BLENDED FINANCE FOR AFFORDABLE HOUSING IN AFRICA

A playbook for mobilizing capital at scale for affordable housing in Africa

CONVERGENCE
BLENDING GLOBAL FINANCE

CAHF Centre for Affordable Housing Finance in Africa

IDRC · CRDI

Standard Bank

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Table of Contents

ABBREVIATIONS

ACRONYM	FULL FORM
BCEAO	Banque Centrale des États de l’Afrique de l’Ouest
BOAD	Banque Ouest Africaine de Développement
BVRM	Bourse Régionale des Valeurs Mobilières
CBI	Climate Bonds Initiative
CAHF	Centre for Affordable Housing Finance in Africa
CMA	Capital Markets Authority
CPF	County Pension Fund
CRRH-UEMOA	Caisse Régionale de Refinancement Hypothécaire de l'UEMOA
D-REIT	Development Real Estate Investment Trust
DFIs	Development Finance Institutions
EAIF	Emerging Africa Infrastructure Fund
EDGE	Excellence in Design for Greater Efficiencies
EIB	European Investment Bank
ESG	Environmental, Social and Governance
FSDAi	FSD Africa Investments
FX	Foreign Exchange
GDP	Gross Domestic Product
GP	General Partner
I-REIT	Income Real Estate Investment Trust
IDA	International Development Association
IDRC	International Development Research Centre
IEF	Intuthuko Equity Fund
IFC	International Finance Corporation
IRR	Internal Rate of Return
LP	Limited Partner
LSE	London Stock Exchange
MAGC	Market Accelerator for Green Construction

MFI	Microfinance Institution
NSE	Nairobi Stock Exchange
ODA	Official Development Assistance
PBSA	Purpose-Built Student Accommodation
PDIs	Previously Disadvantaged Individuals
PIDG	Private Infrastructure Development Group
PPPs	Public-Private Partnerships
REIT	Real Estate Investment Trust
SDGs	Sustainable Development Goals
SMEs	Small and Medium-Sized Enterprises
TPPE	TUHF Program for Property Entrepreneurship
TUHF	Trust for Urban Housing Finance
UKCI	UK Climate Investments
UN	United Nations
WAEMU	West African Economic and Monetary Union

EXECUTIVE SUMMARY

Africa's affordable housing sector is characterized by rapid urbanization, population growth, and a persistent supply-demand gap that leaves millions without access to formal housing. Despite significant demand, the sector remains underdeveloped and is perceived as high risk. Developers face high land and infrastructure costs, limited access to affordable long-term capital, and capacity constraints. Financial institutions struggle with low mortgage penetration, short loan tenors, and exposure to currency volatility. Governments, constrained by limited fiscal space, are challenged to provide enabling infrastructure and effective subsidies. As a result, formal finance largely targets middle- and high-income segments, leaving affordable housing underserved and driving the growth of informal settlements.

While the scale of the housing deficit presents clear challenges, it also represents a significant investment opportunity. Africa's growing middle class, and rising demand for housing create conditions for strong and sustained market growth.

With most initiatives in an early stage, testing new markets and structuring new products to meet the particular nature of demand, simple commercial investment is not always available. A blended approach, that brings concessional and commercial capital together, is necessary to help the market realize the full potential of affordable housing in Africa.

This report provides a playbook for blended finance in Africa's affordable housing sector, offering a structured framework to define objectives, address market pre-conditions, and design solutions that align impact with financial sustainability. It illustrates how concessional capital can be deployed to mobilize private investment, drawing on case studies that demonstrate practical applications. Ultimately, the report equips those seeking to structure a blended finance transaction for affordable housing in Africa with tools and lessons that can be replicated and scaled to close the continent's housing gap.

Part 1: Financing Affordable Housing in Africa

This section provides an introduction to the complex investment case for affordable housing. Despite immense demand, systemic barriers deter investors. In Africa, rapid urbanization outpaces supply, deepening the "missing middle."

Part 2: Introduction to Blended Finance

Blended finance provides a practical structuring approach to challenges within the market. By deploying concessional capital, in the form of first-loss tranches, guarantees, concessional loans, project preparation grants, or technical assistance, public and philanthropic actors can share risk, improve the risk-return profile, and attract private investment into affordable housing.

Part 3: Playbook for Blended Finance in Affordable Housing

This report offers a Playbook for Blended Finance in Affordable Housing in Africa organized into stages that together form a replicable roadmap:

Stage 0: Defining the Objective of the Deal - Establishing clear development and financial goals, including defining affordability.

Stage 1: Market and Impact Preconditions - Assessing enabling environment factors such as regulation, capital market depth, and foreign exchange (FX) risks.

Stage 2: Structuring the Deal - Designing capital stacks, instruments, and risk-sharing mechanisms tailored to the context.

Stage 3: Fundraising - Sequencing and aligning investor participation, leveraging anchors and guarantees to build confidence.

Stage 4: Implementation and Monitoring - Embedding technical assistance, tracking impact, and sharing lessons to reduce costs and build market confidence.

Each stage addresses recurring challenges and identifies structuring solutions that can be adapted to different African markets.

Part 4: Case Studies

Four case studies illustrate how blended finance has been applied in practice across the continent:

- **International Housing Solutions (IHS) Kenya:** Blended concessional equity with commercial capital to finance green-certified affordable homes, while navigating long fundraising timelines.
- **Acorn Green Bond (Kenya):** Issued East Africa's first green bond, backed by a guarantee and technical assistance, to finance purpose-built student housing and demonstrate a replicable capital markets model.
- **Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH-UEMOA) Social Bond (West Africa):** Combined World Bank concessional credit with commercial capital to refinance affordable mortgages across the West African Economy and Monetary Union (WAEMU) region, leveraging anchor investors and a transparent bond structure.
- **Intuthuko Equity Fund (South Africa):** Provided subordinated concessional loans and mentorship to previously disadvantaged entrepreneurs, unlocking senior debt and expanding affordable rental housing supply.

Part 5: Key Takeaways

Overall, the report highlights five key takeaways for the use of blended finance in affordable housing in Africa:

1. **Blended finance can transform risk into opportunity** when public, philanthropic, and private actors align behind shared objectives.
2. **Simplicity and transparency in design** can help catalyse transactions by reducing costs and enabling replication
3. **Local context determines success,** with regulatory frameworks, currency alignment, and institutional capacity shaping what works.
4. **Capital alone is not enough,** rather training, technical assistance, and ecosystem-building are essential to unlock long-term impact.
5. **Knowledge-sharing accelerates progress,** ensuring that each transaction lowers barriers and builds confidence for those that follow.

PART 1

FINANCING AFFORDABLE HOUSING IN AFRICA

The investment case for affordable housing is complex. While the need and opportunity is immense, the market is underdeveloped, fragmented, and therefore perceived as risky. Developers face high land and infrastructure costs, limited access to long-term capital, and weak capacity in construction supply chains. Financial institutions contend with limited mortgage penetration—often below five percent of gross domestic product (GDP) in many countries—alongside currency volatility, weak credit information systems, and challenges with property registration and foreclosure. Governments meanwhile, struggle to balance fiscal pressures with the need for subsidies, guarantees, and enabling infrastructure investments.

Investors see risks layered across the housing value chain:

- **Land and infrastructure risk:** In many cities, affordable land with secure tenure is scarce, and bulk infrastructure (roads, water, sanitation, electricity) is costly and slow to deliver. This raises entry costs for developers and delays project timelines.
- **Construction and delivery risk:** Small and mid-sized developers often lack working capital and face high borrowing costs, leading to undercapitalized projects, quality concerns, and incomplete delivery. They also in many cases lack the required development experience and delivery track record required by commercial banks.
- **Reputational risk:** In the event of default, creditors such as development banks may be reluctant to exercise security rights, for example, seizing collateral or foreclosing on housing developments, due to the political and reputational fallout; lenders face pressure to avoid outcomes that could displace vulnerable populations or generate negative publicity.
- **Market and affordability risk:** End-user demand is real but constrained. Few households can access formal mortgage finance, while high interest rates, short loan tenors, and currency mismatches make housing finance unaffordable. Developers seek buyers who can pay on installment (i.e. the developer offers buyers an installment plan of up to five years, using payments as construction finance and, in countries such as Kenya, providing discounts of up to 30%), however this reduces the size of their target market and undermines their appetite for scale. It can also extend the delivery period of the final product, as construction progress is subject to payment patterns and there is a risk of consumers falling off during the construction periods.
- **Institutional and policy risk:** Regulatory bottlenecks, unclear subsidy frameworks, and unpredictable government commitments increase uncertainty for private investors.

These are often cited as to why affordable housing has struggled to attract sufficient commercial investment despite its clear developmental impact. Purely market-driven finance often gravitates to middle- or high-income housing, where margins are larger and risks are more manageable. The result is a persistent "missing middle": households who earn too much to qualify for welfare-targeted, subsidized interventions, but too little to participate actively in the formal, commercial market and access conventional mortgages or developer-financed units.

This challenge is particularly pronounced in Africa, where rapid urbanization and population growth are driving unprecedented demand for housing. With their young populations, African countries are experiencing some of the fastest rates of urbanization and population growth in the world. By 2050, the population on the continent is projected **to grow** to 2.5 billion people, up from just over 1.5 billion today. Eighty percent of this growth is projected **to happen** in urban areas, such that by 2050 an estimated 1.4 billion people, or two of every three people on the continent, will be living in a city. Many of these new entrants to the property market are working and earning an income, however modest, and thereby expressing effective demand for housing.

And yet, on the supply side, formal housing delivery is unable to respond adequately. In Kenya, for example, the government **reports** a formal housing delivery rate of 50,000 units per annum vs. the 200,000 units it estimates needing annually. In Ethiopia, an annual housing need **estimated** at 486,000 units is met by a delivery rate of about 165,000 units annually. Of the housing that is delivered, very little is affordable to these new households. In most African countries, the cost of newly built housing is out of reach for the majority of households, with formal units often **priced** for the top 10 to 20 percent of the income spectrum.

Housing built for the middle market is more often delivered by smaller, sometimes micro, builders, who struggle to access the finance they need to operate efficiently and at the scale of their potential. As a result, and with little other option, informal settlements continue to expand, reflecting these gaps and households' inability to access mortgage finance, affordable rental stock, or serviced land.

For governments and development partners across the continent, the challenge is to create an enabling environment that reduces systemic risks and catalyzes investment into affordable housing. Blended finance, as a financial structuring approach, provides a tool that can align scarce public resources, priced at below-market rates, with private commercial investment, ensuring they are used more efficiently to unlock supply at scale. By using guarantees to de-risk lending, providing affordable access to connected infrastructure, or supporting first-loss tranches in housing funds, domestic governments can crowd in private capital while focusing their limited fiscal resources on the most vulnerable households. Critically, well-designed blended mechanisms can complement broader reforms in land administration, housing policy, and capital markets, ensuring that interventions are sustainable rather than one-off fixes.

For private investors, Africa's affordable housing markets represent both a long-term growth opportunity and a near-term challenge. Yet without targeted risk-sharing, projects remain difficult to underwrite. Concessional capital can improve the risk-return profile by absorbing early-stage volatility, lengthening tenors, or reducing currency exposure. This enables institutional and impact investors to participate in a sector with strong fundamentals— demographic demand, growing urban incomes, and increasing policy support— while managing downside risk. For commercial investors, blended structures offer a gateway into markets that will define Africa's urban future.

PART 2

INTRODUCTION TO BLENDED FINANCE

2.1 Overview of Blended Finance

Blended finance is the strategic use of catalytic concessional capital, or funding offered at below-market rates, to unlock greater private sector investment in sustainable development. It addresses two main barriers to commercial participation: (i) heightened real and perceived risks, and (ii) returns that do not adequately compensate for those risks. By sharing risk, improving affordability, catalyzing new markets, and enhancing reward structures, blended finance makes investments in developing markets more viable and impactful. Importantly, it should only be deployed where underlying economics or risks prevent purely commercial finance from flowing.

Blended finance is best understood as a structuring approach rather than an investment strategy or instrument, and in that way it differs from concepts such as impact investing and public-private partnerships (PPPs). Concessional capital is applied specifically to adjust the risk-return profile, either by de-risking or enhancing returns, so that commercial investors participate in transactions they would otherwise reject.

The concessional layer is typically provided by official development assistance (ODA), philanthropic institutions, development finance institutions, or national governments. The commercial layer generally comes from banks, institutional investors (pension funds and insurers), asset managers, private equity firms, impact investors, or project sponsors. Structuring approaches vary depending on the risks being addressed, and some are more catalytic than others, mobilizing larger volumes of private investment.

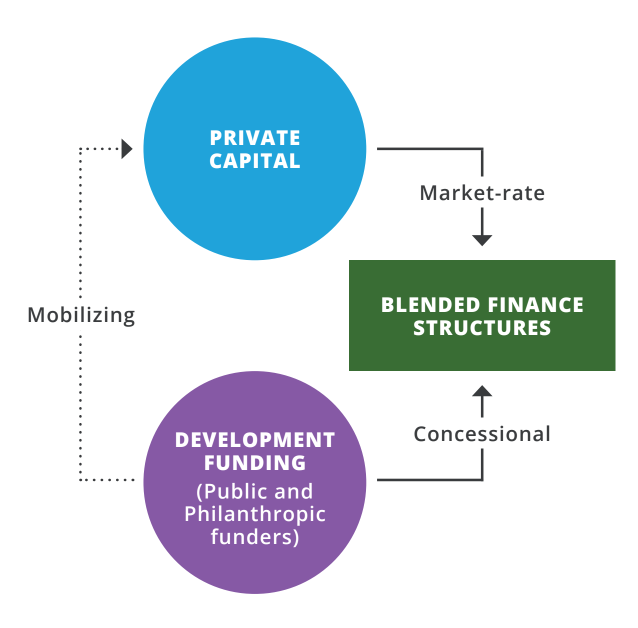


Figure 1: The blended finance structure

Within a blended finance transaction, Convergence identifies five common blended finance structures, known as archetypes. Each of these archetypes address different risks or can be applied across time within a transaction.

BLENDED FINANCE ARCHETYPE	DESCRIPTION	RISK/RETURN FOCUS
PROJECT PREPARATION GRANT	Transaction design or preparation is grant funded.	Addresses early-stage risk by covering feasibility, structuring, and legal costs that commercial investors are unwilling to bear; does not target financial returns directly.
TECHNICAL ASSISTANCE FUNDS	Transaction is associated with a grant-funded technical assistance facility that can be utilized pre- or post-investment to strengthen commercial viability and developmental impact.	Reduces operational and execution risks by strengthening sponsor capacity, improving governance, and enhancing impact outcomes; improves risk-return profile indirectly. Can also be targeted at investees of a fund to increase project pipeline and bankability.
CONCESSIONAL DEBT/EQUITY	Public or philanthropic investors provide funds on below-market terms within the capital structure to lower the overall cost of capital or to provide an additional layer of protection to commercial investors.	Directly improves the risk-return balance by reducing borrowing costs, extending tenors, or taking first-loss positions; catalyzes commercial capital by making projects investable.
GUARANTEE	Public or philanthropic investors provide credit enhancement through guarantees.	Shifts credit and default risk away from commercial lenders, reducing perceived downside; improves returns for private investors by lowering required risk premiums.
OUTCOME-BASED FINANCING	An approach that ties part of financing to the achievement of measurable results, such as through social impact bonds or performance-based contracts, rewarding innovation and successful delivery with clear development impact.	Aligns returns with impact performance, rewarding innovation and successful delivery; shifts risk of underperformance to implementers, while paying out when results are achieved.

