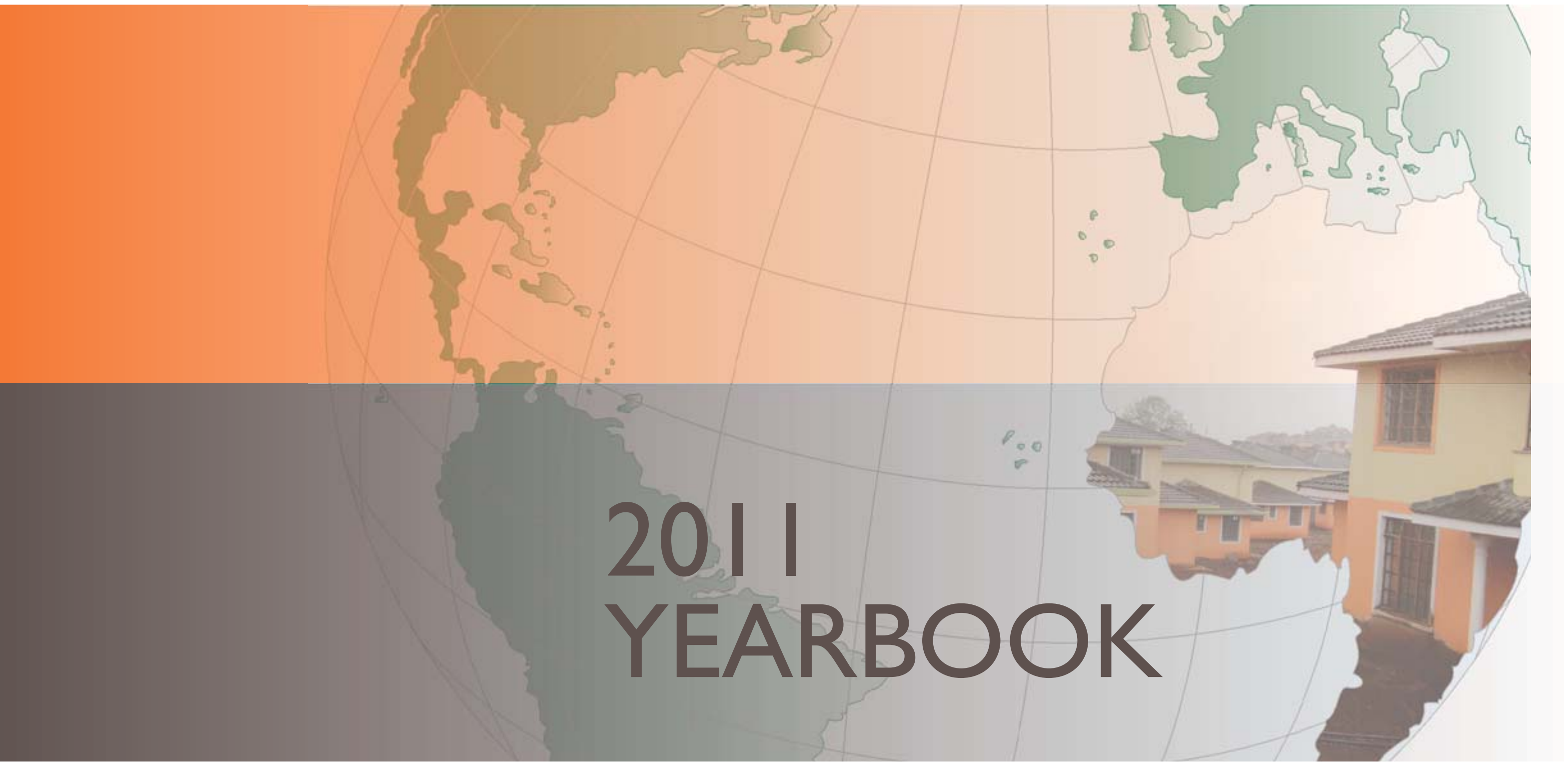
Centre for Affordable Housing Finance in Africa
A DIVISION OF FINMARK TRUST



2011 YEARBOOK

HOUSING FINANCE IN AFRICA

A review of some of Africa's housing finance markets

September 2011

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Centre for Affordable Housing Finance in Africa
a division of the FinMark Trust

FINMARK TRUST
Making financial markets work for the poor

Africa is booming. Construction cranes in Lusaka, Accra, and Nairobi, traffic jams in Dar es Salaam and virtually every other city, the streets are packed with vendors, and roadside shops sell furniture, building materials, intricately carved doors. There's a sense of activity and bustle. Piles of bricks are everywhere, and everywhere people are building. With the **highest urbanization rates in the world,** people are moving in every day, contributing to the economy, looking for a place to work, and a place to stay. The activity highlights the opportunities and challenges in investing in this dynamic continent.

Still reeling from the past two years, investors are faced with lackluster opportunities in Europe, North America, even East Asia. **Africa is attractive.** Nine countries in Sub-Saharan Africa have a **GDP growth of over 7 per cent** (the rate needed to double an economy in ten years); and just over half are expected to grow at above 5 per cent a year.

The African population is **a new market,** with unexplored opportunities and new demand to consume everything from financial services, to beverages, appliances, cars and houses. The economic rationale for investing in Africa is shifting from an emphasis on taking *out*, to an emphasis on selling *to*.

In some countries, economic policy is explicitly shifting in favour of this approach, and governments are **investing in infrastructure** in an effort to attract private investment. **Financial services and credit access** is growing.

The **middle class is growing:** more than a third of the population earns enough to have something to spend, but not so much that it will travel elsewhere to buy it. This is the new dimension to the picture that investors are beginning to appreciate.

Within this new awareness, a key area of attention must be **the housing of this growing population.** Developers face challenges, including: the complexity of the development process, access to finance, and infrastructure. With these and other difficulties, Africa's mortgage market is tiny. There is certainly **room for growth.**

Affordability is a critical challenge, and current markets are structured to deliver **housing that is too expensive for the population.** A new house delivered is not necessarily an end product, however. The use of microloans for housing is becoming prevalent, and an **incremental housing** process that proceeds in line with a household's affordability becomes possible.

A key area for innovation involves stepping beyond the narrow silos of housing finance and housing construction, and finding the link between the two in such a way that promotes incremental processes that are affordable to lower income earners. The **potential for scale** is substantial, and the investment in innovative approaches at this stage will translate into exponential growth in the future.

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The Centre for Affordable Housing Finance in Africa (CAHF) is the housing finance division of the FinMark Trust, a non-profit trust with a mission of 'making financial markets work for the poor'. The vision of CAHF is to be a primary source of information and debate relating to affordable housing finance in Africa, with a special focus on the SADC region. Our work covers three main areas: understanding the housing asset, innovation in housing finance, and monitoring housing sector performance. As a way to promote housing finance sector development in Africa, CAHF regularly commissions research studies; hosts forums; strategy and discussion sessions and workshops; and participates in local and international conferences and debates on housing finance. As a result, the Centre has become a credible source of information, thought leadership, and a point of contact for housing finance practitioners in both the public, private and NGO sectors, including private companies, donor agencies, policy makers and other stakeholders across the African continent.

Making financial markets work for the poor

FinMark Trust is a non-profit independent trust, funded primarily by the UK's Department for International Development (DFID), and established in March 2002. FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. It does this by conducting research to identify the systemic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of research findings. Thus, FinMark Trust plays a catalytic role, driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers. www.finmark.org.za

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The report has drawn extensively on the CAHF's housing sector studies, as well as on local reporting in the press. Errors of omission or interpretation remain, however, with the authors.

Layout and production: June Viljoen Print Consultancy cc
Photos: Kecia Rust, IHS and stock images

Contents

About this publication

This is the second edition of the Housing Finance in Africa yearbook. Since last year, we have added 14 profiles, updated the existing 15, and sought out new data sources. We have been monitoring the news so that this yearbook reflects the mood and temperature of housing finance markets on the African continent in 2011.

The Yearbook is intended to provide housing finance practitioners, investors, researchers and government officials with a current update of practice and developments in housing finance in Africa, reflecting the dynamic change and growth evident in the market. It is hoped that this yearbook will also highlight the opportunities available for new initiatives, and help practitioners find one another as they strive to participate in the sector. While the general aim of the yearbook is to offer a broad overview of housing finance and housing development in Africa, special emphasis is placed on the key challenge of housing affordability, and the critical need for housing products and finance that are explicitly targeted at the income profiles of the majority.

This has been a desktop study. Using the CAHF's housing finance sector studies as baseline material, further information on more recent developments was accessed from media reports, journal articles and practitioner websites. In some cases, material was shared with in-country practitioners. Of course, the yearbook is not comprehensive, neither in the scope of countries covered nor the data provided. It is intended as an introduction, with the hopes that the detail provided will whet the appetite for more. The CAHF invites readers to provide comment and share their experiences on what they are doing in housing finance in Africa.

C A
H F

Abbreviations

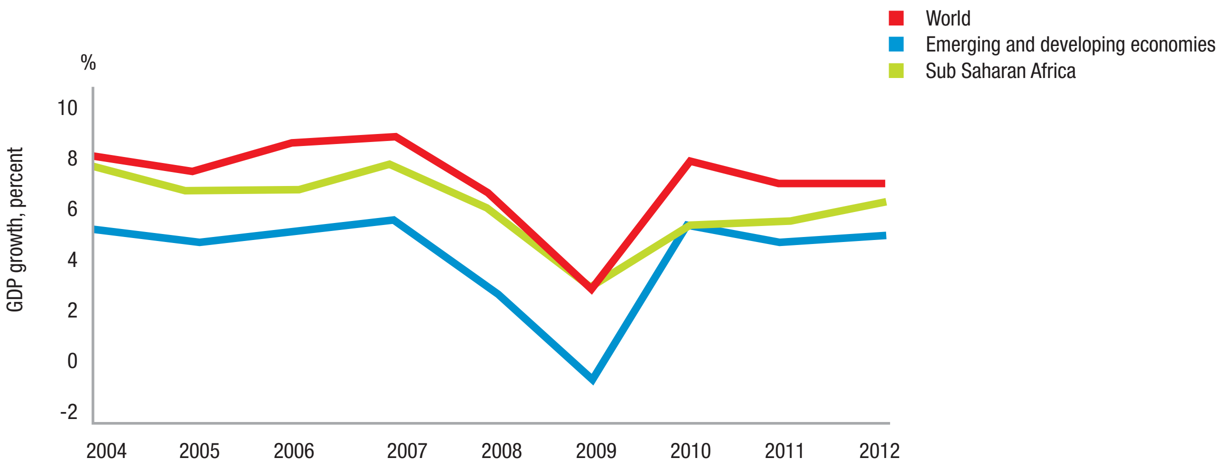
AFD	Agence Française Development
AfDB	African Development Bank
BBS	Botswana Building Society
BCR	Bank Commerciale du Rwanda
BK	Banque de Kigali, Rwanda
BHC	Botswana Housing Corporation
BHR	Banque Housing du Rwanda
BOAD	West African Development Bank
BRD	Banque Rwandaise de Developpement (Rwanda Development Bank)
CABS	Central African Building Society, Zimbabwe
CBB	Construction and Business Bank, Ethiopia
CCODE	Centre for Community Organisation and Development, Malawi
CDN	Credit du Niger
CFA	Communauté Financière Africaine (Currency in West Africa)
CGAP	Consultative Group to Assist the Poor
COMESA	Common Market for Eastern and Southern Africa
CPIA	Country Performance and Institutional Assessment, World Bank
DUAT	Direito de Uso de Aproveitamento da Terra (Right to use and benefit from land) Mozambique
DFI	Development Finance Institution
ECOWAS	Economic Community of West African States
FDI	Foreign direct investment
FFH	Fundo de Fomento de Habitação, (Housing Promotion Fund, Mozambique)
FMBN	Federal Mortgage Bank of Nigeria
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (Netherlands Development Finance Company)
FNB	First National Bank
FOGARIM	Guarantee Fund for small and irregular income, Morocco
Forex	Foreign exchange
FSC	Financial Sector Charter, in South Africa and Namibia
GDP	Gross domestic product
GIZ	Deutsche Gesellschaft fur Internationale Zusammenarbeit (German Company for International Cooperation)
GLS	Government Loan Schemea
GNI	Gross national income
HDI	Human Development Index
HFB	Housing Finance Bank, Uganda
HFCU	Housing Finance Company of Uganda
HfH	Habitat for Humanity
HMF	Housing microfinance
ICF	Investment Climate Facility
IFC	International Finance Corporation
IMF	International Monetary Fund
IOR-ARC	Indian Ocean Rim-Association for Regional Cooperation
IRS	Integrated Resort Scheme, Mauritius
KCB	Kenya Commercial Bank
KfW	Kreditanstalt für Wiederaufbau (German, Reconstruction Credit Institute)
LDC	Least Developed Country
LIC	Low-income country
LTV	Loan to value
MCB	Mauritius Commercial Bank
MDG	Millennium Development Goal
MDIs	Microfinance Deposit taking Institutions
MFCs	Mortgage Finance Companies
MFI	Microfinance institution
MHC	Malawi Housing Corporation
MHC	Mauritius Housing Company
NACHU	National Cooperative Housing Union, Kenya
NAPSA	National Pension Scheme Authority, Zambia
NBBL	Norwegian Federation of Co-operative Housing Associations
NBS	New Building Society, Malawi
NDP	National Development Plan, Botswana
NGO	Non-governmental Organisation
NHA	National Housing Agency, Zambia
NHAG	Namibian Housing Action Group
NHDC	National Housing Development Company, Mauritius
NHE	Namibian Housing Enterprises
NHF	National Housing Fund, Nigeria
NPLs	Non-performing loans
OPIC	OPEC Fund for International Development
PMI	Primary Mortgage Institution
PPP	Purchasing power parity
PRS	Permanent Residence Scheme, Mauritius
REIT	Real Estate Investment Trust
RHA	Rwanda Housing Authority
SACCOs	Savings and Credit Co-operatives
SADC	Southern African Development Community
SAPES	Scheme to Attract Professionals for Emerging Sectors, Mauritius
SBM	State Bank of Mauritius
SBS	Swaziland Building Society
SDI	Shack Dwellers International
SMB	State Bank of Mauritius
SMEs	Small and medium enterprises
SDFN	Shack Dwellers Federation of Namibia
SHDC	Seychelles Housing Development Corporation
SHHA	Self Help Housing Agency, Botswana
SNHB	Swaziland National Housing Board
SNL	Swazi National Land
SRH	Society of Mortgage Refinancing
SSA	Sub-Saharan Africa
SSFR	Social Security Fund of Rwanda
SSHFC	Social Security and Housing Finance Corporation, Gambia
TMRC	Tanzania Mortgage Refinancing Company
UN	United Nations
US	United States of America
USD	United States Dollars
USAID	United States Agency for International Development
VAT	Value added tax
WAEMU	West African Economic Monetary Union
WAMZ	West African Monetary Zone
WHPI	Women's Housing Plan Initiative, Nigeria
ZAMFI	Zimbabwe Association of Microfinance Institutions
ZHPF	Zimbabwe Homeless Peoples Federation
Zinhaco	Zimbabwe National Association of Housing Cooperatives

Overview

Africa is booming. Construction cranes in Lusaka, Accra, and Nairobi, traffic jams in Dar es Salaam and virtually every other city, the streets are packed with vendors, and roadside shops sell furniture, building materials, intricately carved doors. There's a sense of activity and bustle. Piles of bricks are everywhere, and everywhere people are building. With the highest urbanization rates in the world, people are moving in every day, contributing to the economy, looking for a place to work, and a place to stay. The activity highlights the opportunities and challenges in investing in this dynamic continent.

In 2011, the news from the globe is about surviving the aftermath of the global financial crisis, the prospect of sovereign debt crises and a global contagion that is tainting many of the most reliable investment targets. Still reeling from the past two years, investors are faced with lackluster opportunities in Europe, North America, even East Asia. Africa becomes attractive. Other than the impact on their remittance flows and a mildly depressed demand for commodities, African economies were largely spared the fallout and are growing from a low base, very fast. Ethiopia is currently the star performer, with a 2009 GDP growth rate at 9,9 per cent, estimated to decline to 8,8 per cent in 2010. After a dramatic dip to 2,4 per cent growth in 2009, Angola's growth rate is pitching for 10 per cent plus. Also on their way up to double digit figures are Ghana and Niger, both projected to hit 11 per cent in 2012, both due, in part, to commodities. Zambia, Tanzania, and Mozambique have been relatively stable, at strong rates – Zambia with a growth rate of between five and seven per cent since 2003, Tanzania between six and seven percent; and Mozambique between six and nine per cent. After a dip in 2008 and 2009, Kenya is returning to five per cent in 2010 and Botswana to 6,4 per cent growth[1] Nine countries in Sub-Saharan Africa have a GDP growth of over 7 per cent (the rate needed to double an economy in ten years); and just over half are expected to grow at above 5 per cent a year.

Figure 1: Real GDP growth rates



Source: FitchRatings (2011) Sub-Saharan Africa Special Report

Of course, a significant component of this growth has to do with commodities. Oil in Angola, Nigeria, Uganda, North Africa, and now Namibia and Ghana, is completely changing the economic and development prospects of those countries. A global shift to precious metals – gold, silver, copper, platinum – is boosting the economies and currencies of a range of other African countries[2]. Africa's arable land and water resources have also come under the spotlight recently, as some governments have leased land to nations whose long-term food and water security is under threat[3]. The global demand for Africa's natural resources is lucrative, of course, but not always sustainable.

What is interesting about the current climate, however, is that the shift to Africa is about more than interest in its resource base. The African population is also a new market, with unexplored opportunities and new demand to consume everything from financial services, to beverages, appliances, cars and houses. In July, Zambia and Ghana moved up in the World Bank rankings to become

1 African Economic Outlook (2011) http://www.africaneconomicoutlook.org/en/

2 IQ4News (2010) The Coming Commodity Boom is Africa prepared? Accessed from INTERNET in August 2011. http://www.iq4news.com/yemisi-ogunleye/coming-commodity-boom-africa-prepared

2 Andreas Spath (31/8/11) Another scramble for Africa. Accessed from INTERNET in August 2011. http://www.news24.com/Columnists/AndreasSpath/Another-scramble-for-Africa-20110831

classified as middle income countries. As these and other African economies grow, investment in infrastructure contributes towards a growing productive sector, and with rising levels of employment comes growth in consumption spending, and a greater demand for goods and services. The economic rationale for investing in Africa is shifting from an emphasis on taking *out*, to an emphasis on selling *to*.

