



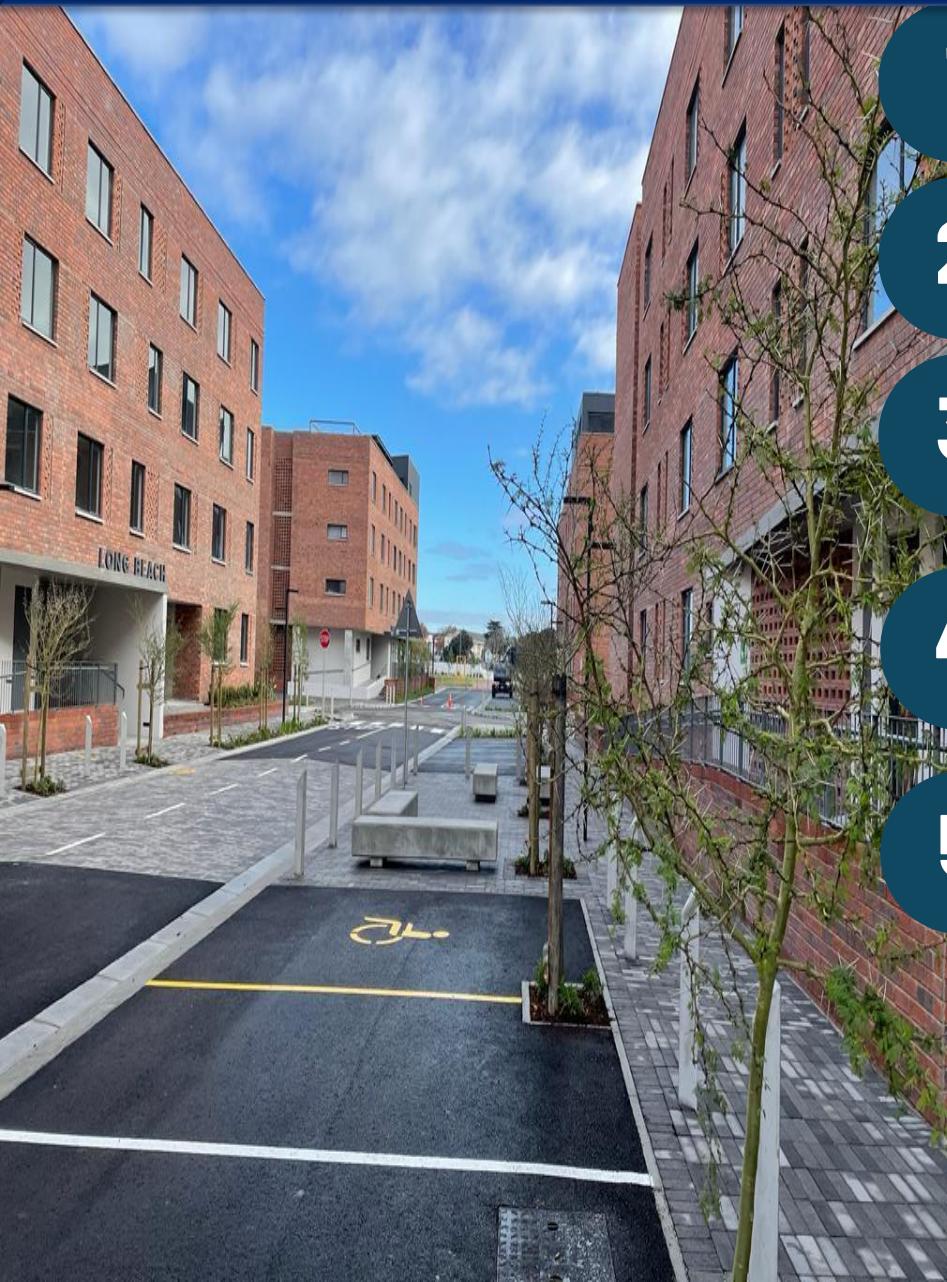
## IBT SUMMIT

**Funding Opportunities to Support  
Systems Owners to Facilitate  
Affordable Housing to Enable  
Effective Implementation of IBTs**

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FINANCIER | FACILITATOR | INNOVATOR