Table 1: Blended finance archetypes

2.2 Blended Finance for Affordable Housing

Affordable housing in Africa faces unique financial and structural challenges that differentiate it from middle- and high-income housing markets. Margins are typically thinner and affordability constraints limit the ability of end-users to access formal finance. Many projects fail not because capital is unavailable, but because non-financial risks, such as land tenure disputes, weak contractor performance, or lack of a clear offtake strategy, are not properly managed. Even a well-financed transaction can collapse if these underlying issues are left unresolved.

Blended finance offers a structuring approach that can address both financial and non-financial barriers by combining concessional and commercial capital in ways that improve viability, catalyze investment, and enhance both financial and social outcomes. This approach, however, is nascent for affordable housing in Africa. Convergence Market Data has identified only 25 blended finance transactions in Africa's affordable housing sector, out of a total of 714 blended transactions recorded on the continent, representing approximately $3 billion in total market size, as compared to the total blended market size in Africa of $99.8 billion. More data on the blended finance market for affordable housing in Africa can be found in Annex 2.

To be effective, blended finance must do more than price risk through guarantees, subsidies, or concessional terms. The most effective and inclusive housing finance transactions combine:

- **Financial instruments** that share or reallocate risk (e.g., guarantees, concessional debt, first-loss capital).
- **Structural and technical interventions** that actively reduce risks at their source (e.g., clear land titling, stronger developer capacity, phased offtake agreements, supportive policy frameworks).

Specifically, blended finance can be used to address the following concerns within the affordable housing market:

- **Affordability and financial viability:** Affordable housing generally has thinner margins than middle- or high-income housing. Blended finance can improve project viability while keeping units affordable through lowering the cost of capital, extending repayment periods, and reducing equity requirements.
- **Catalyzing market development:** Blended finance can also be used strategically to create demonstration effects and build long-term housing ecosystems through assisting with proof of concept, setting benchmarks for pricing and risk, and improving developer capacity.
- **Reward and efficiency:** It is not only about reducing risk—blending can also enhance the reward side of the equation, and over time, bring more investors into the asset class. It can do this through improving operational efficiencies, allowing commercial investors to diversify their portfolios, enhancing credit ratings, and providing impact-linked incentives.

PART 3

PLAYBOOK FOR BLENDED FINANCE IN AFFORDABLE HOUSING

The Playbook for Blended Finance for Affordable Housing in Africa ("the Playbook") has been developed as a practical guide for stakeholders seeking to design and implement blended transactions in this sector. While the earlier sections set out the context for blended finance in the affordable housing market, this Playbook focuses specifically on the "how." Its purpose is to serve as a roadmap for asset managers, project developers, and others who are seeking to structure an affordable housing blended finance transaction in Africa.

The Playbook walks through the life cycle of a blended finance transaction for affordable housing in Africa, from concept to execution. It outlines the stages involved, highlights the key actors at each point, and identifies the typical risks and challenges that arise. More importantly, it demonstrates how blended finance can be applied strategically to address these barriers, whether by reducing risk, enhancing returns, or providing the enabling support that makes transactions viable. The Playbook is structured along five stages of a transaction:

- Stage 0: Defining the Objectives of the Deal
- Stage 1: Market and Impact Preconditions
- Stage 2: Structuring the Deal
- Stage 3: Fundraising
- Stage 4: Implementation and Monitoring

The aim is not to prescribe a single model or a solution to every challenge, but to provide practical guidance and reference points that can be adapted to different contexts. By clarifying the sequence of steps, the roles of stakeholders, and the options available to mitigate challenges, the Playbook is intended to demystify the process and empower a wider set of actors to bring forward investable opportunities. Ultimately, it seeks to expand the pipeline of credible blended finance transactions in affordable housing, mobilizing greater capital toward closing Africa's housing gap.

In Part 4, different case studies are highlighted that present how various blended finance structures were implemented to address challenges throughout the stages of the transactions.

		BLENDED FINANCE ARCHETYPES				
STAGE	DESCRIPTION	PROJECT PREPARATION GRANT	TECHNICAL ASSISTANCE FUNDS	CONCESSIONAL DEBT/EQUITY	CONCESSIONAL GUARANTEE	OUTCOME-BASED FINANCING
Stage 0: Defining the Objectives of the Deal	Aligning strategy, impact, and investor mandates					
Stage 1: Market and Impact Pre-conditions	Feasibility, market studies, early impact definition	●	●			
Stage 2: Structuring the Deal	Risk allocation, capital stack design, regulatory preparation	●	●	●	●	●
Stage 3: Fundraising	Sequencing and securing capital, aligning mandates		●	●	●	●
Stage 4: Implementation and Monitoring	Execution discipline, impact tracking, adaptive management		●			●

Table 2: Use of blended finance archetype for each stage

Stage 0: Defining the Objectives of the Deal

Every blended finance transaction must start with an overall goal and a series of key objectives—the problem that needs solving. The challenge for the deal sponsor is therefore to find investors or funders who align with that same goal and those same objectives. More often than not however, the alignment is not perfect and there are differences in mandates. These have to be negotiated. The rationale for the blend is that it can achieve a greater pool of capital by bringing different investors together, than the action of any one investor over the other.

As a first step, it is important to establish the underlying project economics: what is the true risk-adjusted return profile of the housing project (revenues, internal rate of return (IRR), cashflow timing, risk exposure) and can the project be financed commercially. If not, what market failure prevents that? This market failure (risk too high, return too low, timeline too long, etc.) is what blended finance is solving.

Once the market failure has been identified, the deal sponsor can then consider what other resources need to be brought in, and who might supply those resources. The challenge is understanding what these stakeholders need and want from their participation in the transaction, and then finding an alignment across these different interests. The deal sponsor can consider factors across the following six categories:

- Alignment of strategic and impact objectives
- Capital structure and risk allocation
- Governance and decision rights
- Metrics used to define impact and outcome
- Timeline
- Legal and regulatory issues

A template for making these considerations for a particular transaction is included in Annex 3. When completed, this template functions as a deal roadmap—ensuring that alignment on objectives, capital, governance, impact, and timelines is documented early, reducing wasted time and costs later.

Establishing alignment upfront helps create a common framework of expectations around risk-sharing, return profiles, social outcomes, and governance. By doing so, sponsors avoid the trap of chasing multiple, sometimes conflicting mandates. Instead, the financing structure is built around a clearly defined core strategy that resonates with all relevant funders. This early alignment reduces wasted costs, accelerates timelines, and increases the likelihood that the blended finance solution achieves its ultimate purpose: delivering affordable housing at scale.

Stage 1: Market and Impact Preconditions

Blended Finance Archetypes: Project Preparation Grants; Technical Assistance Funds

The success of any blended finance transaction for affordable housing depends first on the conditions in which it is introduced. Before structuring can begin investors and sponsors must understand the realities of the local housing market, and ensure that the intended impact objectives are both achievable and measurable. This requires clarity on the scale of demand, the affordability gap, and the broader policy and regulatory environment that can either enable or hinder housing delivery. Equally important is the articulation of the development impact, whether improving access to formal housing, promoting climate-resilient construction, or unlocking systemic market change. By establishing these preconditions early, stakeholders can identify the most appropriate role for concessional capital, build confidence among commercial investors, and lay the foundation for a credible, scalable transaction.

These preconditions are related to the enabling environment where a transaction is taking place. Different facets of the enabling environment for affordable housing are noted below. While these are imperative to consider early in the process, these factors will continue to affect the development of the transaction through every stage.

ENABLING ENVIRONMENT	CONSIDERATIONS
POLICY AND REGULATORY ENVIRONMENT	National housing policies, building codes, and tax frameworks can either enable or hinder delivery. Inconsistencies, political shifts, and bureaucratic delays increase investor uncertainty, while clear policy direction and supportive regulation create confidence and align incentives across stakeholders. Policy reforms (foreclosure laws, long-term funding sources, credit bureaus), stable regulatory frameworks, and government housing pipelines can help reduce stop-start project cycles.
INFRASTRUCTURE	Affordable housing projects rely on the timely delivery of roads, utilities, and services, yet in many African cities developers must absorb these costs themselves. Early feasibility should test whether municipalities can provide or co-finance essential infrastructure.
AVAILABILITY OF CAPITAL	Understanding capital market depth and investor mandates is critical at the outset, especially regarding access to long-term finance. The availability of local currency financing is also important to understand, since this will reduce FX risk for investors.
MACROECONOMIC STABILITY	International investors are particularly sensitive to FX risk, as currency depreciation can quickly erode returns. In addition, broader global dynamics such as shifts in trade policy, commodity prices, or supply chain disruptions can raise construction costs and undermine affordability.
PROPERTY AND LAND ADMINISTRATION	Weak land titling systems, opaque transfer processes, and multi-year permitting delays stall projects and deter investors.
MARKET DEMAND	Even for affordable housing, unit costs may exceed what low- and middle-income households can pay at prevailing interest rates; careful analysis of effective demand, including income levels, pre-approvals, and cooperative models, is essential before structuring. Pre-sale agreements with employers/cooperatives, rent-to-own schemes, credit-linked subsidies, or working with mortgage refinance institutions to expand end-user access can help address this factor.

Table 3: Considerations for various facets of an enabling environment

In assessing preconditions, there are other facets regarding impact to consider that are not part of the enabling environment, but can be essential to attracting investors later on:

- **Impact alignment:** Meeting internationally recognized sustainability and social standards has become essential for attracting some development finance institutions (DFIs) and concessional funders. For example, if your housing project is also intended to address climate-related concerns, tools such as the International Finance Corporation (IFC)'s Excellence in Design for Greater Efficiencies (EDGE) certification provide measurable benchmarks for energy efficiency, water use, and embodied carbon. Other investors have specific requirements around inclusive practices, such as gender-lens investing.
- **Clarity on affordability definition:** Investors require precision on which income groups the housing will serve, since affordability thresholds vary across geographies and mandates. DFIs, pension funds, and social impact investors often define "affordable" by metrics such as the percentage of household income devoted to housing, maximum rental levels, or price caps relative to median incomes. For example, some funds will only support units accessible to households earning below a set national income percentile, while others tie affordability to rent ceilings. Establishing and documenting this definition early is essential to secure concessional support and to avoid mismatches with investors' mandates. It also provides the foundation for monitoring and reporting on development outcomes over the life of the transaction.

GENDER AND AFFORDABLE HOUSING

Women in Africa **face** greater barriers to housing due to limited property rights, restricted access to finance, and reliance on informal incomes. These constraints leave women-headed households more vulnerable to tenure insecurity and higher costs. Blended finance can help address these gaps by supporting products and projects that prioritize women's access, integrate gender metrics, and align with Sustainable Development Goal (SDG) 5 on gender equality.

THE ROLE OF GRANT FUNDING

Project preparation and technical assistance grants are critical in the early stages of structuring transactions. They provide deal sponsors with the resources to conduct robust market assessments, test affordability assumptions, and map regulatory or infrastructure constraints that could undermine a project's success. By covering the high upfront costs of feasibility and structuring, project preparation grants reduce early-stage risk, create a stronger evidence base for investors, and ensure that transactions are grounded in realistic market and impact assumptions. Technical assistance grants also enable sponsors to sharpen the impact case, clarifying how housing delivery can be affordable and inclusive, and to build financial models that align concessional and commercial capital.

Stage 2: Structuring the Deal

Blended Finance Archetypes: Project Preparation Grants; Technical Assistance Funds; Guarantees; Concessional Debt/Equity; Outcome-based Financing

After establishing preconditions and reviewing the enabling environment, the next step is to look more closely at some of the risks and corresponding instruments and interventions to address them.

When structuring an affordable housing blended finance transaction, typically concessional or first-loss capital is used to de-risk the affordable housing project and ultimately to attract commercial investors/lenders, while DFIs and impact investors provide mezzanine or senior debt aligned with both financial sustainability and social outcomes. Stage 3: Fundraising will discuss these actors in more detail. The deal sponsor's role is to align project fundamentals with funders' mandates. The risks associated with each stage may be nuanced in each project and therefore need to be appropriately mitigated with the relevant instrument.

VALUE CHAIN STEPS	ENABLING ENVIRONMENT	TYPICAL RISKS	POSSIBLE INTERVENTIONS	TRADITIONAL FINANCE INSTRUMENT AND SOURCE	BLENDED FINANCE INSTRUMENT
0. Project preparation	• Policy and regulatory environment • Infrastructure • Market demand	Weak feasibility studies, poor project structuring, lack of pipeline, high upfront soft costs	Outsourced feasibility studies, including market review and analysis	Equity - Deal sponsor	Project preparation grants, technical assistance funding
1. Land acquisition and tenure	• Policy and regulatory environment • Property and land administration	Unclear land titles, tenure disputes, zoning changes, high upfront land costs	Land titling support, technical assistance funding, concessional capital for land banking, policy reform funds	Equity - Deal sponsor	Technical assistance funding, concessional debt/equity
2. Bulk infrastructure provision	• Infrastructure	Lack of serviced land, delays in utilities (water, sewerage, power, roads)	Blended municipal infrastructure funds, viability gap financing, public guarantees, DFI co-investment	Equity - Deal sponsor Mezzanine debt - DFI, mezzanine funds, commercial banks	Project preparation grants, public guarantees
3. Development and construction	• Macroeconomic stability • Availability of capital	Micro/small/mid-sized developers under-capitalized, cost overruns, low technical capacity, construction delays	Concessional construction loans to reduce lender exposure, especially if the project fails, equity top-ups, working capital facilities, technical assistance for developers, supply-side subsidy alignment, tax credits	Debt - Commercial banks	Technical assistance funding, concessional debt/equity
4. Regulatory and approvals	• Policy and regulatory environment • Property land administration	Lengthy permitting, unpredictable fees, corruption risk, holding costs escalate	Risk-sharing facilities to cover delays, technical assistance to streamline approvals, performance-based grants to municipalities	Equity - Project sponsor	Technical assistance funding, concessional debt/equity, outcome-based financing
5. Housing finance and demand	• Market demand	Low affordability, high interest rates, short loan tenors, weak credit systems	Concessional mortgages, guarantee schemes for lenders, mortgage liquidity facilities, blended housing funds to support offtake, demand-side subsidy alignment	Debt - Commercial banks, mortgage companies	Concessional debt, guarantees

Table 4: Risks associated with various value chain steps within the affordable housing sector and their possible interventions

Stage 3: Fundraising

Blended Finance Archetypes: Technical Assistance Funds; Guarantees; Concessional Debt/Equity; Outcome-based Financing

Fundraising is not just about "finding money". It is about sequencing the right capital at the right stage, aligning the mandates of very different investors, and keeping structures simple so that costs and long timelines do not derail the deal. Before going to market, sponsors must ask themselves: do we have the right project fundamentals, the right capital structure, and the right alignment of investor mandates?

