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WAPPP

From Finance to Delivery: National Infrastructure Financing Institutions and Affordable Housing Delivery

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WAPPP is conducting a year-long study of how national infrastructure financing institutions (NIFIs) could enhance the implementation of public-private partnership projects. Social and affordable housing are key social sector infrastructure undertakings. WAPPP held a webinar on 11 June 2026 with representatives from the Housing and Urban Development Corporation (HUDCO, India), the Housing Development Administration of Türkiye (TOKİ), and the Centre for Affordable Housing Finance in Africa (CAHF) to examine how housing-focused financing institutions mobilise long-term capital, structure land and viability gap instruments, and build institutional capacity to deliver affordable housing at scale. The discussion highlighted a range of approaches already in use, including long-term domestic borrowing, public land as a financing instrument, reform-linked viability gap support, consolidated institutional authority, and aggregation mechanisms suited to both large developers and small-scale builders. It became clear from that discussion, however, that more work needs to be done to explore a greater use of PPP models by NIFIs in the financing and delivery of affordable housing.

1. Housing at the Intersection of Finance and Delivery

Affordable housing sits at an unusual intersection in infrastructure finance: the asset must last for decades, while its cost must remain within what target households can afford. Projects require patient capital, suitable land, infrastructure, project preparation capacity, effective delivery institutions and households able to purchase or rent the completed units. Failure at any point in this chain can make housing unfinanceable, unaffordable or unsuitable for the intended population.

Traditional housing-finance institutions have often concentrated on mortgage provision. Mortgages remain important, but they do not resolve the supply-side constraints that prevent affordable housing from being delivered at scale. Housing-focused institutions increasingly need to connect finance with land, project preparation, public support, private-sector participation and long-term asset management.

This brief sets out the approaches those institutions described, spanning long-term capital, land, viability gap support, and institutional design as a basis for the closer examination of PPP applicability referenced above.

> ***“Mortgages alone do not deliver affordable housing at scale; institutions must connect finance to the full delivery chain.”***

2. Constraints to Affordable Housing Delivery

Tenor and currency mismatch

Affordable housing requires long-term finance, often over 15 to 30 years, while commercial lenders in many markets provide substantially shorter maturities. This mismatch increases refinancing risk and raises the repayment burden on projects and households. Where institutions turn to international

Land, servicing and project viability

High land costs can make projects unviable in major cities. Housing requires serviced and well-located land connected to roads, water, sanitation, public transport and employment. Developments have been delivered without roads, leaving units unreachable and capital markets, they take on currency risk that domestic borrowing does not carry.

unsellable. Public land can reduce immediate cost but requires transparent valuation, allocation and oversight.

Household affordability and offtake

Reducing land or construction cost does not automatically make housing affordable. Lower-income households, informal workers and households with irregular earnings may be unable to qualify for conventional mortgages. Supply-side finance must be matched with realistic demand assessment and suitable tenure arrangements, including rental, rent-to-own and progressive ownership models.

Data and risk-perception gaps

Limited information on lower-income households, informal earnings, rental performance, small developers and housing-asset quality makes risk difficult to assess. Investors may respond by applying risk premiums that push financing costs beyond affordable levels, even where the underlying risk is smaller than perceived.

Narrow or fragmented institutional mandates

Housing delivery spans land assembly, planning, infrastructure servicing, construction, finance, beneficiary allocation, sales or rental management and long-term maintenance. A break at any single link can leave the entire pipeline unfinanceable. A housing bank may provide mortgages without addressing supply; a delivery agency may build units without a viable offtake mechanism.

Large capital pools and small transaction sizes

Pension funds, insurers and other institutional investors generally seek transactions of sufficient size and standardisation. Many affordable-housing developers, landlords and micro-builders operate through relatively small projects. Without specialised intermediaries and aggregation mechanisms, large pools of capital cannot efficiently reach these smaller opportunities.

3. Mobilising Long-Term Capital

Long-tenor capital: borrowing long to lend long

HUDCO (Housing and Urban Development Corporation, India) borrows from domestic pension and insurance funds at tenors of twenty to twenty-five years and on-lends at equivalent maturities to housing boards, development authorities, and municipalities, allowing implementing agencies to offer affordable repayment periods without exposing themselves to asset-liability mismatches that commercial banks cannot absorb. It has extended its funding base to international commercial capital markets, including yen-denominated borrowing from Japanese banks, showing how institutional credibility and balance-sheet strength can support access to international commercial capital.