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# ABOUT US



**The National Housing Finance Corporation SOC Ltd (NHFC) is a Schedule 3A Public Entity**

**Target Market**

- **End user:** Households with monthly Income between **R800 and R22 000**
- **Target Market: Developers, Contractors, SHIs, ODAs**

**Product Offering:** Provides innovative finance solutions in the affordable housing market specifically

**Pre-2018 – 3 Human Settlements DFIs**

- Effective from **1 October 2018**, the Rural Housing Loan Fund NPC (**RHLF**) and the National Urban Reconstruction and Housing Agency NPC (**NURCHA**) merged into the **NHFC**

- Merger was a crucial step** towards establishing the Human Settlements Development Bank (**HSDB**)

# LENDING PRODUCTS



## SOCIAL HOUSING FINANCE

Provide Finance to SHRA accredited developments for subsidised rental accommodation



## PRIVATE RENTAL FINANCE

Provide Finance to **develop or refurbish** affordable privately-owned rental accommodation (un-subsidized)



## BRIDGING AFFORDABLE FINANCE

Provide Bridging finance for **developers** in the affordable housing market **(building to sell units and serviced stands)**



## BRIDGING SUBSIDY FINANCE

Provide **Revolving Finance** for contractors appointed to Build BNG Housing (Certificate Lending)



## INCREMENTAL HOUSING FINANCE

Provide Finance to **non-banking intermediaries** who on-lend to homeowners, for incremental housing improvements

# OTHER ACTIVITIES



## STRATEGIC INVESTMENTS

Invest in and provide finance to **private investors, developers, housing development agencies and fund managers** to leverage private sector and create affordable housing stock.



## STRATEGIC PARTNERSHIPS & PROGRAMME MANAGEMENT

Provide Finance to forge **strategic partnerships to further the mandate of the NHFC** and provide **Programme Management and Project Implementation Services** to local authorities



**Implementing agent for First Home Finance nationally. The Programme enables qualifying beneficiaries to reduce the initial home loan amount or augment the shortfalls—**

# PROBLEM STATEMENT

What are the Funding Opportunities that enable effective implementation of IBTs in Affordable Housing?



**Explore practical** approaches and mitigants to address Risks that make IBT financing more attractive to **financiers**