The fundamentals have already been covered in Stages 1 and 2. This section focuses on the fundraising stage itself, by looking at the capital stack and waterfall, the roles played by different actors, and the recurring challenges and solutions that shape successful transactions. The central question becomes, how do we bring the right capital together in the right order?

Capital Stack Design & Waterfall Structure

For an affordable housing deal, the capital requirements must be carefully planned and split across different stages such as pre-development, construction, and refinancing. Blended finance makes this possible by creating a risk-tiered structure, where the right instruments are matched to the right level of risk. Creating a waterfall structure, which shows clearly who bears losses first and who gets repaid first is the first step. In practice, this usually means three layers of capital: concessional capital at the bottom to absorb early risks, mezzanine capital in the middle to balance risk and impact, and senior capital at the top for investors with low risk tolerance seeking safety and requiring predictable returns.

LAYER	TYPICAL INVESTORS	PURPOSE	TYPICAL INSTRUMENTS	POSITION IN WATERFALL
Senior debt/ Bonds	Banks, pension funds, insurance companies, institutional investors, DFIs	Provides bulk financing at scale, mandated to take on lower levels of risk and predictable cash flows	Senior loans, listed bonds (social/green), securitized mortgages, credit-enhanced notes	Protected; receives priority repayment
Mezzanine/ Subordinated	DFIs, impact investors, preferred equity funds	Balances risk-return, aligns financial sustainability with social outcomes	Preferred equity, subordinated loans, convertible debt, impact-linked loans	Absorbs any losses that exceed first-loss protection
First-loss/ Concessional	Philanthropy, catalytic DFIs, grant facilities, technical assistance funding	Absorbs early-stage risks (land, permitting, cost overruns), critical to unlock commercial appetite	Grants, technical assistance funding, junior equity, first-loss guarantees, concessional loans	Bears losses first

Table 5: Investors within an affordable housing transaction

Designing the capital structure and waterfall sets the framework, but it only works when the right players are in each layer, and their incentives are aligned. The concessional layer requires actors willing to take early-stage risks for higher levels of impact, mezzanine attracts impact investors, and occasionally DFIs, who balance returns with social outcomes, and the senior layer appeals to commercial lenders and institutional investors who expect stability. Around this, advisors design the deal, sponsors bring the pipeline, guarantors provide credit support, governments contribute land or incentives, and anchor investors add credibility. Each actor is willing to take on different financial and non-financial risks and expects different rewards, and aligning these roles is what makes the capital stack function in practice.

ACTOR	ROLE	RISKS	REWARDS	LESSONS LEARNED
Advisor (transaction/ structuring advisor)	Design the capital structure, align instruments to project phases, navigate mandates of DFIs and local investors	Reputation if deal fails, sunk costs in long structuring timelines	Advisory fees, reputation for innovation	Strong advisors reduce costs and delays, poor advisors cause misaligned instruments and costly renegotiations
Promoter/Sponsor (fund manager, developer, refinancing vehicle)	Originate pipeline, raise capital, manage implementation	Development risk (land, permitting, cost escalation), reputational risk if impact not delivered	Promotional fees, carried interest, strategic growth	Must be financially ready before fundraising; weak preparation shifts costs to others
Concessional/Catalytic Investors	Take junior or first-loss risk, accept lower returns to unlock capital	High probability of capital impairment	Development impact, policy alignment	DFIs often claim to be concessional but operate commercially, creating misalignment
Anchor Investor	Legitimize the transaction, attract other investors, and provide catalytic momentum	Potentially higher costs if catalytic capital comes at expensive terms	Influence over deal structure, reputational credit for enabling market development	Anchor investors provide credibility
Private Commercial Investors	Provide senior equity or debt, need predictable yield	Market risk, illiquidity, reputational risk	Market returns, diversification, environmental, social, and governance (ESG) branding	Struggle with long tenors and delayed cash flows, prefer shorter-term payouts
Impact Investors	Provide equity or debt, focused on the impact of the transaction	Market risk, impact risk	Market returns, may also take concessions for higher impact	Can be important to aligning with the impact objectives of the transaction
Retail/Local Investors	Small-ticket investors in listed bonds	Currency risk, limited liquidity	Access to stable, transparent instruments	Retail investors can be mobilized via small-denomination social bonds
Guarantor (DFI, multilateral, credit enhancement facility)	Provide credit wraps to reduce pricing and broaden investor base	Contingent liabilities if defaults occur	Limited fees, catalytic effect	Guarantees reduce coupons but excessive legal/ structuring complexity can erase benefits
Government/Public Sector	Provide land, subsidies, policy clarity, tax incentives, patient grant funding	Political exposure, fiscal stress	Social impact, urban development, electoral credit	Governments lack fiscal space, framing housing as infrastructure helps unlock better support

Table 6: Key actors throughout the fundraising stage and their associated roles

While each actor in the fundraising process has a distinct role, set of risk thresholds, and expected rewards, their interaction ultimately determines whether a transaction succeeds or stalls. The layering of interests across concessional, mezzanine, and senior capital creates opportunities but also exposes recurring tensions. Common themes emerge: the risk of socializing costs while privatizing rewards, persistent misalignment of investor mandates, and mismatches between instruments and project phases. These cross-cutting issues show that the challenge is not just assembling the right actors but structuring their participation in a way that aligns incentives, manages expectations, and keeps transaction costs under control.

COMMON THEMES	ISSUES OBSERVED	POTENTIAL SOLUTIONS
Socializing risk, privatizing reward	• DFIs often pass legal/FX/structuring costs to local entities • Concessional capital sometimes benefits senior commercial investors without adequate burden-sharing	• Pool technical assistance funds to cover legal/ structuring costs • Mandate shared cost-bearing between DFIs, sponsors, and investors • Encourage local-currency issuance to reduce FX hedging costs

Alignment of interests	• Concessional investors want impact; commercial investors want yield; sponsors want fees; governments want political wins
	• Misalignment examples:
	  • Tenor mismatch: pension funds want liquidity vs. housing needs 10-15 years
	  • Currency mismatch: dollar investors vs. local currency needs
	  • Impact vs. return expectations
		• Use blended structures with clear waterfall alignment
		• Offer partial liquidity windows for pension funds
		• Increase availability of local-currency debt
		• Develop shared ESG/impact reporting frameworks acceptable to both concessional and commercial investors

Instrument design matters	• Equity-only funds are hard to sell to pension funds; they prefer shorter tenor, predictable payouts • Funds may need junior/first-loss tranches or preferred equity to crowd in conservative investors • Social/green bonds with clear impact use-of-proceeds are easier to market than opaque fund structures	• Design hybrid funds (equity + debt) to appeal to different investor bases • Standardize impact-linked instruments (social/ green bonds) • Provide transparent use-of-proceeds reporting to increase investor confidence
Match instruments to project phases	• Grants/technical assistance funding or patient equity are needed in pre-development phase • Equity is appropriate during construction • Debt or bonds only once cash flows are visible • Mismatch of timing and instruments is a common failure point	• Align instruments with project life cycle • Establish clear rules for when grants, equity, and debt are deployed • Encourage phased capital raises to avoid premature debt
Investor alignment	• Misaligned mandates across investor types (returns, tenor, geography, ESG focus) • Pension funds require liquidity while housing projects need long tenors • Without mechanisms like early distributions or preferred returns, cautious investors stay away	• Conduct mandate mapping early in fundraising • Negotiate flexible payout structures (preferred equity, partial dividends) • Educate pension funds and insurers on housing as an investable asset class

Table 7: Common themes associated with fundraising, their issues, and potential solutions

Stage 4: Implementation & Monitoring

Blended Finance Archetypes: Technical Assistance Funds; Outcome-based Financing

Once the transaction has reached financial close, the implementation phase determines whether the structure delivers on both its financial promises and its intended developmental impact.

At this stage, sponsors must focus on three parallel priorities:

1. **Execution discipline** – Ensuring land acquisition, permitting, construction, and sales or rental processes move forward on schedule and within budget. Cost overruns, contractor weaknesses, and infrastructure delays are common risks; proactive risk management and phased disbursements can help mitigate them.
2. **Financial monitoring** – Tracking performance against the capital stack and waterfall agreed in Stage 3. Investors must see timely reporting on cash flows, repayment schedules, FX exposures, and use-of-proceeds. Technical assistance funds or independent trustees can support transparent monitoring and course correction when risks materialize.
3. **Impact measurement and outcome-based financing** – Implementation is also the stage when outcome-based payments or impact-linked incentives are dispersed. These payments are typically tied to verified results, such as delivering a specified number of affordable units, meeting EDGE green certification, or achieving inclusion targets. For sponsors, this means that achieving development milestones is directly linked to unlocking additional concessional funding or bonuses, improving cash flow, and strengthening investor confidence. For investors, outcome-based payments provide assurance that their capital is driving measurable social and environmental outcomes, aligning financial returns with impact delivery.
4. **Sharing lessons for future transactions** – Perhaps the most catalytic function of implementation is the ability to generate insights that strengthen the broader market. Affordable housing blended finance is still a nascent field; each transaction contributes valuable evidence on structuring ratios, legal bottlenecks, FX management, and impact reporting. By making lessons public, through open-source data initiatives, post-deal evaluations, or donor-supported dissemination, deal sponsors can reduce information asymmetries and lower costs for the next wave of projects. Institutions like FSD Africa Investments' (FSDAi) Open Access Initiative demonstrate how structured knowledge-sharing can multiply the impact of a single deal by shaping investor confidence, influencing policy, and creating replicable models for others (see IHS Kenya case study).

Blended finance transactions should therefore incorporate dedicated monitoring, evaluation, and knowledge-sharing systems from the outset, supported by grant-funded technical assistance where needed. Reporting should serve two purposes: giving confidence to current investors, which in turn helps attract follow-on funding, and creating public goods for the broader market.

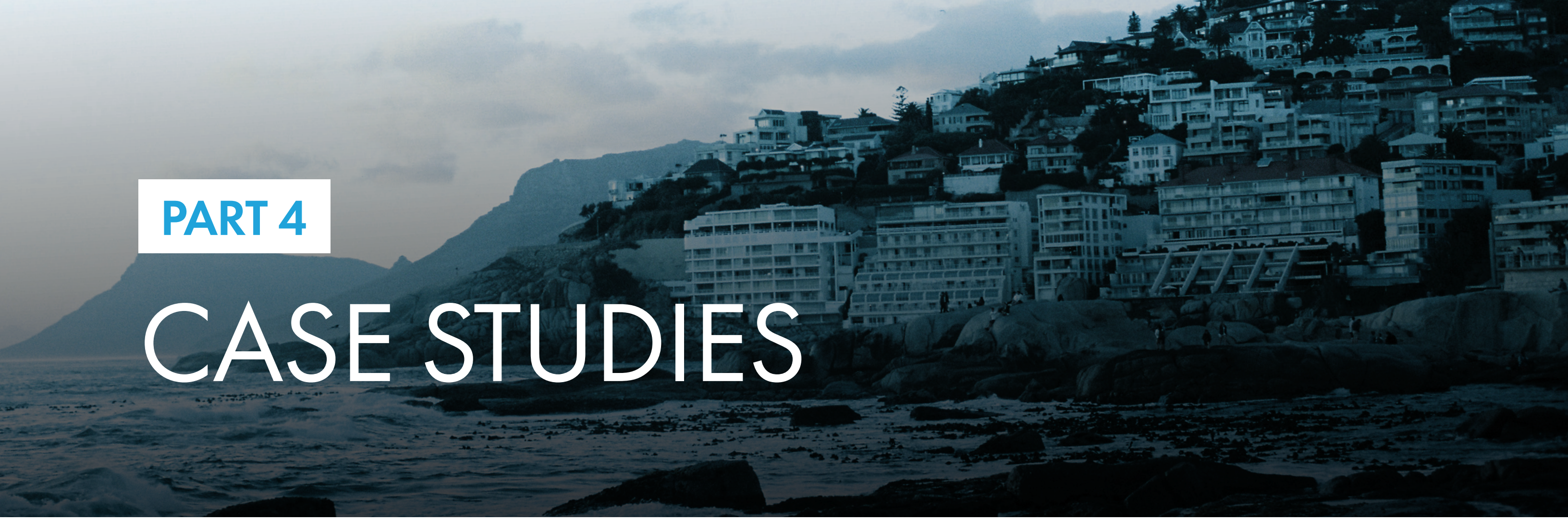
Finally, flexibility is key. Projects may require restructuring of timelines, rebalancing of concessional and commercial tranches, or adjustments in affordability definitions if macroeconomic conditions shift. Having pre-agreed mechanisms for adaptive management can preserve investor confidence and protect impact outcomes when shocks occur.

THE IMPORTANCE OF KNOWLEDGE SHARING

The use of blended models to finance affordable housing projects in Africa is still nascent, and each transaction is a learning opportunity. Sharing lessons on structuring ratios, FX risk management, legal processes, and impact measurement helps reduce costs and delays for the next generation of projects. Open-source initiatives show how post-deal transparency can multiply impact beyond a single investment by:

- Building investor confidence through published performance data
- Informing policy reform with evidence from real transactions
- Creating replicable models that new sponsors can adapt

By embedding knowledge-sharing into implementation and monitoring, sponsors not only deliver units on the ground but also strengthen the entire housing finance ecosystem.



PART 4

CASE STUDIES

The following case studies exemplify how concessional capital can be used within a blended finance structure throughout the previously identified stages of an affordable housing transaction in Africa to address various risks.

The four case studies are as follows:

1. **International Housing Solutions (IHS) Kenya:** The IHS Kenya Affordable Green Housing Fund blended concessional equity and commercial investment to deliver green-certified affordable housing, while grappling with long timelines and deployment challenges.
2. **Acorn Green Bond:** Acorn Holdings issued East Africa's first green bond, supported by guarantees and technical assistance, to finance purpose-built student housing and demonstrate a replicable capital markets model.
3. **Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH-UEMOA) Social Bond:** CRRH-UEMOA is launching West Africa's first social bond, blending World Bank concessional credit with commercial capital to refinance affordable mortgages across the WAEMU region.
4. **Intuthuko Equity Fund:** The Intuthuko Equity Fund provided subordinated concessional loans and mentorship to previously disadvantaged entrepreneurs in South Africa, unlocking senior debt and expanding affordable rental housing.

