages for GAHF's blended operations.

- Tax obligations: include Corporate Income Tax at 30% and withholding tax at 15%, with mandatory audited financial statements ensuring regulatory compliance and transparency for stakeholders.
- Capitalization flexibility: allows the subsidiary to be funded through multiple channels including shareholder loans, debt financing, or grant funding, though grant-funded activities will require separate reporting mechanisms to meet donor compliance requirements.
- Operational benefits: include full deductibility of business expenses such as interest payments, royalties, and management fees, with a 30% restriction on interest deductibility relative to earnings. Most importantly, the structure provides commercial freedom to engage in both profit-driven housing finance activities and philanthropic development programs, creating the foundation for a self-sustaining business model that can generate revenue while pursuing social impact objectives essential to GAHF's long-term viability in the East African market.

Research Findings and Market Insights

Demand Side Assessment

According to the ⁹Kenya National Bureau of Statistics (KNBS) 2024- 2025 Economic Survey, In 2024, construction input inflation rose to 2.83%, while bank credit to the sector fell to KSh 528bn from 602bn the previous year. Under the Affordable Housing Program, 54,319 units were under construction, valued at KSh 122.6 bn. A shortfall against the targeted 200,000 affordable housing units required annually in Kenya.

Based on this KNBS 2025 economic survey data, a comprehensive analysis reveals that an overwhelming majority of 83.4% of Kenyans work in the informal sector. This substantial proportion underscores the prevalence of employment characterized by irregular income streams, absence of formal employment contracts, and limited access to social security benefits.

The dominance of informal employment in Kenya's labor market signals widespread economic precarity among workers who operate outside the formal regulatory framework. These workers typically lack access to essential protections such as health insurance, pension schemes, unemployment benefits, and other social safety nets that formal sector employees enjoy. The

⁹ The Kenya National Bureau of Statistics (KNBS) ' 2023/2024 Kenya National Housing Survey' [2023-24-Kenya-Housing-Survey-Basic-Report.pdf](#)

high concentration of workers in informal employment creates a systemic pattern of economic vulnerability, being the majority of the workforce face uncertainty in income generation and limited recourse to secure debt funding options owing to the perceived high risk riddled by the sector.

This employment landscape reflects deeper challenges within Kenya's economy, where informal work - while providing essential livelihoods for millions - fails to offer the stability and security necessary for long-term economic well-being and poverty alleviation.

Supply Side Assessment

A key risk is climate vulnerability in the wake of increased global warming and the need for enhanced financial sector resilience. The regulatory framework addresses these through mandatory annual climate risk reporting, scheduled to officially commence in January 2027, with financed emissions identified as "a priority metric". Kenya has witnessed significant regulatory advancement in this area with the ¹⁰Central Bank of Kenya (CBK) releasing the Kenya Green Finance Taxonomy (KGFT) and the Climate Risk Disclosure Framework (CRDF) for implementation as benchmark frameworks of measurement of sustainable lending practices. This follows the European Investment Bank (EIB) 's partnership with the Central Bank of Kenya to strengthen Kenyan financial institutions' commitment towards climate-related investment and enabling commercial banks to mobilize climate finance.

The regulatory framework has been bolstered by the enactment of the Affordable Housing Act signing into law on 19 March 2024, providing a legal foundation for affordable housing initiatives. Financial institutions continue to show increased capacity and interest, with close to 35% of Kenyans participating in climate-friendly investments according to the 2024 FinAccess Household Survey, indicating growing market demand and institutional readiness.

The competitive landscape features both local and international players actively financing green affordable housing projects. Financiers like ¹¹Kenya Commercial Bank (KCB) Kenya providing debt financing to International Housing Solutions (IHS) to support the construction of affordable housing units and end-user financing for home buyers. Similarly, ¹²Kenya Mortgage Refinance Company (KMRC) plans to promote Green Affordable Housing through issuing green bonds to

¹⁰ Central Bank of Kenya 'Issuance of the Kenyan Green Finance Taxonomy and Climate Risk Disclosure Framework' <https://www.centralbank.go.ke/2025/04/04/11193/>

¹¹ Standard Media 'KCB To Finance 10b Green Housing Project' [KCB to finance Sh10 billion green housing project - The Standard](#)

¹² KMRC website [The Future of Affordable Housing is Green: Popularity in Kenya takes Shape - Kenya Mortgage Refinance Company](#)

fund climate-friendly affordable housing projects. Other notable global donor programmes are also evident through initiatives such as the World Bank's approval of a \$250 million loan to enhance access to affordable housing finance for Kenyans and European Investment Bank (EIB)'s Global's support for affordable housing projects, with construction of over 200 apartments. The market has also demonstrated strong institutional backing with forty-nine entries submitted by banks for sustainable finance awards in 2024, an increase from forty-three submissions in 2023.

