

Adequate Housing for All

Advancing Socio-economic and Environmental Transformation towards the realization of Agenda 2063.

AFRICA URBAN FORUM

Background Paper

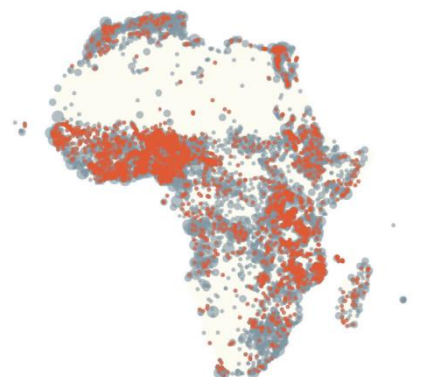
Africa is undergoing a rapid, unprecedented urban transition. Its urban population is projected to double from 700 million to 1.4 billion by 2050, by which point it is expected that 65% of Africans will live in cities.¹ According to the OECD, many of these cities will be big: 159 cities with over one million inhabitants and 17 megacities with over ten million inhabitants are expected.

This growth is already obvious, as in every city the extent of the built-up area expands. The OECD projects that the total urban footprint will increase from about 175 000 km² to 450 000 km² in the thirty years between 2020 and 2050. Annually, the space occupied by cities is growing at a rate faster than the growth in urban population: 3.2% versus 2.3% annually. In some areas, this is because of the fusion of smaller cities which literally expand into one another's boundaries. The OECD offers the example of Kampala, which by 2050 is expected to merge with five urban agglomerations with over 100 000 inhabitants, with another 40 smaller cities with populations between 10 000 and 100 000, and another 235 rural settlements.

The implications of this growth are massive. Urban infrastructure, already under pressure, is failing to keep pace: water supply, sewerage and waste management systems are overwhelmed; poor roads infrastructure and maintenance contribute towards traffic congestion and poor air quality, and local environmental systems are under stress, as human settlements become increasingly vulnerable to climate change-induced disasters.

It is intuitive that rapid urbanisation (coupled with insufficient formal and affordable supply to meet demand) is a key factor driving the growth of informal settlements and leading to the crisis in

New urban agglomerations, 2050



Urban agglomerations in 2020

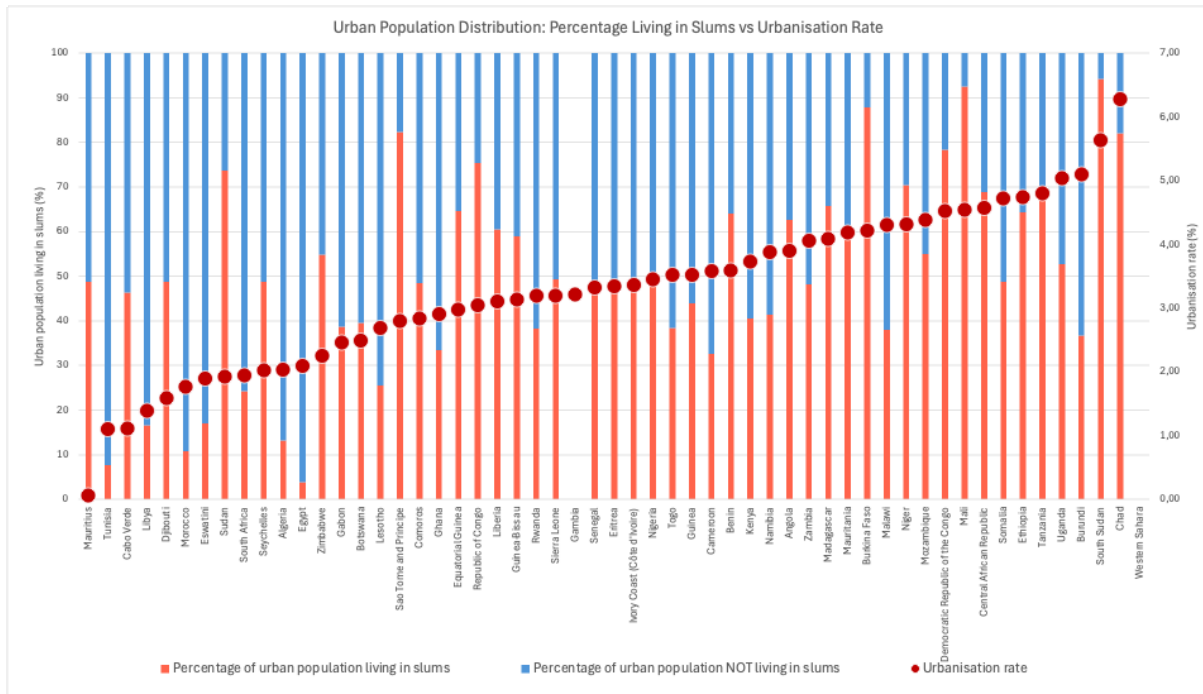
- 10 000-100 000 inhabitants
- 100 000-1 million inhabitants
- >1 million inhabitants

Emerging urban agglomerations between 2021-50

- 10 000-100 000 inhabitants

¹ OECD et al. (2025), *Africa's Urbanisation Dynamics 2025: Planning for Urban Expansion*, West African Studies, OECD Publishing, Paris, <https://doi.org/10.1787/2a47845c-en>.

housing. In truth, urbanisation rates are not clearly and directly tied to a high incidence of people living in slums. As illustrated, there are many countries with high urbanisation rates where data suggests a majority of households do not live in slums, and a few others with lower urbanisation rates, where data suggests that they do. Other factors must also be at play.