> "Sub-Saharan Africa – Ghana, Nigeria, Cameroon, Gabon, the DRC, Uganda, Angola, Tanzania, Kenya, Ethiopia, Rwanda – is home to more than a 1 billion people with growth rates higher than the rest of the world. They are characterized by positive real GDP growth forecasts, increased private sector employment and consumer spending and high levels of foreign direct investment."
>
> *Gerald Mahinda, MD of Brandhouse (SA alcoholic drinks company). HWMA, 3 June 2011.*

> "Consumption will grow even faster in other categories as household incomes rise, with the most rapid increases occurring in retail banking, telecom, and housing." "While food will account for the largest share of consumer spending, non-food sectors will grow faster as incomes increase." "Spending on housing is estimated to have a compound growth rate of 4.5% per annum between 2008 – 2020, third to Banking (6.2%) and education / telecom (4.9% each)."
>
> *McKinsey (2010) Lions on the move: The progress and potential of African economies*

In some countries, economic policy is explicitly shifting in favour of this approach. In June, Bloomberg reported that the governments of Kenya, Tanzania and Uganda had all embarked on a programme of infrastructure spending, investing in roads, rail and electricity, in an effort to attract private investment as a way to combat the declining growth forecasts. Kenya is doubling its energy investments; Uganda is increasing its "development expenditure" by 40 per cent; and Tanzania is increasing expenditure on electricity, roads and irrigation by 85 per cent in 2011/12. The Tanzanian budget is explicit in its goals to "*allocate resources for areas with economic multiplier effects like infrastructure for electricity, water, roads, ports, agriculture, irrigation schemes and information and communication technology*[4]." Zambia has also announced plans to build two new power plants. Together, these are expected to add a total of 247 MW to the national grid and boost regional supply by 2016. The estimated cost of the project, $650 million, will be raised through debt and equity financing[5].

> "Africa's growth acceleration resulted from more than a resource boom. Arguably more important were government actions to end political conflicts, improve macroeconomic conditions, and create better business climates, which enabled growth to accelerate broadly across countries and sectors."
>
> *McKinsey (2010) Lions on the move: The progress and potential of African economies*

The opportunities are not insubstantial. In a paper arguing for recognition of Africa's "lions" in the same vein as the global economy recognizes the Asian "tigers" McKinsey (2010) reports a series of dramatic statistics:

Today (2008)	Tomorrow
Africa's collective GDP: US$1.6 trillion (roughly equal to Brazil's or Russia's)	Africa's collective GDP in 2020: US$2.6 trillion
Africa's combined consumer spending: US$860 billion	Africa's collective GDP in 2020: US$1.4 trillion
The number of new mobile phone subscribers signed up in Africa since 2000: 316 million	The number of Africans of working age in 2040: 1.1 billion
The number of African countries with revenues of at least $3 billion: 20	The number of African households with discretionary income in 2020: 128 million
The number of African cities with more than 1 million people each: 52	The proportion of Africans living in cities by 2030: 50%

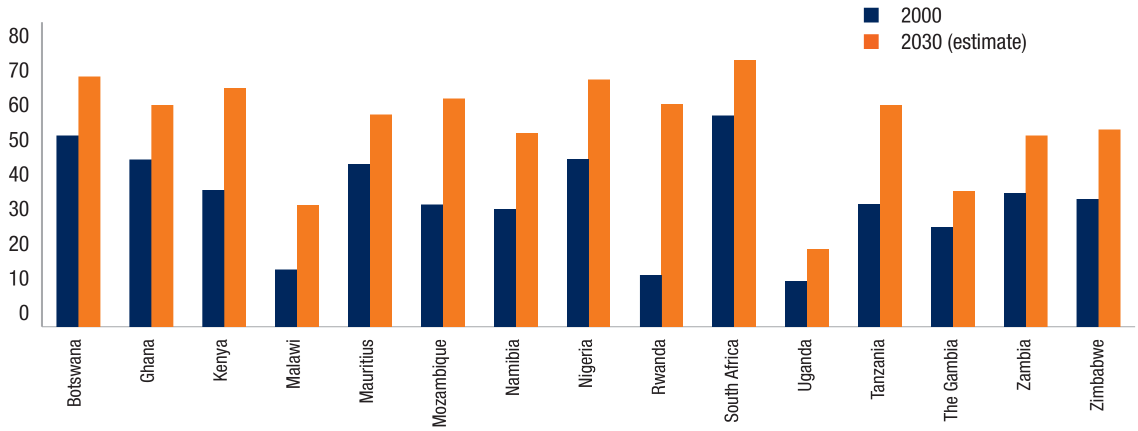
> "Africa could be on the brink of an economic takeoff, much like China was 30 years ago, and India 20 years ago."
>
> *The World Bank (2011) Africa's Future and the World Bank's Support To It.*

4 East Africa to see slowdown in economic growth. 13 June 2011. Accessed from INTERNET in August 2011. http://www.howwemadeitinafrica.com

5 Engineering News Daily News, 24 August 2011.

Urbanisation is a particularly important aspect of the trend. By 2030, over fifty per cent of Africans will be living in cities. Already, the populations of many countries are over 30 per cent urban. In 2010, fourteen African cities had populations of over three million. This growth puts increasing pressure on urban infrastructure – water, sanitation, and energy – and many cities already are demonstrating that they're not able to cope. The challenge turns into an opportunity however, through the financial capacity of the residents. It is estimated that by 2030, the eighteen larges cities in Africa will have a combined spending power of US$1.3 trillion[6]. This is an opportunity for investment and growth.

Per cent of the population that is urbanized, 2000 – 2030 (UN-Habitat 2005)

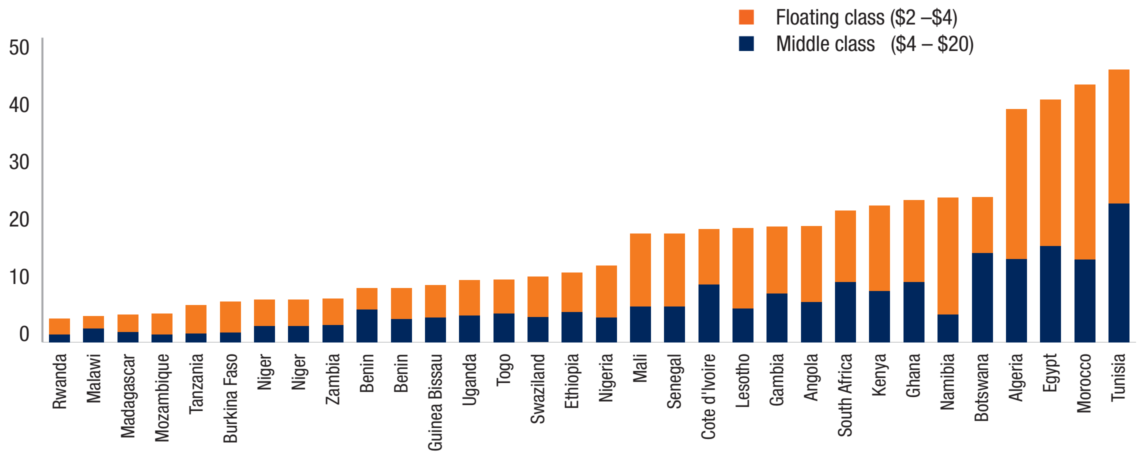


UN Habitat (2005) Global Report on Human Settlements: Financing Urban Shelter.

A study undertaken by the African Development Bank (2011) found that *"Africa's middle class has increased in size and purchasing power as strong economic growth in the past two decades has helped reduce poverty significantly and lift previously poor households into the middle class."* By 2010, just over a third of Africa's population, or nearly 313 million people, earned between US$2 – $20 per day. This is three times the population in this category in 1980, and double the number in 1990.

The African Development Bank research segments the middle class into two parts: the traditional middle class, which comprises individuals who earn between $4 – $20 per day, and the so-called floating middle class, who earn between $2 – $4 per day, and who are potential entrants into relative income as the economy grows further.

Percentage of national populations earning $2 – $20 per day



AfDB (2011) The middle of the pyramid: dynamics of the middle class in Africa. Market brief. April 20th 2011.

Of course, 36.5 per cent of Africa's population in 2010 earned less than $2 per day. The high income segment, people who earn more than $20 per day, comprise another 18.8 per cent of the population. It is with these stark images alone that Africa is often viewed. The nuance of another 44 per cent of the population that earns enough to have something to spend, but not so much that it will travel elsewhere to buy it, is the new dimension to the picture that investors are beginning to appreciate.

6 Reinstra, D(2011) Africa's megacities and the opportunities they offer. 20 May 2011. Accessed from INTERNET in August 2011. www.howwemadeitinafrica.com

Within this new awareness, a key area of attention must be the housing of this growing population. Housing shortages are not news – national governments, international agencies and local NGOs have been highlighting this problem for decades. But this focus has been on the challenges faced by the most poor, who truly lack the resources with which to meet their housing needs. The notion of housing in Africa has been seen by governments and investors alike as a social welfare problem, and not an economic growth opportunity.

More recently, however, housing and housing finance shortages for the middle class have also come to the fore. In 2007, Tomlinson noted that self-build was a process common to all incomes – there simply were no houses to buy on the open market, even for wealthy families. In 2011, Mercer's Cost of Living Survey named Luanda, the capital of Angola, as the world's most expensive city for expatriates, followed by N'Djamena, Chad, which ranked third globally. Africa's ten most expensive cities are among the global top 45 most expensive cities[7].

Africa's 10 most expensive cities	2011 global ranking	2010 global ranking
1. Luanda, Angola	1	1
2. N'Djamena, Chad	3	3
3. Libreville, Gabon	12	7
4. Niamey, Niger	23	23
5. Victoria, Seychelles	25	13
6. Ouagadougou, Burkina Faso	28	67
7. Djibouti, Djibouti	39	62
8. Lagos, Nigeria	41	62
9. Dakar, Senegal	44	32
10. Khartoum, Sudan	44	141

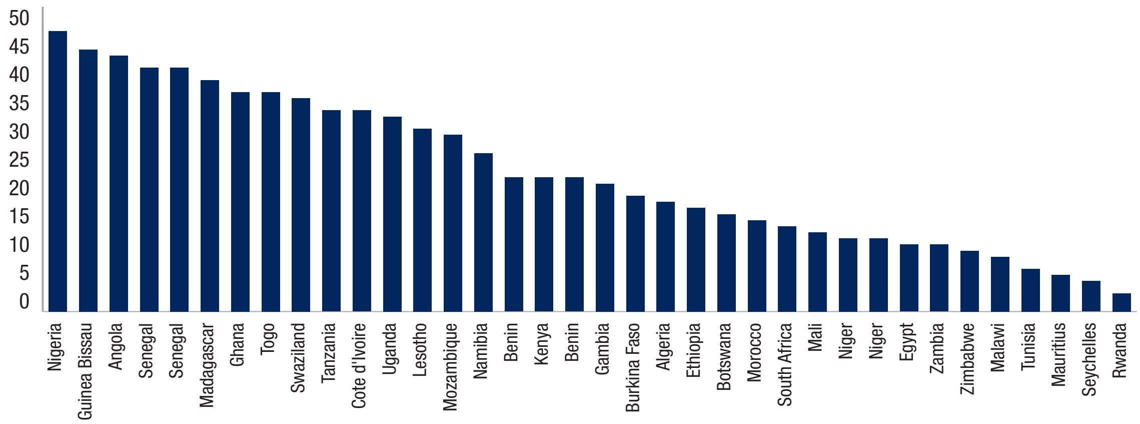
In Luanda, the rent for a house may cost more than US$20 000 per month.

The main reason behind Luanda's ranking is the high cost of rental accommodation. This is a classic case of demand exceeding supply, even at the very top end of the market, and it is common throughout African cities. It is in this context that some developers and financiers are beginning to frame the new opportunities. Renaissance Partners' flagship development in Nairobi, "Tatu City" is a new vision of upmarket living. A mini-city, with its own internal coherence, it includes residential developments for an estimated 62 000 residents from a range of income groups, as well as retail, commercial, tourism, social and recreation facilities. The company is in earlier stages in a series of similar developments in Zambia, Ghana and the DRC. Making waves a few years ago was Houses for Africa's Lilayi Project in Zambia, a development of about 3 700 middle-class houses just outside of Lusaka. Houses for Africa has another project in Abuja, Nigeria, involving 7 000 middle class housing units. The motivation for the project explicitly highlights an estimated population growth of 100 000 middle class households in Nigeria, annually. There are other developers as well, some multi-national, others more local. What links them together is their identification of middle class housing as a key area of demand.

These developers face key challenges. **First, the process of developing land is not an easy one, and is often encumbered by regulations** that are so deeply buried in history and practice, they are virtually impossible to overcome. The World Bank ranks countries on the 'ease of doing business', on the basis of a number of key indicators. Among these, the number of days it takes to register a property is one.

7 Ranked: Africa's ten most expensive cities. 27 July 2011. Accessed from INTERNET in August 2011. http://www.howwemadeitinafrica.com

Number of days to Register a Property: World Bank Doing Business Survey (2011)

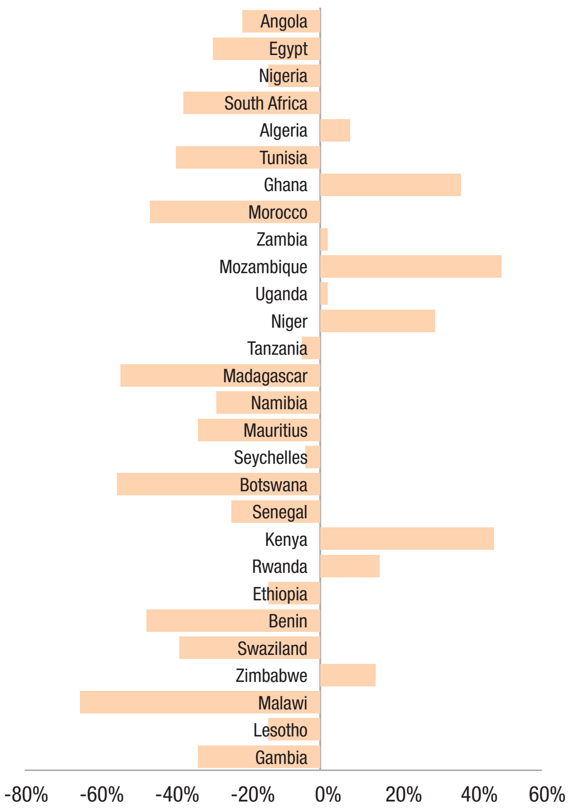


In very many countries, registering properties has become a relatively easy procedure, taking less than two weeks, and costing only a small percentage of the purchase of the property itself. In Nigeria, Guinea Bissau, Angola and Senegal, however, it takes over forty days. These delays, of course, also contribute towards the overall costs of property. Evidence of these challenges is found in the high backlog figures – an estimated 2,1 million units in South Africa; 1,25 million units in Zimbabwe; 2 million units each in Kenya and Madagascar; 3 million units in Tanzania; 1,2 million units in Algeria; and 300 000 in Namibia. Botswana's Self Help Housing Association projects a backlog of about fifteen years and the Mauritian National Housing Development Corporation has a waiting list of some 20 000 units. In all of these cases, it is the *process* of housing delivery that is, in part, undermining the rate of supply.

A second challenge is access to finance. Investment in Africa notwithstanding, only a fraction of this finds its way to a housing end. In part, this may be because the resources and commodities sectors are so strong. In a recent Ernst & Young poll which asked investors to identify the best area of investment in Africa, 25 per cent said mining and metals; 21 per cent said oil and gas; and 15 per cent said consumer products. It may also have to do with the fact that housing is complicated, dependent on very many other processes, and that there are still insufficient developers who have cracked the code to deliver efficiently and cost effectively. Still, a review of FDI flows in the last two years gives an indication of investment interest in countries – and this should suggest an investment interest in the housing demand such economic activity will create[8].

A third challenge faced by these developers is infrastructure, and particularly, access to serviced land. The annual infrastructure backlog across the continent was recently estimated by the Financial Mail as $93 billion[9]. While this presents tremendous opportunities for the providers of infrastructure, it is an unresolved challenge for residential developers who expect infrastructure services to be in place. As a result, and like is evident in Nairobi's Tatu City or Lusaka's Lilayi project, the new developers are beginning to frame their developments as self-serving estates, with their own water and sewerage systems, electrical substations, and even in some cases, local management.

Growth in Foreign Direct Investment (2008 – 2009)



Source: African Economic Outlook, 2011

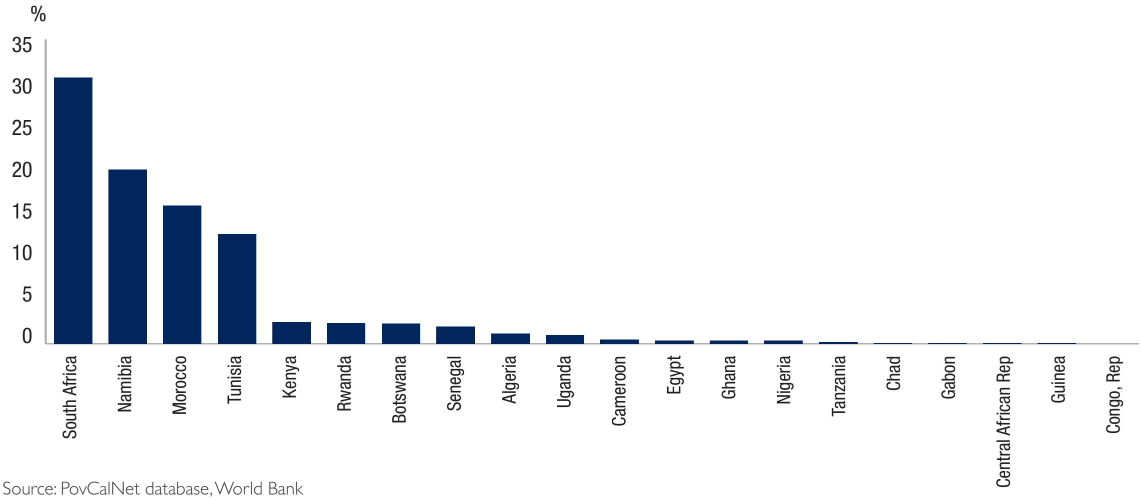
8 African Economic Outlook (2011) www.africaneconomicoutlook.org/en/ Note that 2008-2009 is not the best period with which to review investments – investment around the world declined dramatically in this period. The graph should not be read as an indication of volume, but rather an indication of the country focus of investors.

