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Consideration of the outcomes of the preparatory intersessional meetings, including draft recommendations

Proposed Recommendations on Housing Finance**

Note by the Secretariat:
Based on the discussions held at the first session of the Open-Ended Intergovernmental Expert Working Group on Adequate Housing for All, housing finance was designated as a priority topic and included by the Co-Chairs of the Working Group in the Roadmap of their presidency, developed following their appointment in December 2024. Pursuant to this decision, an Expert Group Meeting was convened on 4 June 2025, with the participation of 41 technical experts, to identify the principal challenges and trends in housing finance and formulate draft recommendations. Two Intersessional Meetings were subsequently organized on 24 June 2025 and brought together 106 participants, who undertook a review of the background documentation, provided substantive inputs and contributed to the refinement and validation of the draft recommendations. The process ensured broad representation, encompassing both technical expertise and institutional perspectives.

I. Background

1. Housing is a human right and a cornerstone for living in dignity and shared prosperity. Yet, access to adequate housing has become increasingly out of reach for large segments of the global population. The widening gap between housing costs and household incomes, rapid population growth in fast urbanizing regions, underuse and unequal distribution of existing housing stock, prioritization of housing as a real estate investment asset rather than as a human right and form of social infrastructure, escalating construction and land costs and policy frameworks that have failed to keep pace with shifting demographic and social needs have all contributed to the problem. Together, these dynamics are driving a global housing crisis.

2. Housing finance is a critical component of the broader housing ecosystem. It refers to the systems, instruments and institutions that enable individuals, households and developers to access the capital needed for the construction, purchase, improvement or rental of housing. At its core, housing

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finance bridges the gap between housing needs and economic capability, turning demand into effective housing access. Housing affordability and housing finance are closely interlinked. The avenues through which housing is financed impact its affordability and inclusiveness.

A. The economic centrality of housing and the challenge of financialization

3. Over the past century, and especially in recent decades, housing, land and property prices have become a key driver of economic cycles. Land and the property built on it constitute by far the largest share of global wealth. In many countries, land alone accounts for nearly half of the total capital stock. When combined with the value of the buildings on the land, this figure rises to over 80 per cent of total capital,1 with residential real estate accounting for approximately half.2

4. Housing contributes significantly to national economies through both direct and indirect impacts. It stimulates job creation, supports local supply chains and attracts investment. The housing sector links with numerous other sectors through upstream and downstream value chains as well as added values such as wages, profits and taxes.

5. Housing costs remain a major barrier to access, whether for homeownership, rental or new construction, including land acquisition and servicing. This contributes to a growing global challenge of housing accessibility and affordability, increasingly affecting middle- and low-income populations.

6. Benchmarking studies across African cities3 reveal wide disparities in the cost structure of housing, underscoring how these cost components – particularly land, infrastructure and regulatory compliance – constrain both affordability and the expansion of formal housing supply. In many contexts, restrictive regulatory frameworks, weak urban planning and fragmented land registration systems further distort housing markets. These structural challenges undermine transparency, reduce market efficiency and deter formal sector investment, ultimately limiting the development of adequate, affordable housing at scale.

7. While housing is often seen as a financial asset for households, its performance as a wealth accumulation mechanism is often compromised in low-income contexts. Many homes lack the legal, financial and market conditions required for it to appreciate in value or to be leveraged for further investment. Homes built incrementally may suffer from poor construction quality, incomplete infrastructure or lack of formal documentation. Lack of formal ownership (such as title deeds) prevents many homeowners from fully leveraging their housing asset.

8. The consequence of unchecked financialization, as noted by former UN Special Rapporteur on the Right to Adequate Housing Raquel Rolnik, is a struggle over the purpose of urban land: whether it should serve as a place for life or a playground for capital.4 This conflict is visible in the growing tension between seeing housing as a human right versus as a speculative commodity.

9. The growing influence of financial institutions and markets over land and housing – commonly referred to as the financialization of housing – reflects a broader transformation wherein housing is increasingly treated as a financial asset rather than a social good. Since the 1990s, globalization and the deregulation of capital markets have facilitated the rise of complex financial instruments that exploit the housing ecosystem, often at the expense of affordability and social function. This trend has been accelerated by the entry of banks, pension funds, insurance companies and other financial actors into the housing sector. Critically, regulatory frameworks have failed to keep pace with this shift, allowing speculative investment practices to flourish unchecked. As a result, the housing system has become increasingly decoupled from its public purpose, calling for urgent regulatory reforms that restore balance and ensure housing markets serve the needs of people, not just profits.

10. Many leaders advocate for a need to curb the dominance of speculative financial actors in the housing sector and reorient investment strategies toward long-term social value. To this end, public oversight of real estate markets should be strengthened through the introduction of social criteria such as rent controls, use requirements or affordability conditions, particularly for institutional investors, including Real Estate Investment Trusts5 (REITs) and investment funds.

[1] OECD (2017), *The Governance of Land Use in OECD Countries: Policy Analysis and Recommendations*, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264268609-en

[2] McKinsey Global Institute (2021), *The rise and rise of the global balance sheet.*

[3] Centre for Affordable Housing finance

[4] Rolnik, R. (2019) *Urban Warfare: Housing under the empire of finance*. London: Verso, p. 277

[5] Real Estate Investment Trusts (REITs) are financial instruments that play an increasingly important role in the housing sector. A REIT is a company that owns, operates, or finances income-generating real estate. REITs typically invest in rental housing (e.g. multi-family apartments) and affordable or workforce housing. Further information later in the document.

11. Experts are increasingly calling for a rebalancing of housing systems to ensure that investment aligns with public interest. This includes greater support for collective investment models and use-based tenure systems such as cooperatives, mutual-help housing and Community Land Trusts, which complement market-based mechanisms and reinforce housing's role as a social good. Such models challenge the financialization of housing and reaffirm its function as a social good rather than a commodity. This rebalancing of the housing sector could ensure that investment aligns with public interest and contributes to resilient, equitable urban development.

B. Composite housing finance ecosystem: public, private and household contributions

12. Housing markets are segmented into different submarkets that reflect varying levels of formality, regulation and production methods. These various housing sub-markets contribute to adequate and affordable housing, together with homeownership in the formal housing market. Rental markets, including secondary rental arrangements such as backyard rentals, sub-partitions and sublets, as well as social housing, also play a critical role in meeting diverse housing needs. Alternatives to full homeownership, such as lease-purchase agreements, shared ownership models, housing cooperatives and community land trusts, can enhance housing affordability, flexibility and equity. These multiple housing sub-markets draw on a range of revenue sources – public, private and household financing – through diverse financial mechanisms.

1. From provider to enabler: the strategic shift in public finance for housing

13. In the global north, most governments shifted towards supporting households directly (via rent subsidies, vouchers, etc.) rather than funding the production of affordable housing. This marks a shift from supply-side investment to demand-side support. However, in recent years, housing has been increasingly recognized as critical infrastructure, especially in response to affordability crises. This could signal a strategic reorientation back toward public housing investment in the coming years.

14. Many countries from the Global South are grappling with soaring public debt, and are diverting scarce resources from housing, health, education and infrastructure. Governments are forced to prioritize debt servicing over affordable housing investments. In addition, bureaucratic inertia, institutional fragmentation and weak stakeholder coordination continue to hinder effective housing development, and planning systems are often poorly equipped to scale up affordable housing through subsidies or regulatory instruments. Countries with heavy foreign-currency debt are also exposed to exchange shocks, increasing housing finance costs.

2. The expanding role of private finance in affordable housing

15. Private finance plays a central role in housing by providing the capital needed to build, maintain, purchase and rent homes. Investors have diverse objectives and priorities, which guide their engagement with different types of housing providers. As a result, investment flows may support a spectrum of models, from socially driven initiatives such as housing cooperatives for low-income families to institutional structures like real estate investment trusts that emphasize financial returns.

16. Private finance fuels mortgage markets for individual buyers, offers construction loans and equity for developers and supports the growth of rental housing through private landlords, real estate funds and Real Estate Investments Trusts (REITs). In many countries, private finance accounts for the majority of housing investment, especially in middle- and high-income markets. However, mortgage-based housing markets often fail to ensure affordability and accessibility, especially for low-income and informally employed groups. High interest rates, strict eligibility criteria and peripheral housing locations limit their reach and adequacy. The system's focus on ownership also overlooks rental and flexible tenure needs, making it insufficient to meet diverse housing demands.

17. At the global level, access to long-term housing finance remains limited. Mortgage markets are often underdeveloped, particularly for low- and middle-income populations, and private investors tend to avoid lower-value residential properties due to fixed operational costs and higher default risks among low-income tenants. High interest rates on domestic debt – about 12 per cent in Africa vs. 5–8 per cent elsewhere – make long-term housing loans unaffordable. Private sector interest is also low; housing for low-income groups is seen as high-risk and low return. As a result, such investments are typically unattractive in the absence of targeted financial instruments or policy incentives. While initiatives such as microfinance and Real Estate Investment Trusts (REITs) offer promising alternatives, they have yet to achieve broad-based market coverage.

18. Financialization also tends to reduce housing mobility, especially for vulnerable groups, by creating structural and economic barriers that limit their ability to move, upgrade or secure stable

tenure. Limited housing options often result in households remaining in housing units that no longer meet their evolving needs, due to factors such as overcrowding, poor location or inadequate facilities. This restricts their ability to transition to more appropriate housing and limits opportunities for improved well-being. At the same time, constrained mobility prevents new households from accessing social housing or housing that responds to their needs (e.g. growing families), forcing many to remain in inadequate, undersized or poorly located dwellings. This dynamic contributes to the entrenchment of housing inequalities and hampers the effective functioning of the housing system. Addressing this requires regulatory interventions, social housing expansion and policy frameworks that treat housing as a right, not just an asset.