Sources: UN-Habitat (2022) Urban Indicators Database. data.unhabitat.org and UN (2024) World Urbanization Prospects, United Nations. population.un.org/wup, note:

There are many: insufficient urban planning and weak municipal government that fails to deliver the necessary infrastructure; poor land management and weak tenure systems; household affordability constraints that undermine investment in housing; low levels of finance access as lenders fail to embrace the new demographics of income; an under-developed housing construction sector that lacks the capital and expertise to deliver at scale; the breadth of environmental and social factors – natural disasters, climate change, political instability – that result in urban migrants often being the most vulnerable and least able to meet their housing needs independently; and so on. High urbanisation rates are an important driver of slum growth, and are intertwined with challenges relating to governance and planning, and the functioning of finance, land, construction, and labour markets.

In this overall and pressurized context, the state of housing is somewhat of a bellwether, both a cause and an effect of the challenges faced in African cities. The realisation of "adequate housing" is therefore a key indicator of the overall health of the urban environment and its governance framework, the "socio-economic and environmental transformation" promised in Agenda 2063, and a useful lens through which to examine what is working, what is not, and where the opportunities for transformation lie.



And so, this year's Africa Urban Forum puts housing at the center of the urban conversation: the realisation of adequate housing for all. As delegates come together to exchange ideas and contemplate action, three broad threads that should underpin the discussions:

- **The opportunity of “informal”:** Much of daily life in Africa is classified as “informal” – this must not be confused with irregular or aberrant, as it is within this reality that the opportunity for urban transformation is found.
- **The opportunity of local:** Policy debates focus on national frameworks – this is important but the dynamics of urbanisation manifest locally, and so a more local policy focus is essential.
- **The opportunity of partnerships:** The scale and complexity of urban growth demands the active engagement of the public, private, and community sectors together — and specifically demands new financing and investment approaches that leverage the capacities of all parties.

The opportunity of “informal”

Africa's affordable housing sector is dominated by so-called informal activity.² More housing is delivered by informal builders and/or through self-construction than by any other player. There are also more instances of lending and investment that happen informally – whether from hand to hand, through rotating schemes or cooperatives, or in the form of remittances – than formally through regulated channels. While informal processes are often inefficient and expensive, opaque and exploitative, and often subject to fraud; they are also nimble and responsive, there are few barriers to entry, and, critically, in their functioning, they are expressive of the priorities, needs and capacities of the majority of people across the continent. This breadth of “informal” practice presents an opportunity for understanding what works and using this to design appropriate and well targeted investment and policy.

It is worth reflecting for a moment on the definition of informality. The UN-Habitat Open-Ended Intergovernmental Expert Working Group on Adequate Housing defines housing informality as "housing development and occupation that occurs outside the formal legal, regulatory, and planning frameworks", emerging as "a rational response to the failure of formal land and housing systems." Further, informal settlements are defined as "agglomerations of informal housing" characterised by inadequate infrastructure and services, where residents nevertheless often pay high prices for necessities.³ If informality is a consequence of residents, households and communities (whether as opportunists and neighbourhood builders), making a plan and acting themselves outside of the regulatory framework, can policy and regulation be developed in such a way not to capture and contain their effort, but rather to legitimize and expand it?

Certainly, the important role of the informal sector in the labour market, in the housing and construction market, and in the finance market is not a new observation – and it is one that is

² This section draws heavily from Centre for Affordable Housing Finance in Africa (2024). 2024 Yearbook: Housing Finance in Africa. Johannesburg, South Africa. <https://housingfinanceafrica.org/library/2024-housing-finance-in-africa-yearbook-15th-edition/>

³ See https://unhabitat.org/sites/default/files/2025/10/informal_settlements_background_proposed_recommendations.pdf

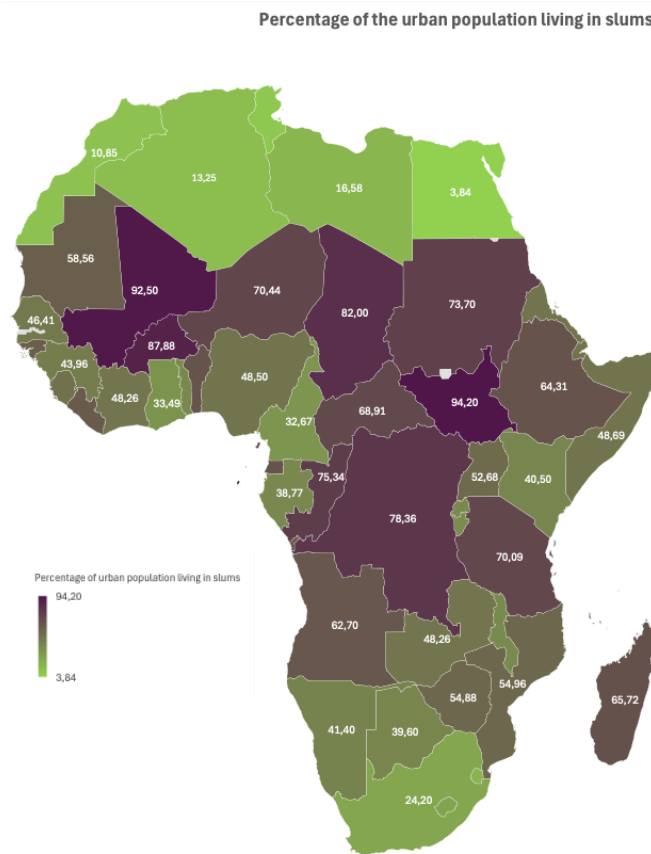


echoed by global bodies such as the delegates to the first Africa Urban Forum⁴ held in Addis Ababa, Ethiopia in early September 2024; by UN-Habitat⁵; by certain Direct Foreign Investment (DFIs) and impact investors⁶, and even by the private sector. Shifting this awareness into a strategy that leverages the opportunities while overcoming the shortcomings, will be a key area of focus for this Africa Urban Forum.