9 Munshi, R(2011) Investing in Africa in numbers. Financial Mail. Thursday, 25 August 2011. www.fm.co.za

In May 2011, the African Development Bank approved an Urban Development Strategy entitled "Transforming Africa's Cities and Towns into Engines of Economic Growth and Social Development." The main focus of the strategy is on infrastructure investment: improving water supply, sanitation, drainage, and solid waste management services; improving urban mobility through the development of mass transit systems; support energy projects; and harness ICT especially in ways that grow the urban social infrastructure. The strategy also addresses municipal challenges in governance, and promotes private sector development.

These various initiatives and developments are bound to change the face of mortgage lending on the continent, which is currently, by global standards, still very low. South Africa and Namibia have the highest ratio of mortgage debt to GDP, and are the only countries in Sub-Saharan Africa with ratios above 5 per cent. North Africa has more developed markets, with 15.9 per cent in Morocco, 12,6 per cent in Tunisia and 0.4 per cent in Egypt. Kenya, with its relatively established mortgage market, has a ratio of only 2.5 per cent, representing just over 13 000 loans (Walley, 2011). Africa's mortgage market is tiny. There is certainly room for growth.

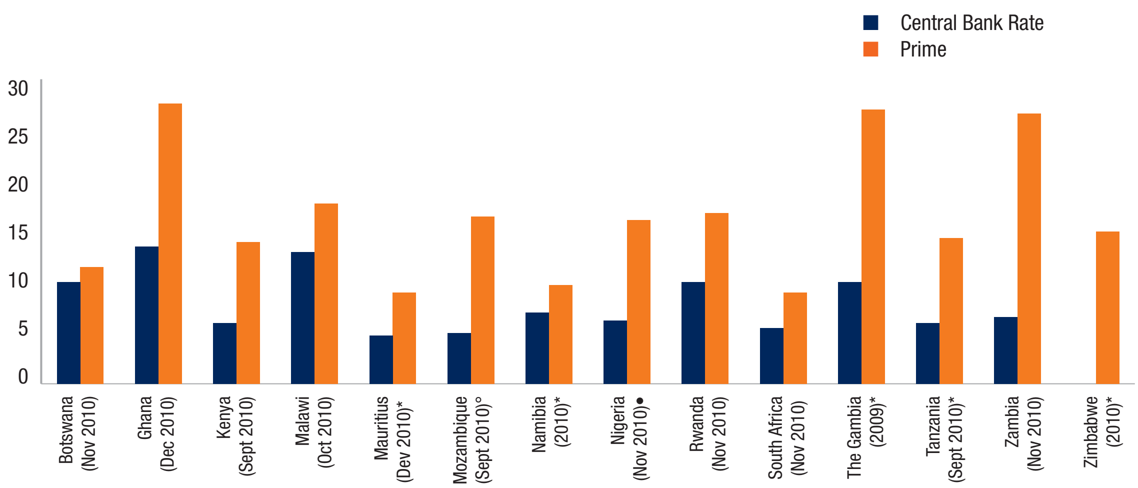
Mortgage debt to GDP



Source: PovCalNet database, World Bank

The cost of finance is another factor, and in many countries, the spread between the Central Bank Rate and Prime, is significant. This suggests relatively inefficient banking infrastructure, and possibly the attractiveness of other investment opportunities that reduce bank incentives to lend.

Central Bank Rate and Prime Interest rate in selected countries



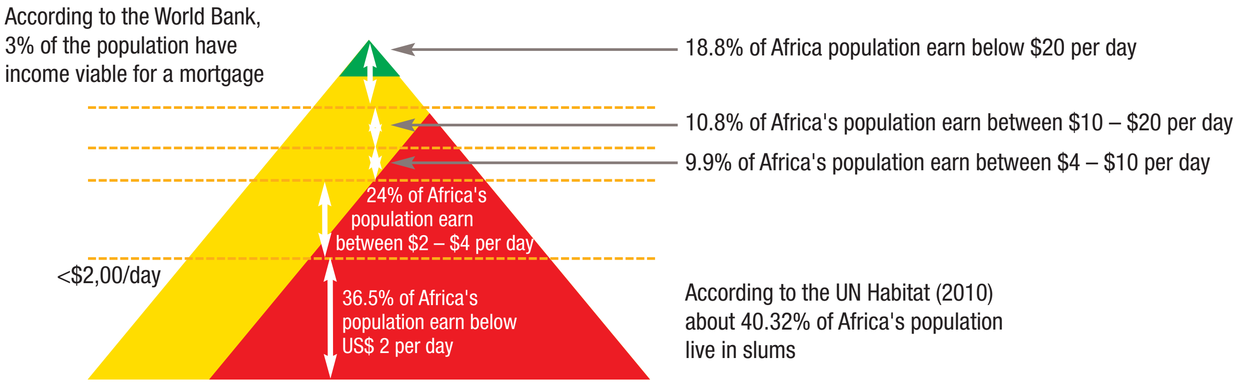
Sources: *Data in red indicates it was obtained from the CAHF 2010 yearbook / ° Central bank rate is the standard deposit facility / • Central bank rate is the monetary policy rate / *Central bank rate is the repo rate

The debate in South Africa has been how to extend loans further down market, to take advantage of the growing middle class. In that country, the Minister of Human Settlements announced the development of a ZAR 1 billion (about US$143 million) loan guarantee scheme to assist lenders lend down-market. Interestingly, recent research has shown that loans targeted at these lower income borrowers have performed slightly better through the financial crisis, with a lower ratio of non-performing loans. The problem of extending access to housing finance seems to have more to do with the cost of housing than the accessibility of loans[10].

Even in South Africa, with its relative wealth, extensive infrastructure, and highly developed construction sector, it is estimated that only the top twenty per cent of the population can afford the cheapest newly built house. While the bottom sixty per cent are eligible to apply for fully-subsidised housing (the delivery of which, however, is not at the scale required), roughly twenty per cent of the population is unable to meet their housing needs. This situation is echoed across Africa. According to the World Bank (Walley, 2010), only the top three per cent of the population has an income sufficient to support the loan required for the cheapest, newly built house[11].

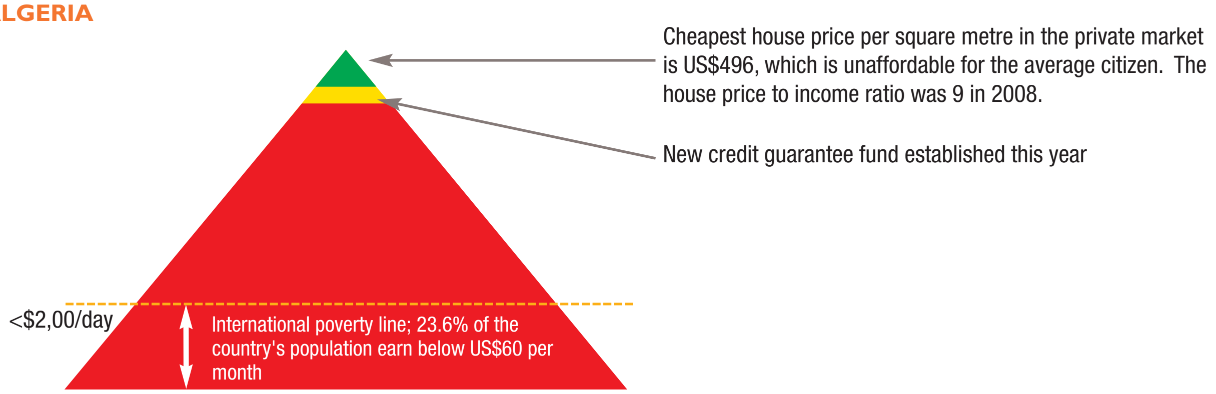
Drawing on a series of rough calculations on housing price, together with international figures on the proportion of the population living on less than $2 per day, the following affordability graphs estimate the situation relating to the countries considered in this report. Green suggests housing affordability and the availability of sufficient housing products so that households can adequately meet their housing needs through formal delivery processes. Yellow suggests limited housing affordability and limited formal delivery so that a significant proportion is not able to access affordable housing. Red suggests serious affordability limitations and minimal formal scale so that the only option available is for households to meet their housing needs independently, often using informal or semi-durable products. These graphs are estimates, simple representations of a complex set of situations.

AFRICA



Affordability for housing is a challenge across all of the countries profiled. This does not mean that all households in the "red" zone currently live in inadequate accommodation – although this is the case for many. Rather, it means that they are unable to participate in the property market because they are not able to afford the cheapest newly built house, and subsidies that might help them overcome their affordability challenge are either not available, or insufficient.

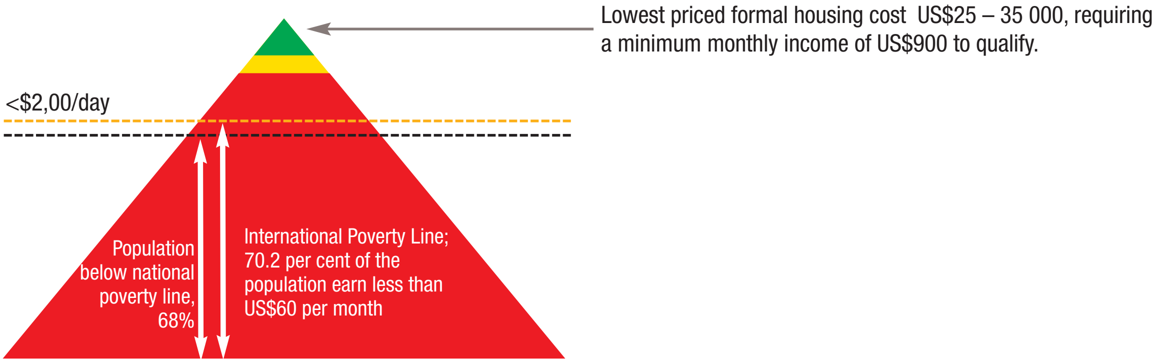
ALGERIA



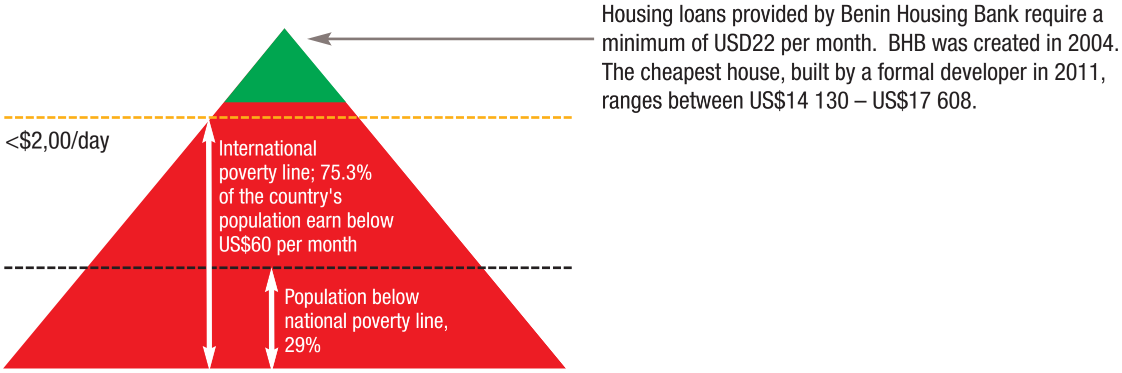
10 Melzer, I (2011) Housing Finance: FSC mortgage loan performance. Report prepared for the FinMark Trust.

11 Walley, S (2010) Housing Finance in Africa: Are we Post Crisis Yet? Presentation to the African Union for Housing Finance Annual Conference, 22 September 2010. Data source: PovCalNet database, World Bank, IFS National Income data, own calculations.

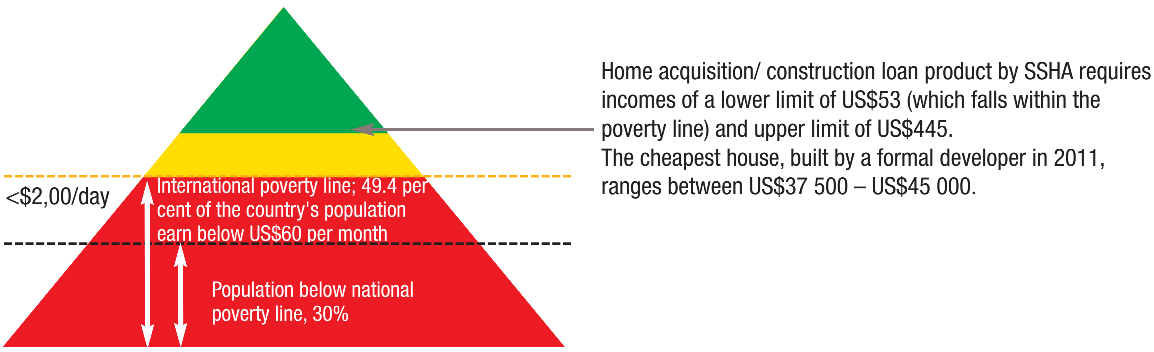
ANGOLA



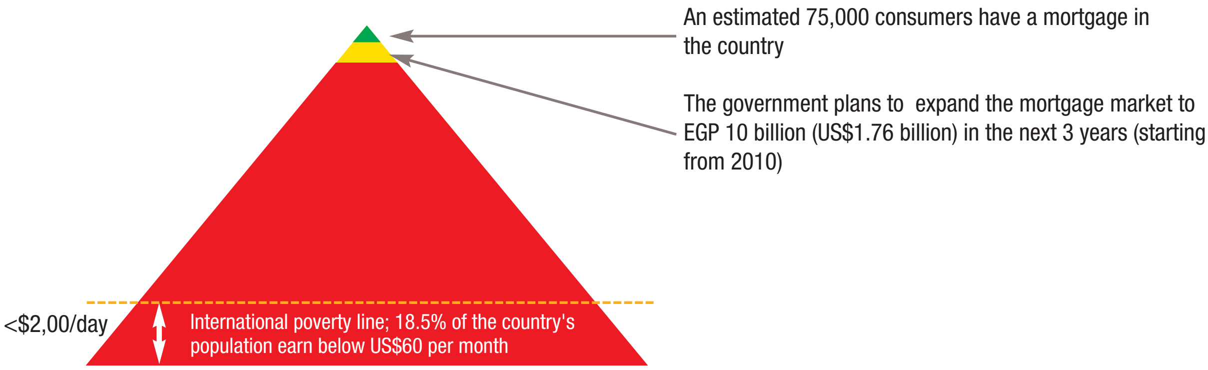
BENIN



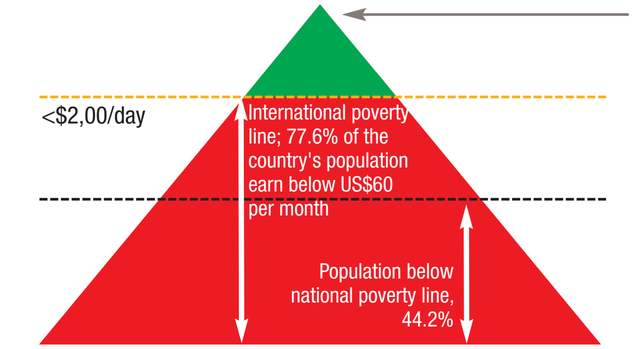
BOTSWANA



EGYPT

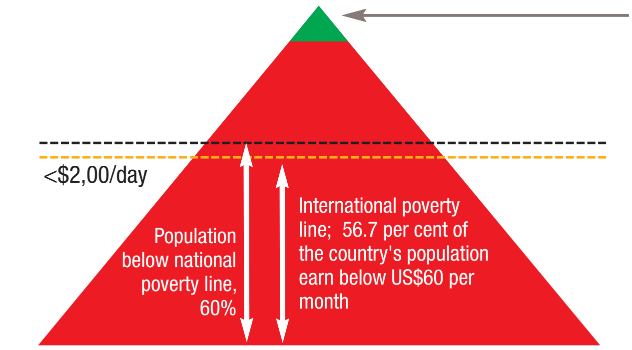


ETHIOPIA



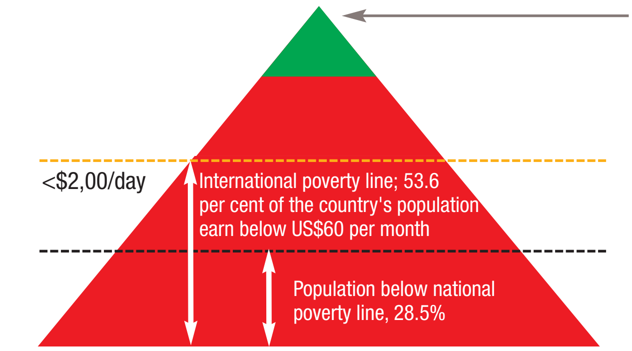
Low cost housing by the city of Addis Ababa would require an income of at least US$66 to US$100

GAMBIA



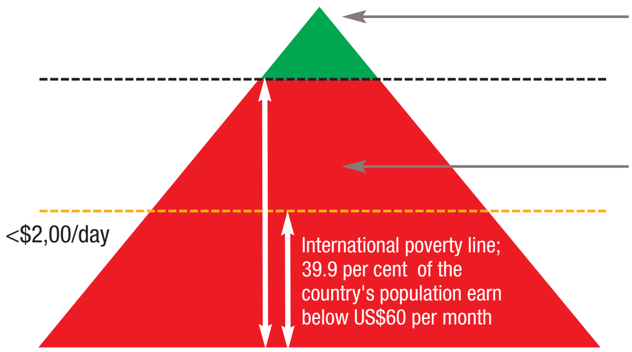
Cheapest house by TAF Holdings (2010): requires >US$1 500 per month income, accessible to a very small minority at the very top of the pyramid.
The cheapest house, built by a formal developer in 2010, is about US$31 000.

GHANA



Cheapest basic unit US$16 447 – US$30 000. Accessible to a small minority at the very top of the pyramid.