4.1 IHS Kenya

Blended Archetype: Concessional Equity

Stage concessional capital entered the transaction: Stage 3 (Fundraising)

Risks addressed: Concessional equity was used to improve the overall risk-return of the transaction, specifically addressing risks including:

- Single sector and single country concentration
- Devaluation
- Market downturns
- Limited exit options
- Construction and execution challenges
- Unpredictable and slow permitting
- Construction cost inflation
- Project sourcing issues

FUND MANAGER/NAME	International Housing Solutions (IHS) Kenya Green Housing Fund GP Limited
LIMITED PARTNERS (LPS)	• FSD Africa Investments (FSDAi) • County Pension Fund (CPF) • UK Climate Investment (UKCI, now under British International Investment management) • European Investment Bank (EIB) • IFC (including UK-IFC Market Accelerator for Green Construction Program (MAGC))
LAUNCH YEAR	First close 2021 at $85 million, final close in 2023
FUND SIZE	$106 million
CAPITAL STRUCTURE	Two main limited partnerships within single tranche + IFC side-car investment
ROLE OF CONCESSIONAL CAPITAL	Concessional equity from UK-IFC MAGC catalyzed financing from IFC's own accounts, scaling the fund closer to its initial target size and indirectly mobilizing greater capital for portfolio investments
TARGET MARKET	Low- and middle-income households in Kenya
INVESTMENT INSTRUMENT	Equity
FUND TERM	10 years
INDICATIVE IMPACT RESULTS	At end-June 2025: **Investments** • 3 investments totalling 656 units closed • 2 investments totalling 440 units are under construction • 1 investment totalling 216 units with construction yet to begin • 5 investments totalling 1,360 units make up the advanced pipeline • 1 investment totalling 280 units is in the process of being closed • 4 investments totalling 1,080 units are undergoing investment committee approval The Fund is targeting the delivery of 4,000 units by 2030. **Employment** • Over 405,000 person-hours of employment were generated during Q2 2025 of which over 59,000 were by women **Environmental** • All investments will be IFC EDGE v3.1 certified on completion meeting a minimum savings of 35% on energy, 20% on water, and 20% on embodied carbon materials
TARGET SDGS	SDG 6: Clean Water and Sanitation SDG 7: Affordable and Clean Energy SDG 9: Industry, Innovation, and Infrastructure SDG 11: Sustainable Cities and Communities SDG 13: Climate Action SDG 17: Partnerships for the Goals

Table 8: Transaction details for the IHS Kenya Green Housing Fund

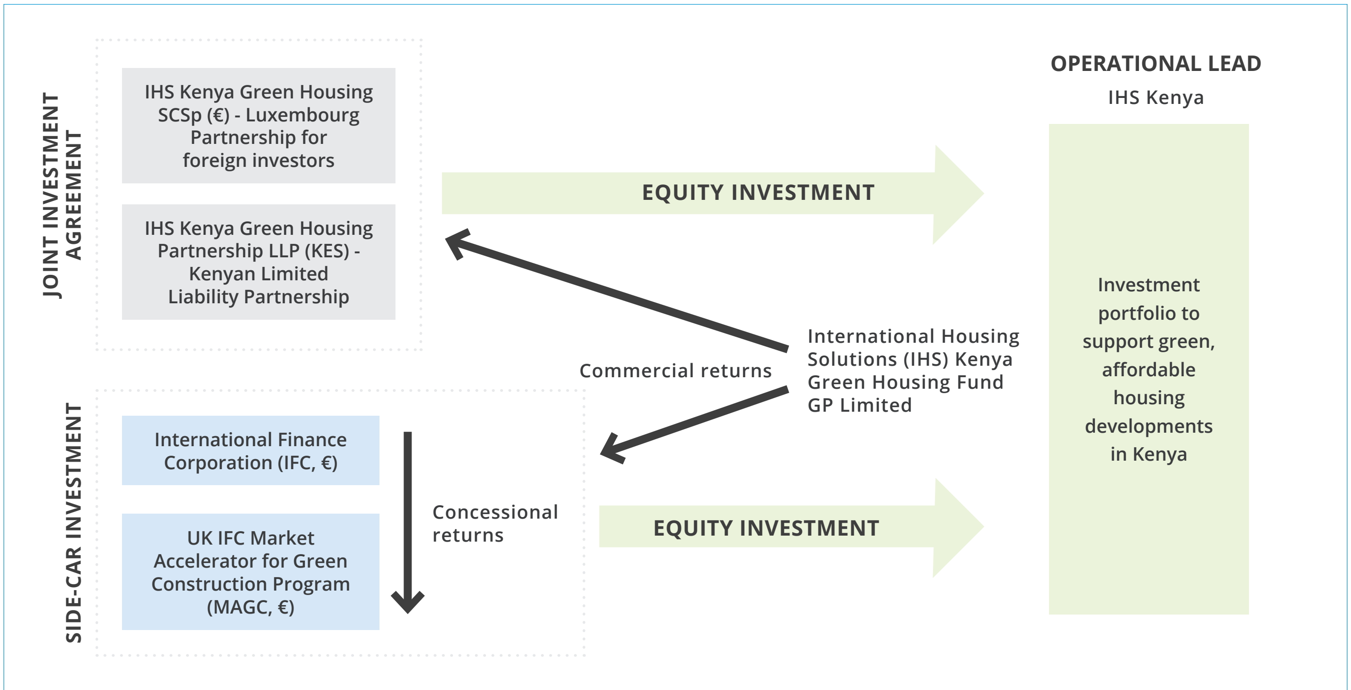


Figure 2: Capital structure of the IHS Kenya Affordable Green Housing Fund

Overview

In 2021, IHS launched the first close for the [IHS Kenya Affordable Green Housing Fund] ("the Fund"). The Fund was established to invest in new developments that were certified through the EDGE program and that were priced affordably for Kenya's low- and middle-income households. Motivated by Kenya's urgent urban housing deficit, where formal affordable housing remains scarce and millions reside in informal settlements, the fund aims to bridge the affordable housing financing gap while delivering both environmental benefits and social inclusion. The fund is poised to deliver up to 4,000 green-certified affordable homes by 2030, helping improve living standards, reduce utility costs for residents, and contribute to climate action in Kenya's rapidly urbanizing cities.

Timelines

Discussions regarding the conceptualization of the Fund began in 2017. Initially, IHS targeted outreach to a number of DFIs to discuss alignment of sectoral interest, level of risk, and comfort with fund structure. First close was achieved in 2021 totalling $85 million, and included a group of four core equity investors: UKCI, EIB, FSDAi, and CPF. In 2023, after negotiating a side-car structure, IFC joined as an equity investor through its own account and provided additional funding on behalf of the UK-IFC MAGC. The Fund reached final close in 2023 at $106 million.

Capital Structure

The fund is composed of limited partnerships in Luxembourg and Kenya, with investors split across three vehicles:

- Kenya Partnership: Includes FSDAi and CPF (KES)
- Luxembourg Partnership: Includes UKCI and EIB (Euros)
- Sidecar Partnership: Exclusively for IFC (including UK-IFC MAGC), with an opt-in/opt-out right for each deal (Euros)

The three investment vehicles contained investors that entered the structure with an agreed mandate and investment strategy. All investors share returns pro rata on the same commercial terms, with the sole exception being that the Sidecar Partnership does not participate in returns from properties from which it opts out (there have been no such cases to date). Investments are made through equity, and managed by IHS Kenya Green Housing Fund GP Limited. IHS Kenya oversees the operational management of the portfolio of investments.

In the case of one investor, the structure was linked to meeting or exceeding IFC EDGE green building standards.

ROLE OF CONCESSIONAL CAPITAL

The UK-IFC MAGC, a joint initiative of the UK government and IFC to promote climate-friendly building, provided concessional equity that absorbed more of the potential risk within the IFC waterfall structure. This "safety cushion" gave IFC the confidence to invest its own money on standard commercial terms, funding that would not have been provided without a de-risking mechanism. The capital IFC provided through the second fundraising round allowed the Fund to scale up its operations, thereby bringing it closer to its target size, indirectly mobilizing higher levels of financing for portfolio investees and unlocking a broader portfolio for investors.

Specifically, the UK-IFC MAGC's concessional capital played a pivotal role in mitigating the risk-return imbalance, which could have led to capital loss and tempered institutional investor appetite. Limited returns were due to the capping of home prices to ensure affordability. The associated risks the concessional capital addressed were substantial, encompassing single sector and single country concentration, devaluation, market downturns, limited exit options, construction and execution challenges, unpredictable and slow permitting, construction cost inflation, and project sourcing issues.

Challenges

IHS encountered a number of challenges throughout the structuring and fundraising processes, which included:

- ***Long timelines:*** Six years elapsed between initial discussions in 2017 and IFC's participation in 2023. These longer timelines were largely driven by differing priorities (i.e. data transparency, targeted regions, outcome-linked performance, investor representation) and concerns regarding expected returns and how they aligned to the risks inherent in the strategy (ground up development, construction cost inflation, currency etc.). Higher levels of concessional capital within the capital structure would likely have reduced timelines related to final close.
- ***Currency risk:*** Returns are generated in Kenyan shillings but converted back to euros for LPs based in Luxembourg. This exposes international investors and the general partners (GPs) to foreign exchange volatility. Unlike debt, equity flows are difficult to hedge effectively.

Since the initial close in 2021 and the final close in 2023, further implementation challenges have arisen:

- ***Deal feasibility issues:*** Following the initial close in 2021, IHS faced difficulty deploying the capital into investment-ready transactions. There were challenges associated with closing investments into affordable green housing projects because of issues like land tenure problems, high land prices in good locations, very high construction cost inflation following the Ukraine invasion, lengthy negotiations with land owners and developers, and delays in obtaining permits and approvals.
- ***Affordability versus returns:*** While IHS aims to reduce costs to enhance affordability, investor expectations for returns sometimes limit the room to manoeuvre in pushing unit prices lower as rising construction costs put upward pressure on prices.

Lessons Learned

Despite facing challenges, the Fund managed to successfully launch in 2021 with a financial close of $85 million and a final close in 2023 of $106 million. Some of the lessons learned include:

- ***Balancing concessionality and risk perception:*** While best practice blended finance transactions ensure the lowest amount of concessional capital is used within a transaction, transactions with higher perceived risks may require correspondingly higher levels of concessionality to reduce timelines and mobilize commercial capital.
- ***Measuring and broadening impact beyond the scope of the investment:*** A central feature of the FSDAi investment was a side letter requiring IHS to adopt an Open Source Policy (see below). FSDAi's aim was that public money should not only deliver immediate outputs (the construction of houses) but also foster broader market development. To achieve this, IHS must share data and insights from the investment, which will be turned into public outputs. To embed this policy, FSDAi provided the Centre for Affordable Housing Finance in Africa (CAHF) with a grant of £300,000 for a four-year Open Access Initiative to collect and disseminate data from the IHS investment and other housing developments in Kenya[1]. Reporting on impact is essential for other investors seeking to enter the sector to understand the market and learn from previous transactions. In addition to this, the Open Access Initiative makes public the housing-related experiences as well. In this, it provides much needed data and learnings for both policy makers and housing sector practitioners, on the steps, time and costs associated with affordable housing delivery, ultimately improving the delivery performance of the housing sector overall, beyond the investment that FSDAi made.

1. For more information, see the CAHF Open Access Initiative *website*.

OPEN ACCESS POLICY

1.1 The Partnership and the General Partner subscribe to the principles of Open Access as set out in the Open Access Concept Note attached as Schedule 4.

1.2. The General Partner commits to enter into an agreement with CAHF to the investor's satisfaction and in line with the principles expressed in the Open Access Concept Note for the purposes of the implementation of the Open Access strategy.

1.3. The General Partner commits to procuring on a reasonable commercial efforts basis that all partners (including co-investors and developers) it works with share data as will be set out in the agreement with CAHF.

1.4. The General Partner commits to reporting back to the Investor on a quarterly basis on the contribution of the Fund to the implementation of the Open Access strategy.

1.5. The General Partner commits to ensuring that the latest developments in the Open Access process are reported to the Advisory Board as an agenda item for consideration at each meeting.

1.6. In implementing the Open Access process, the following principles shall be observed in producing outputs for dissemination into the public domain, in that such output shall not:

1. compromise the commercial competitiveness of the data provider or any of its affiliates;
2. reflect the identity of the data provider in any way (unless the data provider offers written permission to the contrary);
3. compromise the privacy of any end user or participant in any housing development; and
4. unfairly advantage any other market participant through the unauthorized disclosure of any company confidential information.

4.2 Acorn Green Bond

Blended Archetype: Technical Assistance Funds; Guarantee

Stage concessional capital entered the transaction: Stage 2 (Structuring the Deal)

Risks addressed:

- Default risk at the bond level
- Construction and delivery risk
- Regulatory/structuring risk (first-of-its-kind features)
- Market confidence and placement risk

ISSUER	Acorn Holdings
INVESTORS	• Emerging Africa Infrastructure Fund (EAIF) • Kenyan Banks • KQ-Pension Fund
INVESTMENT ADVISORS	Stanbic Kenya
GUARANTOR	GuarantCo
LAUNCH YEAR	2019, upsized in 2021
BOND SIZE	Initial KES 4.3 billion, (upsized to KES 5.5 billion)
CAPITAL STRUCTURE	Project linked bonds with a partial (50%) credit guarantee that covered both principal and interest
ROLE OF CONCESSIONAL CAPITAL	Partial Guarantee and Technical Assistance Funds
TARGET MARKET	Student housing in Nairobi
COUPON	12.25% with early redemption option
MATURITY	5 years
INDICATIVE IMPACT RESULTS	8 student housing projects that are EDGE/Climate Bonds Initiative (CBI) certified
TARGET SDGS	SDG 11: Sustainable Cities and Communities SDG 13: Climate Action