Informal settlements

A key indicator that drives much of the discussion is the percent of the urban population living in slums, captured in SDG 11.1.⁷ This dominates our imagination of the urban landscape in most countries across Africa – indeed, it is only in a few countries at the northern and southern edges of the continent where less than a quarter of the urban population lives in slums. In most countries, the figure is closer to a third or even half of all urban dwellers.

While informal settlements or slums highlight much of what is wrong with housing, they also offer an indication of what might be right: although they exist outside the policy and regulatory framework that governs formal housing, they are mixed use settlements offering economic opportunities, employment, and livelihood support. While costs per square meter are often high, the



⁴ The Addis Declaration for the Africa Urban Forum on Sustainable Urbanisation for Africa's Transformation (signed 6 September 2024) commits member states to "encourage urban development results in the significant investment in addressing the challenge of informal settlements through allocation of resources and formalization. This should be done in line with the ten key actions of the Global Action Plan for Slum Transformation which consolidates a collective partnership to shaping Cities for All, leaving no one and no place behind, which was adopted at the UN-Habitat Assembly in June 2023, in Nairobi, Kenya." Paragraph iiiv, Africa Urban Forum Declaration (2024). https://au.int/sites/default/files/documents/44056-doc-AFRICA_URBAN_FORUM_DECLARATION_English.pdf (Accessed 10 September 2024).

⁵ UN-Habitat (2023). Global Action Plan: Accelerating for Transforming Informal Settlements and Slums by 2030. https://unhabitat.org/sites/default/files/2023/05/global_action_plan_22-05-23.pdf (Accessed 28 September 2024).

⁶ GSG Impact (2022). Informal Settlements: No Longer Invisible. <https://www.gsgimpact.org/resources/publications-and-reports/informal-settlements-no-longer-invisible/> (Accessed 29 September 2024).

⁷ Goal 11 of the Sustainable Development Goals (SDG 11): Make cities and human settlements inclusive, safe, resilient and sustainable. Target 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums. Indicator

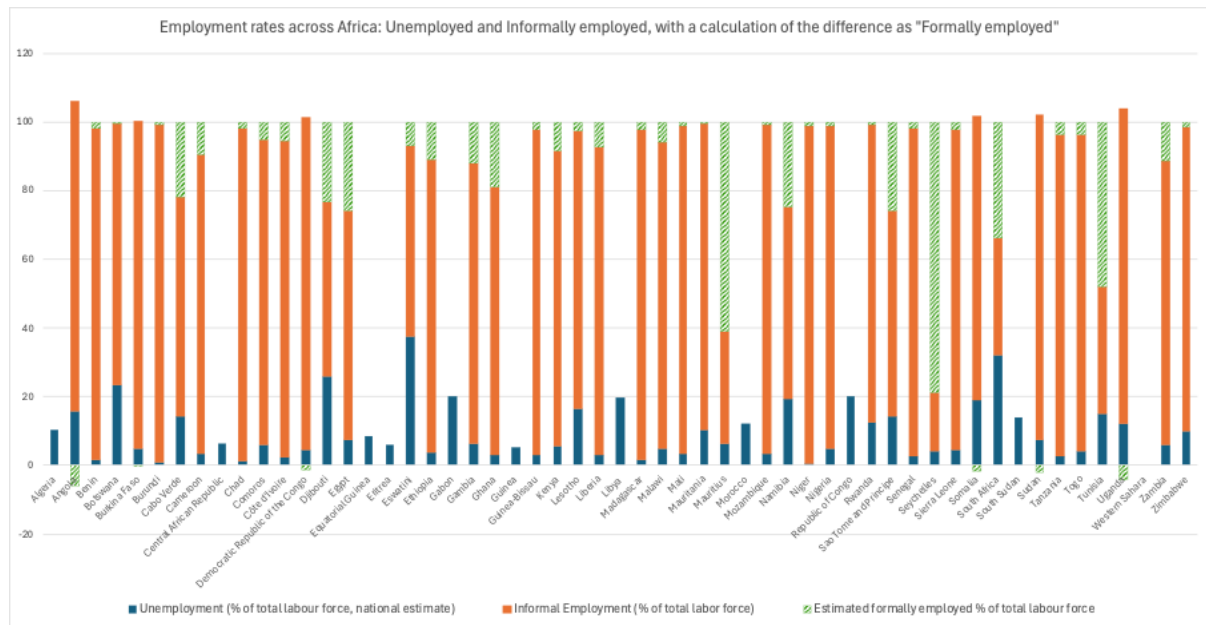


housing process is responsive to the capacity of the end user such that daily costs can be managed. Barriers to entry are low and network based. Tenure, while not always secure, is often flexible and, in some cases, even defensible.

Source: UN-Habitat (2022) Urban Indicators Database. data.unhabitat.org

Informal employment and finance

Data from the IMF, World Bank, AfDB, and ILO between 2016 and 2024 show unemployment rates and the percentage of the workforce that is informally employed.⁸ In virtually every country on the continent, it is the vast majority of adults. Only in Seychelles, Mauritius, South Africa and Tunisia do the informally employed constitute less than half the workforce. The remainder of countries for which there is data find that more than half and in some cases more than three quarters of their labour force is employed informally. According to the ILO, using data from 2021, 98.5% of Niger’s labour force and 97.5% of DRC’s labour force is informally employed. In Mozambique, the figure is 95.6%; in Tanzania, it is 93.3%; and in Côte d’Ivoire, it is 92.1%. In Ethiopia where 85.2% of the population is employed in the informal sector and the Gini coefficient is 35 (up from 33.2 in 2020), it is noted that despite economic growth in the country (with a GDP growth rate of 6.5%) poverty has not been significantly reduced and inequality is rising.



Sources: Unemployment: IMF, WB and AfDB data between 2016-2024. Informal employment: ILO data 2014-2023; Formal employment calculated as the difference between the entire labour force less unemployed and formally employed.