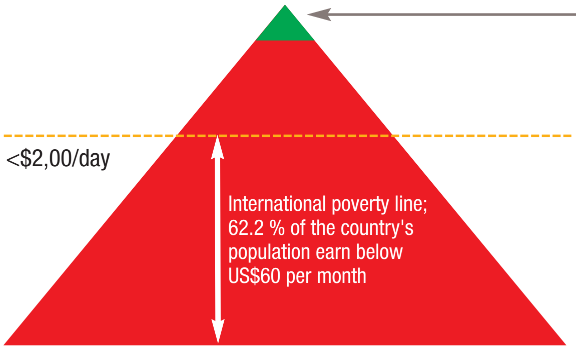
KENYA



Cheapest house between 1 – 2 million Kshs (US$13 000 – 26 000). Monthly payment is US$156 – 178. Given 30% income to mortgage requires US$468 – 534 per month, earned by less than 10% of population

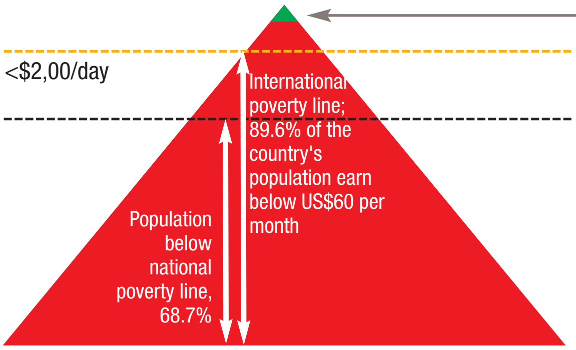
More than 80% of the working population earn US$130 or less, per month

LESOTHO



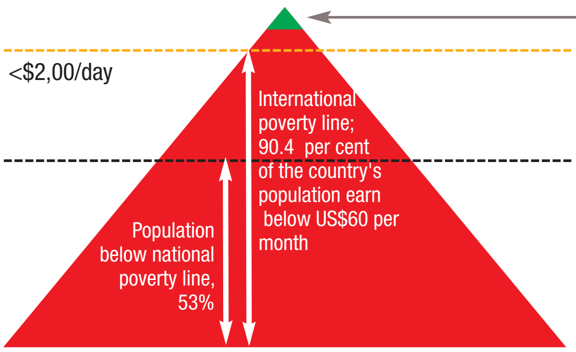
The average price for the population in the low income market is US$14 500 and about 70% of the population earn below US$146 monthly

MADAGASCAR



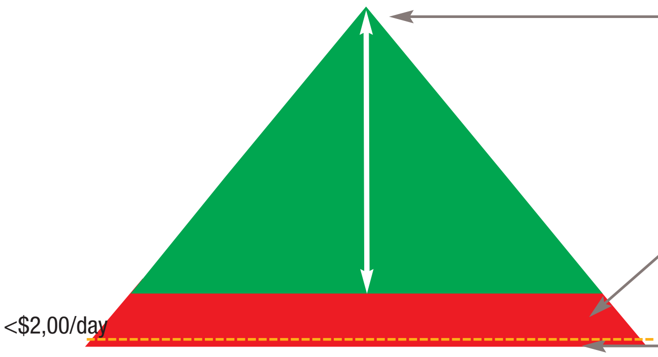
93% of households live in informal housing

MALAWI



The cheapest house built by a formal developer in 2010, is about US$13 200. This requires an income of >US$700 classified as a high income earner, less than 1% of the population.

MAURITIUS

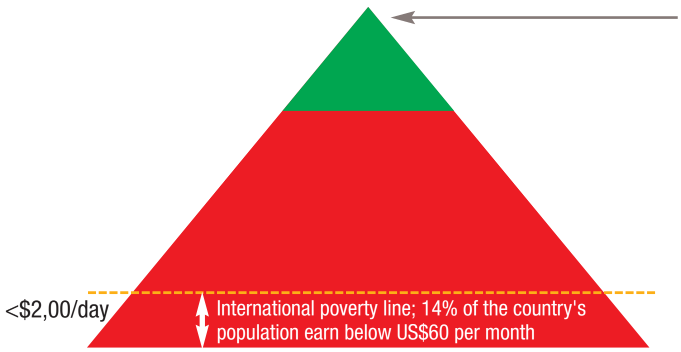


80% of the population having an income of at least US$244 has access to MHC and NDHC schemes. The cheapest house, built by a formal developer in 2011, is about US$33 000.

A small % of the population cannot access MHC and NDHC loans, event though they are employed

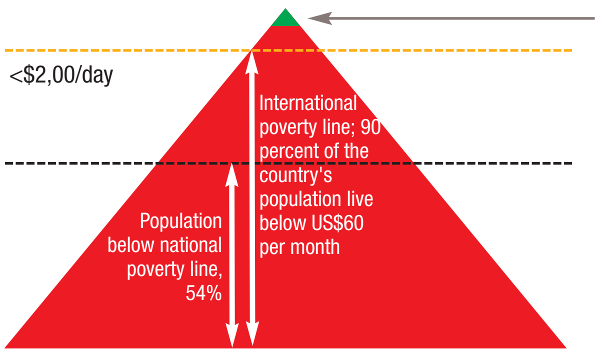
International poverty line; less than 2 per cent of the country's population live below US$60 per month

MOROCCO



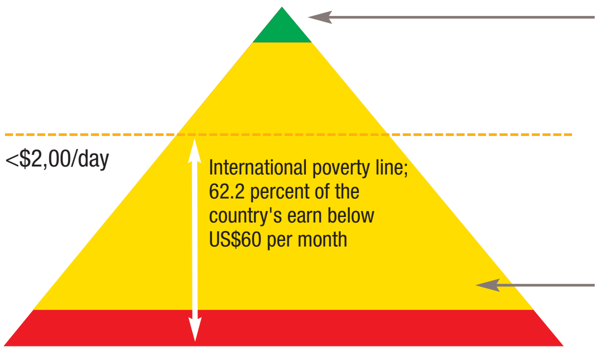
The house price to income ratio is 9.2 with a estimated mortgage credit to GDP of 15.9%.

MOZAMBIQUE



Houses provided by Joaquim Chissano Foundation require income of 25000 meticals (US$680) per month to service, accessible to only a small minority. The cheapest house, built by a formal developer in 2011, ranges between US$17 167 outside of Maputo, to US$20 700 inside Maputo. The cheapest apartment is about US$25 000.

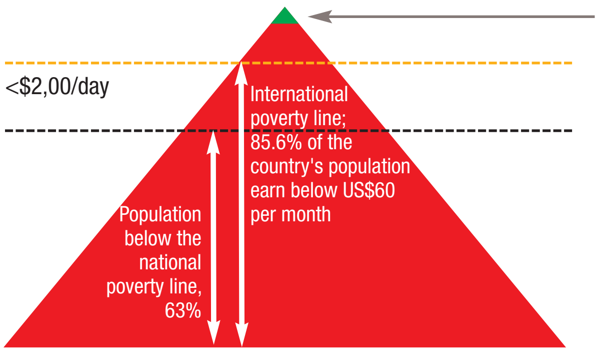
NAMIBIA



The cheapest house, built by a formal developer in 2011, is about US$14 252.

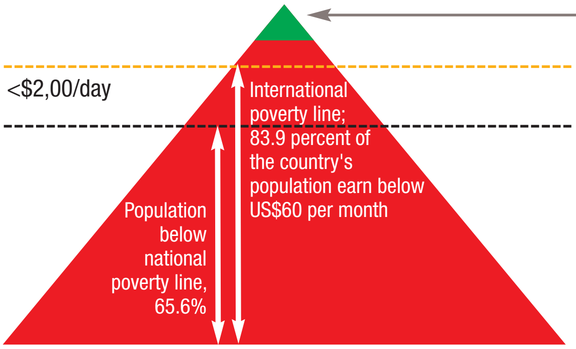
87% eligible for state housing support, but delivery is insufficent to meet demand

NIGER



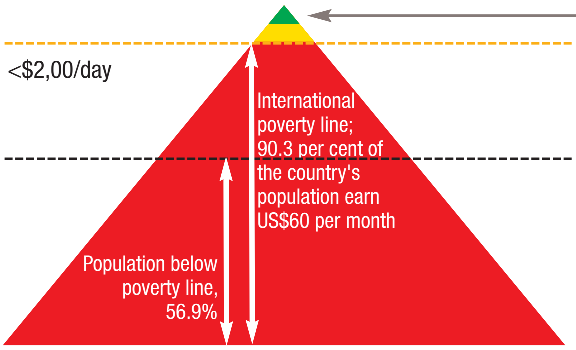
Less than 0,001 of the population has access to government subsidized houses. The smallest mortgage is 6 500 000 Cfa (US$14 444.00) a monthly repayment of (US$60.18).
The cheapest house, built by a formal developer in 2011, is about US$12 889.

NIGERIA



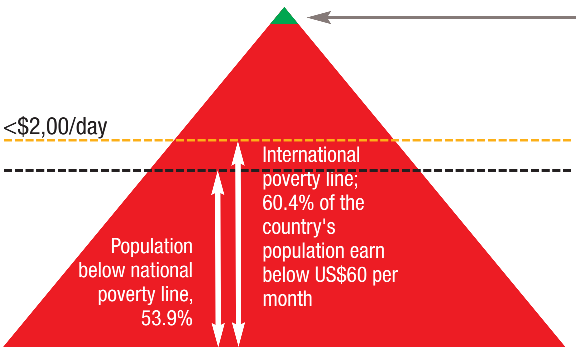
NHF loans are subsidised at a rate of 6% for 30 years. Taking the full loan of N5 million (US$33 000) from the NHF at the current subsidised 6% interest rate, the loan requires N30 000 to N40 000 (US$200 – 266) per month. The cheapest house, built by a formal developer in 2011, ranges between US$16 700 – US$20 000.

RWANDA



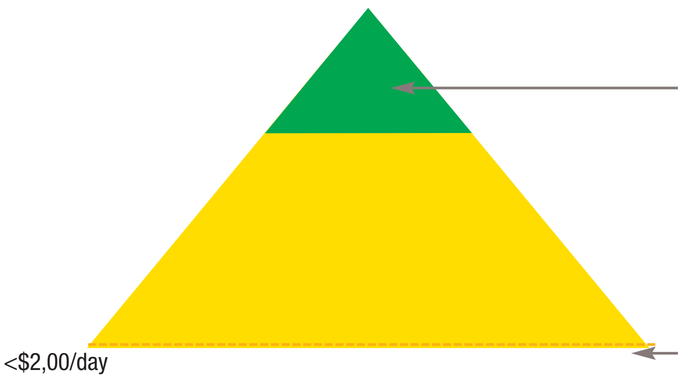
Smallest mortgage as suggested by the liquidity facility is RwF5.5 million (US$9 300). This requires a monthly income of approximately US$280 per month to service. The cheapest house, built by a formal developer in 2011, is about US$72 000.

SENEGAL



According to World Bank, the mortgage to GDP ratio is 2%

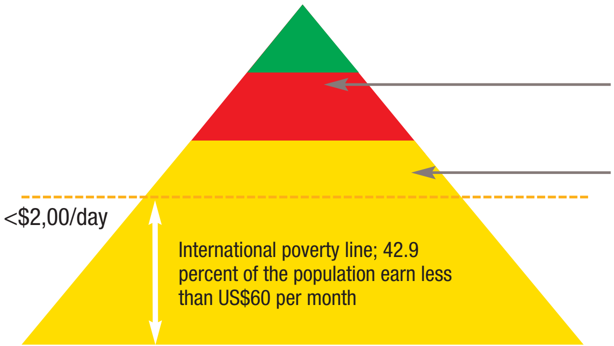
SEYCHELLES



According to the World Bank in 2009, the credit as a percentage of GDP was 48.8%. The Seychelles Housing Development Corporation provides about a third of the whole credit to the private sector in the form of housing loans, most of which are subsidies. Thus most houses are acquired through subsidies.

International poverty line; less than 2% of the country's population earn below US$60 per month

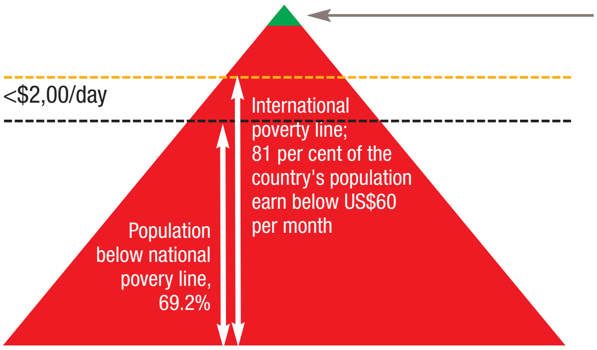
SOUTH AFRICA



There is no affordable housing product for 20% of the population who earn too much for the subsidy but too little to afford the cheapest, new house

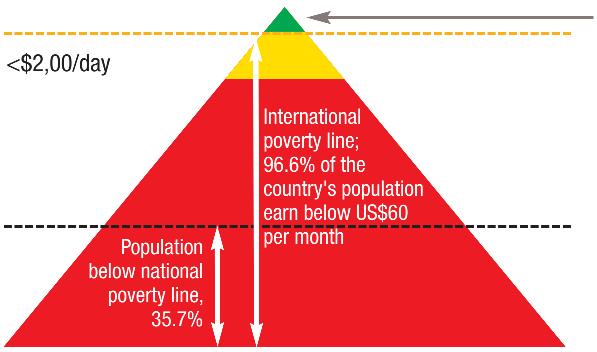
60% of South Africans are eligible for the subsidy, but delivery is insufficient to meet demand. The backlog in 2011 is 2,1 million units.

SWAZILAND



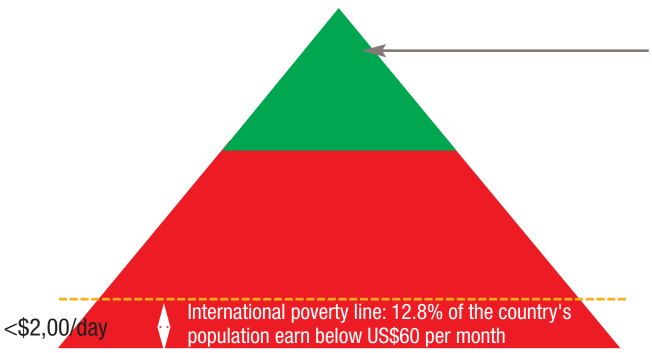
SNHB low cost housing offering costing E280 000 – E450 000 (US$39 351 – US$63 243) requires an income of at least E6 486 – E10 422 (US$913 – US$1 468) per month to qualify

TANZANIA



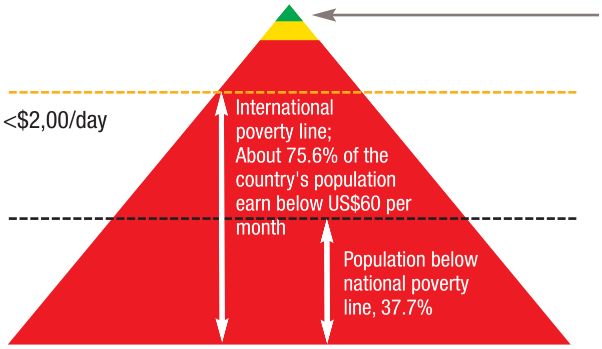
Typical mortgage at Azania Bank requires salary TZsh 800 000 or US$525 per month. The cheapest house, built by a formal developer in 2011, ranges between US$16 130 – US$30 000.

TUNISIA



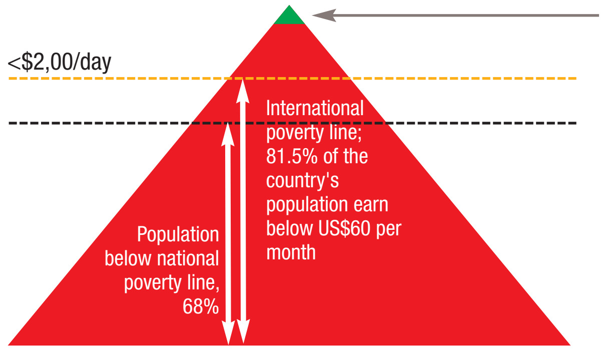
The Banque de l'Habitat's smallest loan is US$6 300, where it requires a minimum saving of US$3 400. Also the average home price to income ratio in the country is 5

UGANDA



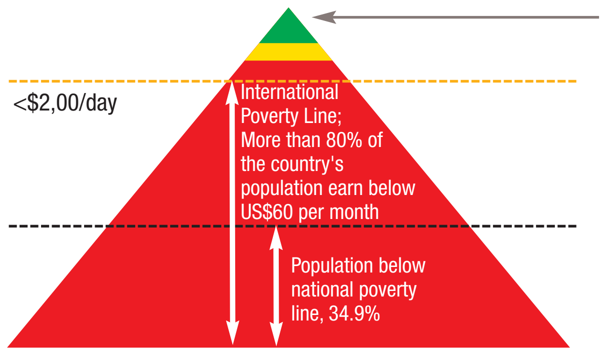
Cheapest mortgage loan by requires a monthly income of US$434. Less than 1% of households earn this amount. The cheapest house, built by a formal developer in 2011, is about US$32 000.

ZAMBIA



Home loan product advertised by local bank: US$265 per month will reach only the very top end of the population. The cheapest house, built by a formal developer in 2011, is about US$81 914.

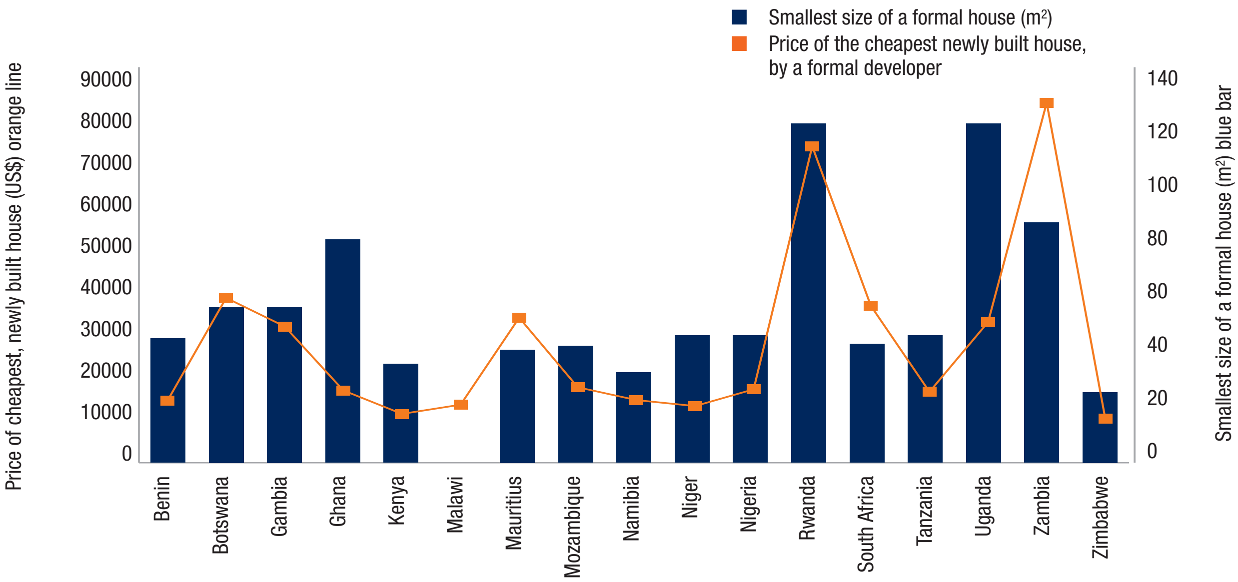
ZIMBABWE



Low cost housing project by CABS offering a housing product at US$10 000 requiring monthly payment of US$100 per month

If the 44 percent of Africa's population that are the AfDB's "middle class" of people earning between $2 and $20 per day have affordability for finance, and comprise in some countries between 10 and 90 per cent of the population, surely the challenge and opportunity is to develop a housing offering that is affordable to this market? Current markets are structured to deliver much more expensive housing, however. In July 2011, housing practitioners from across a series of African countries were asked to submit data on the costs of the cheapest, newly built house by a developer in their country, and the smallest size of a formal house. As illustrated below, in the majority of cases, size and cost correlate. With the notable exceptions of Ghana and Uganda, that seem to manage large house at affordable prices; and South Africa, Zambia and Mauritius, which seem to have particularly high costs of entry-level housing; the relationship of house size and cost seems to be consistent across the houses surveyed. Zimbabwe's effort to reduce house sizes further, to enable greater housing affordability, is important.