3. Households as a key source of housing finance: informal systems, investment strategies and economic resilience

19. Across all regions, households contribute actively and significantly to the housing economy both as consumers and as investors. This includes mobilizing personal savings, sourcing construction materials, engaging in self-construction and participating in rental markets. Rental housing, especially in urban contexts, constitutes a critical component of household income strategies. Globally, housing is the principal financial asset for many families, often representing their largest store of wealth. For homeowners, it functions as both a place of residence and a capital asset capable of appreciating in value, being transferred across generations or serving as collateral for credit. In countries with underdeveloped financial systems, real estate is widely viewed as a safe, tangible and enduring form of investment. It is estimated that 50 to 70 per cent of household net worth globally is tied to housing, particularly in middle-income and emerging economies. Rising property values benefit homeowners through capital gains, while rental income contributes to household financial resilience.

20. In many parts of the Global South, a significant share of housing investment takes place in informal or unregulated environments, with the majority of households relying on informal financial systems to meet their housing needs, owing to restricted access to formal banking and credit institutions. This includes family-based loans, personal savings, rotating savings, credit associations (such as tontines) and community-based microfinance. These mechanisms support incremental housing development, often in the absence of formal land tenure or collateral typically required by banks.

21. While these informal systems are flexible and socially embedded, they often lack legal safeguards and may constrain long-term housing quality and investment potential. In addition, informal credit sources often charge crippling fees and offer no consumer protections. Nevertheless, they remain essential sources of capital for low-income households, particularly in informal settlements and underserved urban areas.

22. In many contexts, households are not only end users but also key financiers of housing, particularly through informal and community-based financial systems. National savings instruments that channel citizen deposits toward public housing investments can complement and strengthen these household-driven efforts. Such mechanisms enable individuals to contribute securely to national development goals while broadening access to long-term, affordable capital for public and community-based housing initiatives. When well-regulated and transparent, these instruments support both household economic resilience and equitable urban development. France’s Livret A illustrates how citizen savings can be mobilized through state-guaranteed accounts to finance social housing and infrastructure. Similar models exist globally: in Kenya, blended finance mechanisms channel domestic savings into climate-resilient housing, and in Mexico, institutions such as INFONAVIT combine worker contributions and public subsidies to expand housing access for low- and middle-income households. These examples highlight the potential of structured national instruments to align citizen savings with inclusive housing goals.

4. Gaps and imbalances: the uneven role of international development finance in housing

23. The analysis of the existing multilateral and bilateral support for the development and implementation of effective housing policies, programmes and projects conducted for the first session of the Open-ended Intergovernmental Expert Working Group on Adequate Housing for All shows that housing is generally not a priority in the multilateral and bilateral development sector.[6] Most bilateral and multilateral institutions do not account for housing or mention it specifically in their development programme reports, and they tend to fund different types of housing interventions under various projects and programmes.

[6] United Nations Human Settlements Programme (UNHabitat) (2024), *Global State of National Urban Policy,* October 2024.

24. Multilateral and bilateral support on housing remains minimal. Between 2019 and 2023, multilateral and bilateral actors allocated around USD 54 billion to housing interventions. In 2023, Official Development Assistance (ODA) disbursements for housing policy and low-cost housing totalled just USD 84 million, less than 0.05 per cent of total ODA. Multilateral institutions contributed 11 times more than bilateral institutions. The research notes divergent approaches among institutions and regions. The largest amount of funding is allocated by a few institutions to housing provision interventions in a limited number of countries, particularly in higher-income regions with lower demographic growth, while most institutions focus on market-enabling strategies. Significantly, the majority of interventions in lower-income countries remain focused on market-enabling approaches, which are unlikely to meet housing needs, especially in the regions facing the most pressing housing challenges due to rapidly growing housing demand.

C. Regional differences

25. As population and urbanization rates grow, the demand for housing increases; regions with the higher demand for new housing are Asia and Africa, primarily in urban areas. UN-Habitat estimates that the global housing crisis affects 2.8 billion people who live in inadequate housing, including 1.1 billion living in informal settlements and more than 300 million experiencing homelessness. Without urgent action, the number of people living in informal settlements and slums is projected to rise to 3 billion by 2050.

26. The shortage of affordable housing in well-located areas with access to urban opportunities has forced a large share of low-income households to reside in informal settlements and slums. In many fast-growing cities of the developing world, between 40 and 75 per cent of the population lives in such settlements, often without access to basic services. The challenge is particularly acute in Sub-Saharan Africa, where 59 per cent of the urban population resides in informal settlements, and in Asia and the Pacific, where roughly half of the urban population lives in similar conditions.[7] Understanding regional and national differences is key to designing policies that reflect and adapt to local market structures, regulatory capacities and social needs; otherwise, one-size-fits-all solutions risk mismatches or unintended consequences.

27. Housing demand and supply are sensitive to the availability and cost of mortgage finance.[8] Across regions, the depth of formal mortgage markets varies dramatically, from mortgage-to-GDP ratios of under 10 per cent in most developing economies to over 40 per cent in the European Union and nearly 80 per cent in the United States.[9]

28. In much of sub-Saharan Africa and South Asia, mortgage markets are underdeveloped (formal mortgage finance reaches only 1–5 per cent of households), with limited access to formal credit due to factors such as the prevalence of informal employment, restricted access to financial services and long-term finance, tenure insecurity and weak land registries, weak property valuation systems and low liquidity. Informal finance (through savings groups, chit funds or small microloans) and incremental housing dominate.

29. Latin America has seen rapid mortgage growth since the early 2000s, but high real interest rates and short loan tenors still limit long-term tenure security. Initiatives like Minha Casa Minha Vida in Brazil reflect a collaborative approach between the public and private sectors in tackling housing shortages.

30. In East Asian economies a range of state-led instruments, such as provident-fund schemes and dedicated housing-finance companies, have been established to channel long-term, low-cost credit at scale. State-led housing initiatives – such as India's Pradhan Mantri Awas Yojana (PMAY) and Indonesia's National Slum Upgrading Program (NSUP) – play a pivotal role in expanding access to affordable housing. These programs are supported by mechanisms such as subsidized loans and public-private partnerships that enhance affordability and scale.

31. In the Middle East and North Africa (MENA) region, governments frequently contribute by allocating land for housing development. However, the reach of mortgage markets remains limited. Notably, Morocco's FOGARIM programme illustrates innovative financing solutions tailored to informal workers leveraging innovative ways to assess the ability to repay debts rather than payslips.

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[7] Habitat for Humanity EMEA, Affordable Housing: What We Do. Accessed 2025.
[8] IMF (2024), *Economics of Housing, Finance & Development*
[9] Ferguson, B., Smets, P. (2009), *Finance for incremental housing; current status and prospects for expansion,* Habitat International.

Additionally, Islamic finance is increasingly being used to expand financial inclusion in housing, offering solutions that comply with Sharia principles prohibiting interest.[10]

32. In the United States and Canada, high mortgage rates – around 6.5–7 per cent – have made homeownership increasingly unattainable. Many first-time buyers tend to spend more than half their income on housing, while existing owners remain "locked in" to earlier low-rate mortgages, limiting supply and keeping prices high. Canada faces similar pressures in cities like Toronto and Vancouver, despite government efforts to boost "missing middle housing" through federal funding. This has pushed more households into rental markets and revived interest in alternatives such as rent-to-own schemes, non-profit housing and green finance. The overall effect is a widening gap between aspiration and reality, with ownership slipping out of reach for many low and middle-income families.

33. Europe faces similar affordability pressures, with mortgage rates averaging around 3.3 per cent but with wages lagging. In countries such as France, Austria and the Netherlands, social housing continues to play a major role, providing millions with below-market rents. However, waiting lists remain long. Cooperatives are a significant force: Germany alone hosts over 2,000 housing cooperatives, while Community Land Trusts are expanding in the UK, Belgium and the Netherlands. These models, often supported by municipalities, seek to secure long-term affordability and prevent speculative pressures. Green housing finance and EU sustainability targets further reinforce the push for socially grounded housing.

D. Global developments in financing affordable housing

34. Noteworthy global trends and development in financing adequate housing are described below.

1. Climate risks and green financing

35. Climate change has introduced physical and financial risks that can significantly affect the borrower's ability to repay and the long-term value of the property. Financial institutions are increasingly factoring in climate risk (e.g. flood zones, wildfire risk) into mortgage underwriting. This has negative impacts on access to credit and affordability as borrowers in high-risk zones may face limited financing options and higher insurance costs and risk premiums may make homeownership more expensive. At the same time, properties in climate-vulnerable areas see declining values, furthering regional housing market disparities.

36. Lenders and investors are increasingly rolling out "green" and resilience-linked products, such as energy-efficient mortgages, resilience bonds and concessional retrofit loans, designed to fund flood-proofing, insulation, solar installations and other climate-smart upgrades alongside traditional home loans. These instruments are gaining traction in both public and private markets, reflecting heightened awareness of disaster risk and regulatory pressure on carbon footprint in real estate finance as well as incentivizing energy-efficient buildings.

2. Real estate investment trusts

37. Real Estate Investment Trusts (REITs) are investment vehicles, typically companies or trusts, that own, operate or finance income-generating real estate. They allow investors to pool capital and gain exposure to a diversified portfolio of real estate assets, functioning similarly to mutual funds, but focused on property. In return, REITs generally distribute the majority of their taxable income to shareholders in the form of dividends. They may be publicly traded on stock exchanges (public REITs) or privately held.