This has a particular impact on access to housing finance. Certainly, mortgage access currently depends on formal, regular employment – as such, virtually every country presents very low levels of

11.1.1: Proportion of urban population living in slums, informal settlements or inadequate housing.

https://unhabitat.org/sites/default/files/2020/06/metadata_on_sdg_indicator_11.1.1.pdf

⁸ Explore this data using the ILO’s ILOSTAT explorer: <https://ilostat.ilo.org/data/> (Accessed 8 October 2024). World Bank data can be found on its Open Data Portal: <https://data.worldbank.org/> (Accessed 8 October 2024).



mortgage penetration. There is also formal, non-mortgage housing finance – but while some offerings of housing microfinance exist, most non-mortgage housing credit is accessed in the form of personal loans and unspecified micro-loans. It has been estimated that as much as one third of all unspecified micro credit is used in some way in support of the home. The challenge facing borrowers in their home building process, however, is that microcredit that is not specified for housing is often a smaller quantum and shorter duration than what would be needed for housing purposes. This interrupts the construction process, extending the time involved and, in many cases, also the costs. In many cases, the housing outcome would appear informal, and probably also exists outside the regulatory framework.

Households amass the resources they need in various ways that do not depend on the banking system. The most common source of finance for housing is household savings, mostly held by informal savings groups and cooperatives when they extend the funds as small loans to members. In several countries, including Sudan, Cape Verde, Burundi, Nigeria, Kenya, Senegal, Ghana and Zimbabwe, remittances from the diaspora represent a substantial source of housing investment, with analysts estimating up to 40% of remittance inflows directed at housing.

On the construction side, most developers fund their projects through off-plan payment plans in which buyers' deposits and progress payments finance construction. This is itself an informal financing mechanism — offered outside regulated financial services — and it carries substantial risk for buyers with no recourse if a developer fails to deliver. Nevertheless, it has enabled developers to grow their businesses and deliver at a scale that formal construction finance has not yet reached.

Self-construction of housing

Possibly as a result, self-construction is by far the dominant form of housing delivery across the continent.⁹ The process is typically incremental as the household manages their time and money, together with wider contextual issues such as the progress of the national and local economy, climate and weather events, and social-political issues. It is not necessarily informal, but might look so because houses that are self-built take time – in Kenya, the KMRC found that it takes on average 3.3 years to complete a house.¹⁰ In Cape Verde, it can take ten years or more.¹¹ In Togo, households build their homes as they have the funds so that in many cases, their homes are completed by their children once they reach adulthood.¹²

This incremental logic is not a failure — it is a rational response to constrained resources. In Gabon, where more than two-thirds of urban homeowners self-build, the government established the National Real Estate Company (SNI), which provides technical support through the Office for Self-Construction Support (BAAC).¹³ In Cameroon, the government's MAETUR programme makes serviced

⁹ There is no explicit data to substantiate this – although a series of proxy indicators could be gathered to suggest the scale of investment. The perspective is intuitive and visibly supported by the vast incidence of housing being delivered by individuals and what are called *fundi* or informal builders in cities across the continent.

¹⁰ See CAHF 2024 Yearbook: Housing Finance in Africa. Kenya profile, footnote 42: Kenya Mortgage Refinance Company (2024). Research on systemic barriers towards access and usage of housing finance in Kenya 2023. Pg. 51.

¹¹ See CAHF 2024 Yearbook: Housing Finance in Africa. Cabo Verde profile, footnote 17: Governo de Cabo Verde (2019). Perfil do sector de Habitação Cabo Verde 2a Edição. <https://tinyurl.com/ms2kavp2> (Accessed 11 August 2024). Pg. 114.

¹² See CAHF 2024 Yearbook: Housing Finance in Africa. Togo profile.

¹³ SNI. Office of support for self-construction. <https://www.sni-gabon.com/offres/9-bureau-daccompagnement-a-lauto-construction> (Accessed 5 October 2024).



plots available to households wishing to self-build in Yaoundé and Douala at CFA10,000/m², requiring development within three years.¹⁴ These are instructive models of how government can work with, rather than against, the self-build reality.

The challenge with incremental building is that it can be haphazard and of poor quality, which sometimes means that homes are ill-equipped to deal with the climate crisis and its impacts. In many countries, a key housing need is the renovation of existing, informally built structures – this is not something that policy frameworks acknowledge. Part of the problem is that building codes do not speak to, or acknowledge the existence of, the small and incremental home builders that predominate, and the materials, tools and skills they have at their disposal.

It is worth noting that in focusing almost exclusively on the formal construction sector, the green building industry is bypassing the most scalable pathway to climate-resilient housing. A targeted shift — better technical knowledge, appropriate financing, and a regulatory environment that recognises and rewards resilience rather than penalising informality — could guide the billions of incremental decisions that self-builders make every day. Low-income households have the strongest economic incentive of all to build resiliently: for a household whose home is its primary asset, damage from flooding or wind is a financial catastrophe. Resilient building is not a premium product for those who care about the environment. It is a rational investment for those who cannot afford to rebuild.

Informal estate agents

While deeds registries may be slow and incomplete, and while finance may be limited, real estate markets are thriving. In many countries, a growing number of informal real estate agents is evident – CAHF’s 2024 Yearbook found evidence in Cameroon, Rwanda, Morocco, Senegal, South Africa and elsewhere. For example, in Senegal, of the 466 real estate agencies listed, only 100 comply with the standards, adding that individual brokers work in informal networks and as freelancers.¹⁵ In general, their commission for the sale is 5% of the total value of the transaction. The Moroccan informal real estate agents are known as “samsars” (an Arabic term). Although they have no official status, samsars act as intermediaries by assisting housing seekers through word-of-mouth, in exchange for a small commission.