Price and size of the cheapest newly built house, by a formal developer (2011)

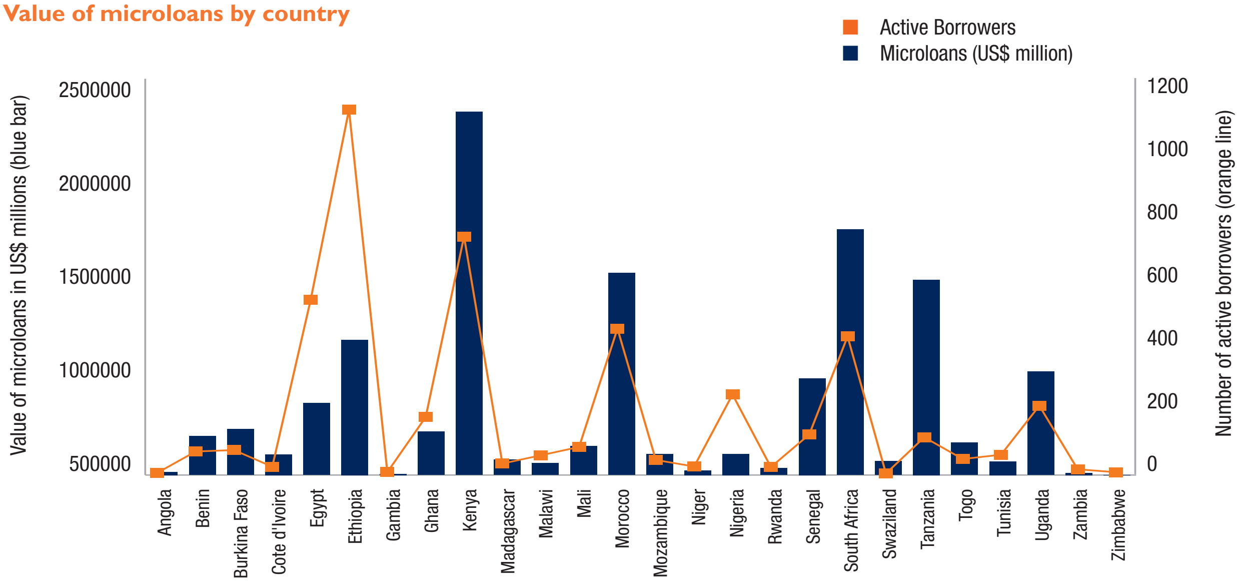


Source: Email correspondence with colleagues in different countries

A new house delivered is not necessarily an end product. With the growth of microfinance across the continent, the use of microloans for housing is becoming prevalent, and an incremental housing process that proceeds in line with a household's affordability becomes possible. In some countries, explicit efforts to build a housing microfinance sector are contributing to the trend. For example, in Tanzania, Rooftops Canada has been working with the WAT Human Settlements Trust and the WAT Saccos to develop a housing microfinance product that targets the AfDB's floating class. The intention is to scale up to at least 1000 loans per year, providing both financial and housing support services, so that incremental builders have the necessary technical support to deliver a quality product. Also in that country, a number of housing micro lenders have together formed the Housing Micro Finance Working Group, to promote the development of the industry. Rooftops Canada is working with its partners to develop a regional support programme for Housing Micro Finance, that will promote the growth of the sector further, across Sub-Saharan Africa. Habitat for Humanity is also working in many countries, promoting Housing Micro Finance together with housing support services. Homeless International is similarly involved, with projects in Angola, Ghana, Kenya, Malawi, Namibia, Tanzania, Zambia and Zimbabwe. Working with poor peoples' organisations in each of these countries, mobilizing savings groups and connecting groups with the commercial sector, these initiatives are seeking to build a housing microfinance sector that mobilises the affordability of low-income earners for housing purposes.

Opportunities in this industry are substantial. The value of microloans just across the countries listed in this report is roughly $5,5 billion, spread across almost 10 million borrowers. It is not clear how much of this is used for housing purposes. Capturing the energy and translating this into a workable delivery process that serves the needs and capacities of the middle class who cannot afford the cheapest newly built house, or who wish to improve upon their initial purchase, is an enormous opportunity ripe for attention.

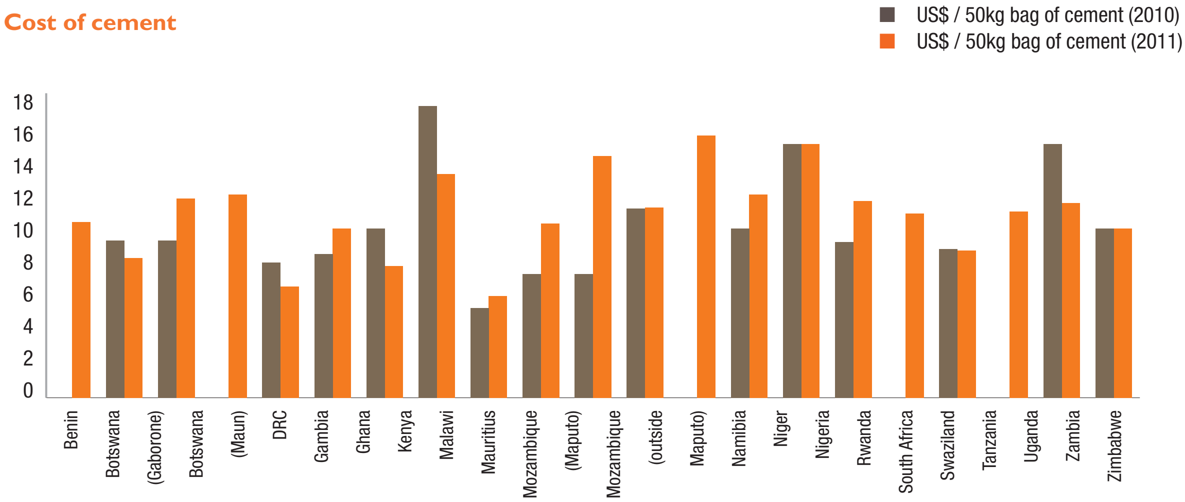
Value of microloans by country



Source: MixMarket (2011) www.mixmarket.org

A key challenge facing housing affordability, and the distance that even a micro loan will go, is the price of cement. The following graph is based on data provided by in-country practitioners, responding to an email invitation to send through the data in July and August 2011. Prices vary considerably, from the lowest in Mauritius (where government controls some of the price through bulk purchase), to the highest in 2011 in Niger. Because it is so heavy, cement prices rise dramatically when they have to be transported long distances – for example, in Malawi, Niger, Rwanda and the DRC, where prices are all above $12 per bag. Data for Botswana and Mozambique also illustrates this point, where the price for the capital city is lower than for external areas.

Cost of cement



Source: Email correspondence with colleagues in different countries

A recent report by FitchRatings suggests that the strong growth in Sub Saharan Africa is likely to continue into the future.

> "Sub-Saharan Africa is changing. The region's resilience to the global financial crisis of 2008 – 2009 demonstrates this. It experienced a slowdown in growth to 2.8 per cent in 2009, before staging a robust recovery to 5 per cent in 2010. The only other two regions that experienced a slowdown in growth, rather than a recession, were developing Asia, and the Middle East and North Africa. This is a commendable performance."
>
> *FitchRatings (2011) Sub-Saharan Africa. Outlook and Challenges: Special Report.*
> *First published in World Economics 12(2) in July 2011. www.fitchratings.com*

This performance, significantly improved on the 1980's and 1990's of sub- 2.5 per cent growth rates, is due to better governance, macro economic policy, and the growth of competitive markets in many of Africa's economies. The growth of the middle class, to be a substantial force in the economic prospects across Africa, is an important indicator of this progress. The middle class is also the fulcrum around which new growth will continue. This is a new target market, with an almost insatiable demand for goods and services. And for housing! The challenge to housing finance providers across the continent is to develop appropriate products that build on the capacities of the middle class and low income earners, while also responding to their needs and constraints. Appropriate housing finance that gets to the detail of borrower demand must innovate around a knowledge of these new borrowers.

A key area for innovation involves stepping beyond the narrow silos of housing finance and housing construction, and finding the link between the two in such a way that promotes incremental processes that are affordable to lower income earners. As the private sector seeks to develop this niche market, governments too should take note and revise regulations for housing delivery so that they facilitate the availability of affordable housing that is incrementally, progressively achieved. The potential for scale is substantial, however, and the investment in innovative approaches at this stage will translate into exponential growth in the future.

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Explaining the indicators

Each of the country profiles has a table with key indicators. The following is an explanation on what these indicators mean, and why they are important. Most of these figures and explanations are derived from the African Economic Outlook database[1] and World Bank World Development Indicators 2010. In countries where FinScope has been undertaken, this data is also provided. Some, like the price of cement, are drawn from an informal survey of practitioners in different countries, and adapted by the authors for the purpose of this report.

- **Population:** This data is drawn from the World Bank's World Development Indicators. Population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship – except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin.
- **Population growth rate:** This data is drawn from the African Economic Outlook database. The indicator measures the growth rate of a country's population between 2005 – 2010.
- **Urban population:** This statistic records the per cent of the population that lives in urban areas. Africa is the most rapidly urbanizing continent on the planet, and it is expected that by 2030, 50 per cent of all Africans will live in cities. This data is drawn from the African Economic Outlook database.
- **GDP per capita:** The GDP per capita provides an indication of a country's standard of living. It is the sum of value added of all goods and services produced in the country, in the specified year, divided by the number of people in the country. This data is drawn from the African Economic Outlook database.
- **GDP percentage growth rate:** This indicator measures the annual percentage real growth rate of GDP at market prices based on constant local currency, which has been adjusted for inflation/deflation. GDP is the gross domestic product of a country, or how much a country produces in a year. Aggregates are based on constant US$2 000. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. The GDP growth rate is drawn from the African Economic Outlook database.
- **Human Development Index (Global Ranking):** The Human Development Index is a composite statistic used to rank countries by level of 'human development'. The HDI is a comparative measure of life expectancy, literacy, education and standards of living for countries worldwide. The index score is drawn from the UN Development Programme. The global ranking is out of 172 countries.
- **Unemployment Rate:** The international Labour Organization (ILO) defines unemployment as a situation when people are without jobs, and have been actively looking for jobs within the past four weeks. Thus, the unemployment rate is the proportion of the adult population or the labour force that are unemployed. This data was drawn from the African Economic Outlook database
- **Population less than US$2 a day:** Population below $2 a day is the percentage of the population living on less than $2.15 a day at 1993 international prices. At the very least it provides a rudimentary indicator on levels of affordability for housing finance in a country. This data is drawn from the World Bank's World Development Indicators.
- **Population below national poverty line:** This is the percentage of the population living below the national poverty line. National estimates are based on population-weighted subgroup estimates from household surveys. Again for the purpose of this work, this provides a rudimentary indicator on levels of affordability for housing finance in a country. The data is drawn from the African Economic Outlook database.
- **Bank branches per 100 000:** This is a measure of access to formal banking services. It represents the number of bank branches per 100 000 people in the country. The Consultative Group to Assist the Poor (CGAP) collates and publishes this data.
- **FinScope financial exclusion:** This measures the percentage of the population that is financially excluded, with access to neither formal nor informal forms of finance. www.finscope.co.za
- **Lending interest rate:** This is the average prime interest rate charged by banks on loans to prime customers. It is an industrial average and will vary per bank. This data is drawn from the World Bank's World Development Indicators.
- **Deposit Interest Rate:** This is the interest rate paid on deposit accounts by commercial banks and other depository financial institution. It is an industrial average and will vary per bank. This data is drawn from the World Bank's World Development Indicators.
- **Credit as a percentage of GDP:** This statistic measures the financial resources provided to the private sector – such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable – that establish a claim for repayment. For some countries these claims include credit to public enterprises. It has been expressed as a percentage of GDP. This data is drawn from the World Bank's World Development Indicators.

[11] All data on www.africaeconomicoutlook.org was updated on 6 June 2011 to coincide with the release of the tenth edition of the African Economic Outlook 2011 in Lisbon. The data is drawn from the African Development Bank, the OECD Development Centre, the United Nations Commission for Africa, the United Nations Development Programme, and a network of African think tanks and research centres. The website provides comprehensive and comparable data and analysis of 51 African economies, which account for 99 per cent of the continent's population.

- **Mortgages as a percentage of GDP:** These are the financial resources provided by the private sector in the form of mortgages outstanding measured as a percentage of GDP. They are a direct measure of the level of mortgage lending in a country. The data is drawn from the World Bank's own database, provided by Simon Walley.
- **Cost of a 50 kilogram bag of cement:** This is a rough indicator of the relative cost of construction across countries. Data was drawn from building material supplier websites, phone calls made to suppliers, or in-country researchers.
- **Cost of Standard Sheet of Corrugated Iron:** This is another building material indicator that measures the relative cost of construction. Data was drawn from building material supplier websites, phone calls made to suppliers, or in-country researchers.
- **Price of the cheapest newly built house, by a formal developer:** This is a rough indicator of the minimum price of a newly built housing unit, by a formal developer. Researchers and practitioners in various countries across Africa were invited to submit this data.
- **Smallest size of a formal house (m^2):** This is a rough indicator to understand what is the minimum size of a housing unit, formal developers are prepared to build. Researchers and practitioners in various countries across Africa were invited to submit this data.

- **Exchange Rate:** The foreign rate for all currencies to the US dollar currency was obtained through the forex website – www.coinmill.com on August 30, 2011.

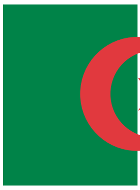
Others used

- Durable dwellings: This refers to structures made of durable building materials (concrete, stone, cement, brick, asbestos, zinc and stucco) expected to maintain their stability for 20 years or longer under local conditions with normal maintenance and repairs. This takes into account location and environmental hazards such as floods, mudslides and earthquakes. In this work, it has been used as an indicator for the amount of mortgageable housing.
- Strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Higher values indicate that the laws are better designed to expand access to credit.
- Depth of credit information index measures rules affecting the scope, accessibility, and quality of information available through public or private credit registries. It is a figure between 1 – 6 and the higher the value, the greater the availability of more credit information. It has been used as an indicator on the level of development of lending infrastructure crucial for mortgages.
- Data from the World Bank's Doing Business Survey is used throughout the profiles in this report. While the survey does not explicitly consider its indicators in terms of residential accommodation, the data provides a rough proxy for how business in the residential sector might proceed in different countries.

The availability of relevant, accurate data has, and continues to be, a critical stumbling block to any analysis of market potential in Africa. In many African countries, only the most basic of economic indicators are tracked, and much of it is long out of date. Some data can be as old as 15 years for specific indicators in certain countries, where regular census-taking is not part of regular government monitoring. Given the relative newness of property markets, performance indicators in this sector are even scarcer. Statistically verifiable data is rare, and when it exists, it is often not in a form that can be compared across countries as definitions differ. In many cases, the underlying household surveys differ in method and type of data collected, making cross-country comparisons, and cross-data comparisons, difficult. As a result, practitioners use other methods – popular perception, interviews – to gauge market opportunities and challenges. To address this gap, the Centre for Affordable Housing Finance in Africa has been involved in housing finance sector studies in many parts of Africa. FinMark Trust has also been involved in rolling out FinScope, a national-level survey of individual usage of financial services, now being undertaken in 15 African countries including many of the subject countries of this study. The Centre for Affordable Housing Finance is also involved in examining specific aspects of the housing finance sector in countries in Africa including housing microfinance, as well as the use of pension funds to back housing loans.

As this has been a desk-top study, the reporting is limited by the limitations in the literature and data available. While every effort has been made to overcome these shortcomings, the reader will struggle to find the level of detail possibly expected. In some cases, where the current status is not conclusive, both perspectives have been offered. In other cases, tables necessarily have a blank spot where data is not available. Future editions of this yearbook will strive to overcome these data shortcomings. As always, comments are welcome.

Algeria



Key figures

Exchange Rate: 1 US$*	71,85 Algerian Dinar
Main Urban Centres	Algiers (capital)
Population^	35 423 000
Population growth rate (2005 – 2010)^	1,6
Urban population (% of total) 2009	65.9
GDP per capita^	6 622
GDP growth rate (real, 2010)^	3.5
HDI (Global Ranking)+	0,712 (77)
Unemployment rate^	11,30 (2008)
Population less than US$2 per day°	23.6
Population below national poverty line^	15,0 (2000)
Bank branches per 100,000°	5.33
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	8
Deposit Interest Rate° (2009)	1.75
Credit % of GDP° (2009)	-8.9
Mortgages % of GDP°	Not available

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)

Overview

Algeria is a lower-middle income country with a GDP of USD 234.6 billion as of 2010. The country in recent years has enjoyed strong growth and low inflation rates. The main contributor to this growth has been the oil and gas sector; however other high performing sectors include construction, agriculture, and services. In 2010, the GDP growth was estimated at 3.5% while for the year 2011, the growth rate prospect is 3.9%.

Access to finance

The Algerian financial system is dominated by the banking sector, which in 2008 accounted for 93 percent of the total financial system assets. Government banks dominate the banking sector, as they control about 90 percent of the banking sector's assets. The state owned banks traditionally focus on financing for larger firms and government corporations. In 2010, the government also took steps to amend regulations pertaining to the organization of bank lending, in order to allow national banks to provide banking services commensurate with the provisions of Islamic Law. The non-bank sector has experienced some growth in recent years as a result of new regulations and better institutional supervision. There are three major pension funds in the country, which serve about 40 percent of the working population (2005).