38. Globally, the REIT market has been expanding steadily. Projections estimate a compound annual growth rate of approximately 2.8–3 per cent through 2027–2029, representing an increase of roughly USD 350 billion in market capitalization between 2024 and 2028. REITs currently represent a modest but growing share of housing finance, particularly in the residential rental sector, where they play two key roles: (1) ss equity investors, REITs directly own and manage properties such as apartment complexes and single-family rental portfolios; (2) ss debt providers, through mortgage REITs (mREITs), which invest in residential mortgages and mortgage-backed securities, predominantly in the United States. They also serve as a critical channel for capital formation,

[10] Instead of interest-based loans, it uses models such as Murabaha (resale at a fixed profit), Ijara (leasing), and Musharaka (shared ownership), allowing banks and buyers to share risks and ownership over time. This approach has also been scaled in countries like Malaysia and Indonesia.

enabling the financing of large-scale rental housing development, especially in the multi-family segment. By pooling resources, REITs can finance projects beyond the reach of individual investors.

39. Despite global growth, residential REITs focused on affordable housing remain extremely limited, especially in Africa. Most REIT investments are concentrated in commercial real estate or high-end residential markets. Few structures currently exist to channel REIT capital into middle- and low-income rental segments, leaving a substantial financing gap for inclusive housing.

3. Infrastructure and social bonds

40. The use of infrastructure bonds[11] in housing finance is gaining momentum globally. These instruments – whether traditional municipal bonds or green/social-labelled impact bonds – are increasingly used to fund both supporting infrastructure for housing (e.g. roads, water, energy) and direct affordable housing development. Infrastructure bonds represent one of the most scalable long-term financing tools for addressing housing needs, especially when aligned with climate, equity or social investment goals. Gender-linked social bonds, such as those issued in Colombia, can incentivize housing access for female-led low-income households.

4. Leverage of domestic resources for housing

41. There is a growing global trend toward leveraging domestic resources to finance affordable housing, particularly in low- and middle-income countries. Governments and development partners increasingly recognize that sustainable housing solutions require tapping into local financial systems, public revenues and community-based savings mechanisms. This includes the use of national housing funds, payroll-based contributions, domestic capital markets and the formalization of informal savings groups such as cooperatives and credit unions. By mobilizing these internal resources, countries can reduce reliance on external aid, increase financial inclusion and create housing systems that are more resilient, scalable and responsive to local needs.

42. Kenya is increasingly leveraging domestic resources to expand affordable housing. The Kenya Mortgage Refinance Company (KMRC) plays a central role by offering long-term, low-interest capital to lenders, enabling mortgages at about 7 per cent – significantly more affordable for low- and middle-income households. Alongside KMRC, SACCOs such as Mwalimu National SACCO provide housing loans tailored to informal and salaried workers, allowing incremental home construction. The government's Affordable Housing Fund, financed through mandatory payroll contributions, supports subsidies and infrastructure for housing projects. Complementing these financial mechanisms are ongoing land titling reforms, which improve tenure security and unlock access to credit. These integrated efforts reflect Kenya's growing capacity to finance housing from within, using both institutional and grassroots tools.

5. Patient capital

43. Patient capital refers to long-term, stable investment in housing that accepts delayed or below-market returns in exchange for broader social benefits such as affordability, sustainability and tenure security. Unlike conventional capital, it is not profit-driven in the short term but focuses on closing market gaps, especially where housing remains inaccessible or requires innovation. In the housing sector, patient capital can play a catalytic role. It enables development of financially unviable affordable housing by absorbing early-stage risks, extending long-term loans or providing subordinated debt. This is critical for projects with high upfront costs and long payback periods, such as community-led housing, first-time homeownership and climate-resilient housing.

44. Key providers include development finance institutions (DFIs), pension funds, sovereign wealth funds, impact investors and public housing finance agencies. Governments often support this through housing funds or state-backed facilities. Their involvement often signals stability and policy alignment to private investors.

45. In the Global South, patient capital remains moderate in scale but is gaining traction. Initiatives such as the Africa Long-Term Finance Initiative and institutions like Shelter Afrique are channelling funds into affordable housing through project finance and equity. Its influence is growing as governments, and institutional investors adopt social return mandates and create risk-sharing mechanisms to scale housing investment. With proper regulation, land access and subsidy frameworks,

[11] Type of debt instrument issued to raise funds specifically for building or improving infrastructure (or housing in this case). The investor who buys the bond lends money to the issuer (often a government, development agency, or private company), which is then used to finance infrastructure projects. The issuer gets upfront money for infrastructure or housing; the investor receives regular interest payments.

patient capital has the potential to transform housing markets in emerging economies from speculative systems to equitable, resilient structures.

6. Blended finance

46. Blended finance – combining public, concessional[12] and private funds – is an increasingly important approach to closing the global housing finance gap. Blended finance refers to the strategic use of public or philanthropic capital to mobilize private investment in development areas where commercial returns alone would not attract sufficient funding. In housing, this often involves combining grants or concessional loans (from governments or donors), risk-sharing tools (e.g. guarantees, first-loss facilities) and commercial capital (from banks, institutional investors or impact funds).

47. Globally, blended finance is being used to catalyse investment in affordable and climate-resilient housing. Emerging initiatives like REALL (Real Equity for All), Habitat for Humanity's Shelter Venture Fund and the Green Climate Fund are deploying blended structures to support low-income housing entrepreneurs, green housing innovations and inclusive urban development. These models are helping address barriers in traditionally underserved markets by absorbing risks and offering more patient capital, thereby creating incentives for private sector engagement. Public-private partnerships (PPPs) in housing, especially in Sub-Saharan Africa and South Asia, are also increasingly supported through blended finance approaches.

48. However, blended finance in housing still faces significant challenges. A major barrier is the mismatch between perceived risks and returns – private investors often shy away from low-income housing due to informal land tenure, low repayment capacity and regulatory uncertainties. Additionally, there is a limited pipeline of bankable, scalable housing projects, and many local developers lack the technical and financial capacity to meet investor requirements. Weak property rights frameworks and slow permitting systems further deter long-term investment, while poor coordination among stakeholders and difficulty in measuring social impact reduce the effectiveness of existing blended finance efforts.

49. Despite these obstacles, opportunities are expanding. De-risking tools such as first-loss capital, credit guarantees, and subordinated debt have proven effective in attracting commercial investment. When well-structured and supported by strong policy frameworks and institutional partnerships, blended finance can unlock capital at scale, promote inclusive urban development and enable low-income households to access safe, adequate and affordable shelter.

7. Alternative financing models

50. Over the past few years, alternative financing models are helping bypass traditional mortgage barriers, in response to affordability constraints, rigid lending standards and demographic shifts. These models offer flexible, inclusive and often more accessible pathways to homeownership, especially for first-time buyers, informal workers, and younger generations. Across diverse contexts, community savings cooperatives, revolving funds, community mortgage programmes and community land trusts (CLTs) are scaling up as viable tools for securing land, basic services and affordable housing. Seed-funding initiatives, legal recognition of CLTs and growing partnerships between NGOs, municipalities and financial institutions are enabling local groups to pool resources, formalize social-collateral lending and negotiate better access to subsidies and technical support.

51. Mobile-based and digital microfinance solutions are also contributing to revolutionizing access to housing finance, especially in emerging markets in Sub-Saharan Africa and Southeast Asia. These innovations leverage mobile technology and alternative credit scoring to reach underserved populations, including informal workers, rural residents and people without access to traditional banks that lack formal credit history to qualify for traditional loans.

52. Other initiatives such as rent-to-own approaches enable low-income households to build incrementally with affordable, disaster-resilient loans.

8. Land value sharing

53. Land value sharing – generally known as land value capture – refers to public policies designed to recover increases in land value resulting from public infrastructure, regulatory changes or collective action. Innovative land-based financing, especially through land value sharing, impact fees and

[12] Concessional finance refers to financing provided on terms significantly more generous than market conditions. It can include below-market interest rates, longer repayment periods, grace periods, and may include risk-sharing mechanisms to attract private investors.

property taxes, is increasingly seen as a fair and sustainable way to finance urban development and infrastructure.

54. Key policy instruments for land-based financing include land-use mandates and in-kind contributions, where developers receive additional building rights in exchange for public benefits. Land pooling consolidates parcels for infrastructure development, with redistributed serviced plots. Development charges or impact fees fund infrastructure through levies on new projects. Land Value Tax (LVT) applies annual taxes on unimproved land value to curb speculation and encourage efficient land use. Key success factors for LVC involve maintaining updated land and valuation systems, establishing clear legal frameworks and using context-specific instruments. Success also depends on strong coordination among stakeholders and ensuring revenues are reinvested in public services like transport and housing.

9. Remittances and diaspora finance

55. Remittances play a significant role in financing housing in developing countries. In 2024, global remittance flows surged to approximately USD 905 billion. Remittances are now among the largest sources of external finance for developing countries, providing far more funding than both FDI and ODA. While remittances traditionally serve to meet basic needs, they are increasingly being channelled into housing investments13 as they are used to build, buy or improve homes. Although such investments are often made towards high-end and luxury housing units,14 they have the potential to improve housing quality and increase homeownership among transnational families. However, their use in housing is often informal and fragmented.15

56. The impact of remittances on housing can vary significantly across contexts, with fragmented studies reaching divergent conclusions. While some research finds that remittances fuel demand and raise housing prices, others suggest they support supply and affordability, particularly in lower income segments.16

57. Diaspora finance refers to financial contributions from diaspora communities aimed at supporting housing-related projects in their countries of origin. This goes beyond simple remittances and includes various investment instruments such as remittance-linked housing loans, diaspora bonds and equity investments. Diaspora finance – both remittances and structured investments – plays a growing role in housing finance globally.

58. While remittances are well documented, diaspora investments remain understudied despite their growing role in housing. Innovative mechanisms illustrate their potential. Remittance-linked housing loans, such as Mi Casa con Remesas in Colombia and Mi Vivienda in Peru, use remittance flows as collateral, improving credit access for low and middle-income families. Diaspora bonds in countries like India and Israel, and remittance securitization in Latin America and Turkey, have funded housing and construction, while collective remittances from migrant associations often support community housing projects.