These actors reveal not a gap in the market, but the market itself — operating with available tools in the absence of formal infrastructure that policy has not yet delivered. Informal agents hold the transactional knowledge, community trust, and local intelligence about land availability, pricing, and tenure history that no registry or cadastral database currently captures. They are, in effect, performing a public function: reducing information asymmetries, facilitating mobility, and enabling households to access housing in a market that formal institutions have largely failed to serve. The pragmatic path is to work with the grain of what exists — through simple registration frameworks, modest professional development pathways, and the integration of informal brokers into community-level land documentation initiatives — rather than against it.

¹⁴ See CAHF 2024 Yearbook: Housing Finance in Africa. Cameroon profile, footnote 45: Ngono, B. (2024). Cameroon: The government increases the Guaranteed Interprofessional Minimum Wage (Smig) by 5%. 25 February 2024. Ecomatin.

¹⁵ See CAHF 2024 Yearbook: Housing Finance in Africa. Senegal profile, footnote 35: Online interview with Ahmet LÔ, Founder of AML Estate Intelligence and real estate specialist, on 17 July 2024, Dakar.



Informal rental markets

Perhaps the most overlooked dimension of Africa's informal housing economy is the rental market. Termed "household landlordism" — when households rent out a room or bed on the property where they also live — this is neither insignificant nor peripheral. In Zimbabwe, an estimated 42.7% of urban households live as "lodgers."¹⁶ In Ugandan slums, more than 56% of dwellings are occupied by tenants, compared to 30% that are owner-occupied.¹⁷ In Tanzania, approximately 80% of tenant households live in shared accommodation. In Kenya, the 2019 national census counted 1.6 million new urban renter households created in the decade since 2009 — implying delivery of roughly 158,000 rental units per annum, far outpacing the 50,000 units delivered by the formal sector. The same census found that 89% of urban renter households rent from an individual, not a formal company. Backyard rental is similarly significant in Malawi, Madagascar, and Namibia, where informal rental provides accommodation for low and ultra-low income households who have come to cities in search of work.

Informal rental markets are particularly instructive from a market development perspective because they represent a consistent, demand-responsive exchange: services structured to meet affordability where it actually exists, rather than where policy assumes it to be. The household landlord — who builds incrementally, manages tenants directly, reinvests rental income into further construction, and prices accommodation at what the market can bear — is in effect a small-scale housing developer. Without access to finance, technical support, or legal recognition, this productive capacity remains invisible to policy. Yet the intervention required is modest: a home improvement loan that enables an extra storey; basic structural knowledge that improves durability; a rental income record that unlocks further finance. None of this requires a new formal housing sector. It requires the extension of existing instruments to actors already doing the work.

The opportunity to be found in the so-called informal

The fact that the majority of Africans are involved in the informal economy, whether as workers or builders or financiers or residents, or indeed any combination of roles, begs the question of how so-called informality is classified as aberrant or additional. In fact, the reverse is true — it is the so-called formal markets that are not the norm. And yet it is for the formal markets that policy is made and regulations are written. This disconnect — between where most people actually live and work, and where the rules governing those lives are crafted — is not merely an administrative inconvenience. It is a structural failure with profound consequences for how cities grow, how wealth is distributed, and how effectively urban governance can function.

Closing this gap requires more than a rhetorical reframing of informality as legitimate. It demands a fundamental reorientation of the policy and regulatory framework which takes the lived realities of informal actors as the starting point from which policy is built and regulation is fashioned. This would involve regulations that recognise self-built housing as a contribution to the urban fabric rather than an encroachment upon it, land tenure frameworks that reflect how land is actually transacted and occupied, and financing instruments that work with the savings and credit systems that communities have already developed informally for themselves. In thinking about the notion of formalization in

¹⁶ See CAHF 2024 Yearbook: Housing Finance in Africa. Zimbabwe profile, footnote 45: Zimstat (2024). Zimbabwe 2022 Population and Housing Census Report Volume 1. <https://tinyurl.com/Sfx6d89c> (Accessed 25 July 2024). Pg 75

¹⁷ Shelter and Settlements Alternatives (2021). Informal Settlements: Statistics, Slums and the Housing Situation in Uganda. <https://ssauganda.org.ug/areas-of-focus/informal-settlements/> (Accessed 29 July 2024).



this way, policy makers can leverage the energy of the informal to create working, sustainable housing markets in which consumers are protected and buildings are safe, market players can compete freely for opportunity, and the vast need for housing is met by a breadth of housing suppliers currently not recognised.

The opportunity of local

The decisions that shape how African cities grow — where infrastructure is extended, how land is allocated, which settlements are upgraded and on what terms, how housing markets are regulated — require granular, contextual, and constantly updated understanding of how people actually live, work, and transact, especially when informality is such an important fact. That knowledge does not reside in national ministries. It resides in cities, in communities, and in the informal networks of brokers, landlords, builders, and savings groups whose activities constitute the urban economy.

As such, the local level not simply an implementation channel for national policy: it is a distinct and irreplaceable site of governance in its own right. It is at the city level that regulatory frameworks can be adapted to local land tenure realities, that informal brokers and landlords can be drawn into productive relationships with public institutions, and that incremental housing investment can be sequenced in ways that reflect how households actually build. None of this can be designed from the centre and delivered downward. It must be negotiated, co-produced, and continuously adjusted at the place where the urban challenge is actually experienced.

Yet acknowledging the necessity of local decision-making immediately raises the question of capacity. Across much of Africa, city governments are under-resourced, administratively thin, and fiscally dependent on national transfers that are unpredictable and insufficient. The gap between what city governments are expected to do and what they are equipped to do is one of the defining constraints on African urban development. Closing this gap is therefore not a precondition for beginning — it is itself the work.