Table 9: Transaction details for the Acorn Holdings transaction

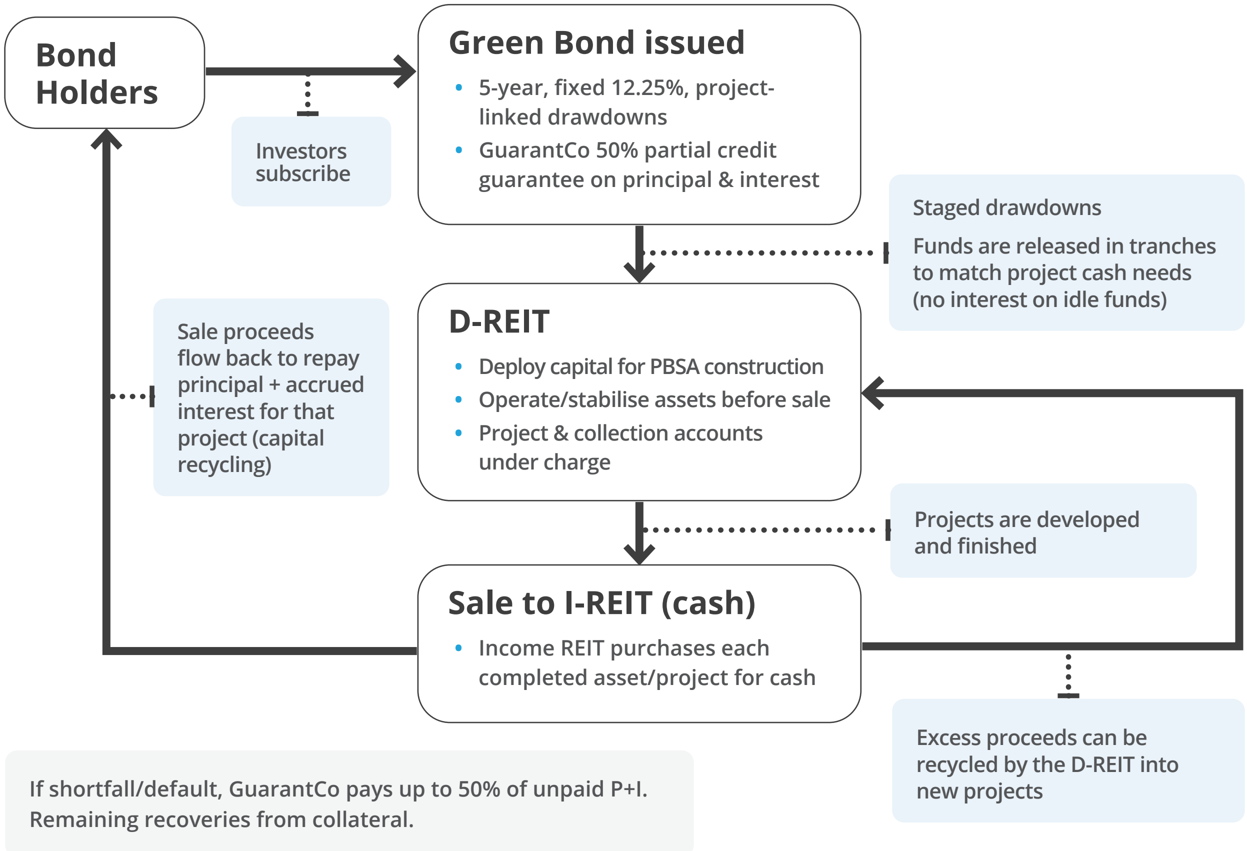


Figure 3: Capital structure of the Acorn Holdings transaction

Overview

Acorn Holdings has emerged as a leading developer for affordable housing for students and young professionals in urban centres, pioneering purpose-built student accommodation and affordable rental housing in Nairobi, Kenya. In October 2019, Acorn issued East Africa's first green bond, raising a total of KES 5.5 billion to finance resource-efficient student housing aligned to IFC EDGE and certified under the CBI. The bond was later cross-listed on the Nairobi Stock Exchange (NSE) and London Stock Exchange (LSE) in January 2020. The transaction established a replicable, de-risked capital markets path for affordable student housing in Africa.

Timelines

The idea of the green bond was a first for the Kenyan market and a lot of pre-work was required of the regulator to amend the existing regulation to allow for the issuance of a green bond. This pre-work took almost two years.

In October 2019, Acorn with Stanbic Bank as the main transaction advisor issued a KES 5 billion Medium Term Note (MTN) program, which became the first green bond in Kenya. In the process, the first tranche of the issue raised KES 4.262 billion against a minimum target of KES 2 billion.

The initial tranche was deployed towards the construction of environmentally friendly purpose-built student accommodation (PBSA) properties in Nairobi. The buildings are benchmarked against the IFC EDGE green building standard for water, energy, and materials use, with the aim of achieving low operation costs and low carbon impact in the long-term.

In May 2021, Acorn was granted approval by the Capital Markets Authority (CMA) to upsize the MTN program from KES 5 billion to KES 5.7 billion. The final tranche aimed to raise the KES 0.738 billion remaining from the initial October 2019 program, and the additional KES 0.7 billion from the now upsized program, providing a final subscription tranche amounting to KES 1.438 billion. The subscription book was well diversified in terms of its funding base with significant investment from Kenyan domestic pension funds, commercial banks, and re-insurance companies.

The additional financing would go towards the development of another two PBSA properties providing 2,654 beds, bringing the total numbers of developments funded under the MTN program to eight with a total bed capacity of 7,349.

Stanbic Bank and SBG Securities led the transaction and placement of the bond, with multiple local intermediaries helping to widen the distribution; this was especially helpful during the 2021 upsizing.

In 2024, Acorn retired the green bond ahead of schedule through commercial refinancing with the largest local bank Kenya Commercial Bank, as two of the later and the largest developments in the bond program were still under stabilization thereby avoiding a "maturity wall," meaning a large lump-sum repayment hitting all at once.

Capital Structure

The Acorn Green Bond was one of the structures envisioned to help finance the Acorn Real Estate Investment Trust (REIT).

The structure was a "project-linked" green bond with a five-year maturity and a coupon rate of 12.25% with an option for early redemption. A project-linked bond matches the drawdown with the project timelines, avoiding paying interest on idle funds. In this case, money was drawn only as each building needed cash (roughly quarterly) and investors earned interest only on the amounts drawn, keeping costs down.

GuarantCo provided a 50% partial guarantee on both principal and interest on the issuance. Investor protection combined a 50% partial guarantee on both principal and interest with hard collateral (land and the buildings), a small interest reserve (about three months), and control over rent and project accounts; each drawdown also required pre-approval by an independent technical advisor.

The Private Infrastructure Development Group (PIDG) provided a technical assistance grant to help cover some of the costs of structuring the bond and support the regulatory changes that were required from the capital markets authority to allow the issuance of a green bond.

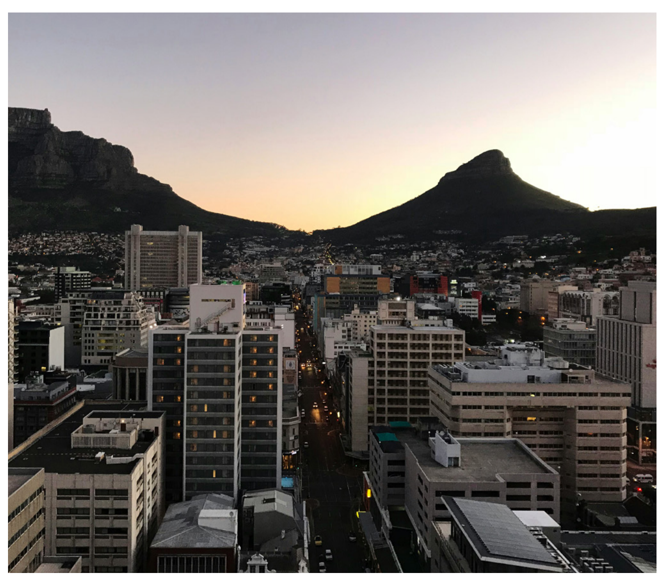
EAIF came in early as the anchor investor to de-risk the follow-on investors who were mainly Kenyan banks, corporate pension funds, and insurance companies.

As the buildings were completed, each building was sold from the Development REIT (D-REIT) to the Income REIT (I-REIT) for cash. Acorn used this cash to pay down the matching slice of the bond (principal and interest), thereby recycling capital and steadily shrinking the bond exposure over time.

The green bond which was rated B1 Global by Moody's Investor Service was cross-listed on the NSE and LSE for visibility and governance, though secondary trading remained thin and most holders were buy-and-hold to maturity.

ROLE OF CONCESSIONAL CAPITAL

GuarantCo's 50% partial credit guarantee materially improved investor protection and helped rebuild market confidence at a time when trust in corporate bonds was low. PIDG complemented this by providing a technical assistance grant to cover structuring costs and support green certification. Finally, EAIF's early anchor commitment validated the structure and catalyzed additional participation from local institutions, reducing placement risk and enhancing credibility in the market.



Challenges

In trying to bring this bond to market, Acorn encountered a number of challenges which included:

- ***Market mistrust:*** The bond issuance came at a time when the Kenyan bond market was fragile following two corporate bond defaults by Chase Bank and Imperial Bank. Investor sentiment was low and required strong de-risking (guarantee, collateral, anchor).
- ***Regulatory novelty:*** Kenya's CMA had no framework for green or project-linked bonds at the time. It took two years to reform the regulation.
- ***Cost stack and timing:*** Guarantees (whose costs were approximately 3%), advisory/placement, and trustee costs would raise the all-in costs significantly. To make the issue attractive the timing of the issuance was critical relative to government bond yields; the bond had to be placed at a time when government bond yields were low, to make its pricing attractive.
- ***Cross-listing frictions:*** Cross-listing was good for strong signaling, however there was limited secondary market trading, which constrained the liquidity of the bond.
- ***Sector-specific risks:*** Student housing is perceived as volatile (due to riots, property damage, policy shifts). Before issuing this bond, Acorn mitigated this risk through proof of concept, outright land ownership, and strict property management.

Lessons Learned

Despite the challenges, the bond successfully launched and exited its investors in 2024. Some of the lessons learned include:

- ***Match cash flows to debt:*** Project-linked drawdowns and asset sales to the I-REIT minimized negative carry and managed principal amortization.
- ***De-risking is essential:*** Partial guarantees, hard collateral, the debt service reserve account, and an anchor investor rebuild trust and mobilize local institutional capital.
- ***Delivery discipline:*** On-time/on-budget delivery is make-or-break for programmatic issuance; Acorn's delivery track record underpinned investor confidence.
- ***Time the market:*** Yields from the government bonds determine the levels of corporate coupons. Issuing the corporate bond when government yields are elevated, can make the all-in costs untenable.
- ***Simplicity helps scale:*** The D-REIT and I-REIT structure allowed recycling of capital and avoided over-complexity along with guaranteeing off-take.
- ***Right investors and partners:*** Local banks and pension funds were the right investors whose mandates were aligned with long-term interests. A strong transaction advisor is critical and multiple placing agents broaden access and speed execution, as shown in the 2021 upsize.
- ***Standards add value:*** EDGE/CBI certifications reduce operating risks/costs and align with international investor requirements.

4.3 CRRH-UEMOA Social Bond for Affordable Housing

Blended Archetype: Concessional debt

Stage concessional capital entered the transaction: Stage 2 (Structuring the Deal)

Risks addressed:

- High cost of mortgages
- Balance sheet and capacity risk
- Housing segment risk

ISSUER	CRRH-UEMOA
INVESTORS	• Proparco (anchor, 12%) • WAEMU • Institutional and retail investors
LAUNCH YEAR	2025
BOND SIZE	XOF 60 billion (≈ $107 million)
CAPITAL STRUCTURE	Bond proceeds blended with World Bank Loan (via Banque Ouest Africaine de Développement (BOAD))
ROLE OF CONCESSIONAL CAPITAL	Concessional debt reduced refinancing costs for banks and microfinance financial institutions (MFIs), which passed through to the end- borrowers. It also strengthened CRRH balance sheet and expanded mortgage access
TARGET MARKET	Banks and microfinance institutions in WAEMU countries
COUPON	6.0% per year (tax-free in WAEMU)
MATURITY	15 years (1-year capital deferral)
RATING	SQS1
INDICATIVE IMPACT RESULTS	*Scale and Accessibility* • Refinances affordable housing mortgages across all eight WAEMU countries, with mortgages capped at ~$165,000 to reach low- and middle-income households. *Market Development* • Listing on the Bourse Régionale des Valeurs Mobilières (BVRM) exchange and eligibility for Central Bank of West African States (BCEAO) refinancing strengthened liquidity and investor confidence. *Systemic Impact* • By 2023, CRRH-UEMOA had mobilized over $565 million in bonds, leveraging World Bank International Development Association (IDA) support to crowd in private finance at a ratio of roughly 1:5.
TARGET SDGS	SDG 1: No Poverty SDG 10: Reduced Inequality SDG 11: Sustainable Cities and Communities

Table 10: Transaction details for the CRRH-UEMOA Social Bond for Affordable Housing

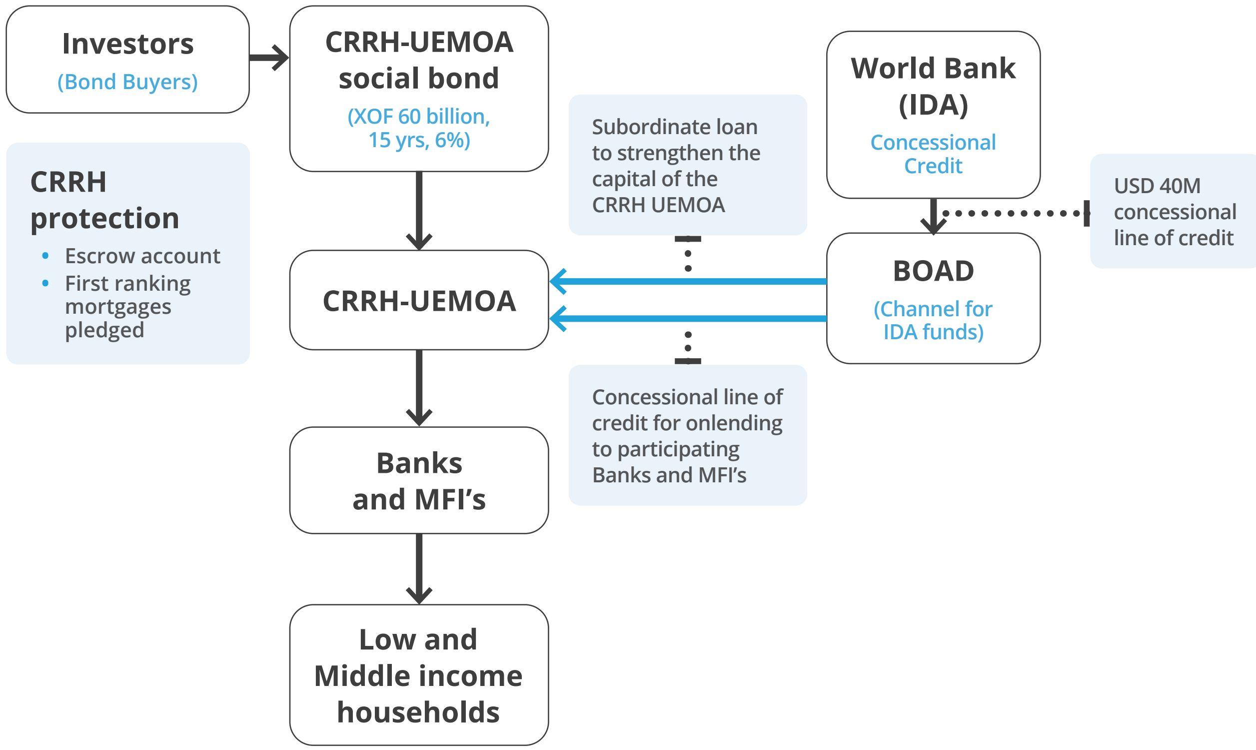


Figure 4: Capital structure of the CRRH-UEMOA social bond for affordable housing

Overview

CRRH-UEMOA was established in 2010 to strengthen mortgage markets across the eight WAEMU countries. Despite a regional housing deficit of more than 3.5 million units and rapid urbanization, WAEMU banks issue only about 15,000 new mortgages annually, far below the estimated 800,000 units required each year. CRRH-UEMOA addresses this gap by raising long-term funding from capital markets and channeling it into local banks and microfinance institutions for affordable housing finance.