Access to finance in Algeria is relatively low, even though the lending and deposit rates (8% and 1.25%, respectively) are relatively moderate. According to 2009 World Bank data, there were 385 depositors per 1000 adults in commercial banks, while there were 5.3 bank branches per 100,000 adults in the country. The microfinance industry is growing rapidly, supported by strategy reforms that the Algerian government continues to introduce. The country's postal bank, Algérie Poste, is the main microfinance institution in Algeria, and offers a wide range of financial services. Algeria Postal has the largest branch network in the country, with over 3271 offices nationwide and about 7 million customers (2007). According to World Bank data sources, there are no private credit bureaus in the country. However, in 2006, the government created a registry of unpaid debt that can be assessed by private businesses, which currently (according to the World Bank's Doing Business report for 2011) includes 0.2 percent of the adult population.

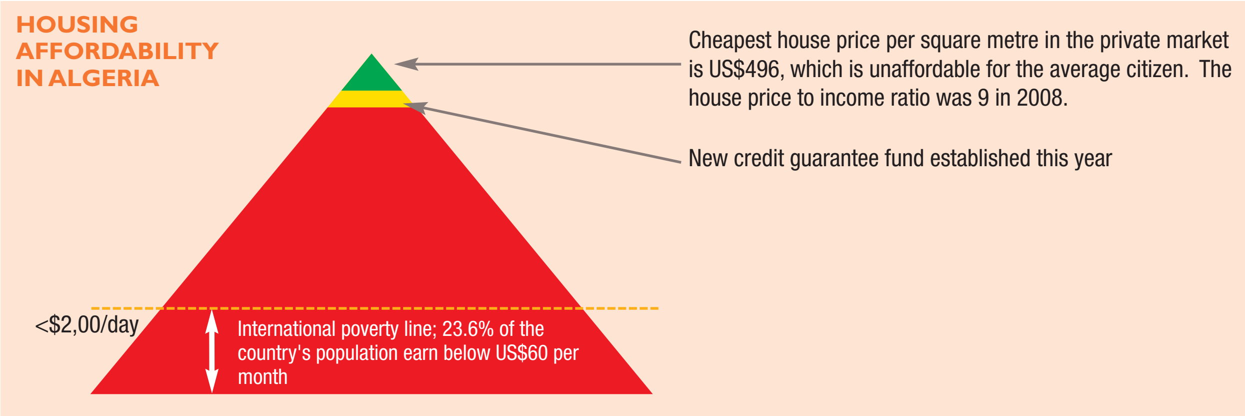
The Society of Mortgage Refinancing (SRH) was established in 1997 as a financial institution dedicated to refinancing housing loans granted by approved financial intermediaries and assisting in diversifying sources of financing for small and medium enterprises, and microfinance institutions. The corporation had an initial capital of 3.29 billion dinars (about US$ 45.3 million) and in 2003, was increased to 4.2 billion dinars (about US$ 5.92 million). Currently its capital is fully paid up and its financial resources come primarily from the issuance of bonds on the local financial market and loans from the international financial market.

Affordability

Increasing rural to urban migration and Algeria's population growth have been recognized as factors contributing towards the limited availability of affordable, formal housing units in the country. While the supply of housing for high-income and expatriate buyers appears to be sufficient, there is a recognized undersupply of affordable housing for lower income earners. In 2008, the house price to income ratio was about nine, indicating a middle income family on average would need to save its annual income for over nine years in order to be able to afford an average housing unit.

Housing Supply

There are several constraints that hamper the progress of sufficient housing units in the country, including availability of land with legal title, the availability of infrastructure, and more importantly the shortage of affordable financing. In 2008, with an accumulated deficit of about 1.2 million housing units, the estimated yearly demand for housing was expected to exceed 150,000 units per year over the course of ten



years. Contributing to the backlog the country experiences, in the past there was a government policy that limited the rate of social (subsidized) housing units being built per year. In 2007, a study of government aid (which included all subsidies granted through various public programmes) showed that only 14% of housing aid went to the poorest quartile of urban households. The restriction imposed upon access to housing subsidies was to increase the supply of rentals and private ownership, thereby shifting the housing delivery emphasis from the provision of public housing towards the provision of privately owned housing financed through affordable long term mortgage loans. However, there was a shortage of mortgages to meet the demand. The consequence of the lack of affordable housing in the country has led to the growth of informal housing. In 2009, therefore, the government introduced a slum evacuation programme, where thousands of slum dwellers would be provided new homes. The resettlement programme is said to be the biggest since the country's independence and was motivated by a string of violent activities in slum areas.

Inadequate and expensive building materials have contributed towards increasing building costs and have slowed down the rate of housing delivery. In 2008, the waiting list for building materials was estimated at 32 – 45 months, which also affected the quality of housing, as developers often made up for the deficit with cheaper building materials and short cuts through the building process. Current developments of steel and cement plants are underway in various regions in the country.

Property Market

In 2008, the average house price (cost per m^2) ranged between 19,000 AD (US$ 261) and 23,000 AD (US$ 317) for social housing, which was entirely paid by the government, and between 25,000 AD (US$ 344) and 28,000 AD (USD 386) per square metre for units to be financed by hire purchase. Private market prices were estimated to range from around 36,000 AD (USD 496) to 45,000 AD (USD 620) per square metre for average middle class housing. Since then, it is understood that the house prices have risen tremendously due to various factors. More recent data is not, however, available.

According to World Bank Doing Business Report, Algeria moved 6 ranks down from last year, to be the 165th country (out of 183 economies) in its property registration system. On average it takes 47 days to register a property; the cost of the process is approximately 7.1% of the property's value.

Policy and regulation

The Algerian housing policy aims to diversify housing types according to household incomes. Segments of this policy ensure social housing to low-income groups, which is fully financed by the government, and a direct financial aid for the intermediate groups. The intermediate groups may borrow added credit from banks to assist in purchasing their housing from public and private developers. Households living rural areas are also eligible for government financial aid.

In 2006, the country introduced a securitization law as a way to free up capital to enable banks to fund housing construction in the country. The law states that only first priority mortgage loans designed to finance housing can be securitized, and that the receivables sold must not be the subject of legal action and should be free of any risk of defaulting. Although the law does expressly weigh up the transfer of future receivables, it has provided an opportunity for mortgage companies in the country, like the Society of Mortgage Refinancing (SRH) to offer a wider range of services to the market.

Opportunities

The government has introduced several measures to improve the supply of housing, particularly for young, employed people. The Society for Mortgage Refinancing's fund is said to result in an additional 400,000 housing units. The state announced in February 2011 that it will establish a credit guarantee fund to its citizens who wish to acquire of build their houses. The government's five-year programme (2010 – 2014) aims to deliver a total of 2 million units. Last year, 190,000 units were delivered while 510,000 units are under construction.

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Angola

Key figures

Exchange Rate: 1 US$*	93,2 Angolan Dinar
Main Urban Centres	Luanda (capital)
Population^	18 993 000
Population growth rate (2005 – 2010)^	2,9
Urban population (% of total) 2009	57.6
GDP per capita^	6 097
GDP growth rate (real, 2010)^	3.4
HDI (Global Ranking)+	
Unemployment rate^	25,20 (2006)
Population less than US$2 per day°	70.2
Population below national poverty line^	68,0 (2001)
Bank branches per 100,000°	5.52
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	15.68
Deposit Interest Rate° (2009)	7
Credit % of GDP° (2009)	29.2
Mortgages % of GDP°	Not available

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)

Overview

Emerging from a protracted civil war since 2002, Angola was for several years one of the fastest growing economies in the world. In the past decade, it has often seen double-digit rates of GDP growth. The country also experienced a post-civil war reconstruction boom, aided by the spending of oil revenues and a US$ 7 billion credit line from China. Large credit lines have also been received from Brazil, Portugal, Germany, Spain, Canada and the EU. That said, a shortage of construction materials in the construction industry is proving a significant hindrance to the process. The country is also faced by a number of other prominent challenges. The economy has a huge structural dependence on oil. However in 2009 and 2010, the country experienced a decrease in oil revenues as a result of the decline in oil prices that resulted in the drying up of liquidity, increased interest rates and delays in payments on Government contracts. The country is currently on a path of recovery and growing from an estimated GDP growth rate of 3.4% in 2010 to a prospective rate of 7.5% in 2011. Angola suffers from considerable inflation pressures – over 14 per cent in 2009. This is expected to decrease to 2011 to 11.7%.

Access to finance

Access to banking in Angola is for a privileged few, and only 6.7 per cent of Angolans have a bank account. Nonetheless the banking sector is growing; over 21 banks operate in the country, with a licence recently granted to Standard Bank. There is however significant market concentration among a few banks; Banco de Fomento Angola S.A (BFA), the state owned Banco de Poupança e Crédito (BPC), Banco Africano de Investimento (BAI), Banco Espirito Santo Angola (BESA) and the Banco Internacional de Crédito S.A (BIC) capture 85 per cent of the savings market.

Only a few banks, notably BFA, BIC, BAI and Banco Totta Caixa Geral Angola (BTCGA) offer mortgages. Other banks may finance house acquisitions as consumer loans. These products typically have much higher interest rates and shorter repayment periods, of around 36 months. Like other forms of credit, lending for house acquisition is still low, but growing. Consolidated statistics by the banking regulator, the National Bank of Angola (BNA), notes that nationally, lending for housing only just picked up in August 2010 to Kz 189 billion (US$ 2 billion) after reaching a year-on-year low of Kz 84 billion (US$ 900 million) in July 2010. Despite these figures, mortgages are still a relative rarity for the majority of households in Angola. In 2009, less than 8 per cent of housing credit by households came from banks, with the rest obtained from family and friends, savings and employers.

Lenders in Angola also do not have access to a well developed credit information system and the public registry covers less than three per cent of adults. They have also had to make do without a national identification system.

The microfinance sector in Angola has seen some of the highest growth rates in the continent and is often at the forefront of product diversification. Most microfinanciers in Angola are financial banks; BAI in 2007 moved into microfinance by acquiring Novo Banco and other banks such as BFA and Banco Sol are diversifying into agricultural lending. KixiCrédito on the other hand is the largest non-bank microfinancier, launched by Development Workshop. Together with microfinance for small business, it also offers a housing microfinance product known as KixiCasa. This it developed upon the realisation that over 30 per cent of business loans were being diverted for housing purposes. KixiCrédito with initial financing from Habitat for Humanity piloted KixiCasa in Huambo. This project enables families classified as the "economically active poor" to construct permanent homes through the provision of incremental housing loans. The potential for housing microfinance remains large, as more than 52 per cent of people needing housing finance according to a survey are micro-entrepreneurs, the prime targets for HMF lending.

The social security system in Angola covers less than 10 per cent of the economically active population and mainly benefits government functionaries. There are some special pension funds set up for war veterans and oil sector workers. There is some scope for harnessing these resources for housing, both through lending to pensioners as well as broader involvement in the residential development industry. Angola currently does not have a stock market, although there are great hopes for the promised plans to set up one when eventually.

Affordability

Angola has a reputation of having one of the world's most expensive real estate markets. The focus of formal developers so far has been on developments in the higher income category. Here, houses and apartments easily sell for US$ 250,000 and more. The cheapest formally supplied houses in what is considered the "affordable housing" market segment typically sell for US$ 25,000 – US$ 35,000. Wages earned by Angolan workers as per the minimum set in 1st June 2009 are Kz 8,891 (US$ 97) for the agricultural sector; Kz 11,114 (US$ 121) for urban transportation, services and industry sectors; and Kz 13,337 (US$ 145) for the commerce and extractive industry sectors. The basic public sector worker on the other hand earns a salary of about Kz 9,100 per month (US$ 100). To qualify for these affordable houses, monthly repayments would be approximately be US $300 – US $400 over 10 years, requiring an income of more than US$ 900, assuming one third goes to the house payment. This is clearly beyond the reach of the average worker, in a country where 70 per cent of the population earn less than US$ 60 per month. Further, it must be emphasised that the supply of housing within this price range is very thin, and financing not always readily available. Nevertheless, there is growing interest in the mortgage market. BAI for example is now offering term of up to 20 years, financing up to 85 per cent of the value of the property.

While Angola has one of the highest social expenditure's as a percentage of GDP in the continent, housing has not received much attention, until very recently. Historically, there have only been limited attempts at facilitating affordability for housing. In 1992, the government initiated a program of selling housing confiscated from the departing colonisers. As a general rule, these houses cost a modest US $12,000. This opportunity to purchase state-owned property was however limited, and only long-term occupants and renters of these houses or flats benefited. The government also created the National Housing Institute which developed the "Urbanização Nova Vida" housing project in 1995. It was designed to build 1,430 homes for public sector workers and some to the general public in two phases. The official average price was approximately US $45,000 for an 85 m^2 apartment, a bargain considering the dearth of supply in this segment of the market. The eligibility criteria for the project was not well defined however, and the project has impacted little on the demand.

In more recent times, given what is now considered a housing crisis, the government in 2008, proposed the establishment of a Housing Investment Fund to finance its housing program of building 1 million houses[1] over the next four years. The public and private sector are meant to deliver around 12 per cent of these, cooperatives around 8 per cent and the majorty, over 68 per cent, through self-help. In this light, the state announced a Social Housing Program to provide for various degrees of subsidy for housing depending on income, including fully subsidised housing to citizens who earn an equivalent of about US$150 per month and below. Further, according to the government, houses developed using these funds will not cost more than US$ 60,000. On 5 August 2010, the government renewed its pledge of US$ 50 billion towards this fund. Reservation of 100,000 hectares of land for housing purposes (of which 32,800 will be in urban areas) distributed over of Angola's 18 provinces is also included as part of this ambitious delivery program. Finally, a slum upgrading program is intended to upgrade public and social infrastructure and renew the housing stock. The Sambizanga slum upgrading programme in Luanda is one such project, where houses and social infrastructures is planned to be built for 400,000 people.

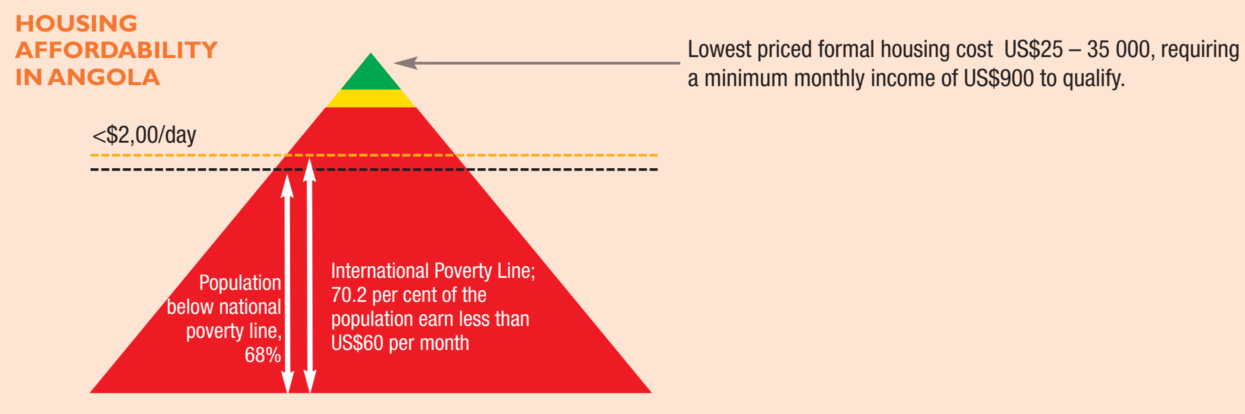
Housing supply

The civil war in Angola left a legacy of a highly urbanised population, living in areas with little developed infrastructure for water, sanitation roads and electricity[2]. It is estimated that Angola's shortfall of housing is over 875,000 units, and that 65 of existing housing lacks basic services such as water and sanitation. These infrastructure limitations restrict housing development in urban areas, and where it happens, make it an expensive venture. This has led to a severe shortage of habitable housing in urban areas and widespread slum development. The country's urban areas also lack the basic land tenure laws and regulations to deal with the highly urbanised high density reality facing them.

For the majority of Angolans, *auto-construcao* or self-build is the predominant method of housing development. The concept of owner managedbuilding which is a process combining local trades-people and family labour, is fundamental to the traditional process of building houses in Angola. There have been positive developments aimed at harnessing this self-build energy to create better settlements and prevent development of slums. Apart from housing microfinance being provided by one institution, the government has recognised the potential of self-build, making it an important element in its 1 million houses program. This will be through providing serviced and legalised land to families who wish to self-build.

The domestic construction sector in the country is under-developed, and the local construction material industry is inadequate to meet the demand for mass housing. This means most building materials are imported. The legacy of war left the country with little local industrial capacity and limited skills, including in the built environment and finance sectors. There are currently campaigns, including financial incentives, to encourage the development and establishment of local manufacturing capacity for cement, ceramics, ironware and timber. There are a few, mostly foreign owned, property developers in the country. These include Escom, (Angolan arm of Portugal's Espirito Santo Group), the Brazilian construction firms Odebrecht and Carmargo Correia. These are predominantly developers of higher end luxury housing development although increasingly, there is a growing shift in focus away from the luxury homes segment by the private sector. This has been especially caused by the economic slump which created a fall in demand. The government has recognised the lack of housing for this category, and this forms part of its one million houses program.

1 From the literature, it is not clear by when these houses should be delivered. Dates mentioned include a very ambitious 2012 or 2013, while some mention that this delivery should happen over the next four decades.
2 Despite its high hydrocarbon resources, only 12 per cent of the population has access to electricity.



While still limited, there has been an increase in funding for housing project finance by the banks over the years. BAI, for example, funded 19 projects in 2009, amounting to US$ 529 million. This was an increase of 200 per cent compared with that recorded in 2008. Of this amount, 86 per cent was for the real estate sector with emphasis on middle and high income segments of the market.

There are several ambitious housing construction projects planned or underway in various provinces. In the municipality of Cacuaco, 30,000 apartments are planned in the form of 5 – 11 storey buildings in 3 phases. Ten-thousand apartments are currently being constructed, the rest to be built within 2.5 years. In the municipality of Viana, 51 new buildings are planned in the community of Zango, while 2,000 houses are targeted in the municipality of Km44, with the majority of the beneficiaries being the workers at Luanda's future airport. In the province of Huambo, about US$ 500 million will be invested in a project that encompasses both a 4-star hotel and 130 homes. In the province of Huila, 25,000 new low-cost housing units are planned, while 20,000 homes are planned for the city of Dundo in the province of Lunda Norte. Foreign construction firms are the main beneficiaries of this construction boom. In April 2009, the Angolan National Housing Administration and Spain's Aretech Urbanisimo Sostenible signed an agreement for the construction of 4,400 affordable houses in the provinces of Cunene, Zaire and Luanda. Construction is intended to take 2 years. The Portuguese real-estate company, Abrantina Investimento Imobiliário – Grupo Lena, in 2009 invested US$32 million in the construction of a 16,000 square metres of high-end residential and commercial complex in downtown Luanda. A Memorandum of Understanding between the National Institute of Housing and the private Czech company Flexibuild LDA, also has the goal of building 8,000 houses of low and medium income. It is noteworthy that the focus on foreign firms while understandable given the limited capacity locally is seen by many as a missed opportunity to build local capacity.