Informality compounds the fiscal problem in two directions at once. On the one hand, informal settlements and enterprises fall largely outside the formal tax net — their transactions are unrecorded, their properties unregistered, their incomes untaxed. This shrinks the municipal revenue base precisely where population growth is fastest. On the other hand, informal residents and businesses are not untaxed in practice — they pay through levies, market fees, connection charges, and informal payments to a range of actors, public and private. The challenge is to structure appropriate mechanisms, so that those contributions flow into public accounts in ways that can be reinvested in the communities that generate them.

Rather than treating informality as a gap in the tax base to be eventually formalised, city governments can begin to build fiscal relationships with informal communities now — through negotiated service levies, regularised market fees, community land value capture mechanisms, and simplified business licensing that brings small enterprises into a formal fiscal relationship without imposing compliance costs they cannot bear. In building a pathway towards formalization on an incremental basis, revenue is generated, trust is built, and the administrative data that more sophisticated fiscal instruments eventually require is created.



Perhaps the most powerful and underused instrument available to African cities is land value capture — the principle that when public investment raises the value of surrounding land, a portion of that uplift should be captured by the public authority that created it. When a city extends a road, installs water infrastructure, or upgrades a settlement, nearby land values rise. Under current arrangements, those gains accrue entirely to private landowners. A land value capture framework — through betterment levies, developer contributions, or strategic public land management — would allow cities to reinvest a share of the value they create. Ethiopia's urban land lease system has generated significant revenue in Addis Ababa; Kigali has used land consolidation and leasehold arrangements to similar effect. These are partial and imperfect models. They demonstrate the principle is operable in African contexts.

On infrastructure, the city's role is dual — it must act both as a direct provider and as an enabler of others who can provide. No African city government has the fiscal capacity to deliver all infrastructure through public investment alone. Cities face the challenge, therefore, of deploying limited public resources to leverage private, community, and development finance at scale.

This requires cities to think about infrastructure investment in terms of sequencing and catalysis. Basic trunk infrastructure — roads, drainage, water mains, electricity grids — is typically a public good that only government can finance, because it is not commercially viable in isolation. But once trunk infrastructure is in place, it creates the conditions for private investment in housing, retail, and enterprise that generate both economic activity and a broadened tax base. The city that sequences its infrastructure investments strategically — prioritising the connective tissue that unlocks wider development — gets far more impact per dollar than one that responds reactively to political demands or crisis.

In informal settlements specifically, the infrastructure logic is incremental. Residents have already invested in their homes and communities. The missing ingredient is often not the willingness to invest but the security and basic infrastructure that makes further investment rational. Secure tenure, a road, a water connection — these relatively modest public commitments can catalyse substantial private investment by residents themselves, generating a multiplier effect that formal models consistently underestimate.

None of this is straightforward. Vested interests — in land markets, in construction, in political patronage — benefit from keeping informal residents in a state of legal ambiguity. Reform coalitions at the city level must therefore be broad, politically durable, and grounded in organised communities who can sustain pressure over time.

The opportunity of partnerships

The core of the urban opportunity, therefore, is the partnerships it can foster. Urbanisation rates are what make everything happen so fast, but at the center are people — people who produce as well as consume, people who act instead of wait, people who make a plan to resolve their housing circumstances and pursue their livelihoods as best as they can, sometimes (often) despite government policies and programmes to meet their needs differently. There are also businesses, local, regional



and international, which search for market opportunities, investing their capital to develop solutions to meet a need that they see. Whether suppliers of the inputs or outputs of the housing process, its financing, or its long-term management, these businesses act independently in pursuit of a commercial return but are fundamentally influenced in their activity by the policy and regulatory framework which can either enable or disable their effort. Governments must understand these drivers to better leverage the energy in support of their own goals.

The dominant form of public-private partnership — the PPP — has largely failed African cities. Designed for stable regulatory environments, creditworthy counterparties, and predictable revenue streams, PPPs have systematically bypassed the communities that need investment most, gravitating toward commercially viable infrastructure in wealthier urban areas. Where they have been imposed on lower-income contexts, the outcomes have frequently been regressive: cost-recovery pricing excluding the very poorest. The deeper problem is structural: the PPP binary leaves no meaningful role for the community organisations, informal savings groups, and civil society actors who, in African cities, are often doing the most important work.

Blended finance asks how different actors can each contribute what they are best placed to provide, in ways that make the overall investment viable and the outcomes equitable. In practice, this involves three layers: a concessional or grant capital layer — from DFIs, philanthropies, or governments — that absorbs first-loss risk and brings the overall return into range for commercial investors; a commercial capital layer from banks, institutional investors, or pension funds that provides scale; and a technical assistance layer, often from NGOs or specialist intermediaries, that builds the capacity of communities and borrowers to participate and benefit. Successful blended finance must be built around what low-income households can actually afford and how they actually transact — not around what financial institutions find administratively convenient. The Playbook developed by Convergence and CAHF offers practical guidance for the deal-structuring phase.

Additional instruments available for blended finance transactions include: municipal bonds, being explored by cities including Johannesburg and Dakar, which require creditworthy institutions and transparent accounts — creating an incentive for governance reform in their own right; pension and institutional funds, which manage hundreds of billions of dollars across Africa yet invest minimally in domestic infrastructure; and community financing mechanisms, including rotating savings groups and SDI-style federation finance, which have demonstrated that informal communities can mobilise and manage capital at meaningful scale when linked to public co-investment.

The African Cities Research Consortium has recently been considering the potential for urban reform coalitions as the mechanism through which productive partnerships are sustained over time. A reform coalition is not simply a partnership or a stakeholder forum. It is a deliberate alliance of actors — drawn from government, civil society, academia, communities, and sometimes the private sector — who share a common analysis of an urban problem and commit to sustained collective action to change the policies, regulations, or practices that perpetuate it. The critical distinction from conventional partnerships is political: reform coalitions are explicitly oriented toward changing power relations and institutional behaviour, not just delivering a project.