In 2025, CRRH-UEMOA issued its first-ever Social Bond, a 15-year, XOF 60 billion (≈ $107 million) instrument listed on the BVRM regional stock exchange. The social bond issuance was a precondition for accessing a concessional credit line from the World Bank IDA window, that would be channeled through BOAD. This landmark issuance is not only CRRH-UEMOA's tenth bond since inception, but also the first ever social bond in West Africa, embedding explicit social objectives into a proven model of regional mortgage refinancing.

Timelines

From 2012 to 2023, CRRH-UEMOA issued nine bonds totalling XOF 198 billion, building credibility as a reliable supranational issuer. In 2023, there was an attempted blended finance structure with the U.S. Development Finance Corporation (DFC), which involved euro-denominated borrowing through a U.S. trust. The deal, while innovative, became overly complex, costly and inflexible. FX reserve requirements further undermined liquidity, an ongoing issue within the transaction. The lessons from the previous bonds led to a shift in 2025 toward a simpler, regionally grounded model and hence the first social bond was successfully launched in May 2025. This was the first social bond issued by CRRH-UEMOA aligned with international green, social and sustainable principles. The transaction closed within three weeks, reflecting strong investor appetite.

Capital Structure

The 2025 to 2040 CRRH-UEMOA social bond was issued in May 2025 on the BRVM regional stock exchange through a public offering, raising XOF 60 billion (≈ $107 million).

Key terms of the bond included:

- Coupon: 6% per annum, tax-exempt across the WAEMU region.
- Maturity: 15 years, with a one-year grace period before principal repayment.
- Amortization: Semi-annual after the grace period.

As a result of these terms, Moody's awarded the highest Social Bond rating (SQS1), while Bloomfield Investment Agency rated CRRH-UEMOA AAA positive outlook as an issuer, creating effective credit enhancement.

Through its IDA window, the World Bank committed a $40 million concessional credit line, offering both below-market pricing and a longer tenor. The concessional credit line is channeled to CRRH via BOAD.

The BOAD IDA Credit is set up to support three components:

1. Mortgage refinancing by participating banks
2. A subordinated loan to strengthen the capital of the CRRH-UEMOA
3. Mortgage refinancing by the participating non-bank financial institutions

The balance sheet support from the subordinated loan strengthens CRRH-UEMOA's capital base increasing its capacity to borrow and lend.

CRRH-UEMOA combines the proceeds of the Social Bond with the concessional line of credit from the World Bank and this enables CRRH to be able to refinance the banks at lower rates. This reduced cost of capital for the banks allows them to lend to the end borrower at a lower cost.

The bond proceeds are blended with the World Bank funds and used to refinance portfolios of residential mortgages originated by commercial banks, capped at XOF 100 million (≈ $180,000) per home, ensuring a clear focus on low- and middle-income households. The funds could also be used to refinance mortgages under the National Social Housing programs

There is also a protection mechanism for CRRH in place which includes:

- A zero-debit escrow account into which the bank repayments would be deposited for bond servicing, and
- A condition that refinanced loans must be secured by first-ranking mortgages, pledged to CRRH-UEMOA as collateral.

Proparco served as the anchor investor for the social bond, taking up 12% of the issuance, while the balance of the capital was raised from domestic institutional investors like banks, insurance companies, and asset managers, as well as local retail investors, who took up around 1% of the total issuance. The public offering structure allowed the participation of individual retail investors.

ROLE OF CONCESSIONAL CAPITAL

The use of concessional funds in blending achieved four key outcomes:

1. Lower refinancing costs: Banks accessed cheaper blended rates, enabling them to pass affordability gains to end-users of mortgages.
2. Targeting social housing: World Bank funds could only be applied to specific loans, mortgages under national social housing programs or mortgages below XOF 100 million (affordable housing threshold).
3. Stronger CRRH balance sheet: The subordinated loan component reinforced CRRH's capital base increasing its capacity to refinance up to double the banks' existing portfolios.
4. Expanded mortgage access: With lower-cost refinancing and conditions to grow their mortgage books, banks were able to extend lending to more households.

Challenges

Despite demand for the social bond being strong, CRRH-UEMOA encountered a number of challenges:

- ***Investor education challenges:*** CRRH-UEMOA faced the challenge of educating investors on the social bond framework and demonstrating credible impact pathways.
- ***Balancing returns and impact:*** Ensuring affordable mortgage terms required careful structuring to balance sustainability with investor returns.
- ***Convincing investors on tenor and rate:*** At a 6% coupon rate, a 15 year tenor was ambitious, as CRRH has previously been issuing bonds with shorter tenors of about 10-12 years, but CRRH's track record of zero defaults and its AA+ local credit rating built confidence.
- ***Currency:*** The bond was issued in CFA francs (XOF), requiring investors outside the WAEMU region to convert their currencies into XOF, a relatively illiquid currency. Interest is also paid in XOF, leaving foreign investors exposed to exchange rate risk.

Lessons Learned

The bond provided lessons learned for the affordable housing market, as well as the overall blended finance market:

- ***Simplicity builds trust:*** By issuing in local currency with straightforward structures, CRRH-UEMOA reduced transaction costs and ensured transparency for investors.
- ***Anchor investors matter:*** Proparco's early commitment signaled credibility, catalyzing broader investor participation.
- ***Align DFI mandates with local realities:*** Concessional loans (World Bank/BOAD) complemented local bonds far better than costly foreign structures.
- ***Track record builds credibility:*** CRRH's history of timely repayments and strong ratings enabled bold innovations like the first social bond.
- ***Local market development is essential:*** Domestic capital markets can finance housing when provided with credible structures.
- ***Social impact is investable:*** Clear eligibility criteria, rigorous monitoring, and Moody's SQS1 certification helped align social objectives with investor requirements.
- ***Impact narrative can mobilize capital:*** Positioning bonds explicitly as "social" instruments broadened investor participation, including retail.
- ***Housing sector risks:*** Mortgage finance requires very long-term capital, often scarce in African markets. The social bond demonstrated that regional markets could absorb longer maturities with proper structuring, when backed by strong institutions and development partners.

4.4 Intuthuko Equity Fund

Blended Archetype: Technical Assistance Funding, Concessional Debt

Stage concessional capital entered the transaction: Stage 1 (Market and Impact Preconditions), Stage 2 (Structuring the Deal)

Risks addressed:

- Lack of developer track record
- Capacity and executional risk
- Scalability and pipeline risk

FUND MANAGER	Intuthuko Equity Fund (IEF)
INVESTORS	• TUHF21 NPC • Gauteng Partnership Fund • The Jobs Fund • Eskom Pension and Provident Fund • Kagiso Trust • Novo Impact Fund
LAUNCH YEAR	2004
FUND SIZE	R165 million (≈$9.5 million)
CAPITAL STRUCTURE	Catalytic grant funding and concessional capital (IEF provided a subordinated, concessional, mezzanine loan
ROLE OF CONCESSIONAL CAPITAL	To capitalize a fund that itself provides concessional capital in support of inner city or township rental refurbishment/acquisition
TARGET MARKET	Previously disadvantaged individuals (PDIs) in South Africa, seeking to operate as entrepreneurs in the delivery of rental accommodation in inner cities and townships
INVESTMENT INSTRUMENT	Mezzanine loan
FUND TERM	7 years
TARGET INTERNAL RATE OF RETURN (IRR)	For the fund: 20% and above for the project/investor Developer's initial yield for the projects supported by the IEF: 15% and above
INDICATIVE IMPACT RESULTS	*Financial results* • Mezzanine loans provided at concessionary rates to PDIs enabled them to unlock a further R800 million in senior debt. *Economic impacts* • Intuthuko has provided support to 189 emerging entrepreneurs, facilitating the development of 278 buildings. *Education impacts* • The Intuthuko program ensured the continuation of beneficiary skills development and training through the Trust for Urban Housing Finance (TUHF) Program for Property Entrepreneurship (TPPE) and Mentorship programs, upskilling and developing small- and medium-sized enterprises (SMEs) in the sector.

Table 11: Transaction details for the Intuthuko Equity Fund

TARGET SDGS	SDG 1: No Poverty SDG 8: Decent Work and Economic Growth SDG 10: Reduced Inequalities SDG 11: Sustainable Cities and Communities SDG 13: Climate Action

Table 11 (cont.): Transaction details for the Intuthuko Equity Fund

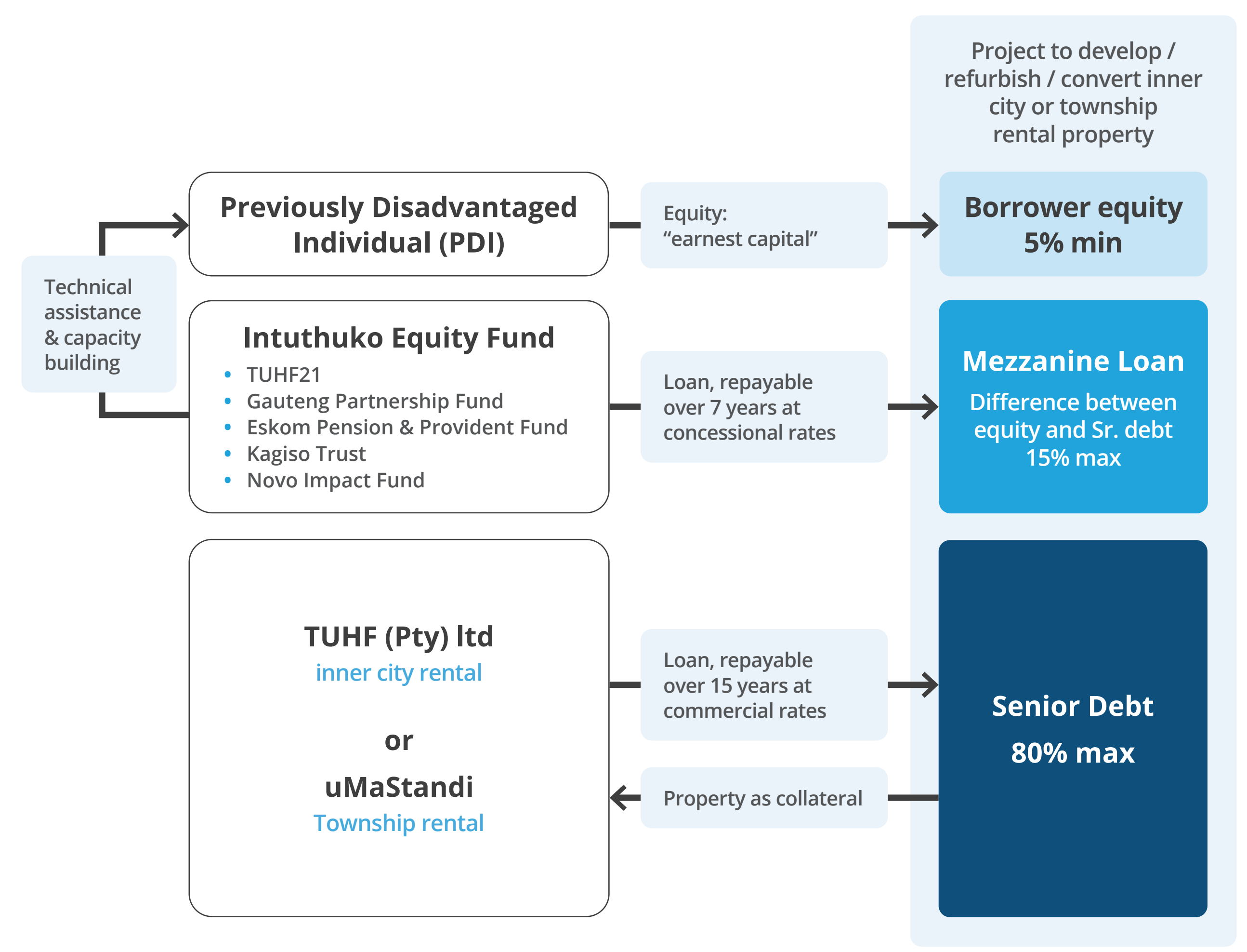


Figure 5: Capital structure of the IEF

Overview

IEF was established in 2004 by TUHF in South Africa, to provide equity-like financing to small and medium-sized black property entrepreneurs in South Africa's inner cities and townships. It addresses a major bottleneck: many emerging developers lack equity capital to leverage bank loans, even though they have viable projects. The IEF offers a mezzanine finance product in the form of subordinated, concessional loans to complement the entrepreneur's own capital contribution as they access debt finance from TUHF or uMaStandi.

It supports entrepreneurs to enter the affordable inner-city and township residential rental market by bridging the gap between their own contribution and the senior debt finance needed for purchase, construction, or refurbishment of buildings for affordable rental units. In addition to finance, IEF provides extensive guidance, training, and mentorship from portfolio managers, helping entrepreneurs develop the necessary skills for property development and management.

The objective of the IEF is to empower PDIs to become property entrepreneurs by providing access to finance for the property investment market. Projects being financed must be located in inner-city areas or specified townships and must not involve liabilities transferred from a seller.

Timelines

In 2018, IEF was able to access a commitment of R75 million (≈$4.3 million) in grant funding from **The Jobs Fund**. Over a five year period (2018-2023) The Jobs Fund Grant enabled 519 permanent jobs and 592 short-term jobs. All of the recipients of the IEF loan were PDIs and a third were women-owned SMEs. While 85 SMEs were financed, 247 SMEs were trained and 106 SMEs were mentored. Just over a quarter of all SMEs supported were grown from starters to emerging clients, and by the end of 2024 IEF was supporting 100 starter clients. On the housing side, The Jobs Fund grant enabled the delivery of 2343 affordable housing units in 75 affordable housing projects, housing over 6369 end users.

Capital Structure

The Jobs Fund grant was recognised as Tier 1 Capital, improving the IEF's financial foundation and positioning it to raise additional funding in the short and medium term. Matched with R182 million of funding from TUHF, and a further R85 million in concessional funding, the total additionality of The Jobs Fund's R75 million was R292 million. The blend enabled by the Jobs Fund Grant facilitated the restructuring of loans and resulted in reduced interest rates for borrowers.

There are two levels of blending at play with the IEF.

First, the IEF is itself a blended structure, initially capitalized with funding from TUHF and the Gauteng Partnership Fund, and since 2018,The Jobs Fund, which itself then unlocked matched funding from TUHF21 and concessionary loans from the Eskom Pension and Provident Fund, the Kagiso Trust, and Novo Impact Fund. A fully concessional fund, the target IRR is nevertheless 20% and above for the project/investor.