Aggregation and market development

Where capital markets are thin and housing activity is fragmented, aggregation appears to be the missing mechanism. In South Africa, and more recently Kenya, International Housing Solutions has deployed capital from long-term investors as equity into housing developers, building their capacity to receive debt and channelling large-scale funding down to individual projects that would otherwise be too small to attract institutional capital on their own. A parallel logic applies to affordable rental housing, where assessing risk at the level of a portfolio of units, rather than per tenant, makes the asset class legible to investors who cannot engage with individual small transactions.

Aggregation can also work from the bottom up. Trust for Urban Housing Finance (TUHF), a commercial lender financing small-scale landlords and micro-builders to convert or extend properties for backyard and inner-city rental units, has shown that scale can be reached through many small transactions rather than a single large one. This model depends on municipal governance keeping pace: Cape Town's formal recognition of micro-builders as an official delivery category allowed the city to regulate and support a segment of supply it had previously been unable to see and made it possible for lenders such as TUHF to demonstrate sufficient aggregate demand to their own investors.

> ***"Aggregation turns fragmented, small-scale housing activity into an asset class institutional capital can recognise."***

4. Making Projects Viable: Land, Subsidies, and Blended Finance

Public land as a strategic resource

TOKİ's (Housing Development Administration, Türkiye) experience suggests that treating public land as a financing instrument rather than a fiscal asset can change the economics of social housing: where institutions have access to publicly owned land, affordability has improved significantly and the quantum of debt finance required has fallen.

TOKİ uses government land for social housing without charging the land-acquisition cost to the project and channels revenues from commercially attractive public land, developed through private partners under guaranteed minimum revenue arrangements, back into social housing production without drawing on the government budget. TOKİ retains control of land title and project revenues until contractual obligations are met, preserving public control over outcomes while distributing development risk to the private sector.

> *Since 2003, TOKİ has delivered approximately 1.7M affordable residential units. Following the 2023 Kahramanmaraş earthquakes, it delivered a further 350,000 units across the affected zone.*

India has pursued in-situ slum rehabilitation in dense urban areas, using vertical densification to house existing residents while monetizing surplus land commercially. High-density affordable housing above metro stations represents a further approach, combining land efficiency with mobility access for lower-income households.

Viability gap and reform-linked finance

India's experience with structured viability gap support suggests it works best when it requires cities and municipalities to prepare bankable projects rather than depend on grants. India's Urban Challenge Fund, supporting tier-two and tier-three cities, provides central and state government support of twenty-five percent each, with the remaining fifty percent financed through municipal bonds or private investment under PPP frameworks. The reform-oriented design builds municipal capacity while mobilising private capital and has generated a substantial pipeline of identified projects across six states within months of launch.

HUDCO supports municipalities within this framework as a development partner, combining project formulation, financial structuring, technical design, and escrow management alongside capital provision.

Blended finance and risk-adjusted capital

The discussion pointed to blended finance as a matter of bringing together investors with different mandates and different tolerances for risk. Where risk premiums reflect a genuine lack of information about target households, informal earnings or asset performance, rather than a real probability of loss, investors willing to accept a lower return in exchange for better information, or willing to absorb first-loss risk as a matter of mandate, can unlock financing that purely commercial capital would price out.

Affordable rental housing in South Africa was, for a period, overlooked by investors despite strong underlying demand, in part because they misjudged both the ability of lower-income households to pay rent reliably and the effect of assessing risk at the level of a managed portfolio rather than an individual tenant. Once that portfolio-level view was demonstrated, institutional landlords were able to attract investment that had previously been unavailable to the sector.

> ***"Blended finance works when it corrects for missing information, not when it substitutes for missing returns."***

Offtake and demand-side access

Supply-side finance alone does not deliver housing. Rental, rent-to-own, and portfolio-based rental management extend access to households that mortgage finance cannot reach, and allow risk to be assessed across a portfolio rather than per tenant, making the asset class more accessible to institutional investors.

Structuring rental housing as a public-private partnership raises a distinct set of contractual questions. Because the private sector has no inherent commitment to housing as a sector and can redirect capital elsewhere, government needs to make participation attractive primarily through the levers already within its authority, including building regulations, land-use rules and approval processes, rather than through subsidy alone. Where remuneration is linked to performance against affordability and maintenance targets, and where instruments such as availability payments or targeted subsidies close the gap between affordable rents and full costs, private operators can be kept aligned with the public interest in keeping a facility affordable and well maintained, rather than simply collecting rent.