In Nairobi's Mukuru settlement, a consortium of over 40 organisations from civil society, academia, the private sector, and community movements worked with Nairobi City County to develop an



integrated development plan as a Special Planning Area. In Harare, the Urban Informality Forum — hosted at the University of Zimbabwe and bringing together academics, private sector, civil society, and residents' associations — created a platform to explore politically contentious challenges, eventually drawing in city and national ministry officials as the evidence base grew. In Freetown, a reform coalition has coalesced around property tax reform, directly bridging the fiscal and governance arguments: building municipal revenue capacity as a precondition for everything else.

These examples share common features: they were locally initiated, held by institutions perceived as broadly neutral, grounded in community knowledge, and sustained over time. They demonstrate that when diverse actors align around a shared diagnosis, the political conditions for reform can be created even where they did not previously exist.

Four Principles for AUF Delegates to Discuss

Much of the discussion in support of adequate housing in African cities has asked how to “attract more private investment”. That framing has dominated urban finance discussions for two decades and has not produced the outcomes needed. The more productive question is: **what would it take to build partnerships that are capable of working in conditions of informality, at the scale and speed that African urbanisation demands?**

Four principles for productive partnerships are offered:

1. Partnerships must start with the problem, not the instrument. The failure of many partnership models in Africa is that they begin with a financing instrument — a PPP structure, a bond, a blended fund — and then look for projects to fit it. Productive partnerships invert this: they begin with a clearly defined urban challenge, map all the actors who have a stake in solving it, and then design the financing and governance arrangements around that. This requires convening capacity that sits outside any single sector — which is precisely the kind of role that forums like the AUF are positioned to play.

2. Community actors must be partners, not beneficiaries. One of the most consistent findings from productive urban partnerships — from SDI's work to participatory upgrading programmes in Namibia and the Mukuru special planning area in Nairobi — is that community organisations are not simply recipients of investment. They hold land knowledge, social capital, and implementation capacity that no external actor can replicate. Partnerships that position communities as co-investors and co-managers, rather than as target populations, consistently outperform those that do not. AUF delegates should discuss what governance structures make this possible — including community land trusts, co-production agreements, and community-controlled infrastructure funds.

3. DFIs must accept the transaction costs of complexity. Development finance institutions have made significant rhetorical commitments to reaching the poorest urban communities, but their operational models — which favour large transactions, standardised instruments, and low administrative overhead — systematically exclude the small, heterogeneous, incrementally developed projects that characterise informal settlement upgrading. Productive partnerships require DFIs to genuinely adapt their instruments, not just their language. This means smaller ticket sizes, longer time horizons, more flexible collateral requirements, and willingness to co-design instruments with city governments and community actors rather than presenting them as take-it-or-leave-it products.



4. National governments must work across departmental silos to create enabling environments, without centralising local activity. The partnership opportunity at the city level is frequently undermined by the failure of national governments to align their own functions. The African Union for Housing Finance, at its November 2025 conference, identified four concrete areas where national government action is decisive¹⁸: actively reducing the cost of capital, recognising that macro-economic conditions directly determine the viability of affordable housing investment; creating local mechanisms to manage foreign exchange risk, which currently prevents many African housing markets from safely accessing international capital; investing in the infrastructure, land administration, and urban governance that make productive land markets possible; and applying development controls efficiently and without delay, since in affordable housing — where margins are already thin — slow approvals, punitive regulation, and infrastructure failures translate directly into higher costs and diminished investor interest. The common thread is that national governments must make compliance fast, financing accessible, and investment conditions predictable. These are not technical adjustments; they are political choices about whose interests the regulatory system serves.

Advancing Socio-economic and Environmental Transformation towards the realization of Agenda 2063 through the pursuit of Adequate Housing for All

Africa's urban future is being built now. Not in the offices of ministries or in the boardrooms of development banks — but in the incremental decisions of millions of self-builders adding a room, micro-builders delivering small projects of 10-20 units at a time, landlords constructing a backyard unit, savings group members pooling funds for a plot, samsars brokering deals in the absence of a functioning registry. The energy is already present. The question before delegates at this Africa Urban Forum is how to harness it.

The three opportunities presented in this paper are facets of the same argument:

- 1. Informality is not a problem to be eliminated but a foundation to be built upon** — one that already houses, employs, and finances the majority of Africa's urban population, and which, with appropriate recognition, support, and investment, can do so with far greater security, dignity, and resilience.
- 2. The local is not a delivery mechanism for national policy but an irreplaceable site of governance in its own right** — the level at which the knowledge, relationships, and political conditions for reform actually exist.
- 3. And partnerships are not a substitute for the state but the means by which the state's necessarily limited capacity is multiplied** — when they are structured around the problem, when communities are genuine co-investors, and when the instruments are designed for the conditions in which people actually live.

Housing is the thread that connects all three. It is where informality is most visible and most consequential. It is the primary asset of low-income households and the primary vehicle through which they build economic security. It is the sector whose improvement most directly generates the employment, tax revenues, and productivity gains that underpin national growth objectives. And it is

¹⁸ See the Statement of Commitments made after the 41st Annual General Meeting of the AUHF held in Nairobi, Kenya, from 13-16 October 2025. <https://www.auhf.co.za/wp-content/uploads/2025/11/AUHF-2025-Nairobi-Statement-.pdf>



the domain where the gap between what people need, what markets are providing, and what policy supports is widest — and therefore where the opportunity for transformative alignment is greatest.

Agenda 2063's vision of "the Africa We Want" — prosperous, inclusive, and sustainable — cannot be realised through cities that treat their majority populations as obstacles to development rather than its agents. The delegates gathered at this forum represent the full range of actors needed to change that equation: national governments with the authority to reform enabling frameworks; city governments with the proximity to act; civil society and communities with the knowledge and legitimacy that neither state nor market alone can generate; private sector actors with capital and capacity; and international partners with the financing instruments that can bridge the gap between ambition and affordability.