59. Yet evidence remains fragmented. In some contexts, diaspora finance helps expand housing supply and improve affordability, most often through remittances directed at incremental home improvements, while in others, productive diaspora investment fuels speculation and rising prices.[17]

10. Housing finance in crisis context

60. In crisis-affected settings, housing finance is a necessary to ensure the provision of shelter and the incremental provision of adequate housing to support long-term recovery. In the immediate aftermath of conflicts, disasters and displacement, governments and humanitarian agencies either provide direct access to shelter (e.g. tents, access to emergency shelter in temporary accommodation)

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[13] Vo, Hung Dao. (2023*). Diasporic Capital and the Financialisation of Housing in Ho Chi Minh City*. Urban Studies, 60(13), 2669–2685.

[14] Pow, C. P. (2025). *Diasporic capital and speculative urbanism: The role of overseas remittances in global luxury real estate*. Environment and Planning A;
Rahman, M. M., & Yeasmin, R. (2020). *Impact of remittance income on house prices: Evidence from Bangladesh*. International Review of Economics and Finance, 19(1).

[15] Sáenz, María R. (2007). *Framing the Debate: Use of Family Remittances for Housing Finance.* Habitat for Humanity International – Latin America and the Caribbean, Department of Housing Finance. CGAP Working Group on Housing Finance for the Poor.

[16] Callejas Pérez, E. (2021). *Do Remittances Affect Housing Prices in an Emerging Economy? A Study Case from Colombia*. ECARES Working Paper 2021-08. Université libre de Bruxelles. And Jayaweera, R., & Verma, R. (2023). Are remittances a solution to housing issues? A case study from Sri Lanka.

[17] Gelb, S., Kalantaryan, S., Mcmahon, S. and Perez Fernandez, M., (2021) *Diaspora finance for development: from remittances to investment*, Publications Office of the European Union, Luxembourg

or, increasingly, give access to housing finance, such as grants, cash transfers and rental vouchers to assist displaced populations in securing temporary accommodation.

61. In the recovery phase, housing finance mechanisms can support reconstruction. Subsidized loans and microfinance enable affected households to rebuild, while community-based models, such as savings groups and rotating credit associations, support collective self-recovery. Increasingly, reconstruction finance incorporates Build Back Better principles to enhance housing resilience.

62. In fragile and conflict-affected contexts, where formal financial systems may be limited or non-operational, international credit guarantees, and donor-funded programs are essential. Informal finance channels, including NGOs and faith-based organizations, often provide essential housing support in these settings. For refugees and internally displaced persons (IDPs), targeted instruments such as rental assistance, microloans and remittance-linked housing finance offer crucial support, especially in protracted displacement contexts.

63. At the systemic level, blended finance, regulatory flexibility and digital disbursement platforms are being used to improve delivery and transparency. International organizations such as UN-Habitat, UNHCR and the World Bank play a central role in designing frameworks, providing technical support and building local capacity. Together, these approaches aim to make housing finance systems more adaptive, inclusive and resilient in the face of crisis.

64. Overall, the international community is moving toward more agile, inclusive and resilience-oriented housing finance systems. The key challenge remains ensuring that such systems are accessible and effective in low-income contexts, where institutional capacity and financial resources are often constrained.

65. The COVID-19 pandemic has underscored the need for everyone to have a safe home to shelter. The economic crisis that followed saw many people unable to pay their rent or mortgage. Over the last five years, the international narrative around housing has been bringing back its importance as fundamental right rather than merely a commodity. International bodies, national governments and advocacy coalitions are increasingly embedding right-to-housing language in recovery plans, homelessness strategies and sustainable-development targets, sparking a wave of rights-based policy pilots and impact-oriented financing vehicles that prioritize security, dignity and inclusion over speculative returns.

II.Proposed draft recommendations

66. The following recommendations outline priority actions to strengthen housing finance systems as a core enabler of the right to adequate housing. They address both the mobilization of resources (e.g. public subsidies, Official Development Assistance (ODA), development banks, climate finance, community savings, cooperatives, PPPs) and their allocation. The recommendations are structured in four sections that, together, aim at fostering housing finance systems capable of delivering inclusive, sustainable and rights-based housing solutions at scale. These are:

(a) Key enablers for inclusive and effective housing markets

(b) Private finance

(c) Public finance and subsidies

(d) International finance

A. Enablers for effective and inclusive housing markets

67. The following aspects are key preconditions for the development of healthy housing markets capable of delivering adequate and affordable housing at scale across all income groups. While this analysis focuses primarily on the national level, it also recognizes that local governments are the frontline actors in housing delivery and national governments must enable municipal authorities to perform their roles effectively.

1. *Establish coherent finance, land, planning and housing policies and institutional frameworks*

68. A well-functioning housing system requires an integrated policy and institutional architecture that enables the contribution of public and private actors according to their mandates and capacities. The housing sector cannot operate effectively in isolation. It must be anchored in aligned land, planning and finance frameworks that reflect national development priorities and constitutional responsibilities. Fragmentation across these domains undermines the effective delivery of housing for

all. A consolidated housing policy and regulatory framework, anchored in long-term vision but responsive to evolving market realities, is essential for building both public and investor confidence and to signal priorities, objectives and targets to effectively direct partners investments.

69. Housing policies play a critical role in stimulating and guiding both public and private investment. They help create enabling environments for the emergence of effective financing mechanisms and the development of a diverse ecosystem of actors, including developers, financial institutions, local authorities and community-based organizations.

70. Policymakers should consider the housing market implications of financial and monetary policies and establish enabling fiscal policies that can support the establishment and delivery of private, public and international financing for housing. Since interest rates strongly influence mortgage costs and housing demand, central banks and finance ministries should coordinate with housing authorities to mitigate the risk of speculation-driven bubbles and painful corrections when rates rise. Complementary measures, such as tighter macroprudential regulations, targeted housing finance policies and monitoring frameworks, can help cushion vulnerable households and reduce systemic risk.

71. It is important to strengthen institutional capacity across the housing value chain. At all levels, key institutions, whether housing ministries, planning authorities or housing finance agencies, require sustained technical support, clearer mandates and better coordination mechanisms. This is particularly true where devolved or decentralized governance frameworks rely on subnational actors to deliver on national policy goals. To empower cities, which are often the frontline actors in housing provision, local governments should be equipped with innovative fiscal tools.

72. Finally, achieving broad-based progress depends on sustained engagement and partnership. Establishing a national housing partnership platform that brings together government, civil society, private sector, community-based organizations and international partners can provide a structured platform for dialogue, policy feedback and joint problem-solving. This approach enables the system to remain adaptive, inclusive and collectively accountable for achieving the right to adequate housing.

2. *Integrate land governance, inclusive planning and land value sharing into housing policies to promote equity, affordability and efficient land use and to enable the financing of adequate housing for all*

73. Secure land, housing and property rights are foundational for sustainable and inclusive housing markets that can provide access to adequate housing for all. Effective land registration and land recordation systems reduce legal and financial risk, increase transparency and enable broader access to formal housing finance. Without clear land rights, both lenders and households are exposed to uncertainty, which limits investment and the formalization of housing assets.

74. The land value generated by urban development, infrastructure investments and land use changes should be assessed, captured and re-invested into the public. Mechanisms such as land value capture or land value sharing can be employed to ensure that the public sector can reinvest in housing and infrastructure, and that the benefits of urban growth are equitably shared. Equally important is the ability to track land values over time, to understand how they ebb and flow, and to design fiscal systems that respond to these dynamics in a transparent and accountable manner.

75. The way land is regulated through zoning, taxation and land use instruments fundamentally shapes the supply of land available for housing. These are public policy tools that directly influence land values, and thus, housing affordability. In contexts where land is scarce, well-designed regulations are essential to ensure that land is used efficiently and serves both social and economic priorities.

76. Governments should develop fiscal policies that integrate land and housing considerations. Land represents a large share of total development costs and serves as a strategic lever for guiding where and how housing is produced. Proper integration allows for better planning, coordination with infrastructure and alignment with social housing needs. Equally important is confronting the speculative dynamics of land markets. Governments should consider legal and fiscal mechanisms to prevent land speculation, such as taxing underused land, enforcing time-bound development conditions or piloting use-based occupancy rights.

77. Moreover, land-use planning and land allocation policies should actively support access to adequate housing for lower-income and vulnerable populations. This includes ensuring that affordable housing is built in well-located mixed-use and mixed-income areas with access to infrastructure, services and employment opportunities – not only in peripheral or underserved zones.

78. Inclusionary zoning is an approach that has demonstrated valuable results. By requiring that a share of new real estate developments include affordable housing units, governments can ensure that the gains from rising land values are not captured solely by private actors. This approach helps direct the benefits of urban growth toward lower-income households, supporting social integration and promoting more balanced urban development. However, without careful design, inclusionary zoning can lead to time-limited affordability, housing that is located in less connected areas due to in-lieu options and costs being passed on to middle-income households. Stronger affordability targets, long-term commitments and on-site delivery requirements can help address these trade-offs.

79. Another effective tool is land readjustment or land pooling, which allows multiple landowners to combine their plots for coordinated redevelopment. Once infrastructure is installed, the land is redistributed as serviced plots, with a portion allocated for public use or sold to fund infrastructure costs. This mechanism helps maximize land value for the community while facilitating orderly urban expansion.

80. Governments must also take action to address land speculation and vacancy, which contribute to artificial scarcity and price inflation. Introducing vacancy taxes or setting time limits for development can disincentivize speculative holding and encourage the timely and productive use of land, particularly in high-demand urban areas.

81. Finally, governments should strengthen land information systems, including cadastral and property valuation databases. Up-to-date, accurate land records are essential for applying land-based financing tools, ensuring fair and transparent taxation, and enabling the enforcement of land value capture mechanisms. These systems form the technical backbone of effective land governance and urban planning.