Property markets

The demand for good quality housing in secure developments with the reliable provision of utilities means rental and sale prices are amongst the most expensive in Africa and in the world. There have been signs however that this lucrative market at the higher end has slowed down considerably, primarily because of the recent economic downturn. What should develop in the future is a more active housing market, catering for middle income earners, as developers and the government shift their interest to this segment of the market.

Policy and regulation

Policy and legislation around land tenure is a major hindrance to the growth and development of the housing market. The poor often obtain land through informal processes in urban areas, but there is always the threat of forced evictions. This has been a relatively frequent occurrence in recent years as urban renewal and infrastructure have been prioritised. According to a study by the Development Workshop (2010), only 20 per cent of land has been accessed through formal means and has clear title. There is a need for the government to provide greater security of tenure to poorer households, extend the coverage of the land registry, and introduce simplified and rapid procedures to allow acquisition of formal tenure rights. Also, the many overlaps between the various State actors in relation to granting of property rights (Ministry of Urbanisation and Housing; National Housing Institute; Ministry of Public Works; Office of Special Work) need to be clarified.

Angola performs poorly on indices measuring the ease of doing business. According to the World Bank Doing Business Report of 2011, its land registry is highly inefficient, and in terms of the ease of registering property ranks 174 out of the 180 countries surveyed,. This problem has played itself out in the few government led housing schemes. The sale of state housing to local citizens acquired through confiscation for example, has been characterised by a lack of effective transfer of property rights to the housing beneficiaries. According to Development Workshop (2010), not all buyers have the patience and skills to face the bureaucratic machinery, and therefore they opt for informal occupation status, rather than full ownership. The cadastre also needs to be modernised and updated.

Angola is also scored a lowly rank of 181, with regard to the ease of contract enforcement. This is because among others, the country's legal and judicial system is hampered by general lack of capacity, and has largely ineffective mechanisms for the resolution of commercial disputes. The judicial system also often lacks the capacity to assert its independence.

There have been some positive developments. Law nº 3/07 of 2007 on "The Basis of Housing Development" ("De Bases do Fomento Habitacional) was recently passed to promote among other things the emergence of public or private finance for housing construction. It is the statutory basis for the Housing Investment Fund. The law importantly, formally recognises the role of "directed self construction" as a method for housing development. Regulations to implement the law are yet to be promulgated however. The government in July 2009 approved an ordinance that grants duty-free imports for various materials for the construction of housing. This is of actions slated for implementation to meet the goals of its ambitous housing program. In 2003, the National Assembly approved the Voluntary Arbitration Law (VAL) to provide a general legal framework for faster, non-judicial arbitration of disputes, although this has yet to be fully implemented.

Opportunities

Angola has strong potential to receive inflows of foreign direct investment thanks to its natural resource wealth and booming economy, but its unfavourable business environment holds the country back from fully realising these gains. The government needs to resolve the issues that contribute to this state of affairs, to sustain its economic growth in the long run as well as create greater facility for other sectors, beyond extractive related ones, to grow. The real estate sector has historically been overly focussed on high end housing developments because of the ready market from oil companies, amid record prices and exports in 2007 and 2008. This has changed with the recent economic downturn, and more and more developers are realising the potential for more affordable housing, targeting the middle to lower middle income earners in the country's urban centres. Here lies opportunity both in financing and development going forward. The ambitious government housing program will further provide opportunity for residential financers and developers if incentives are fully implemented. Housing microfinance presents big opportunities, having the advantage of a supportive legislative regime that formally recognises incremental housing, an established tradition of microfinance lending, established practices by players such as Development Workshop, and recognised significant demand.

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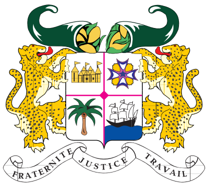
Benin



Key figures

Exchange Rate: 1 US$*	453 CFA Francs
Main Urban Centres	Porto-Novo (capital), Cotonou
Population^	9 212 000
Population growth rate (2005 – 2010)^	3,4
Urban population (% of total) 2009	41.6
GDP per capita^	1 502
GDP growth rate (real, 2010)^	2.1
HDI (Global Ranking)+	0,437 (115)
Unemployment rate^	0,70 (2002)
Population less than US$2 per day°	75.3
Population below national poverty line^	29,0 (1999)
Bank branches per 100,000°	Not available
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	3.5
Credit % of GDP° (2009)	19.1
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	10.38
Cost of standard sheet of corrugated sheet iron US$•	6.30
Price of the cheapest newly built house, by a formal developer (US$)•	14 130
Smallest size of a formal house (m^2)•	44 sq metres

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

For a long time, agriculture has been the main driver of the Benin economy. This has significantly changed over the last decade, with services taking the lead in terms of contribution to the GDP. In 2009 and 2010, agriculture production slowed down due to a decrease in public investment, and floods. This led to a decrease in the GDP growth rate in 2009 and 2010, which is estimated to be 2.5 per cent and 2.1 per cent respectively, moving from 5 per cent in 2008. The economy is expected to gradually recover in the next few years, evidenced by the forecasted growth rates, 2.5 per cent for 2011 and 3.7 for 2012. In the 2011, the World Bank Doing Business Report ranked Benin 170 out of 183 economies on the "ease of doing business" global index, moving up by 2 ranks from the 2010 edition.

Access to finance

The country's financial sector is concentrated with commercial banks; other sectors are still in their infancy stage. At the end of 2009, there were a total of 12 commercial banks (in 2011 this number went up to 13) amounting to 125 branches. Deposits to these banks were estimated at CFA francs 1,043 billion in 2009, while the loans disbursed were estimated at CFA Francs 798 billion. Most of the loans (66.8 per cent in 2009) disbursed by the banks are short term credit loans, while only three per cent of the portfolio comprises long term loans. With a relatively moderate lending rate, which ranges from 12 per cent to 14 per cent, most stakeholders have cited the lack of long term financing as the main reason for the low provision of long term credit. As at 2008, the other stakeholders in the financial system included two pension funds (serving 45 000 citizens in the country), and the insurance sector with an insurance premium equivalent of 1.2 per cent of the country's GDP.

Housing finance has been growing in the country, with banks as the main drivers. Some donors have also shown some interest in the sector. Most housing loans in Benin are provided by banks in two forms: medium term construction materials loans and group lending. The medium term construction materials loan products are granted to individuals with a varying interest rate that ranges from 10.5 to 13 per cent, and a repayment term that ranges between three to five years. The group lending products are usually granted to private organization or a parastatal to distribute to their employees, where the organization would be responsible for the repayment of the loans. Products such as "consumption loans" (2-year maximum term) or "equipment loans" (5-year maximum term) are often used as housing finance, and often for home improvements. Some banks however have designed specific housing finance products, such as the housing savings plan of Ecobank Benin which provides access to relatively lower interest rate housing loans for savers.

The Benin Housing Bank was founded in 2004 by a public private partnership between the government and private stakeholders including the Bank of Africa, as a way to provide solutions to the demand of housing finance in the country. The bank is the first of its kind in the country. The bank is expected to provide 50 per cent of its loans to affordable housing projects, although this target is not always achieved. Some specificities of this focus include: the maximum borrower's net monthly income should be CFA francs 250,000 and the maximum value of the housing units or the improvements should be CFA francs 150,000 per square meter, within an upper limit of CFA francs 12 millions. At the end of 2009, the total amount of outstanding loans was estimated to be CFA francs 17 billion. Of this about 50 percent was made of short term housing loans to developers. BHB is reportedly the originator of about 50 percent of housing loans in Benin.

The savings culture of Beninese has driven the growth of microfinance in Benin, making it a significant player in the country's financial system. There are about 21 registered MFI in the country of which the "Fédération des Caisses d'Epargne et de Crédit Agricole Mutuel" (FECECAM) is the biggest. FECECAM gathers more than 80 percent of household deposits. At the end of 2009 the total number of members of FECECAM was estimated to be more than 600,000 – two thirds of the total of 912,000 members in the sector. At the end of 2009 a total of 905 million CFA Francs represented the total outstanding debt, where the default rate for MFIs is relatively low less than 3 per cent. Some of the microfinance institutions offer housing finance products. For example, PADME offers up to 10 million CFA Francs with duration of 60 months, and an interest rate of 1.5 to 2 per cent per month. A critical challenge facing these housing microfinance institutions is the limited amount of resources available to manage in the longer term, larger size housing loans.

Affordability

In Benin, affordability is a serious issue since revenues are relatively low compared to cheapest housing unit prices. According to the 2010 survey on the living conditions of households, more than 55 percent of the population in Benin lives below the international poverty line of US$ 2 a day; and less than one per cent of the Benin population belongs to the upper class of the revenue distribution chart. At the same time, the cheapest properties cost 200 times the median revenue.

Affordability of housing is impeded by rapid escalations in land prices, especially in newly urbanized areas. However, urban development is not the only driver of the land price. Speculation plays a big part in this, with more and more intermediaries positioning themselves between property owners and buyers. Increasing land prices have driven lower and middle income people to move further and further from the inner city, to where they can afford to buy a land. Adding to the rising land price is the increase in the price of construction materials. For example the price of a ton of cement produced locally has increased by more than 30 percent in last five years.

In the face of such challenges, people develop creative ideas to be able to save and self-build their housing. Some form informal savings groups (known as in-kind tontines) to help them acquire housing. This scheme is set up by member to access building materials, mostly cement, to build their own houses. A beneficiary in the group is chosen randomly, each member benefits only once; and the tontine runs until all members have benefited. However, as the cost of building materials increases, the feasibility of this kind of savings or investment scheme has been called into question.

In July 2010, the West African Economic and Monetary Union created a regional mortgage refinance fund called Caisse Regionale de Refinancement Hypothecaire – CRRH, which will be hosted at the West African Development Bank (BOAD). With an initial capital of CFA Francs 3 426 billion and a partnership with 31 banks in the region, the CRRH aims to provide long term resources that will allow lenders to develop long-term mortgage products at relatively moderate rates. The West African Development Banks is expected to increase its contribution to CRRH to CFA Francs 55 billion in the future. When it becomes fully operational, the CRRH will certainly ease access to housing finance and increase affordability within the West African Economic and Monetary Union.

Housing supply

There are four major contributors to the housing stock in the country: households, government agencies, public-private partnerships, and the private developers. However, formal housing supply has still lagged behind the demand in the country, despite noted efforts. In 1978 the Benin government established SONAGIM – Societe Nationale de Gestion Immobiliere (National Society for the Production of Housing) as a strategy to increase the access of affordable land and housing to low income households. At the same time, the former Benin Development Bank (BBD) and a number of other public companies had been involved in the production of housing units until 1990. The most significant housing project plan by SONAGIM was the construction of 1000 housing units in Cite Houeyiho, while the government provided the infrastructure needed, only 149 housing units were built. As a result of structural problems, the organization was dismantled in 1998 and replaced by Societe de Construction et de Gestion Immobiliere (SOCOGIM).

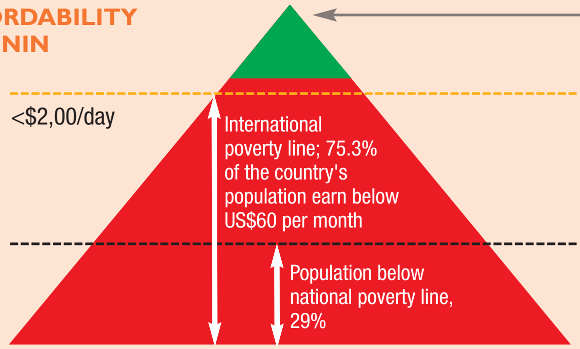
With the emergence of a market economy in the country, there has been an upsurge of housing projects through public-private partnerships. A number of these projects have been in the affordable housing space, for example, the Arconville project in partnership with Shelter-Afrique for the construction of 10,000 affordable housing units; the 1042 affordable housing units programme launched in 2001 in Abomey-Calavi in partnership with the Betsaleel Building Group and the support of Shelter-Afrique; the 600 housing units programme launched in 2001 in partnership with Benin Kasher, a private company; and the 13,500 affordable housing units programme all over the country in partnership with the Servax Group (although this has been put on hold due to financial difficulties). Atlantique Bank has also been involved in the 10,000 Affordable Housing Units Programme and provided a CFA francs 2 billion contribution to the financial set up of the programme. This contribution has been complemented by a total commitment of more than CFA francs 10 billion by the Benin Housing Bank. The government is in negotiations with the Islamic Development Bank to set up a new housing project that will become the biggest housing project ever in the country with the goal of delivering some 20,000 affordable housing units. However, there is currently no clear indication on when the negotiations will be completed and when the project will get started. Also, the UNDP has set up a programme with the Ministry in charge of housing called the 'Government Pilot Programme for the Improvement of Rural Housing and Living Conditions of the Poorest and the Development of Traditional Housing in Benin'. However, the programme is currently experiencing funding shortage which has hampered the expected smooth implementation process

Property markets

According to the 2011 World Bank Doing Business Report survey, Benin ranked 125th out of 183 countries on the "Dealing with construction permit regulations" indicator; making it one of the lowest ranking countries in the world. Indeed, it currently takes an average of 320 days, 15 procedures and cost 249.6 per cent of the per capita income to obtain a construction permit. Likewise, registering a property takes an average of 120 days, 4 procedures and cost 11.6 per cent of the property value, making Benin rank 129th of 183 countries.

Owning a property requires a minimum of CFA francs 8.9 millions for a one-bedroom housing unit in the new Government 10,000 affordable housing units programme. This

HOUSING AFFORDABILITY IN BENIN



Housing loans provided by Benin Housing Bank require a minimum of USD22 per month. BHB was created in 2004. The cheapest house, built by a formal developer in 2011, ranges between US$14 130 – US$17 608.

cost amounts to CFA francs 11 million and 12.8 million respectively for a 2-bedroom and a 3-bedroom house. The programme is expected to deliver some 2100 housing units by the end of 2011. This number will add to 240 high end villas costing a minimum of CFA 350 million and built between 2008 and 2010. Properties in business or industrial estates cost as much as CFA francs 144,261 per square meter.

Policy and regulation

The first housing policy was adopted in 2005. Before that, government interventions were implemented without a real policy framework. The housing policy complements other urban development policies in the country like the National Land Use Planning Policy statement and the Urban Policy Statement. Some of the objectives of the policy include: to improve land tenure security and make public intervention more effective; to encourage individual housing investment efforts through relevant regulatory and operational provisions; to develop public private partnerships for the production of housing; and to define the rules and access conditions to housing. The new housing policy framework prescribes that land subdivisions in any given municipality should be subject to the existence of a master plan, a schematic structure and a land use plan. However, there is a doubt of the compliance of municipalities in this process, even as the specificities of the role of municipalities in the policy framework are not clear. The implementation strategy for the housing policy framework includes the improvement and the strengthening of the regulatory and institutional framework for housing; the promotion of local building materials; and the establishment of a mechanism for housing finance, specifically the creation of a housing bank. One evident output thus far is the creation of the Benin Housing Bank.

A National Land Use Planning Policy was adopted in 2002, even with the absence of a housing policy and a policy framework for the management of land and space in the country. Some of the objectives of the policy included: the promotion of land use planning and rational management of resources and the strengthening of basic infrastructure at the local level. The success of this policy framework is yet to be seen, even as the policy is not well known to prospective stakeholders like local governments.

Opportunities

One important characteristic of Benin people is the pride they take in owning their house. As such the demand for housing is considered to be very high in Benin, even though there are no updated estimates of such demand. There is also a strong commitment of the Benin Government to invest in the housing sector. The launching of the 10,000 affordable housing units programme in 2008 is an illustration of this commitment.

A draft white book on land policy has been developed and should soon be enacted into formal policy. Once enacted the white book on land policy will provide the ground for stronger property rights on land and offer better security for investment, including in housing. Indeed, the white book will among other things help to secure access to land and land ownership; to facilitate the access of public authorities to land; to improve the management by the State and decentralized communities of their respective jurisdictions; and to regulate land transactions and land transfers.

With the intervention of the Millennium Challenge Account programme in Benin, an important number issues relating to land title have been addressed, which together will secure land property rights and thus take out of the way, at least partially, a major constraint to the housing sector in Benin. Other development partners such as the German GIZ are also willing to support the Benin government on land security issues.

Finally, Benin republic is known to be one of the most stable democracies and economies in West Africa over the past 20 years. This has contributed to lower the cost of access to credit such as the interest rate.

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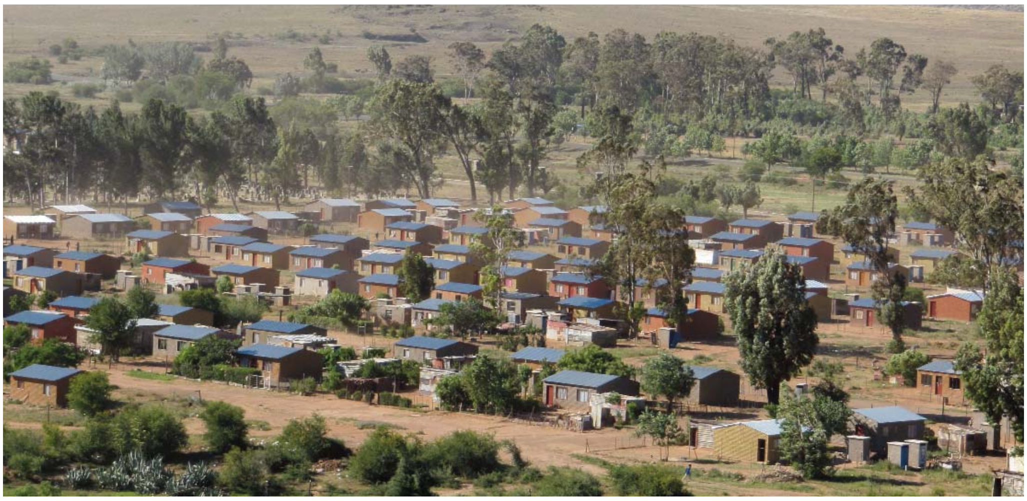


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Botswana

Key figures

Exchange Rate: 1 US$*	6,76 Pula
Main Urban Centres	Gaborone (capital), Francistown
Population^	1 978 000
Population growth rate (2005 – 2010)^	1,5
Urban population (% of total) 2009	60.4
GDP per capita^	15 376
GDP growth rate (real, 2010)^	6.4
HDI (Global Ranking)+	0,655 (93)
Unemployment rate^	17,60 (2006)
Population less than US$2 per day°	49.4
Population below national poverty line^	30,3 (2003)
Bank branches per 100,000°	6.91
FinScope financial exclusion	33%
Lending Interest Rate° (2009)	13.76
Deposit Interest Rate° (2009)	8.53
Credit % of GDP° (2009)	-1
Mortgages % of GDP°	2.3
Cost 50 kg bag cement (July 2011) US$•	8,25 in Gaborone 11,78 in Maun
Cost of standard sheet of corrugated sheet iron US$•	3,60 for 686mm (0,5 GALV)
Price of the cheapest newly built house, by a formal developer (US$)•	37,500 – 45,000
Smallest size of a formal house (m^2)•	55 – 75m^2

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

Botswana is a land-locked country in Southern Africa, with just over two million people, and known for its mining and natural resource base. Home to the headquarters of the Southern African Development Community, Botswana has been one of the fastest growing economies in the region. Recently, however, Botswana has faced considerable economic pressure with the fall of overseas demand for its minerals. After experiencing a negative GDP growth rate of -3.7 per cent in 2009, the economy rebounded and grew by an estimated 6.4 per cent in 2010 – the prospective growth rate for 2011 and 2012 are 6.9 and 7 per cent respectively. In the World Bank's 2011 *Ease of Doing Business* report Botswana was ranked 52 out of 183 countries, the third highest in Africa after Mauritius at 17 and South Africa at 34.