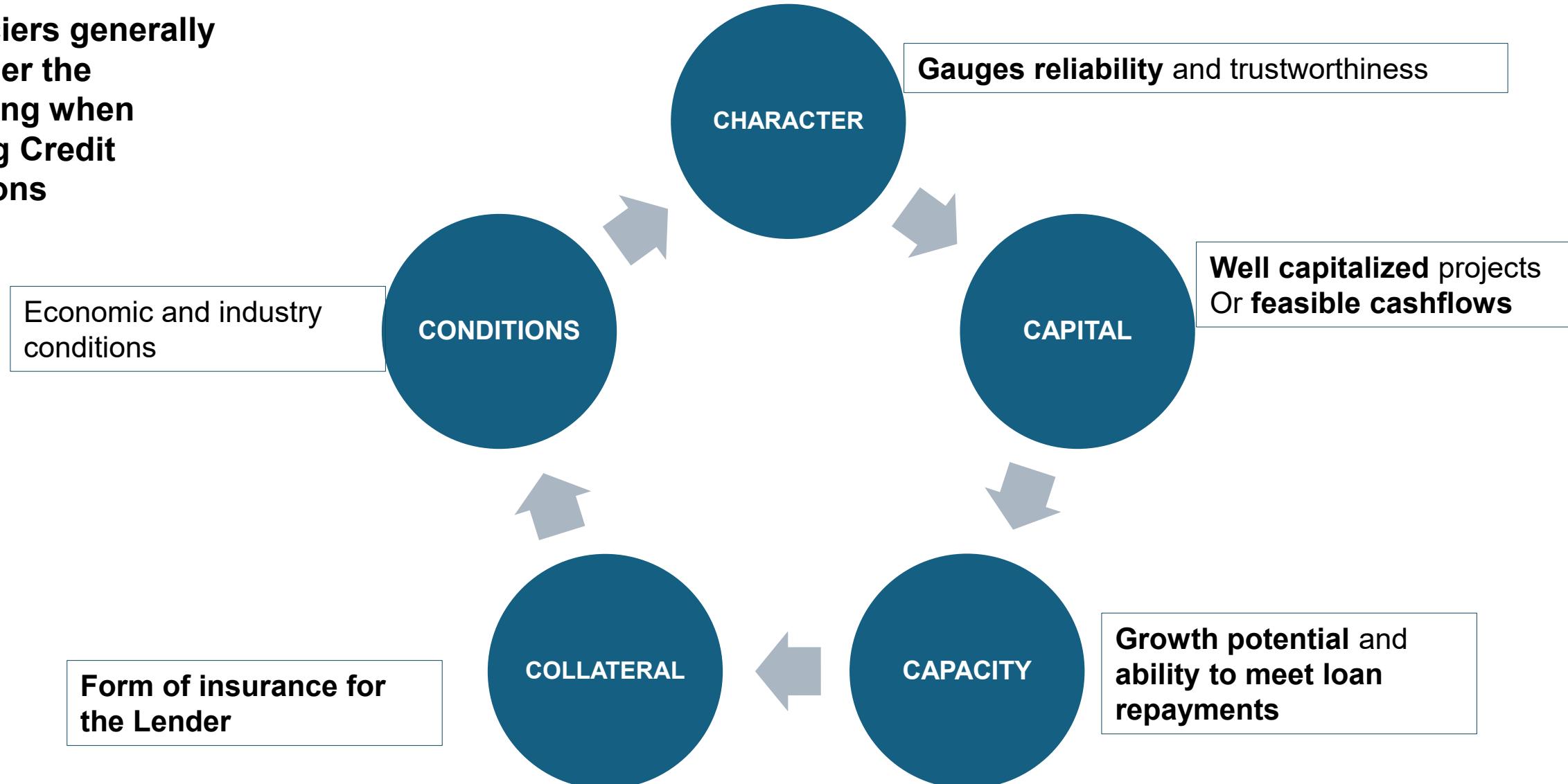


**Explore** the various **financing mechanisms** utilised in various African Countries

# COMMON RISKS AND MITIGANTS

# CREDIT ELEMENTS

Financiers generally consider the following when making Credit decisions



# FINANCING RISKS AND MITIGANTS

Common risks associated with new technologies and IBTs specifically – This Slide addresses some practical mitigants expected by Funders which create funding opportunities

## Risks

vs

## Mitigants

High upfront Capital Costs for IBTs

01

01

Bulk procurement of IBT units.

Reduces per-unit costs **through scale** and Lowers initial capex hurdle without compromising long-term affordability

Perceived Technology Risk

02

02

Blended Capital Structures with First

Loss Facilities where technology risk is absorbed by junior or concessional tranches (Junior, Mezz, Donor, Concessionary Capital and Equity)

Execution Risk

03

03

Value Proposition of IBTs - Cost

Reduction, Speed to Market, Energy efficiency and life cycle costs

Limited Developer Balance Sheet

04

04

SPVs – Ring fencing Projects from

developer balance sheets, enabling off-balance-sheet financing.

# FINANCING RISKS AND MITIGANTS

Common risks associated with new technologies and IBTs specifically – This Slide addresses some of the mitigants expected by Funders

## Risks

vs

## Mitigants

Operations and Maintenance risk, undermining performance

05

05

Maintenance reserve accounts, as well as **embedded O&M contracts** with system providers

Residual Value and Asset Liquidity Risk (Uncertainty about re-sale value)

06

06

**Standardised valuation methodologies** for IBT assets to create predictable exit pathways for Lenders

Insurance & Warranty Risk (premiums prohibitively high)