Market-specific opportunities arise from the structured approach to green finance, with Kenya's green taxonomy and disclosure rules seeking to shield the economy from severe climate change impacts. Risk mitigation strategies are focused on building institutional capacity for climate finance assessment and promoting sustainable housing development practices by ensuring incentives such as adequate long-term financing for low-income households continue to increase. Other opportunities lie in the growing demand for sustainable housing solutions and a supportive regulatory environment that encourages both domestic and international investment in the sector.

The Opportunity: From Feasibility to Implementation

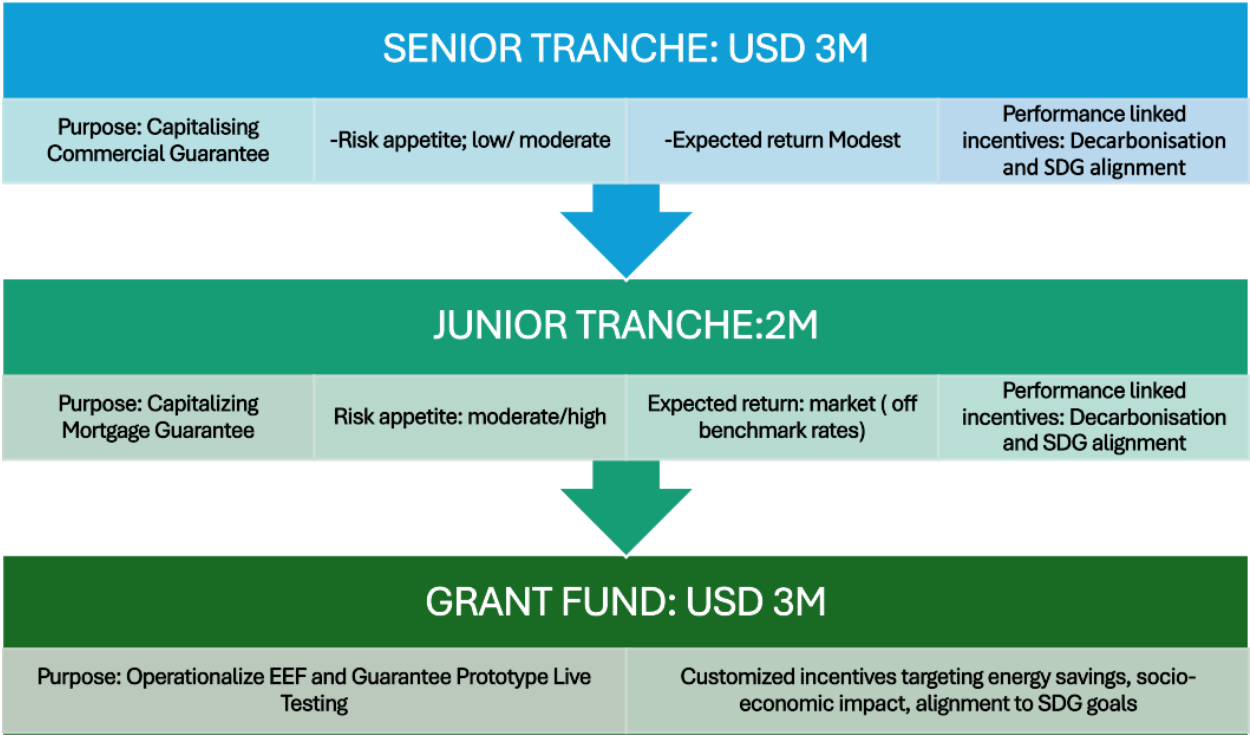
In response to the current constraints in the fundraising landscape, program activities will be rolled out in order of priority in response to unique market needs. GAHF is well positioned to accommodate a phased approach in its initial pilot implementation with a priority focus on prototype market validation backed by funding resources. This decision is driven by the region's exceptional market readiness to embrace sustainable building practices, supported by regulatory environments that are increasingly conducive to innovation in the housing finance sector. Engagements held Kenya and Rwanda have demonstrated sufficient degree of market readiness evidenced by openness to embrace climate smart and innovative housing solutions.