3. *Develop integrated, digitized and open housing and land data systems to better understand both formal and informal housing markets and to ensure transparency and accessibility*

82. Governments shall enhance transparency, reduce information asymmetries and foster a more competitive housing finance marketplace by developing comprehensive, regularly updated and disaggregated housing and land data systems. These systems must capture current and projected demand- and supply-side dynamics across formal and informal markets as well as ownership and rental segments, and be disaggregated by income, gender, tenure and geography.

83. Governments should prioritize the development of comprehensive, regularly updated and disaggregated housing and land information systems as a foundation for effective housing policy and planning. Demand-side data is particularly critical to understand the profile of those in need of housing, the types and location of housing required and what is affordable, especially for lower income groups. This data should be collected through a combination of household surveys, administrative records and innovative tools such as mobile technology and satellite imagery.

84. It is essential that housing data be disaggregated by income, gender, tenure type and geographic location to capture the full diversity of housing needs and avoid one-size-fits-all solutions. Given the complexity of affordability, traditional metrics like cost-to-income ratios should be complemented by residual income analysis, which better reflects households' real purchasing capacity after meeting basic needs.

85. Open access to zoning maps, land inventories and permitting data enables better planning, informed investment and regulatory accountability. By addressing information gaps and promoting data transparency, governments can empower both public and private actors, improve the targeting of financial instruments and subsidies and promote a competitive and efficient housing market that is inclusive and responsive to diverse needs.

86. This shall also help all stakeholders to strengthen their understanding of housing demand and supply across different submarkets – such as formal and informal, rental and ownership sectors – so that financing tools, subsidies and housing programmes can be more effectively tailored.

87. Evidence must not only capture housing needs and conditions but also assess how markets are responding to existing policy frameworks and interventions. Supply-side data – such as trends in housing production, prices, vacancy rates and developer activity – illustrates how the market is reacting in real time, offering critical insights into the effectiveness of current regulatory and fiscal tools. When combined with demand-side data, such information can reveal mismatches, distortions or gaps, indicating where additional support, correction or innovation is required. Building this kind of evidence base enables governments to make informed, adaptive decisions and to better align housing policies with actual market dynamics and social outcomes.

88. Policymakers should mandate the publication of clear, accessible zoning maps, buildable land inventories and permit approval data at the municipal level. This transparency is essential for diagnosing regulatory constraints, enabling informed planning and holding local authorities accountable. In parallel, governments should establish systems for regular audits of land use regulations, assessing their impact on housing production, affordability and spatial equity. Performance indicators such as permit processing times, development approval rates and alignment with housing needs should be tracked and publicly reported. By institutionalizing data-driven oversight, this approach promotes evidence-based policymaking and supports continuous improvement of land governance systems.

89. To support this, institutional capacity must be strengthened. This includes investing in training for data collection and analysis, upgrading digital systems and promoting collaboration across sectors and agencies. Improved housing data infrastructure will enhance both public and private sector decision-making, reduce supply-demand mismatches and enable more responsive, inclusive housing markets.

4. *Reduce bureaucratic barriers, simplify and digitalize housing and land related permit processes to reduce delays, cut costs and increase transparency*

90. Governments must place the simplification of bureaucratic processes at the core of housing policy reform, particularly to expand the production and financing of affordable and adequate housing for low-income populations. Overly complex, multi-tiered administrative systems for land acquisition, building permits, retrofitting approvals and occupancy certification create significant delays and increase costs. These burdens disproportionately affect smaller developers, cooperatives and community-led initiatives – precisely the actors most engaged in serving the low-income housing market.

91. Simplifying bureaucracy begins with the elimination of redundant or discretionary steps in permitting procedures. Clear, streamlined processes, codified through updated regulations, are essential to ensure that land and construction approvals can be navigated without excessive legal and administrative overhead. Establishing predictable timelines, reducing the number of required agencies and standardizing documentation can lower barriers to entry, reduce informal practices and improve accountability.

92. The adoption of digital permit platforms is useful. Single-window systems that integrate zoning, environmental and construction clearances in one interface allow for real-time tracking and reduce the scope for arbitrary delays. When paired with open data systems, digitalization increases transparency and helps both public and private actors to plan and finance projects more efficiently.

93. Governments should incentivize a stronger focus on affordable housing by creating dedicated programmes and streamlined approval processes that prioritize developments targeting low-income and underserved groups. This includes flipping the incentives – offering faster permitting, reduced fees and regulatory flexibility for projects that deliver genuinely affordable units. However, while regulatory flexibility can play a critical role in accelerating affordable housing delivery, it must be carefully designed. In several contexts, broad deregulation has inadvertently led to a majority of investments being concentrated in high-end and commercial developments, further excluding middle- and low-income populations. To avoid such outcomes, incentives and reforms must be explicitly tied to clear affordability and adequacy outcomes, accountability mechanisms and long-term accessibility guarantees.

94. Governments should also adapt systems and procedures to explicitly support small-scale developers, builders and community-led initiatives, who are often better positioned to serve informal and low-income markets. Simplified compliance, tailored technical assistance and inclusive procurement can enable these actors to participate more fully, scale their efforts and contribute to inclusive urban development. In some cases, governments can implement “by-right” development rules, allowing housing projects that meet zoning and building codes to proceed without discretionary approvals. Introducing legal timeframes for review, digitizing applications and limiting public hearing requirements can reduce red tape and foster a more responsive development environment.

95. Importantly, simplifying bureaucracy is not about uniformly lowering standards, but about ensuring that regulatory frameworks are proportionate, transparent and aligned with public interest. In some contexts, this may require reducing administrative burdens for affordable and incremental housing developments. Such differentiated approaches help target public resources more effectively, enhance efficiency and improve the overall responsiveness and equity of housing systems.

5. ***Reduce housing costs by lowering infrastructure and service delivery costs (through compact and well planned spatial development), enabling access to affordable, suitably located and serviced land (through land readjustment, land banking, fit-for-purpose land regularization and use of public land), supporting domestic construction industries and promoting urban densification (through infill development, vertical expansion, repair and conversion of existing buildings and zoning reforms)***

96. Housing must be recognized as a strategic sector capable of driving broad-based economic development. In many countries, however, the high costs of infrastructure, land and construction continue to act as barriers to affordability, limiting access for low- and middle-income households. Addressing these structural constraints is essential to unlocking the sector's economic and social potential, contributing to employment, supporting local value chains and building more equitable cities.

97. Governments should adopt an integrated approach that simultaneously enhances affordability, stimulates local economies and supports inclusive urbanization. The cost of services and infrastructure can be reduced by promoting compact urban development, coordinated urban planning and targeted public investment – particularly in off-site infrastructure – whichcan significantly lower overall housing production costs while improving the efficiency of service delivery.

98. Improving access to well-located, serviced land is critical. Mechanisms such as land readjustment, land banking, fit-for-purpose land regularization and use of public land when available can unlock urban land for development and reduce speculative pressures. Public policy should prioritize land that is connected to jobs, transportation and basic services, especially for affordable housing developments.

99. Supporting domestic construction industries is a vital lever for economic inclusion. Governments should pay close attention to the health and resilience of supply chains for key building materials, ensuring availability, affordability and quality. Incorporating locally sourced, circular and climate resilient materials into building codes and actively promoting their use reduces import dependence, supports small enterprises and stimulates innovation in green technologies. Simultaneously, investments in vocational training and workforce development for the construction sector can expand decent work opportunities and strengthen local capacity to deliver affordable and sustainable housing at scale.

100. Urban densification strategies, such as infill development, vertical expansion, zoning reforms and repair and conversion of existing buildings to housing, can increase housing supply in well-serviced areas, lower per-unit costs and promote more efficient infrastructure use. These measures, when designed inclusively, can foster compact, connected and sustainable urban growth.

B. Private Finance

101. Private finance plays a central role in scaling affordable and inclusive housing, yet its potential remains underutilized, particularly in low-income and informal housing markets. Governments and development partners must mobilize and effectively channel the different streams of private financing available, in partnership with microfinance institutions, equity investors and small developers.

(a) Household finance

6. ***Diversify and make housing finance instruments more inclusive by facilitating access to housing mortgages and enabling complementary housing finance instruments such as microfinance for incremental construction, cooperative schemes, blended finance and rental support schemes.***

102. Households sustain most of the housing costs, both for formal and informal housing solutions. Facilitating housing finance is therefore crucial to attain adequate housing for all. Governments must ensure inclusivity, affordability and broader reach of housing mortgages.

103. However, conventional mortgage products typically serve formal, middle- to high-income earners, often excluding low-income groups, people working in cash-based informal sectors or those with unstable or undocumented incomes and those seeking non-ownership tenure options. A broader range of financial solutions is needed to bridge these gaps and ensure access to adequate, secure and affordable housing for all. Governments shall create an enabling environment through sound policies, regulatory frameworks, fiscal incentives, risk-sharing mechanisms and public investment strategies

that empower the private sector, financial institutions and other stakeholders to design and scale diverse, inclusive and affordable housing finance solutions. In turn, private actors must expand access to low-interest loans, shared-equity homeownership models and community land trusts to reduce upfront costs and ensure long-term affordability, particularly for underserved populations. These approaches must go beyond conventional mortgage-based financing models alone and develop a diverse and inclusive set of housing finance instruments. This means expanding the housing finance ecosystem to include:

(a) **Cooperative, self-managed and mutual housing finance models**, including savings groups, mutual aid associations and community land trusts. These mechanisms empower communities to pool resources, collectively manage housing assets and create non-speculative, self-managed housing solutions.

(b) **Support collective land ownership models**, which require alternative forms of tenure and ownership, regulated according to repayment timelines and economic activity.

(c) **Instruments to support the rental sector**, such as public guarantees, subsidized interest rates and credit lines, which can stimulate the development of affordable rental units, particularly in markets where small-scale landlords dominate.