07

07

Manufacturer-backed performance warranties

Cost Overrun & Learning Curve Risk

08

08

**Fixed-price contracts** and sufficient contingency allowances

# EXPLORING VARIOUS FINANCING MECHANISMS IN AFRICA THAT CREATE OPPORTUNITIES

# FUNDING OPPORTUNITIES – COMMON MECHANISMS



**CREDIT  
GUARANTEES**



**MATERIAL LINKED  
FINANCE**



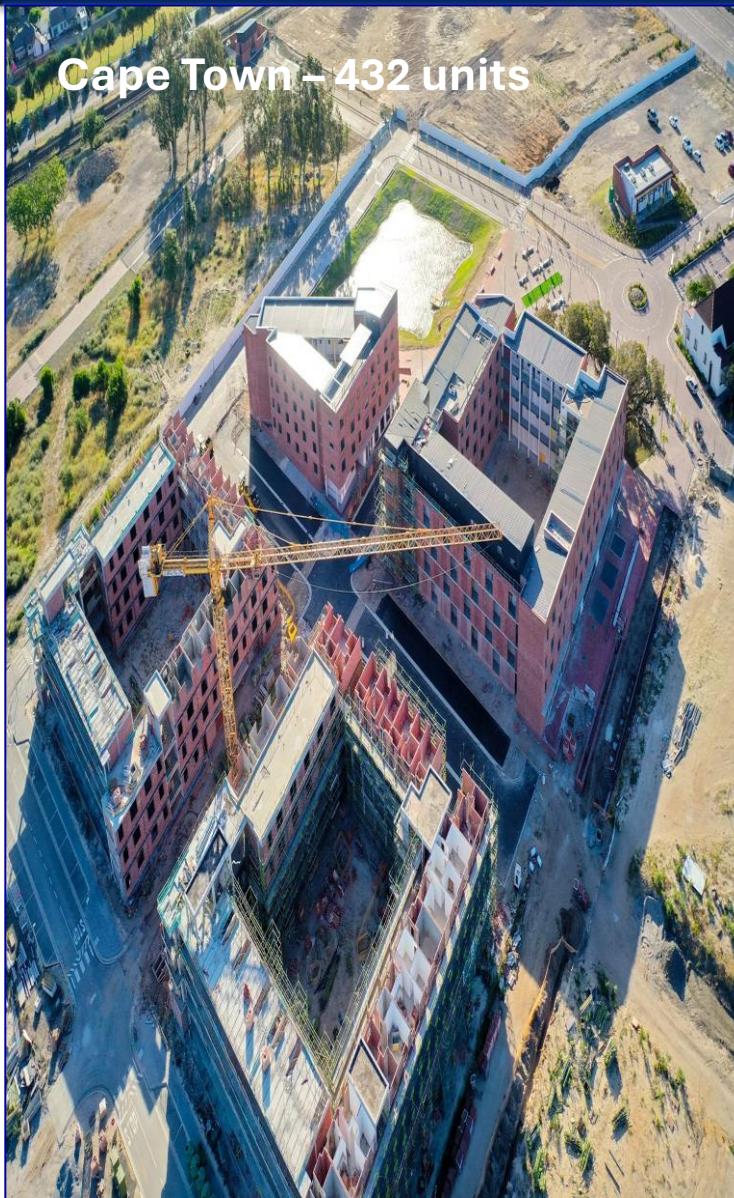
**PPP BLENDED  
FINANCE**



**GREEN/CLIMATE  
FINANCING**

# GUARANTEES

Cape Town – 432 units



## CREDIT GUARANTEES – INFRA-CREDIT GUARANTEE (NIGERIA)

### What?

- **A risk-sharing instrument** where a third party agrees to **cover part (or all) of a borrower's repayment obligation if they default**

### How is the Mechanism utilized?

- A **credit guarantee facility** *reduces financing risk* for developers building affordable housing with IBTs
- Developers borrow construction debt and pay market rates, but a guarantee from InfraCredit backs the debt

### Why?

- Guarantees **reduce lender's hesitation** to finance projects using innovative materials because the credit risk is mitigated, therefore **bridging the “first loss” gap** that often blocks the IBT adoption

# MATERIAL LINKED FINANCE



## BLOCK BANKING – THE GAMBIA

### What?

- **Linked financing model** where material production and housing finance are integrated. Lenders advance credit tied to innovative material manufacturing which directly supports construction costs

