



Fourth International Conference on Financing for Development (FfD4) 4th Preparatory Committee Session

Side Event: Housing Finance for Development: Mobilizing Global Investment in Affordable and Adequate Housing

Organizer: UN-Habitat

Co-Organizers: World Bank

Participants: Lincoln Institute for Land Policy, Habitat for Humanity International

Co-Sponsors: China, Kenya, Egypt, and Brazil

Date and time: Thursday, 1 May 2025 from 11:30 am to 1:00 pm, CR-8, UN Headquarters, NYC

Concept Note

Housing is a major contributor to economic growth and job creation, accounting for 14-18 percent of GDP and 7-10 percent of jobs in many emerging markets. Access to adequate and affordable housing improves health and education outcomes, while freeing up disposable income that can be reinvested into local economies. The use of housing as collateral, and housing finance, can support financial sector deepening. Housing often makes up 60-70 percent of urban land use, making housing critical to an efficient, inclusive, and resilient urban form, and in turn to reducing infrastructure costs, and ensuring access to jobs and services.

Yet, the world is in the midst of a global housing crisis. Rapid urbanization is reshaping cities worldwide, with over half of the global population now residing in urban areas. This rapid growth has outpaced infrastructure and adequate housing development, leading to an unprecedented rise in informal settlements and slums. As a result, 2.8 billion people live in housing inadequacy, including more than one billion people living in informal settlements, often lacking access to essential services such as clean water, sanitation, and electricity. Without a paradigm shift in the provision of adequate housing, this number is projected to grow, exacerbating socio-economic inequalities and hindering sustainable development. Furthermore, unequal concentration of economic opportunities in a few major cities is particularly straining their housing systems, while many secondary and tertiary cities lack the agglomeration economies, basic infrastructure and investment to serve as viable alternatives.

The housing crisis is exacerbated by a reliance on reactive interventions that lack long-term consistency and strategic vision beyond fixing market gaps, as well as supply and demand imbalances, financialization of housing, limited access to long-term housing finance, land tenure insecurity, and weak land management and urban planning systems. In many less-developed and emerging markets, underinvestment in urban infrastructure and high urban land prices constrain access to safe, adequate and affordable housing, while resource constraints, including significant debt burdens, limit governments' ability to respond. At the same time, large-scale private sector investment in affordable housing faces financial, regulatory, and market constraints that limit its viability.

Despite its importance, financing for urban housing and informal settlements remains inadequate and governments often lack the capacity and fiscal space to address these challenges effectively. In addition, research by HFHI on international development finance to

housing (Official Development Assistance, Other Financial Flows, and Philanthropic Foundations), reveals that it represents a meager 0.2% of all the total. Addressing these structural issues requires coordinated efforts across all governance levels and strategic financial interventions. International financial institutions (IFIs) can play a crucial role in bridging housing finance gaps by strengthening financial instruments that support a diverse range of housing options tailored to demographic needs, enhance affordability and promote urban resilience. This includes leveraging blended finance, community-led and cooperative initiatives, and public-private partnerships.

Yet, higher-income regions currently receive twenty-two times more bilateral and multilateral funding for housing per person below the poverty line than the Africa region, where demographic growth and housing needs are most urgent. Further, while market-enabling approaches have broadened housing opportunities for middle-income households, they have had limited impact on those with the lowest and most irregular incomes. In developing countries, up to 90 percent of new urban housing is built by small-scale or informal actors (WB reports “Housing for All by 2030” and “Stocktaking of the Housing Sector”). This highlights the need to develop a more diverse set of financing mechanisms that are accessible to communities, cooperatives, and low-income families, along with supportive enabling interventions.

This side event will explore how the international financial architecture can scale up and target investment to support adequate housing in developing countries as well as how national and subnational governments can strategically leverage land and rapid urbanization to sustainably generate resources for affordable housing. It will also explore approaches to planning and financing affordable housing as a critical enabler of sustainable urbanization and a key driver of local economic development. The discussion will focus on long-term investment models and mechanisms that utilize a range of regulatory, funding, and financing tools—including taxation, subsidies, strategic procurement long-term loans, and community lending and small-scale financing—to prioritize diverse housing delivery models. Emphasis will be placed on affordability, sustainability, and needs-based allocation as fundamental principles.

Objectives

This side event will:

- Explore the role of IFIs in financing different models of adequate and affordable housing production to cater to the diverse needs of urban populations, as well as infrastructure development.
- Examine the financial and institutional challenges faced by governments in tackling the housing crisis.
- Highlight local government-led innovative financing strategies, including land value capture (LVC), public-private partnerships (PPPs), and mortgage market expansion.
- Identify successful financing mechanisms for community-led housing initiatives and small-scale and informal actors.
- Showcase successful case studies of how local governments can be better enabled to provide a diverse range of housing solutions, including World Bank initiatives in developing countries.
- Discuss strategies to strengthen local government capacity for effective housing initiatives.
- Present an analysis of international development finance flows to housing over the last 10 years.