(d) **Microfinance for incremental construction**, tailored to the needs of households with informal income streams and no formal collateral. These small, flexible loans enable low-income families to build or improve homes progressively.

(e) **Blended finance strategies** that combine public subsidies, donor support and private investment to de-risk and scale innovative housing finance products. These models can be especially powerful in supporting rent-to-own schemes or tenure-diverse developments.

104. Affordable housing finance markets should be improved by identifying and removing regulatory and institutional barriers. This includes conducting diagnostics to pinpoint market and legal bottlenecks; reforming regulatory frameworks to facilitate access for underserved populations; and supporting fintech and digital finance innovations that offer new ways to reach informal and low-income households.

105. Special attention must also be given to enabling non-market housing models, such as cooperatives and mutual help housing associations. These models help insulate communities from speculation, build social capital and demonstrate resilience in times of economic stress. Governments should establish dedicated legal frameworks, provide low-interest or guaranteed loans to cooperative entities and allocate public land to support their development.

106. In addition, governments should promote collective savings and credit systems based on trust and solidarity, where community groups pool resources, contribute regularly and provide flexible, affordable loans to their members. These systems play a crucial role in reaching populations excluded from formal financial services – such as informal workers, women and low-income households – and strengthen local financial resilience and autonomy. Their effectiveness depends on legal recognition, technical support and linkage with public development programmes.

107. In parallel, national savings instruments that channel citizen deposits toward public interest investments should be developed, such as affordable housing and essential infrastructure. These mechanisms enable governments to mobilize widely distributed savings and direct them through regulated institutions to finance socially targeted goals, while offering secure, accessible savings opportunities to the general population. Models could include employer–employee mandated contribution trusts, which pool regular contributions into managed funds dedicated to long-term social investments.

108. As remittance flows often support incremental home construction in vulnerable areas, there is an opportunity to align this investment with climate adaptation and disaster-resilient planning. Governments should incentivize climate-smart housing upgrades using remittances, and integrate migrant-receiving communities into slum upgrading, land regularization and resilience-building programs.

109. Mobilizing diaspora capital for affordable housing calls for the design of tailored financial instruments that can translate transnational solidarity into concrete housing outcomes. Tools such as diaspora bonds, remittance-linked mortgages and cooperative housing schemes can provide structured pathways for channelling expatriate resources into affordable housing markets. However, policymakers must remain attentive to the risks of speculation. An influx of diaspora capital into local real estate markets can inadvertently drive-up housing prices, reduce affordability for vulnerable households and deepen social inequalities if not carefully managed. By aligning diaspora finance with

sustainability and equity goals, governments can ensure that these resources contribute to long-term housing security rather than exacerbating housing market distortions.

7. *Strengthen financial intermediaries and broaden long-term capital access through liquidity facilities, credit guarantees, tailored regulatory support and increased transparency*

110. In contexts where the primary mortgage market is well developed, governments shall broaden their housing finance strategies to ensure inclusion by supporting complementary financial intermediaries – such as secondary mortgage institutions, microfinance providers, cooperative lenders and community-based financial entities. In contexts where the mortgage market is not yet developed, the priority should be to strengthen its foundations while simultaneously promoting alternative approaches through these same complementary intermediaries. These actors are essential to serve households excluded from formal mortgage systems, including those in informal employment and those engaging in incremental self-construction.

111. A key priority is to enhance the capacity of these institutions to mobilize long-term capital and manage risk effectively. This can be achieved through supportive monetary and fiscal policies that provide liquidity facilities, enable access to wholesale finance and introduce inflation-indexed loan products that protect borrowers and lenders from macroeconomic volatility. Yet, favourable monetary conditions, such as low interest rates and quantitative easing, can also channel excessive capital into real estate, fuelling speculation and driving up prices when not properly managed. To prevent housing from being treated merely as a financial commodity, these measures must be paired with strong safeguards, including housing regulations, taxes on speculative buying and protections for tenants. More broadly, prudent monetary management and strengthened regulatory oversight are essential to ensure long-term effectiveness. Risk-sharing mechanisms – such as credit guarantees and partial risk coverage – can further encourage financial institutions to lend to underserved markets.

112. In parallel, governments should invest in the infrastructure needed to deepen and stabilize the housing finance market. This includes supporting the development of securitization frameworks and bond markets that enable institutions to scale up lending, while ensuring strong regulatory oversight and alignment with social housing goals. Technical assistance for microfinance institutions is also essential, helping them evolve toward individual lending models, build sound core banking systems and meet prudential requirements.

113. To build confidence and attract long-term capital, particularly from impact investors and development finance institutions, governments should promote transparency through credit ratings, performance benchmarks and open data sharing. Strengthening credit bureaus, mortgage insurers and technical service providers will also help de-risk housing finance for low-income borrowers while supporting financial stability.

114. Remittances now surpass official development assistance and foreign direct investment in many low- and middle-income countries. However, they remain underutilized in formal development planning. Governments and development institutions should formally integrate remittances into national housing strategies and design and scale flexible, incremental housing finance products – such as micro-mortgages, home improvement loans and co-financing schemes – that align with migrants' remittance-sending patterns and repayment capacity.

115. By pursuing these measures in a coordinated and deliberate way, governments can create a more resilient and equitable housing finance system – one that serves diverse tenure types, supports inclusive urban development and advances the right to adequate housing for all.

(b) Construction finance

8. *Mobilize finance for construction to accelerate affordable and climate-responsive housing delivery while managing risk*

116. Access to construction finance remains a critical bottleneck for scaling affordable housing, especially in contexts where developers, particularly small- and medium-sized ones, face high upfront costs and limited access to long-term capital. Governments and development finance institutions (DFIs) have a crucial role to play in catalysing capital flows and mitigating risk to enable inclusive housing delivery.

117. Governments and DFIs should prioritize the development of short-term bridge loans targeted at green and affordable housing development. These instruments are essential to cover early-stage costs, including land acquisition, permitting, feasibility studies and initial construction. By providing

liquidity at the outset, bridge financing can unlock longer-term funding, de-risk projects for investors and accelerate project timelines.

118. Bridge finance mechanisms should be designed to incentivize climate-smart design and technologies from the earliest phases of development. This includes conditioning access to funds on adherence to green building standards, energy efficiency criteria and climate-resilient construction practices, thus embedding sustainability in the DNA of affordable housing projects.

119. To attract private capital to underserved markets, governments must implement risk-sharing mechanisms such as partial credit guarantees, subordinated debt structures and performance-based grants. These tools help mitigate perceived risk in low-income and informal segments and encourage investors to engage in markets they would otherwise avoid.

120. It is critical that construction finance instruments be strategically aligned with public investment in infrastructure and land servicing to maximize efficiency and reduce development costs. Coordinated planning between housing and infrastructure financing ensures that private developers or communities themselves are not left to shoulder the full burden of site preparation, improving project viability.

121. Governments should convene multi-stakeholder housing finance platforms that include banks, impact investors, MFIs, local developers and communities, to co-design responsive financial products and build consensus on risk assessment frameworks. This dialogue supports the creation of fit-for-purpose financial instruments that can evolve with market needs.

9. ***Diversify the range of housing finance instruments available to small and emerging developers and contractors across the entire housing value chain by co-designing such instruments with investors, including local communities, and adapting them to national and local contexts and institutional frameworks***

122. A key priority is to expand access to construction finance, especially for small- and medium-sized developers who are often excluded from conventional banking channels. Financial institutions should design tailored financial products that address the specific needs and cash flow realities of this segment. In parallel, blended finance models, which strategically combine public funds, donor support and private investment, can reduce perceived risks and catalyse larger-scale housing investments.

123. Beyond financing tools, attention must be given to strengthening the entire housing value chain. This includes: (1) supporting local supply chains for construction materials, to reduce costs and enhance economic spillovers; (2) facilitating collaboration between formal and informal actors to ensure that financing reaches incremental and self-built housing processes; and (3) promoting climate-appropriate building designs, which help ensure affordability, reduce long-term maintenance costs and improve overall housing quality.

124. At the same time, equity investment should be significantly increased to support emerging developers, particularly those from disadvantaged communities. Initiatives like South Africa's Intuthuko Equity Fund illustrate how equity capital, when combined with technical assistance and mentorship, can enable new and undercapitalized entrepreneurs to enter the housing sector. Scaling and adapting such models to local contexts would ensure that housing development becomes a driver not only of shelter provision but also of inclusive economic opportunity and innovation.

125. To attract long-term capital from institutional and private investors, finance instruments must be co-designed with a clear understanding of investor expectations, as well as the local housing finance landscape (especially in emerging markets where households and communities are often the primary source of investment). This includes: (1) engaging pension funds, REITs, banks and other institutional investors early in the product design phase – whether for guarantees, bonds or credit facilities; (2) aligning financial products with investor risk-return profiles, operational models and regulatory needs to ensure uptake and scalability; and (3) strategically using public funds not as primary finance, but as a catalyst to unlock larger volumes of private capital, through tools like first-loss guarantees, interest rate buy-downs or co-investment platforms, in ways that reinforce, rather than displace, existing community-led investments.

126. To build inclusive and resilient housing finance systems, it is essential that governments and development partners ground their policy and regulatory frameworks in local realities, rather than attempting to replicate highly financialized models from the Global North. The housing finance ecosystems in the Global South are shaped by a distinct mix of domestic constraints, such as limited credit access and opportunities, informal financial networks and strong public sector roles, as well as external dependencies, including exposure to global capital flows and interest rate fluctuations.

127. In many Global South contexts, formal mortgage markets remain shallow or inaccessible to the majority. As a result, national systems often reflect one of two broad pathways: (1) state-led models, where governments directly finance or deliver housing solutions; and (2) unregulated financial models, in which informal or small-scale financial practices dominate in the absence of strong banking infrastructure.