Kenya's progressive regulatory framework, including adoption of supportive policies such as the Climate Risk Disclosure Frameworks as well as Rwanda's rapid adoption of sustainable development practices creates an ideal foundation a GAHF pilot. The presence of established local partners in both markets, coupled with growing consumer awareness of environmental benefits and cost savings associated with green building practices, positions this regional approach for both immediate impact and long-term expansion across the broader East African economic community.

Funding Structure

GAHF recommends deploying a pre-pilot prototype that will go towards market validation of the guarantee component. This is expected to run within an 18-month period within which the instrument will be live tested and improved before gradual scale-up to an active pilot within a 60-month implementation timeline.

The funding options and the anticipated investor appetite and objectives are as summarized below as a guideline for strategic donor mapping and alignment of interests.



FUNDING SOURCE	USE OF FUNDS	FUND VALUE (USD)
Non-refundable grant	Guarantee Modeling, Prototype Testing, Technical Assistance for housing developers and LFIs	2M
Enabling Environment Facility		2M
Non-refundable grant	Setting up costs (fund formation, structuring and related fees)	1M
Refundable grant/Concessional Debt/Equity	Capitalization of the Guarantee Facility	5M
Guarantee Facility		6M

Projected Impact

The five-year GAHF piloting phase targets a 4X leverage in lending activity. As a result, it is expected that a USD 5M guarantee will potentially catalyze USD 20M in mortgage finance and up to USD 18M in construction finance. This initiative will:

- Deliver green-certified homes for 11,000 people (Estimating 2000 homes housing an average of 5 people) while generating substantial environmental benefits compared to conventional construction:
- **Climate impact:** 8,000+ tonnes of CO2 emissions avoided
- **Water conservation:** 1.7 million m³ saved
- **Energy efficiency:** 65,000 megawatts reduced consumption

Target Demographics and Innovation

GAHF specifically seeks to serve populations with informal incomes excluded from traditional housing finance whilst promoting energy- and water-efficient homes that enhance climate resilience with a focus on vulnerable women and women-led communities ultimately providing pathways to financial independence through reduced utility costs and secure tenure.

The program specifically includes subsidized guarantee terms for women-headed households to accelerate gender-focused lending and establish necessary performance metrics. As the initiative matures, it will progressively target innovative designs approaching net-zero construction standards.

Key Recommendations

Based on the market assessment findings, insights from stakeholder engagement, and regional readiness indicators and in-depth engagement with the ecosystem players in Kenya. These recommendations are grounded on findings in Kenya and other East African markets as the optimal launch region for this transformative initiative.

-The gendered guarantee solution requires real-world validation first to optimize risk assessment criteria and minimize potential losses whilst addressing the most appropriate guarantee metrics e.g. coverage levels, and pricing mechanisms informed by market response during the live testing phase. The progressive capital injection therefore provides cushioning through a prudent, data-driven roll out methodology that informs the longer-term guarantee model and other core component improvements.

Phased testing allows for continuous calibration based on actual performance data rather than theoretical projections which should foster general market and investor confidence and accommodate different funding opportunities and allow further development of the identified structures e.g. a prototype of the guarantee framework to establish model viability before securing funding for a full launch.

GAHF also proposes implementing a donor mapped account planning approach towards the fundraising exercise. That way, there will be programme continuity in different scales depending on the specific interventions funded. Optimising this involves disaggregating the comprehensive program components into distinct themes (e.g. Distinction of Technical Assistance Funds and Guarantee Capital) that align with execution time, specific donor priorities and funding mandates. This targeted methodology also recognizes that the programmes multi-faceted enabling environment initiatives have varied outcomes and mechanisms that may not collectively appeal to individual funders seeking focused impact areas. E.g. Potential for donor funding for the enabling environment may not necessarily be the same funding for the guarantee components which are investment focused initiatives.