The practical step from this forum is not a new policy framework. It is a shared commitment to pursue the three opportunities — of informal, of local, of partnerships — in the full recognition that they are, in the end, one opportunity: to build African cities that work for everyone who lives in them.

From Opportunity to Action: A Framework for Decision-Makers

Recognising informality as an opportunity rather than a problem requires more than a change in language. It requires a deliberate realignment of policy, regulation, and institutional behaviour around the realities of how the majority of African households actually build, transact, finance, and inhabit their cities. The following framework sets out what this could mean in practice for decision-makers at national and city level.

1. Reframe the policy objective

The starting point is a shift in what housing policy is trying to achieve. Policies oriented toward eradicating informality — through demolition, relocation, or the imposition of formal standards that the majority cannot meet — have consistently failed and often caused harm. The alternative is a policy objective oriented toward *progressive improvement*: supporting incremental upgrading of what exists, extending security of tenure as a foundation for household investment, and building the connections between informal housing processes and formal support systems that allow quality and resilience to improve over time. This reframing must happen at the national level, where the legal and regulatory architecture is set, and must be operationalised at the city level, where the conditions are specific enough to act upon.

2. Reform land and tenure systems

Secure tenure is a critical enabling condition for household investment in housing. Without it, self-builders have limited incentive to invest in quality or resilience as any improvement may be lost to eviction or demolition. National governments must consider their options for recognising tenure that provides security that enables investment. Key to this is the use of land policies and zoning mechanisms (such as the special planning areas in Kenya) as a way to guarantee security of tenure, while also recognising the social function of land as per the New Urban Agenda. City governments, together with local community representatives can have a significant impact simply by documenting land relations as they are understood by residents themselves. This becomes the data infrastructure that more formal land administration systems can eventually build upon.



3. Align building codes and standards with self-build reality

Current building codes in most African countries are inherited, and designed for formal construction by registered contractors. They bear little relationship to the materials, tools, skills, and incremental processes through which the majority of urban housing is actually built. Reforming codes to acknowledge incremental construction, to specify standards for the most common locally available materials, and to create a simplified compliance pathway for small-scale builders would both improve housing quality and reduce the legal ambiguity that keeps self-built housing outside the policy framework. This does not mean lowering safety standards — it means setting standards that are achievable and that can be progressively upgraded, rather than standards that are simply ignored because they are unattainable.

4. Extend financial instruments and cover the gap with well-designed financial supports

The financing gap in African housing is not primarily a gap in the supply of capital — it is a gap in the instruments that connect available capital to the households and small-scale builders who need it. For the private sector, this translates into opportunities to expand housing microfinance and home improvement lending products, particularly through microfinance institutions and savings cooperatives already embedded in local communities; to develop rental housing finance products that recognise the household landlord as a legitimate borrower and the rental income stream as a bankable asset; and to create first-loss guarantee mechanisms and blended finance structures that reduce the risk premium on lending to informal sector borrowers. Each of these products also requires regulatory reform — to allow microfinance institutions to offer longer-tenor products, to enable rental income verification, and to create the guarantee instruments that DFIs and governments can deploy. In many cases, however, innovation in financial inclusion will be insufficient. Only a small minority of urban Africans can afford to make housing investments on their own — some form of external financial support will be needed. Governments need to address this reality very carefully to ensure they are targeting their interventions where and when and to the degree they are needed and can be best leveraged, rather than simply subsidising market inefficiencies. Subsidy design demands a focused and balanced approach.

5. Formalise pathways for informal market actors

Informal estate agents, small-scale landlords, and informal builders are currently operating outside the institutional framework that governs their sector — not by choice, but because that framework offers them no viable entry point. Recognising this capacity and the reality of its activity, inclusion would involve providing simple, low-cost registration frameworks for informal brokers and small landlords; professional development pathways that build skills and legitimacy without imposing prohibitive compliance costs; and the integration of informal market actors into the data systems — transaction records, rental price indices, construction cost databases — that city governments need to plan and regulate effectively. Where informal actors are already operating at scale, bringing them progressively into a formal institutional relationship is both more realistic and more productive than attempting to replace them.

6. Build municipal capacity as a national priority

Building local institutional capability — in planning, land administration, revenue collection, and financial management — should be treated as a national investment into sustainable human settlements. This means fiscal transfers that are adequate, predictable, and tied to capacity-building outcomes rather than political cycles; legal frameworks that give city governments the authority to



borrow, to enter contracts with community organisations, and to retain a share of the land value their investments create; and sustained investment in the technical and human resources that municipal governments need to engage productively with informal markets.

7. Create the institutional spaces for reform coalitions to form

Policy reform happens through sustained political effort by coalitions of actors who share a diagnosis and commit to changing the conditions that perpetuate the problem. National and city governments should actively create and protect the institutional spaces — participatory planning processes, multi-stakeholder urban forums, community co-production frameworks — in which these coalitions can form and operate. This includes legally recognising community organisations as legitimate partners in urban governance, funding the civil society and research actors who provide the independent knowledge base that reform coalitions depend on, and designing programmes that are accountable to communities rather than only to donors or national ministries.

As delegates enter into the debates at the Africa Urban Forum, let this assertion kick off the discussion: the informal housing sector is already working — imperfectly, inefficiently, and under conditions of unnecessary legal precarity — but working nonetheless. The task for decision-makers is not to condemn and replace it, but to remove the obstacles that prevent it from achieving the outcomes that would align with “the Africa We Want”, and to extend the support systems that allow its inherent energy and resourcefulness to generate more durable, more equitable, and more resilient outcomes.

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