128. National housing finance strategies should move away from one-size-fits-all approaches and instead adopt context-responsive frameworks that: (1) recognize and support state-centred and informal and community finance models as valid and effective components of the housing finance landscape; (2) offer targeted regulatory and financial support to small-scale developers, particularly in low-income areas and secondary cities where formal credit markets are often inaccessible; (3) leverage fintech solutions to expand mobile-based credit scoring and digital access to housing finance, especially in underserved or rural settings; (4) acknowledge the double dependency of Global South systems on volatile foreign capital and weak domestic financial infrastructure and build safeguards to manage this structural vulnerability.

129. By tailoring housing finance frameworks to local institutional, economic and social conditions, governments can unlock greater inclusion, promote market stability and foster housing systems that are both scalable and socially responsive.

(c) Investment capital

10. *Encourage greater private sector participation in affordable and inclusive housing markets by de-risking investments and ensuring long-term market stability*

130. Governments should undertake a comprehensive assessment of national housing needs and finance framework to identify systemic gaps, underserved populations and distortive incentives that hinder inclusive access. They should also examine the structural barriers limiting private sector participation and establish coordinated dialogue platforms to explore context-appropriate incentives, regulatory reforms and risk-sharing mechanisms that can facilitate and scale responsible private investment in affordable and adequate housing.

131. To strengthen the financial foundations of inclusive housing systems, including the development and expansion of social housing, governments and financial institutions should actively diversify the sources and types of capital mobilized for housing finance. This involves expanding beyond traditional banking channels to include innovative, mission-aligned financial instruments and actors.

132. Governments should engage the full spectrum of financial sector actors – including capital markets, pension funds, insurance providers, institutional investors and development finance institutions – to diversify housing finance instruments across the entire value chain. This includes fostering long-term investment vehicles, promoting housing-related bonds, securitization frameworks, equity financing and blended finance models tailored to national contexts. Governments should also promote coordinated strategies that align financial flows with social objectives, de-risk investment in underserved markets and ensure that financial innovation contributes to affordability, inclusion and resilience in housing systems.

133. One key strategy is to support the development of Housing Microfinance Investment Vehicles (HMFIVs) that are specifically tailored to meet the needs of low-income households, particularly in informal and incremental housing markets. These vehicles can channel capital toward institutions and clients traditionally excluded from mainstream mortgage systems. Efforts should focus on facilitating access to both domestic and international capital for high-performing microfinance institutions (MFIs) – especially Tier I and II institutions with proven operational capacity and stable portfolios. These actors are often well-positioned to serve low-income populations but lack access to long-term capital at scale.

134. Governments should also mobilize local capital by developing municipal or sovereign bond markets that can finance housing infrastructure and development. The issuance of thematic bonds – such as green bonds for climate-resilient housing or gender-focused bonds for women-led households – can align investment flows with broader social and environmental policy objectives, while also supporting long-term public investment in social housing. Complementarily, municipalities should broaden their revenue base and strengthen creditworthiness to enhance access to infrastructure bonds and development-linked financing instruments.

135. Governments should promote a special focus on housing finance for low-income households and informally employed populations by designing inclusive financial instruments, targeted subsidies

and tailored risk-sharing mechanisms. Public policies should support and incentivize financial institutions to expand access to credit in this segment, while de-risking lending through guarantees, concessional capital and blended finance tools. Special attention should be given to aligning these efforts with social protection systems and informal income realities to ensure equitable, sustained access to adequate housing.

136. Well-designed subsidies remain essential to de-risk entry into underserved markets and to incentivize private sector participation in low-income housing segments. When effectively targeted and combined with other financing tools, subsidies can make housing investments more attractive and viable for developers and lenders alike.

137. Climate change presents both a risk and an opportunity. Housing finance frameworks must integrate green building standards, promote access to energy-efficient housing loans and support the issuance of green bonds for housing. Building codes and climate-resilient standards should be coupled with financing incentives to support adoption across all income segments.

138. To attract private capital into affordable housing, governments must adopt a comprehensive approach to de-risking that goes beyond credit guarantees, capital subsidies or performance-based grants. While such instruments remain important, relying too heavily on subsidies or guarantees without addressing structural inefficiencies risks distorting the market and discouraging sustainable investment. Therefore, governments should pair financial instruments with reforms in the housing sector. This combined approach ensures that de-risking measures amplify efficiency, transparency and long-term affordability, rather than concealing underlying problems.

139. Governments should focus on creating predictable, transparent and well-regulated environments that reduce uncertainty and transaction costs for private actors. This includes improving property valuation systems, strengthening permitting and planning processes and enhancing access to reliable data on land, housing demand and market performance.

140. Public-private-community partnerships can play a critical role in scaling investment in affordable housing and informal settlement upgrading, provided they are underpinned by robust governance, equitable risk-sharing arrangements and alignment with affordability, habitability and environmental sustainability goals.

141. Ultimately, risk mitigation should be embedded in systemic improvements that enable competitive marketplaces, reduce information asymmetry and foster long-term investor confidence in inclusive housing systems.

11. *Rebalance and regulate housing markets through coherent regulatory frameworks that align housing finance, land use planning, taxation and construction standards, while treating housing as a right and a social good, curbing speculative investments and the financialization of housing and regulating short-term rentals.*

142. Ensuring that housing systems are inclusive, affordable and resilient requires a rethinking of how housing markets are governed and regulated. Governments must move beyond fragmented policy approaches and build integrated regulatory frameworks that align housing finance, land use planning, taxation and construction standards with broader public objectives – particularly affordability, equity and environmental sustainability.

143. Central to this task is the development of robust and coherent legal infrastructure. This includes secure and enforceable property rights, fair foreclosure mechanisms – meaning processes that allow lenders to recover collateral when borrowers default, but with safeguards to ensure due process, transparency, proportionality and protection of vulnerable households – and clear oversight of financial instruments such as mortgage-backed securities, covered bonds and other capital market tools. These instruments, while potentially valuable in mobilizing investment, must be deployed under stringent public regulation to ensure that they serve the social function of housing. This means embedding transparency, consumer protection and affordability criteria into their design, backed by public credit enhancements like first loss guarantees or earmarked proceeds for affordable housing projects.

144. There is an urgent need to rebalance the social function of housing. In many jurisdictions, private equity firms, REITs and other institutional investors have come to dominate housing finance, often prioritizing financial returns over the social purpose of housing. This has led to rising prices, displacement and the erosion of housing rights, particularly for low-income and marginalized communities.

145. Governments must take a more active role in regulating real estate markets to ensure transparency, limit speculation and align investment with social and environmental priorities. This includes refocusing on housing as a right and a social good, curbing speculative investments and the financialization of housing and regulating short-term rentals.

146. To reverse the financialization trend, governments must deliberately encourage public and community-based models. This includes expanding support for non-profit housing developers, cooperatives and Community Land Trusts (CLTs), as well as repositioning public investment to prioritize collective over individual subsidies. Instead of subsidizing individual buyers in overheated markets, public funds should be used to support long-term, non-market housing that remains permanently affordable.

147. This shift also calls for enhanced regulation of securitization and covered bond markets. These complex financial instruments must operate under strict governance rules that ensure legal clarity, asset quality and investor accountability. Governments should establish clear legal provisions for the transfer of assets into Special Purpose Vehicles (SPVs), require regular disclosure and stress testing of asset pools and limit excessive risk-taking through Loan-to-Value (LTV) caps and creditworthiness standards. Centralized registries and standard documentation can help improve market transparency and discipline.

148. Crucially, these regulatory reforms must be embedded in a broader human rights-based framework. Housing is not merely a commodity – it is a fundamental right. States should adopt and implement legal and policy strategies that make this right a reality, especially for historically underserved groups. A rights-based approach means setting measurable targets, enabling public participation and ensuring access to remedies when rights are violated. This also implies curbing institutional investors' practices that undermine housing affordability. States must adopt laws that require real estate investors to conduct human rights due diligence, limit rent increases, uptake quality, increase transparency and set aside portions of portfolios for genuinely affordable housing. Similar principles should apply to individual property investors, especially those who purchase multiple homes or leave properties vacant, contributing to speculation and supply constraints. Tax policies should be reformed to disincentivize such practices, and revenues should be redirected toward climate-resilient, affordable housing.

149. Other areas requiring immediate attention include the regulation of short-term rentals, which have contributed to the commodification of housing and displacement in many urban areas. Governments must impose limits on the number of rental days, require licensing and transparency and prioritize long-term residential use of housing stock, particularly in cities facing acute housing shortages.

150. Finally, governments must address emerging forms of financialization in sectors such as student housing and long-term care. These markets, often overlooked in regulatory frameworks, are increasingly targeted by financial actors seeking high returns at the expense of vulnerable populations. Regulation must ensure quality, affordability and protections from displacement or neglect. Parallel public and non-profit options must be scaled up to provide real alternatives.

C. Public finance and subsidies

151. Public finance is essential to ensuring equitable access to adequate housing, particularly for low-income and underserved groups. Targeted subsidies and the strategic use of public assets can reduce housing costs, unlock supply and promote inclusive urban development. To be effective, these measures must be integrated into broader housing, land use and urban planning frameworks, while strengthening municipal finance systems and supporting non-market and community-based housing solutions.

12. *Deploy targeted government subsidies, reduce housing production costs and expand access for low-income groups*

152. Governments should incorporate housing subsidies into national housing policies as essential instruments to address affordability and accessibility gaps that market-based mechanisms alone cannot fill. Accordingly, governments should design and strategically deploy housing subsidies and support schemes to reduce production costs, unlock affordable housing supply and ensure inclusion of low-income and underserved populations. Public subsidies should be carefully tailored to address specific failures, such as the inability of certain groups to access formal credit, or affordability gaps in rental markets. However, subsidies should not be seen as the panacea for the structural failures of the

housing ecosystem, which should be addressed in a comprehensive and integrated manner to ensure long-term access to adequate housing for all.