Second, the IEF is a key ingredient in individual projects for qualifying PDI developers, making each of these also blended structures. In this case, IEF provides subordinated loans, playing a mezzanine role, addressing the equity gap that typically blocks such entrepreneurs from securing finance. The entrepreneurs still need to contribute earnest cash, no less than 5% of the total development costs, and IEF covers the difference of the "equity" needed to reach financial close for the project. Then TUHF (inner city rental) or uMaStandi (township rental) act as primary lenders, offering senior mortgage debt up to 80% loan-to-value. At the same time, IEF also provides technical assistance and capacity building, working with entrepreneurs and supporting their professional growth. For The Jobs Fund, this is particularly important, contributing to the overall goal of continued SME growth and both permanent and temporary job creation throughout the housing value chain, while also enabling the delivery of quality affordable and well-located housing.

Working at the micro or project level, with individual developers, IEF provides concessional capital together with support for project preparation and ongoing implementation. At the macro level, IEF supports TUHF's ability to build a diversified portfolio that extends truly downmarket, while also contributing substantially to market development and urban regeneration. By focusing on new property market entrants, IEF also provides on a portfolio basis at the fund level, the catalytic demonstration of real returns offered to investors in the TUHF portfolio when using the IEF.

	FINANCIAL INTERVENTIONS	TECHNICAL/STRUCTURAL INTERVENTIONS
MICRO (PROJECT LEVEL)	• **Subordinated concessional equity** (IEF provides the "missing middle" equity to unlock senior debt). • **Senior mortgage debt** (TUHF/uMaStandi finance acquisitions/refurbishments). • **Blended capital stack** allows small developers to access bank-like finance they couldn't otherwise.	• **Project preparation and mentorship** (TUHF Portfolio Managers guide feasibility, business plans, compliance, and construction management). • **Operational training** for new landlords (property management, tenant relations, cashflow discipline).
MACRO (ECOSYSTEM/ MARKET LEVEL)	• **Capital recycling:** IEF strengthens TUHF's ability to build a diversified portfolio of affordable rental projects and specifically focuses on achieving land reform and/or transformation of the property sector. • **Catalytic demonstration effect:** Proof that small-scale rental entrepreneurs are investable. • **Returns to investors:** 8% return on equity on TUHF Holdings in 2024 with an average loanbook growth of 8% per annum. This performance–and resilience over the COVID period, can attract further blended capital.	• **Market development:** Expands the small-scale rental housing sector as a recognized sub-market. • **Urban regeneration:** Demonstrates sustainable revitalization of inner-city neighbourhoods. • **Entrepreneur inclusion:** Opens the developer pipeline to previously disadvantaged groups.

Table 12: Financial interventions at the micro and macro level for the IEF

ROLE OF CONCESSIONAL CAPITAL

The TUHF TPPE is a comprehensive property training program designed to empower property entrepreneurs to succeed. TPPE is open to TUHF's clients, as well as non-clients interested in property and how to run a property business. Delivered through the University of Cape Town, the course focuses on sharpening property development and management skills and developing students' knowledge of the affordable rental housing industry.

A key risk facing IEF is that it is providing subordinated loans to borrowers with no track record. This sort of 'empowerment financing' is not otherwise available in South Africa's real estate industry. In order to do this, TUHF21 developed a diverse set of training interventions, from the TUHF TPPE through to active mentoring and support from Portfolio Managers. TUHF sees this as a fundamental component of its risk management strategy for both the senior debt offered either by TUHF or uMaStandi, as well as the IEF subordinated loan, while also addressing its broader market development role: developing new property entrepreneurs, supporting empowerment and economic growth in under-performing areas in South Africa.

Challenges

At the project level, TUHF and the IEF mitigate the various risks facing small scale SME developers in the following ways:

- ***Project preparation:*** Mitigated with TUHF support and mentorship during application and feasibility stages.
- ***Land and acquisition:*** TUHF and uMaStandi both insist on projects with clear title and minimal liability transferred—applicant must already have identified property and seller agreements.
- ***Construction/refurbishment:*** Projects focus on existing buildings, reducing construction complexity; developers receive technical support.
- ***Vacancy:*** The niche target market of both TUHF and uMaStandi address this risk. Demand is high. Refurbished units in inner-city locations tend to achieve high rental demand; for example, 80% occupancy achieved shortly post-refurbishment.
- *Managerial capacity:* Developers receive hands-on training from TUHF portfolio managers and TUHF's SME Growth Program, introducing external support if needed.

Lessons Learned

IEF provided important lessons on how blended finance can drive inclusive growth and systemic change by linking financial innovation with real-economy impact:

- ***Micro to macro impact:*** IEF shows how blended finance can resolve micro-level equity gaps for small developers while driving macro-level objectives like sector transformation, affordable rental supply, and urban regeneration.
- ***Capacity matters:*** Mentorship, training, and project support are essential complements to concessional finance, reducing risks for new developers and strengthening the wider ecosystem.
- ***Broadening supply:*** By bridging initial equity barriers, the Fund has expanded the pool of market participants and generated a steady pipeline of bankable projects.
- ***Scalability proven:*** Strong results for both impact and returns suggest the model is replicable and could be expanded further with greater capitalization.

PART 5

KEY TAKEAWAYS

Africa's affordable housing sector represents both an urgent challenge and an unparalleled opportunity. The continent's rapid urbanization and youthful demographics mean demand for housing will continue to grow at extraordinary pace, yet formal supply remains far behind. The gap is not only financial but also structural: high land and infrastructure costs, limited access to long-term finance, weak developer capacity, and cumbersome regulatory environments create barriers that commercial finance alone has been unwilling to confront.

Blended finance offers a pathway to bridge this divide by strategically deploying concessional and catalytic capital to reduce risks, align incentives, and crowd in private investment. The case studies in this report demonstrate the diverse ways blended finance can be applied, from student housing and mortgage refinancing to green-certified developments and township rental accommodation. Together, they show that well-structured transactions can deliver affordability, scale, and sustainability even in complex markets.

Throughout the report, five key takeaways emerge:

1. **Blended finance can transform risk into opportunity.**

   When public, philanthropic, and private actors align around clear objectives, transactions that previously appeared too risky become feasible. In the housing sector, this alignment can unlock long-term capital at scale while safeguarding affordability and ensuring social impact.

2. **Simplicity and transparency are catalytic.**

   Structures that are straightforward, supported by clear definitions of affordability and open reporting, build confidence among investors and policymakers alike. By reducing transaction costs and information asymmetries, such transparency enables replication and fosters a stronger housing finance ecosystem.

3. **Local context determines success.**

   Effective blended finance solutions are grounded in the realities of their operating environment. Regulatory frameworks, currency stability, and institutional readiness all shape what is possible, and tailoring structuring choices to these local conditions is essential for replicability and scale.

4. **Capital alone is not enough.**

   Financial instruments must be complemented by capacity building, training, and technical assistance. Supporting developers, strengthening institutions, and building resilient supply chains are critical for ensuring that affordable housing solutions are inclusive, sustainable, and impactful in the long term.

5. **Knowledge-sharing accelerates progress.**

   Each successful transaction lowers barriers for the next by building track records, reducing uncertainty, and demonstrating what works. Openly sharing lessons learned is a collective investment in market development, one that allows future projects to move faster, mobilize more capital, and achieve greater scale.

Overall, blended finance is not a silver bullet, but it is a proven structuring approach that can unlock the scale of investment needed to close Africa's housing gap. By embedding simplicity, transparency, and capacity-building into future transactions stakeholders can transform a seemingly intractable challenge into an engine for inclusive growth, sustainable cities, and resilient communities.

ANNEX 1

GLOSSARY OF KEY TERMS

ANCHOR INVESTOR: A large, early investor whose participation signals credibility and attracts additional investors.

BLENDED FINANCE: The strategic use of development finance for the mobilization of additional commercial finance towards the SDGs in developing countries.

BULK INFRASTRUCTURE: Shared urban services (roads, utilities, sanitation) required before housing development can take place.

CAPITAL STACK: The layering of different types of capital (grants, equity, debt) in order of risk and repayment priority.

CONCESSIONAL CAPITAL: Debt, equity, guarantees, and other investments that accept disproportionate risk and/or concessionary returns relative to a conventional investment to generate positive impact and enable third-party investment that otherwise would not be possible.

DEVELOPMENT FINANCE INSTITUTION: Government-backed institutions providing finance to private sector projects with development impact.

DEAL SPONSOR: The lead entity responsible for originating, structuring, and managing a transaction, often coordinating among investors and stakeholders.

GENERAL PARTNERS: Fund managers who raise and manage capital, make investment decisions, and assume liability for the fund's operations.

GUARANTEE: A type of promise given by a guarantor to take responsibility for the borrower in the case of default in payments to the lender or investor.

INTERNAL RATE OF RETURN: A measure of an investment's profitability, expressed as the discount rate that sets the net present value of expected cash flows to zero.

LIMITED PARTNERS: Investors who provide capital to a fund but have limited liability and no role in day-to-day management.

MEZZANINE FINANCE: Intermediate-risk capital that sits between senior debt and equity, often subordinated and with higher return expectations.

OFFICIAL DEVELOPMENT ASSISTANCE: Government aid designed to promote economic development and welfare in developing countries.

OUTCOME-BASED FINANCING: Financing tied to achieving specific, measurable results (e.g., social impact bonds), where repayment depends on verified outcomes.

PROJECT PREPARATION GRANT: Grant funding used to cover early-stage costs such as feasibility studies, structuring, and legal work to make a transaction investment-ready.

REAL ESTATE INVESTMENT TRUST: A pooled investment vehicle that owns, operates, or finances income-generating real estate (with sub-types like development REIT and income REIT).

SOCIAL BOND: A debt instrument where proceeds are earmarked for projects with defined social objectives (e.g., affordable housing).

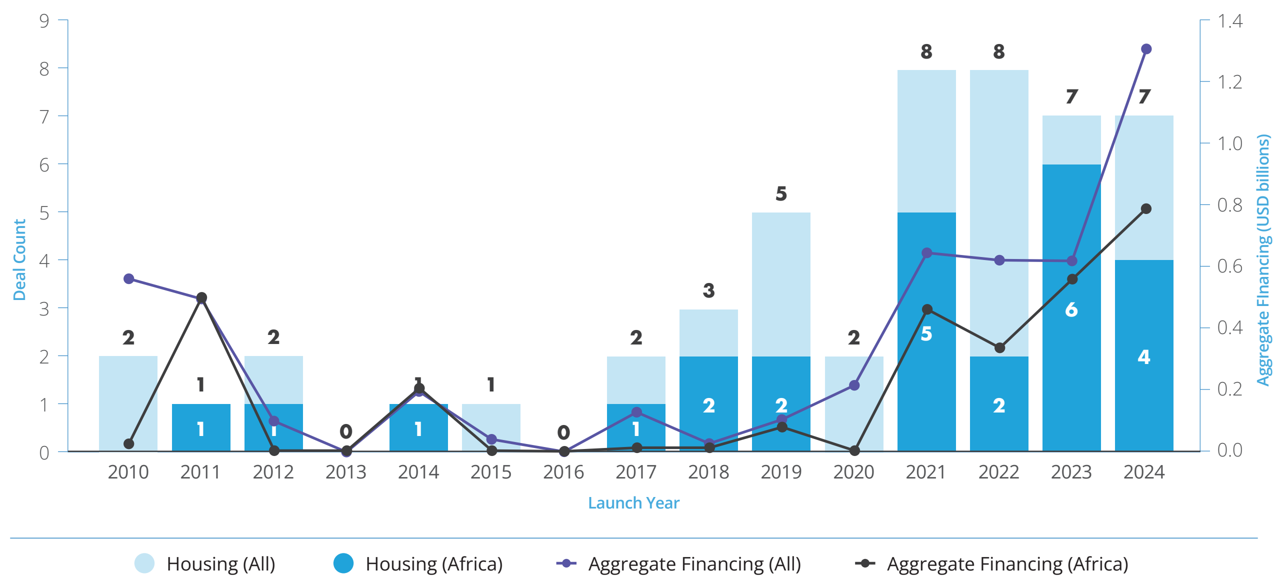
TECHNICAL ASSISTANCE: Grant-funded support (e.g., training, advisory, feasibility studies) to strengthen project viability.

WATERFALL STRUCTURE: The repayment hierarchy in which investors receive distributions (first-loss, mezzanine, senior).

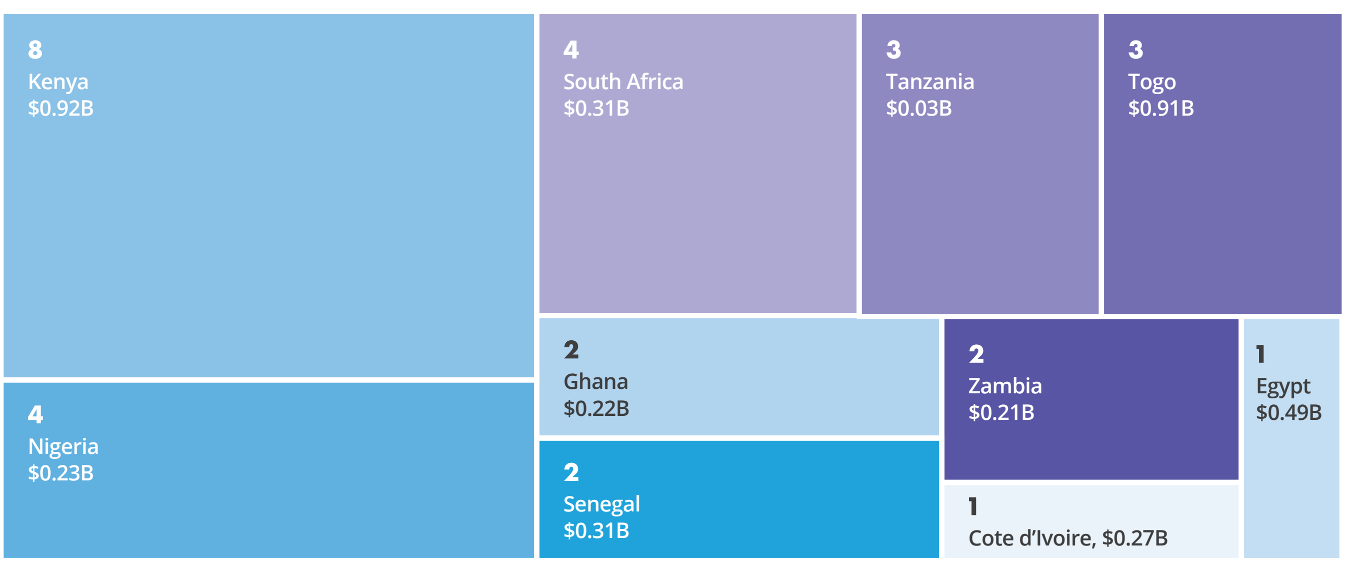
ANNEX 2

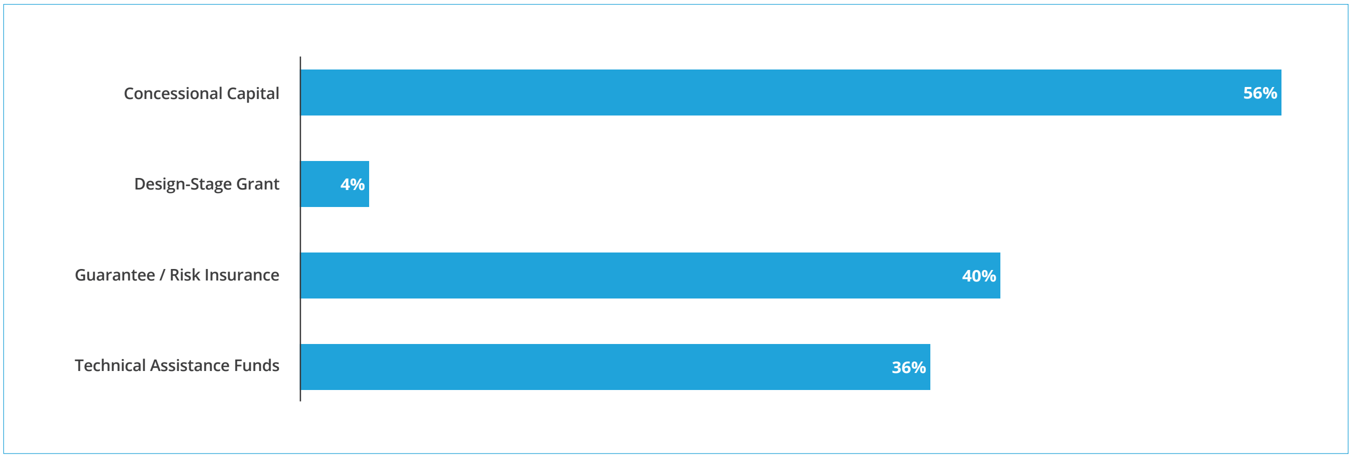
BLENDED FINANCE FOR AFFORDABLE HOUSING IN AFRICA