### How is the Mechanism utilized?

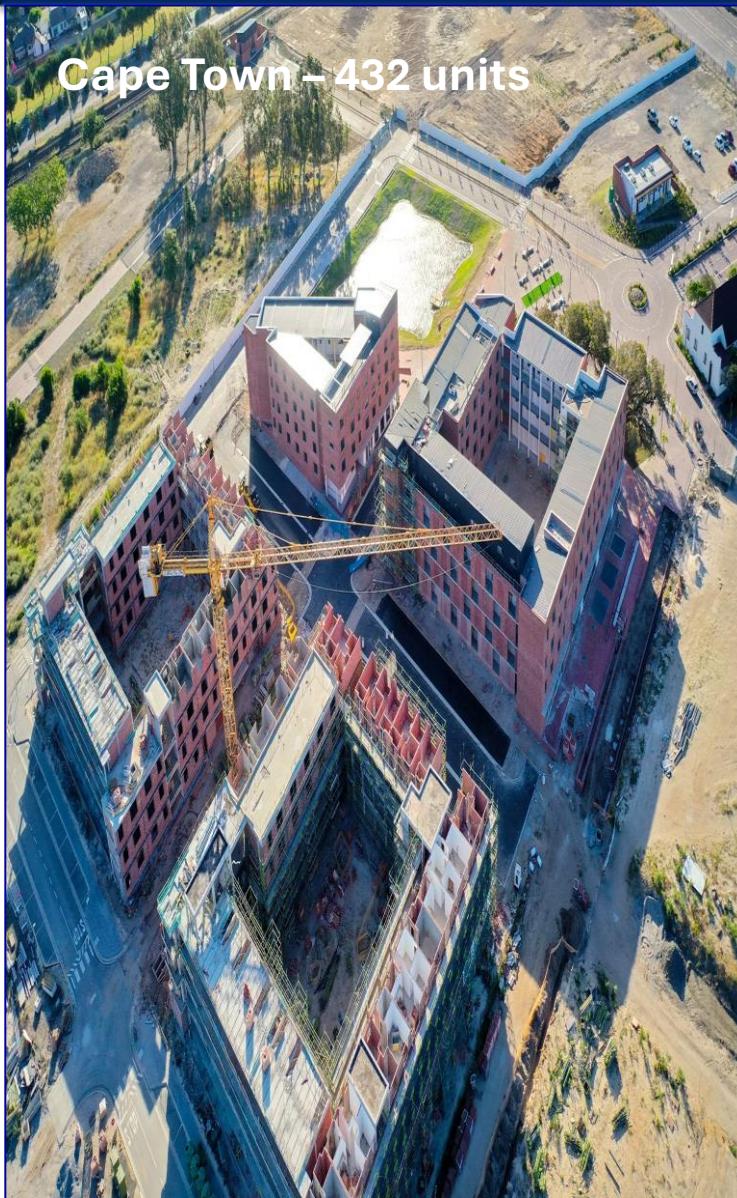
- **Local producers** of innovative materials participate in finance schemes where material inventory is financed by the same financier as the developer.

### Why?

- This reduces the **working capital constraint** for developers using cost-effective or alternative materials

# GREEN FINANCING

Cape Town – 432 units



## IFC LINKED GREEN FINANCING- SOUTH AFRICA (COMMERCIAL BANKS)

### What?

- **IFC partners** with commercial banks and DFIs and, although **focused on green construction**, inherently support *developers using IBTs* because IBTs overlap with sustainable, resource-efficient building methods.

### How is the Mechanism utilized?

- **Senior Debts** supported by **Performance-Based Incentive (PBI)**. Disbursing funding based on achievement of **predefined metrics** such as **energy efficient materials, water saving, or resource efficient material**

### Why?

Makes it **cheaper for developers** to adopt IBTs like energy-saving materials and efficient design.

# PPP – BLENDED FINANCE

Limpopo – 95 units



BLENDED FINANCE - IDA/IFC/UEMOA BLENDED FINANCE – WEST AFRICA

## What?

- **Public-Private and Blended Finance PPP Windows**

## How is the Mechanism utilized?

- **Includes Donor funding + DFI** blended finance windows which combine **concessional capital + guarantees + commercial funding** to derisk investments in affordable housing (including IBT applications)

## Why?

- **Provides concessional funds which improve risk–return profiles, and risk sharing** with private investors encourage commercial bank participation.

# THANK YOU