Contextualizing green affordable housing within local frameworks through the development and support of indigenous green certification processes emerges as a highly effective strategy for accelerating the adoption of sustainable building practices within lower-income housing segments. This approach seeks to catalyze broader market acceptance whilst incorporating locally sourced sustainable building practices.

Collaborative engagements are an ongoing activity that requires continuous development and strengthening of local financial institution networks, ensuring robust collaboration with all value chain players including banks, microfinance institutions, and development finance organizations that could potentially provide sustainable lending mechanisms for green affordable housing projects.

Policy advocacy activities will be an ongoing activity rooted in continued engagement with the various ecosystem players including government and regulatory stakeholders to amplify the impact and proportion of supportive policy environments.

The financing framework should also be blended in nature and adaptable to the changing market dynamics e.g. taking a more blended funding approach to accommodate alternative debt funding structures outside of the more available traditional debt financing to broaden the target market to concessional debt funding options both locally and offshore with the objective of effectively driving down cost of debt for the GAHF beneficiaries.

Knowledge sharing forms part of the core proposition of an ideal enabling environment and leverages learnings from the phased pilot implementation to drive broader sector impact,

documenting best practices, lessons learned, and successful models that can be replicated across additional Sub-Saharan African markets while contributing to the global knowledge base on green affordable housing finance solutions.

Replicating GAHF Globally

Immediate Implementation will focus on launching in validated priority markets with a recommended initial focus on Kenya and Rwanda, where regulatory frameworks, market demand, and partner ecosystems have demonstrated the strongest alignment with green finance objectives. Subsequently, expansion to other markets will follow. Catalytic impact will also call for active advocacy work with government for amplified impact. Capital mobilization will also call for innovative engagements e.g. use of independent fundraise agents, showcasing via associations to secure the funding necessary for program expansion to scale.

CONCLUSION

The feasibility findings validate GAHF's relevance in the sector both at a local and global level. The identified financing gap, coupled with strong stakeholder interest, confirms market readiness for GAHF's interventions. The program's guarantee mechanism and enabling environment support directly to address the barriers preventing financial institutions from serving the affordable housing segment. These findings demonstrate that GAHF represents a timely and necessary intervention to accelerate affordable housing development and expand homeownership opportunities for underserved populations. Addressing offtake risk in the guarantee model will be fundamental to unlocking the requisite supply and demand debt funding necessary for meaningful contributions to trickle to the sector. Acknowledging this is fundamental as the foundation for sustainable product development and its long-term viability.

Housing finance is inherently a long-term endeavor with multiple interconnected components. GAHF will drive meaningful impact by harnessing the sector's dynamic nature through strategic collaboration, a critical factor that cannot be emphasized enough. Success will depend on partnering with other stakeholders addressing comparable challenges. This collaborative approach prevents redundant efforts, maximizes collective expertise, and ensures resources are deployed efficiently across the ecosystem.

Acknowledging that there is no singular pathway that ultimately solves the challenges witnessed in the sector gives room for deliberate and meaningful action that contributes to building scale and impact, recognizing that diverse contexts require tailored solutions. Blended funding serves as the critical differentiator for success. By combining multiple financial instruments and flexible funding structures—each designed for specific objectives—the probability of achieving high-level outcomes increases significantly. Without this diversified financial approach, driving meaningful progress becomes substantially more difficult.

GAHF's pilot program launch in Kenya has faced unprecedented roll out challenges stemming from fundraising lags within an increasingly challenging capital mobilization landscape, necessitating a revised launch timeline. To further effectively navigate these circumstances, GAHF proposes to apply a phased implementation methodology, starting with an initial product testing pilot shorter phase extending up to 24 months, subsequently transitioning to a comprehensively optimized full-scale deployment (60 months)