153. Governments should target subsidies to the poorest households, using transparent eligibility criteria and socio-economic data to ensure equity and efficiency. Subsidies – including direct grants, concessional loans, tax incentives and land at below-market prices – are most effective when they are tightly linked to affordability benchmarks, environmental performance and inclusivity requirements.

154. Subsidy schemes should combine demand- and supply-side subsidies, offering direct support to low-income households while incentivizing the development of adequate and affordable housing. For instance, targeted rent vouchers or down-payment assistance can enable access for low-income groups, while supply-side subsidies can incentivize private or cooperative developers to produce non-market housing in well-located areas.

155. To improve system-level outcomes, governments can offer credit guarantees, partial risk coverage and first-loss mechanisms to de-risk lending to informal workers and microentrepreneurs. These tools not only expand market participation but also leverage private finance more effectively. Governments should simultaneously ensure that subsidy frameworks avoid regressive outcomes by phasing out broad-based interest-rate subsidies that disproportionately benefit wealthier households.

156. Complementary reforms are essential to unlock the full potential of subsidies. These include integrating housing programmes with land and urban planning strategies and infrastructure development, supporting efficient and climate-resilient construction methods and investing in non-financial services such as household-level construction support, technical assistance or safe building education. Such efforts ensure that financial support translates into durable, adequate housing. Similarly, subsidy schemes should be integrated with land access and urban planning policies, for example site and services schemes, ensuring beneficiaries receive secure tenure and access to basic services.

157. Subsidy schemes must be embedded in a broader housing finance strategy, aligned with mortgage systems, rental markets and public infrastructure investments. They should also be adapted to local housing market conditions, considering regional variations in land prices, construction costs and urban density.

158. In parallel, governments should promote tenure security and rental stability through tenant-centred financing models. These may include rent controls, requirements for reinvestment in building upkeep and support for tenant cooperatives. Establishing or scaling up social housing funds, financed through earmarked revenues such as property taxes or land value capture, can provide stable, counter-cyclical financing insulated from market volatility.

159. States should promote non-market housing solutions, such as cooperative housing and community land trusts, to expand affordable and inclusive housing options. Legal protections, access to affordable finance and prioritization in public land allocation can enable communities to produce and manage housing collectively, contributing to long-term affordability, resilience, and social cohesion.

160. Finally, governments should strengthen housing finance systems to respond effectively to emergencies – including natural disasters, conflict and displacement – while supporting long-term recovery. In crisis settings, tools such as cash transfers, rental vouchers and transitional housing via public-private partnerships can provide rapid shelter access. As recovery progresses, subsidized loans, housing microfinance and community-based savings models help households rebuild – especially when guided by “Build Back Better” principles.

161. In fragile states, donor-backed instruments, informal finance channels and international guarantees are essential, particularly for refugees and IDPs. Regulatory flexibility, digital platforms and blended finance approaches can improve delivery and transparency. Embedding these tools in national housing strategies will enhance resilience, inclusion and preparedness for future shocks.

13. *Leverage public assets such as land, subsidies and infrastructure to unlock investments in housing and informal settlements upgrading*

162. Governments should adopt a strategic approach to the use of public assets and financial resources to catalyse inclusive and effective affordable housing finance markets. Public land, infrastructure investments, fiscal incentives and institutional capital must be mobilized not in isolation, but as part of integrated housing strategies that prioritize affordability, adequacy and inclusion. This includes dedicated support for social housing and informal settlements upgrading as core components

of public policy. By leveraging publicly owned land for affordable housing, aligning subsidies with clear affordability outcomes and using guarantees or blended finance to crowd in private investment, states can maximize the impact of limited fiscal space.

163. Governments should also prioritize strategic interventions and deploy home improvement subsidies in tandem with efforts to provide secure tenure – legal, documented, or recognized forms of occupancy – as a strategic approach to unlock private and community investment in informal settlements. Additionally, public support should be structured to crowd in private capital, including through microfinance, community savings and small-scale developer finance. Transparent governance, clearly defined objectives and strategic allocation of public resources are critical to achieving financially sustainable and socially equitable housing systems over the long term.

164. Local and regional governments should utilize land-based finance mechanisms such as land value capture, property taxation, land leasing or mandatory developer contributions to generate complementary funding for urban upgrading and affordable housing. These tools should be embedded in legal and planning frameworks to ensure transparent, equitable reinvestment of land gains into infrastructure and services for underserved areas, while strengthening local fiscal autonomy and reducing dependence on external funding. They should also seek co-financing mechanisms between central, intermediate and local governments to enable shared responsibility and resource pooling across government tiers and promote the strategic use of land value capture instrument in inclusive urban development in precarious urban areas.

165. Governments should catalyse effective public-private partnerships (PPPs) by offering transparent incentives, such as tax relief, planning flexibility or density bonuses, in exchange for commitments to affordability, tenure security and sustainability. Where appropriate, these partnerships should integrate resilience standards and green building criteria to promote long-term cost savings and climate readiness. Leveraging domestic capital markets, particularly through local currency bonds and blended finance structures, will also be critical to scale up investment in inclusive housing systems – including social housing and informal settlements upgrading – that deliver for all income groups.

166. In addition, many subnational entities continue to face significant capacity constraints in structuring and managing investment-ready projects, which limits their ability to access and leverage available financing opportunities. Strengthening local financing ecosystems is therefore a critical priority. This includes sustained investment in institutional and technical capabilities at the municipal and subnational levels. It also requires developing accountability systems to track the use of mobilized resources toward housing goals and encouraging investment in infrastructure and services that support sustainable housing. In parallel, enhancing access to high-quality, disaggregated data is essential to enable local authorities to better understand their risks, vulnerabilities and development priorities, thereby supporting more informed, resilient and accountable investment decision-making.

167. To complement these efforts, governments must diversify financing sources and reinforce the fiscal health of municipalities. This entails strengthening public financial management, while systematically integrating land-based finance mechanisms such as land value capture, property taxation and land leasing. Special purpose vehicles should be promoted as intermediary instruments, particularly for smaller municipalities, to coordinate and mobilize resources from government, the private sector, financial institutions and other partners. Funding should also be directed toward collective infrastructure and essential basic services that underpin sustainable housing systems, from water and sanitation to transport and energy. By embedding these approaches in integrated housing and urban development strategies, governments can not only expand the financial space available for affordable housing and informal settlement upgrading, but also foster fiscal autonomy at the local level, reduce dependence on external funding and strengthen the long-term resilience and inclusivity of housing finance systems.

D. International Finance

168. International finance plays a vital role in supporting inclusive, adequate and sustainable housing, particularly in contexts of rapid urbanization, informality and crisis. To maximize its impact, multilateral and bilateral funding must be guided by needs-based principles, aligned with national housing strategies and tailored to local realities. Housing should be elevated as a core development priority, with financing directed to underserved regions and vulnerable populations. Leveraging Official Development Assistance (ODA), blended finance and philanthropic capital – especially for slum upgrading and post-crisis recovery – can help catalyse broader systems change and ensure housing contributes to equitable, resilient and inclusive urban development.

14. *Steer multilateral and bilateral support toward inclusive, adequate and sustainable housing, particularly for low-income and vulnerable populations*

169. To achieve meaningful impact and ensure equity, the allocation and application of bilateral and multilateral funds must be grounded in clear, needs-based principles. This includes positioning housing as a strategic development priority, directing resources to areas with the highest demand, tailoring financial instruments to local contexts, aligning with national housing policies and leveraging these funds in emergency situations to support rapid reconstruction and long-term resilience.

170. Housing must be elevated as a core funding priority in global agendas to reflect the urgency and scale of need. By prioritizing housing as a strategic investment, multilateral donors can leverage its potential for positive impacts on health, education and socio-economic inclusion. Resources should be directed to regions with the most severe housing challenges, particularly in fast growing regions such as Sub-Saharan Africa and Southeast Asia, and other regions where urbanization, informality and crises are compounding exclusion. Aligning funding with actual needs ensures more equitable and impactful interventions.

171. Financial strategies must be tailored to local contexts. Multilateral and bilateral aid should encourage inclusive, context-appropriate tools that reach underserved populations, promote housing diversity and counter speculative pressures in land and housing markets. To strengthen long-term impact, international funding should align with national housing strategies and public finance systems. This includes supporting the diversification of housing finance, enhancing the role of financial intermediaries and expanding access to affordable household-level finance.

172. Governments should strategically leverage ODA and International Development Association (IDA) financing to scale up social housing and slum upgrading programmes that combine basic services, tenure security, housing improvements and social infrastructure. These funds should support inclusive, participatory planning processes, and be structured to catalyse additional investment from domestic and private sources. To maximize impact, recipient countries should align upgrading strategies with poverty reduction frameworks and demonstrate clear commitments to social equity, governance reforms and sustainable urban development. ODA/IDA resources should also be mobilized to de-risk public-private partnerships and strengthen broader housing finance ecosystems.

173. In the context of shrinking ODA and widening global inequality, strengthening multi-actor partnerships, including philanthropic actors, is essential to unlock new pathways for financing housing. While philanthropy cannot substitute the role of public finance or traditional development donors, it plays a critical and complementary role in supporting inclusive, locally led and innovative housing solutions. Governments, development partners and financial institutions should prioritize and scale up financing for community-led slum upgrading as a critical pathway to achieving the SDGs and ensuring no one is left behind. Investments in the transformation of informal settlements yield high social, economic and environmental returns. Upgrading improves public health, boosts economic inclusion and enhances resilience to shocks. Evidence shows it can increase GDP, life expectancy and education outcomes, while being more cost-effective and climate-friendly than new construction.

174. Finally, international funds should be leveraged to support rapid and resilient housing recovery in crisis settings. Blended finance models, including public, private and remittance-based capital, can accelerate reconstruction and reinforce long-term resilience.