Convergence Market Data identifies 25 blended finance transactions in Africa's affordable housing sector, representing approximately $3 billion in total market size. These transactions account for nearly 50 percent of global blended affordable housing deals, highlighting Africa's position as a key testing ground for innovative financing models.



Kenya has been the most active country, with eight transactions, supported by strong policy pushes such as the Affordable Housing Program. Nigeria has seen four transactions, with InfraCredit emerging as a central player by offering local-currency guarantees for developers and mortgage refinancers. Meanwhile in Senegal, through Banque de l'Habitat du Sénégal, the government has deployed concessional finance to extend mortgage options and support eco-friendly housing construction.



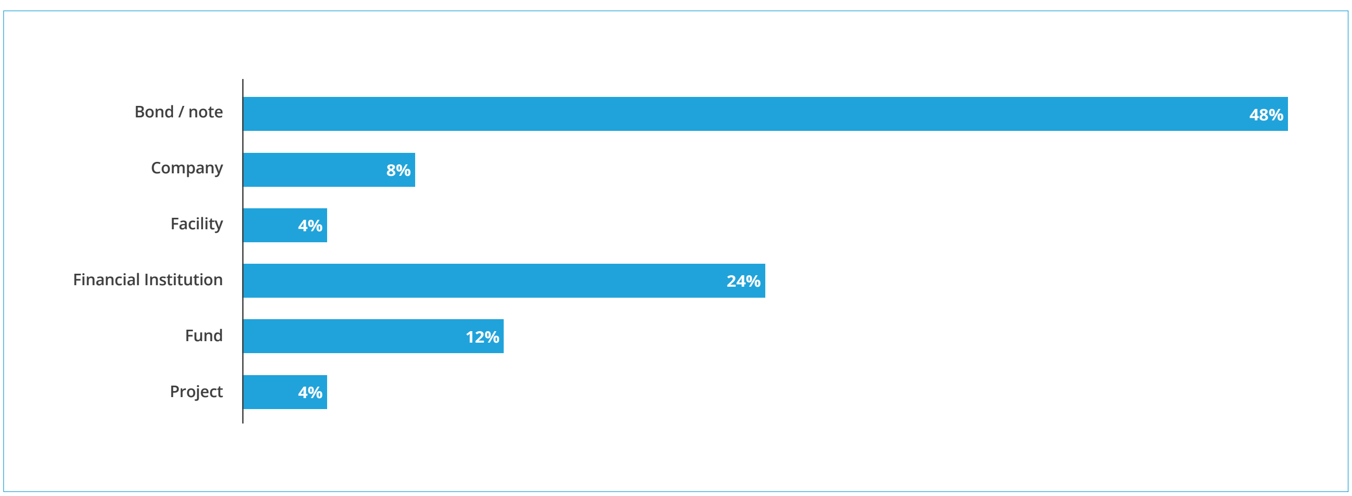


In terms of which blended archetypes are most used, concessional debt/equity is the most widely used instrument in affordable housing transactions in Africa (56%). This reflects its central role in addressing the risk-return imbalance that creates challenges for private investors seeking to enter the sector. Guarantees and risk insurance (40%) and technical assistance funds (36%) also feature prominently, underscoring the importance of combining risk-sharing mechanisms with capacity building to attract institutional investors and strengthen local markets.

By contrast, project preparation financing is rarely deployed (4%), pointing to a persistent weakness in project preparation and early pipeline development. Many potential projects struggle to move beyond feasibility because of insufficient upfront support, limiting the number of bankable opportunities that can absorb larger volumes of capital. Strengthening early-stage financing mechanisms, alongside the continued use of risk-sharing and concessional capital, will be essential to build a stronger pipeline and unlock scalable, sustainable investment in affordable housing across Africa.

Bonds and notes are the most commonly used vehicles for channeling capital into affordable housing, accounting for nearly half of transactions (48%). Their prevalence reflects both investor familiarity with fixed-income instruments and the ability of bond structures to mobilize capital at scale, particularly when combined with guarantees or credit enhancements. Financial institutions also play a significant role (24%), leveraging their established balance sheets and local market presence to on-lend and extend housing finance to end users.

Other vehicles, such as funds (12%), companies (8%), facilities (4%), and direct project finance (4%), appear far less frequently. This points to a narrower set of structures being used in practice, despite the potential for diversified approaches. Strengthening these alternative channels will be important to broaden the investor base and expand the range of financing solutions available for affordable housing.



CONVERGENCE METHODOLOGY

Convergence maintains the largest and most comprehensive database of historical blended finance transactions. Data is collected from i) credible public sources such as press releases, ii) data sharing agreements, and iii) validation exercises with Convergence members.

The majority of our data is based on publicly available sources, recognizing that data may be out of date and/or incomplete. It is our best effort to get a sense of the scale and types of blended finance transactions being launched globally.

To be included in Convergence Market Data, a deal must meet three main criteria:

1. The transaction attracts financial participation from one or more commercial investor(s) that would otherwise not have invested in the region/sector/project
2. The transaction leverages concessional capital in one of the following ways:
   - i. Public/philanthropic investors are subordinate or concessional within the capital structure
   - ii. Public/philanthropic investor provided guarantees or risk insurance
   - iii. Transaction design or preparation is grant funded
   - iv. Transaction is associated with a Technical Assistance facility
3. The transaction intends to create development impact related to the SDGs in emerging or frontier markets, or directly impacts beneficiaries in emerging or frontier markets

ANNEX 3

BLENDED FINANCE ALIGNMENT FRAMEWORK TEMPLATE

A key part of structuring a blended finance transaction is knowing what all the stakeholders need and want from their participation in the transaction and finding an alignment across these different interests.

The following tables can guide you in thinking about this, as it relates to the alignment of:

1. Strategic and impact goals
2. Capital structure and risk allocation
3. Governance and decision rights
4. Impact and outcome metrics
5. Timelines and process discipline
6. Legal and regulatory considerations

When completed, this template functions as a deal roadmap—ensuring that alignment on objectives, capital, governance, impact, and timelines is documented early, reducing wasted time and costs later.

1. STRATEGIC & IMPACT ALIGNMENT

Each investor has a set of objectives they need to achieve for their principals. Setting these out in a table can assist in establishing up front, which objectives are aligned and on what basis.

DIMENSION	SPONSOR PRIORITIES	FUNDER A	FUNDER B	SHARED ALIGNMENT
STRATEGIC OBJECTIVES	e.g., Deliver 5,000 affordable units across Gauteng			
FINANCIAL MANDATE	e.g., Risk-adjusted IRR of 12%			
IMPACT OUTCOMES	e.g., Units priced for households earning < R12,000/month			
ESG/POLICY MANDATES	e.g., Green building compliance			

2. CAPITAL STRUCTURE & RISK ALLOCATION

The next step is to define the roles of different capital types:

- **Concessional/catalytic capital, DFIs and impact investors:** absorbs early or higher risk, accepts below-market return. This can come from donors, DFIs, philanthropic foundations, and climate funds.
- **Commercial capital (senior lenders, private equity, institutional investors):** seeks market or above-market returns, usually lower risk tolerance.
- **Government, or philanthropy:** can come as land, guarantees, policy incentives, or tax breaks—non-cash, but shifts the risk-return profile.

Each type of capital is then allocated appropriately in the risk stack: first-loss, mezzanine, or senior. The expected return below is for illustration purposes only. Varying instruments will require different returns based on the overall risk in a project. This is determined by various elements such as global region, underlying fiscal environment, currency hedges, repayment profile etc.

LAYER	TYPE OF CAPITAL	PROVIDER(S)	ROLE	EXPECTED RETURN	REPAYMENT PRIORITY
TOP	Senior Debt	Commercial Bank	Core financing	~8–10%	1st
MIDDLE	Mezzanine Debt	DFI/Impact Investor	Risk buffer	~5–7%	2nd
BOTTOM	First-loss/Grant	Philanthropy/ Gov't	Risk mitigation	N/A	Last

Part of structuring involves calibrating ratios (concessional/catalytic to commercial) based on the de-risking required. There isn't a formula, but there is a logic:

- The more untested/early-stage the housing solution, the higher the share of concessional or first-loss capital needed.
- The more mature/low-risk the housing or housing-finance market, the smaller the concessional share.
- Ratios often start at 20–30% concessional/catalytic to unlock 70–80% commercial, but this varies widely.

The ratio is therefore defined by how much concessional capital is required to make the project investable for commercial players.

INVESTMENT DIMENSIONS

In contemplating the role that each investor or stakeholder will play, it is important to distinguish across investment dimensions: quantum, time, pace, stage.

- **Quantum:** How much capital is needed in total? Concessional sets the tone, commercial scales.
- **Time/tenor:** Concessional often comes in longer tenors, patient capital; commercial prefers shorter durations.
- **Pace/sequencing:** Concessional may enter first (early risk), with commercial following once milestones are de-risked. Sometimes both come in simultaneously but take different risk layers.
- **Stage (housing lifecycle):**
  - **Early land assembly, planning, infrastructure:** typically, higher risk → concessional/grants dominate.
  - **Construction:** risk reduces with permits/approvals → mezzanine and commercial debt can enter.
  - **End-user finance/offtake:** lower risk if backed by mortgage or guarantee schemes → commercial banks can take more.

The arrangements can be mapped as a "capital stack across stages." The practical determinants of the ratio, include:

- Perceived risk by commercial investors (the "comfort gap").
- Mandates of catalytic capital providers (how much first-loss or guarantee they are willing to underwrite).
- Minimum thresholds for commercial investors (e.g., pension funds often won't join unless 70–80% of risk is covered).
- Exit strategy (who takes over when concessional capital exits, and how soon).

3. GOVERNANCE & DECISION RIGHTS

Once the ratios have been set, the specific roles of each party are much clearer and this can guide the governance framework for the transaction. In the FSDAi investment into the IHS Kenya Affordable Housing Green Fund, the Side Letter required an additional decision area relating to data sharing. This spawned the Open Access Initiative which seeks to leverage the data emerging out of an investment experience for the benefit of the wider affordable housing sector even beyond the investment.

DECISION AREA	SPONSOR ROLE	FUNDER A ROLE	FUNDER B ROLE	AGREED GOVERNANCE
INVESTMENT APPROVAL				
MONITORING & REPORTING				
VETO RIGHTS				

4. IMPACT & OUTCOMES METRICS

Impacts and outcomes arise from the strategic objectives of the overall transaction including the anticipated impact expressed upfront. Generally, these relate to the ESG impacts of the transaction, and the extent to which they contribute towards the realization of SDG 11 among others.

INDICATOR	SPONSOR TARGET	FUNDER A REQUIREMENT	FUNDER B REQUIREMENT	AGREED TARGET
# AFFORDABLE UNITS DELIVERED				
HOUSEHOLD INCOME SERVED				
% WOMEN/ YOUTH BENEFICIARIES				
GREEN BUILDING COMPLIANCE				

5. TIMELINE & PROCESS DISCIPLINE

Milestone Tracker

So many of the cases we've reviewed have experienced extensive delays in reaching financial close, for various reasons. Targets need to be set realistically for each stakeholder or funder–and this template will be needed for each one.

MILESTONE	TARGET DATE	LEAD RESPONSIBILITY	STATUS
INITIAL TERM SHEET AGREEMENT	DD/MM/YYYY	Sponsor	Pending
DUE DILIGENCE COMPLETE	DD/MM/YYYY	Funder A	
STRUCTURING & LEGAL DOCS FINALIZED	DD/MM/YYYY	Legal Counsel	
FINANCIAL CLOSE	DD/MM/YYYY	All Parties	

F. LEGAL & REGULATORY CONSIDERATIONS

So many of the cases we've reviewed have experienced extensive delays in reaching financial close, for various reasons. Targets need to be set realistically for each stakeholder or funder–and this template will be needed for each one.

REQUIREMENT	JURISDICTION/ AUTHORITY	IMPLICATION FOR DEAL	FLEXIBILITY	NEED FOR TA
LAND TENURE				
SUBSIDY/GRANT SCHEMES				
HOUSING CODE COMPLIANCE				
LENDING REGULATIONS				

CONVERGENCE
BLENDING GLOBAL FINANCE

CONVERGENCE is the global network for blended finance. We generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries.

BLENDED FINANCE uses catalytic capital from public or philanthropic sources to scale up private sector investment in emerging markets to realize the SDGs.

Our **GLOBAL MEMBERSHIP** includes public, private, and philanthropic investors as well as sponsors of transactions and funds. We offer this community a curated, online platform to connect with each other on blended finance transactions in progress, as well as exclusive access to original market intelligence and knowledge products such as case studies, reports, trainings, and webinars. To accelerate advances in the field, Convergence also provides grants for the design of vehicles that could attract private capital to global development at scale.