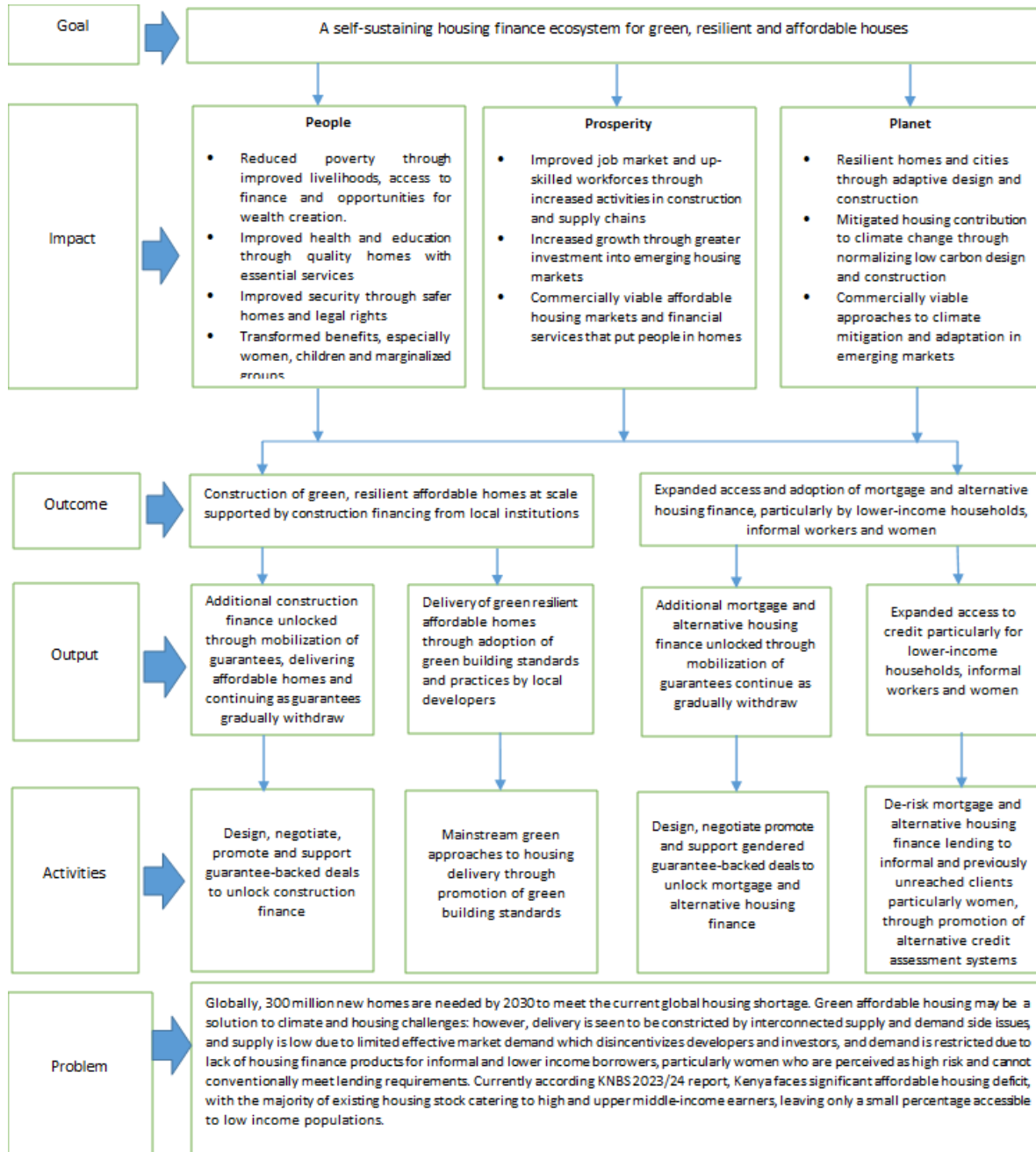
Next Steps

The next stage of market validation and piloting will advance through several interconnected phases. Immediate priorities include intensifying fundraising efforts to secure the necessary capital to launch in Kenya as the pilot country. This foundation will support subsequent expansion into additional markets.

Concurrent with fundraising, GAHF will identify and formalize partnerships with implementation partners specifically for the Guarantee Facility. These strategic agreements must be finalized alongside other efforts to ensure seamless execution. Simultaneously, GAHF should look to establish a fit for purpose legal and operational structure for the pilot that is both robust for the Kenyan context and sufficiently adaptable for replication across other countries. This scalable framework will enable efficient expansion while maintaining the integrity of the model as it grows across different regulatory and market environments.

APPENDICES

GAHF THEORY OF CHANGE



This report represents the collective efforts of the GAHF consortium partners and acknowledges the contributions of all stakeholders engaged throughout the initiative development process.



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