Not every institutional model is suited to this approach. Where sales revenue is the primary route to financing construction, as is the case for guarantee-based public land programmes, rental structures are difficult to sustain because contractors depend on unit sales rather than a rental income stream to recover their costs.

Sales-based and rental-based approaches therefore call for different institutional and contractual architecture, and the choice depends as much on how construction is financed as on housing policy objectives.

5. Building Institutional Capacity

From lender to development partner

HUDCO's experience suggests that housing finance institutions combining capital with engineering, planning and financial structuring are better placed to support project delivery than institutions limited to lending. HUDCO, a techno-financial institution, combines lending with engineering, planning, architectural, legal and financial expertise. This enables it to formulate projects with municipalities, advise on design standards, structure financing and oversee implementation throughout the project life cycle. This extends to ensuring that public assets remain in use after delivery: without ongoing maintenance obligations, completed infrastructure, such as shared facilities or public amenities within a housing project, can fall into disuse and be abandoned by the community it was built to serve, undermining the return on the original investment.

Consolidated authority and political backing

Fragmented responsibility across agencies tends to create coordination failures that project finance alone struggles to overcome. Consolidating land, planning, finance and delivery authority within one institution and securing political commitment at the highest levels can reduce fragmentation and support delivery at scale.

TOKİ holds zoning authority, land assembly powers, procurement, and revenue management within a single entity, and has operated with consistent political backing since 2003.

TOKİ's model suggests consolidating authority within one institution can help address coordination failure at the national level, but a parallel governance gap often exists at the municipal level, where responsibility for building regulations, land use and approvals is held. Governments frequently possess the regulatory levers needed to make private-sector participation easier or harder, and are often reluctant to apply them decisively. Building the capacity of municipal government to administer the development process, and to use its own regulatory authority deliberately in support of delivery, is as important as consolidating authority at the national level.

Data and market development

Without reliable information on housing market performance, repayment behaviour, and asset risk, investors are less able to price risk accurately and capital is less likely to flow at the required scale. Building housing market data infrastructure, through consistent performance reporting and portfolio-level assessment, is an institutional function in its own right, and one that housing-sector research bodies perform across African markets.

> ***"Institutional capacity is not only what an institution can build; it is what it can require, coordinate and sustain after delivery."***

6. Policy Directions for Governments

1. Public land as a strategic financing instrument
Treat public land as a strategic financing instrument, deployed through housing-focused institutions with the authority to assemble, develop, and recover its value.

2. Viability gap instruments crowding in private capital
Design viability gap instruments that require cities and municipalities to prepare bankable projects rather than depend on grants, and that crowd in private and municipal capital.

3. Blended finance to correct information gaps
Use blended finance deliberately to correct for information gaps rather than to substitute for missing returns, and invest in market data needed to demonstrate genuine portfolio-level risk.

4. Aggregation at both ends of the market
Build aggregation mechanisms at both ends of the market: institutions that channel large pools of capital into smaller projects, and formal recognition of small-scale stakeholders so that bottom-up delivery becomes investable at scale.

5. Consolidated authority and municipal capacity
Consolidate land, planning, subsidy, and finance authority within one institution where feasible, and build municipal capacity to apply existing regulatory levers deliberately in support of delivery.

6. Mandates extended to development partnership
Extend institutional mandates from lending to development partnership, combining capital with technical, financial and maintenance capacity.

7. Post-delivery affordability and asset quality
Preserve affordability and asset quality after delivery through maintenance obligations, escrow arrangements, and long-term management contracts.

8. Political commitment at the highest levels
Secure political commitment at the highest levels, including commitment to unlocking public land and maintaining policy stability across cycles.

9. Rental PPPs linked to performance outcomes
Where rental models are pursued, link private-sector remuneration to affordability and performance outcomes and match the contractual structure to how construction is financed.

7. Conclusion

Affordable housing tests National Infrastructure Financing Institutions more severely than most other infrastructure sectors, because viability depends simultaneously on land, long-term finance, institutional coordination and household affordability, with little room for weakness in any single link. The institutions examined in this brief show that housing-focused financing institutions can move beyond mortgage provision to underwrite delivery directly: by treating land as a financing instrument, using blended finance to correct for informational gaps, building aggregation mechanisms that reach both large developers and micro-builders, and consolidating authority and political backing behind delivery.

None of these approaches is transferable wholesale; each reflects a particular fiscal, legal and market context. What appears transferable, based on the experience examined here, is the underlying discipline: institutions that connect finance to the full delivery chain, rather than to any single link within it, appear better placed to deliver affordable housing at scale.