Access to finance

Access to finance in Botswana is relatively high by African standards, but considered low globally. This is especially so considering the country's relatively high levels of GDP per capita. According to the second FinScope survey undertaken in Botswana (2009), 67 per cent of the population is financially served, using either formal and/or informal products; 41 per cent of the population is formally banked, and 33 per cent is financially excluded. Nevertheless credit to households is generally on the increase and by the end of 2009, this was 57.9 per cent, up from 56.9 per cent the previous year. Lending to households by the banking sector mainly targets consumer spending in unsecured debt, rather than lending for mortgage finance. While lending to finance housing has increased, this has been eclipsed by lending for other forms of consumer expenditure. Low savings levels also negatively affect housing finance. FinScope 2009 states that up to 59 per cent of the population does not save for retirement. These low savings levels further contracted with the recession in 2009.

Formal housing finance is provided by commercial banks as well as Botswana Building Society (BBS). The BBS is the market leader in mortgage lending. Offering loans for relatively low amounts, up to P75 000 (US$11 077), and 100 per cent loan-to-value ratios secured by the land, these lenders still have stringent qualification criteria.

According to FinScope Botswana (2009), only one per cent of adults have a mortgage bond or housing loan from a bank. Of the 11,1 per cent of the 130 711 households who said they took out a loan in the last year used it to renovate or extend their home; a further 4,7 per cent said they used the loan to start a business, and 0,2 per cent said they used it to purchase land. About eight per cent of adults say they invest in their homes.

Botswana's microfinance industry has increased reach of finance services generally. This form of lending has also been associated with consumer spending, as well as with education and emergencies. Housing microfinance remains uncharted territory in Botswana, although some lenders are moving into this space, notably Select Africa.

Botswana has one of the more active credit information sharing sectors in the SADC region. The credit bureaus in the country cover about 57.6 per cent of the country's adult population (World Bank, 2011), scoring a 4 (out of a possible 6) in the World Bank index on the depth of credit information.

Botswana's pensions industry is large with about 115 pension funds, and its total assets accounting for about 60 per cent of the country's GDP. However in relation to housing finance, the industry is rather conservative and does not provide members with housing loans or allow third party loans secured by pensions. The unclear regulatory framework dealing with pensions has been cited as part of the problem.

Affordability

According to FinScope Botswana 2009, 27 per cent of adults in Botswana do not earn an income, while another third earn less than P500 (US$74) a month. In most urban households (49 per cent) there is only one income earner; in 28 per cent there are two income earners, and in 15 per cent there are three or more income earners. Eight per cent of urban households and 13 per cent of rural households have no income earners. Fourteen per cent of households across Botswana have an income of less than P500 (US$74) per month.

The financial institutions and government in Botswana have worked hard to ensure housing affordability across the population. The BBS continues with its mortgage product introduced in February 2010 that incentivises saving for mortgages for new home acquisition. It has also launched a fixed-rate mortgage for terms as high 30 years, although borrowers can also pay in advance. Interest rates charged are currently between 11.8 per cent for the Variable Rate Mortgage, and 10.7 per cent for the Fixed Rate Mortgage.

Government assists all Botswana citizens to purchase or develop properties by guaranteeing 25 per cent of all loans secured through the BBS. While financing a completed house is beyond most Botswana's citizens, small construction loans offered by financiers can theoretically reach more people, who can then build incrementally. The state-funded SHHA provides loans of as little as US$1 000 and up to a maximum of P45 000 (about US$6 646) at no interest repayable over 20 years. The SHHA loans are accessible to both urban and rural households earning annual incomes of between P4 400 (US$650) and P36 400 (US$5 376). Beneficiaries can use the loan for extension or renovation of an existing house and/or completion of a house. This bridges the affordability gap considerably, because it lowers the qualification threshold and allows workers earning very low salaries to access finance (at the lower limit of the criteria, US$53 a month, which is within the poverty line). However, this does not completely solve the problem of access to housing finance for all. This is because even at this very low wage threshold some people are still excluded – only 32% of urban adults and 34% of rural adults earn their income from salaries or wages. In this segment, the Ministry of Lands and Housing has introduced the Integrated Poverty Alleviation and Housing programme, catering for those who do not qualify for the SHHA loans and the Turnkey facility. The programme seeks to train households to acquire productive skills in the construction industry so that they might address their own housing needs while also earning an income.

Other housing loan providers include the National Development Bank, a state entity, which has introduced a self-build loan, lending as little as P20 000 (US$2 954). NGOs such as Habitat for Humanity help cater for the excluded, considering the income thresholds of the SSHA as well as the considerable backlogs in the system. With their highly subsidised interest rate mortgages of between three to six years and use of the sweat equity of the beneficiary, a loan for a two-roomed house requires as little as US$23 a month to service.

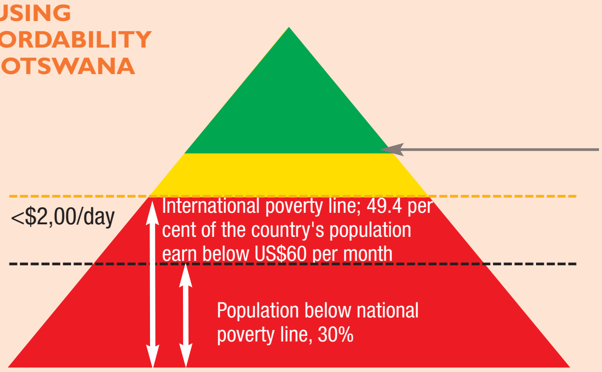
Housing supply

The supply of ready-built housing units in Botswana is low – both in the low and high end markets – and most people self-build for occupation. FinScope Botswana 2009 finds that 43 per cent of households live in inadequate accommodation – either overcrowding in formal dwellings, or living in informal dwellings. Targeting this market, the Self Help Housing Agency (SHHA) allocates plots and provides finance for self-build. Introduced in 1973, the SSHA has enhanced the accessibility of housing by providing serviced starter plots, low loan amounts and very concessionary interest rates. The rate of delivery by the SHHA has been unable to meet the demand for plots, and there is a backlog of more than 15 years. It also suffers from poor repayment rates. Through the SHHA, the government introduced a Turnkey Scheme, in which the can purchase completed houses at a cost of P60 000 (US$8 760), financed by the SHHA at 0 per cent interest over 20 years (interest is raised to 10 per cent for those who default). According to FinScope Botswana 2009, 40 588 adults occupy SHHA houses (the majority of them owners) and another 28 546 rent small houses on an SHHA plot.

Striving to be the best property developer and estate manager in the country, the Botswana Housing Corporation (BHC) was established by an act of Parliament in 1970, to provide housing, office and other building needs of the Botswana Government, local authorities and the general public. The BHC has a large estate of flats, town houses, and a balanced mix of high, medium and low-income houses, spread throughout the country with concentrations in Gaborone and Francistown. Although historically focused on developing housing for rental, it has recently begun to offer houses for sale as well.

The BHC builds close to 1 000 houses a year across the country. In 2010, they had their sights on about 1 400 units from four projects. According to the BHC website (accessed April 2010), the BHC has four projects nearing completion. These include 545 houses in Gerald Estates in Francistown, 107 in Serowe, 111 in Maun and 720 units in Block 7 in Gaborone. The same

HOUSING AFFORDABILITY IN BOTSWANA



Home acquisition/ construction loan product by SSHA requires incomes of a lower limit of US$53 (which falls within the poverty line) and upper limit of US$445.
The cheapest house, built by a formal developer in 2011, ranges between US$37 500 – US$45 000.

article states they intend to deliver 1 424 housing units in the financial year 2010/11 and to start 2 400 units during the same year. In terms of the National Development Plan 10, construction of 29 000 houses is planned for the next seven years.

Operating at the lower end of the income spectrum, NGOs such as Habitat for Humanity provide assistance. The Habitat for Humanity website reports that 118 families have been served this year. Like many African countries, the lack of sufficient serviced land is a constraint, although the state has undertaken significant efforts to deal with this. The Department of Lands has promised to allocate a total of 10 691 plots between April 2010 and March 2011, including residential, commercial and other land uses. These plots

Property markets

The outlook for the property market is generally positive. Property prices have risen steadily over the past few years, spurred on in part by the booming tourism industry, and showing resilience even in the face of recession. Secondary property markets are limited by the shortage of mortgageable stock in primary markets. A useful indicator is the fact that only 18 per cent of the buildings in the country are of durable material. This shortage is also reflected in the lack of adequate affordable rental housing stock, and the consistent reports of steep rises in rentals in urban areas.

In an effort to address its operational costs, as well as to provide property into the market, the BHC embarked in 2007 on an aggressive sales campaign, a significant change from its previous policy of renting out units. Between 2006 and 2008, the BHC sold 1 404 units on the market. In 2010, it promised the sale of 362 units sitting tenants in Gabarone and Francistown

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According to the World Bank doing business report (2011), it takes on average 16 days to register a property in the country, and the process costs about 5 per cent of the property value. Thus, this is indicative of the relative efficiency of the country's registration process.

The Botswana Development Corporation (BDC) is currently in the process of developing a property fund which is hoped will result in a class of investible assets for the country's citizens and property managers. The property fund will focus on various properties from the housing, commercial and industrial sectors.

Policy and regulation

The Botswana government has prioritised savings and credit for long-term investments such as housing. One area of reform identified is the land administration system. The lengthy process for conversion from tribal to common law land as required for mortgage lending has been cited as a problem. Regulations about land use management such as building permits and related procedures are also considered unduly onerous and bureaucratic and need to be reformed.

Opportunities

Botswana is a relatively stable, well-managed economy that has shown significant growth over the last few years. Finance for self-build housing still offers significant prospects for growth, due to this being the preferred method of building, even among the middle- and higher income categories. HMF therefore has enormous potential. Mortgage lending has been increasing, and while there is limited demand given the country's generally small urban areas, it also has potential for growth. The state has recognised the need to reform in many key areas such as land administration. If followed through, this can enhance access to, and affordability of, mortgages among the population.

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Egypt

Key figures

Exchange Rate: 1 US$*	6 Egyptian Pound
Main Urban Centres	Cairo (capital)
Population^	84 474 000
Population growth rate (2005 – 2010)^	1,9
Urban population (% of total) 2009	42.7
GDP per capita^	5 940
GDP growth rate (real, 2010)^	5.1
HDI (Global Ranking)+	0,659 (90)
Unemployment rate^	9,40 (2009)
Population less than US$2 per day°	18.5
Population below national poverty line^	16,7 (2000)
Bank branches per 100,000°	Not available
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	11.96
Deposit Interest Rate° (2009)	1.22
Credit % of GDP° (2009)	75.4
Mortgages % of GDP°	Not available

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)

Overview

Egypt's economic performance since 2004 has been impressive, averaging above 5 percent annually, in the years until 2010. The political uprising that occurred in the first quarter of the year 2011 has affected the Egyptian economy considerably, however. The GDP growth rate is expected to reduce from an estimated 5.1% in 2010 to an expected 1.6% in 2011, while the inflation rate is expected to increase from 11.7% in 2009/10 to 13.4% in 2010/11. The country is reportedly going to experience its hardest hit in foreign investment, also due to the political unrest. Egypt's credit rating was recently downgraded by credit rating agencies, Fitch and Moody's, as there is speculation of further negative economic effects if the country's political situation does not stabilize. That said, political reforms and the hope for a new Egypt will stand the country in good stead for renewed investor interest.

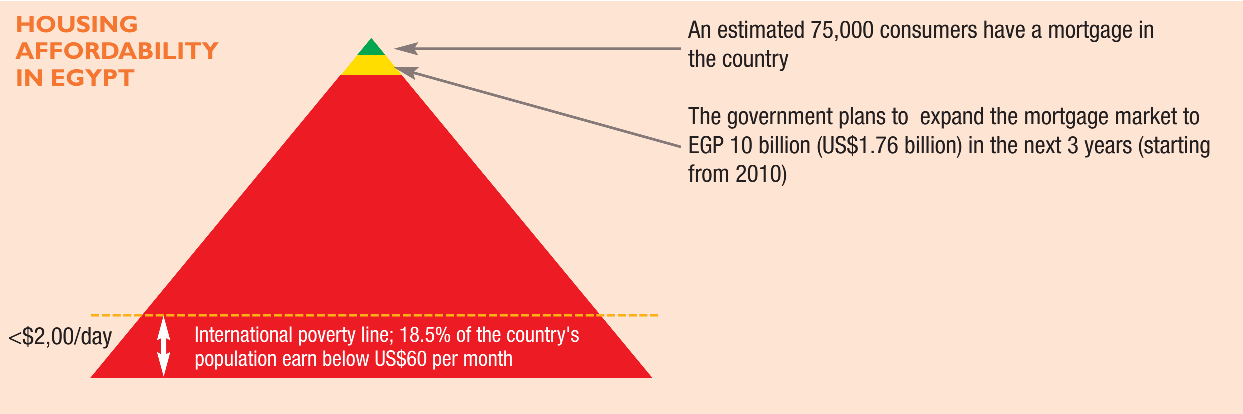
Access to finance

The banking sector in Egypt accounts for 95 percent of total financial system assets and includes 4 commercial banks, 3 specialized banks, and 17 joint-venture banks with state participation. State-owned banks have the most balanced branch network overall, although their presence is still greater in urban than in rural areas. Financial intermediation by the banking system is weak by international standards: savings are relatively high, and while banks collect large deposits, in relative terms they lend little. Nevertheless, Egypt is currently moving towards becoming the biggest financial center in the North African region. Non-bank finance remains moderately developed in Egypt, as financial institutions face obstacles that range from the lack of well-functioning and efficient means of registering potential clients and borrowers based on limited information. Mortgage finance is constrained by the limited access to long-term funding, cumbersome property registration procedures, inadequate collateral enforcement, lengthy court process, and untested foreclosure procedures. Consumers without bank accounts or proof of income also struggle to access mortgage finance, and paperwork is cumbersome, making the applications process difficult and undermining the accessibility of the product. Credit information and market information systems remain weak in Egypt; only 10.3% of the population is registered with a private credit bureau, while about 2.3% is registered with the public registry.

Microfinance in Egypt is still under-developed relative to the large potential market. To date, banks and NGOs are the major providers of microfinance in Egypt. According to the MixMarket, the number of borrowers was estimated at 1.1 million in 2009, and the total value of loans disbursed by MFIs was US$ 216.9 million. Fifteen MFIs – mostly NGOs – serve more than 85 percent of the total active clients, and about 50 percent of this comprises individual loans to finance existing small and medium enterprises (SMEs). Microfinance for housing as a specified product is limited, although a significant portion of borrowers do make use of their loans for home improvement purposes. The Egyptian Guarantee and Subsidy Fund was established in 2004, and works to expand housing affordability for moderate and low-income Egyptian households. The Subsidy Division of the fund works exclusively with low-income customers and almost always accesses Credit Division financial products, while the Credit Division works across the moderate and middle market, predominantly without accessing Subsidy Division resources except for its submarket of low-income households.

Affordability

According to a report by Dar Al Mimar Group, Egyptians on average buy houses at 7-times their income which is higher than in most other countries, like the United States where Americans on average buy their houses at 4 times their income. On average a borrower spends 30% – 60% of their income on housing, and with property prices at about seven times the annual income, it would take approximately 19



years to pay for a house in Egypt. A report from USAID shows the high level of informal lending that occurs in this sector, stating that financing mainly comes from savings (65%), savings from abroad (14%), contributions from relatives (11%), loans from individuals (5%), loans from work (3%); and only 2% of loans come from bank. The current mortgage interest rate averages at about 12.45% per annum.

By mid-2010 there were 11 mortgage finance companies (MFCs), up from only 2 in 2005. The government plans to expand the mortgage market to EGP 10 billion (US$1.76 billion) in the next 3 years (starting from 2010). The Egyptian Mortgage Finance Fund subsidized about 10,000 housing units in 2010, and will subsidize about 65,000 units by 2012. Low-income households with a maximum monthly income of EGP20, 000 ($3370) may qualify for the subsidies.

Housing supply

About 90% of the country's housing supply is built informally, while only 10% is built by professional property developers. More than 11 million people, out of the country's total population of about 84 million, live in informal slum settlements. The uneven nature of the economy has put the majority of decent housing beyond the financial means of the low and middle-income classes. As a result, there is an excess of higher priced units that contrasts markedly with the severe shortage of low and middle income units. The country's housing demand is estimated at 610,000 units per annum, with 350,000 accounting for the rural sector. The main driver for the demand for housing in Egypt appears to be, population growth – the World Bank (2009) estimated the annual growth rate as 1.8% per annum. With a population of 82 million and growing, Egypt has one of the largest domestic markets in the region. The housing market is expected to grow at a combined annual growth rate of 4.3%.

The Egyptian construction sector is expected to experience strong and stable growth between 2010 and 2014, with real construction industry value growing at an average of 4.91% year-on-year, rising to US$15.8bn in 2014. The positive outlook for the sector is based on the expectation that there is a strong and sustainable demand for infrastructure projects, high-levels of government investment and rising private investment, and in the hope the country manages the political events that previously rocked its economy. Public private partnerships (PPP) are beginning to proliferate as the government steps up its efforts to engage the private sector in infrastructure projects as part of its long-term infrastructure investment strategy. The strong demand for building materials is an increasingly import driver for growth in Egypt's cement industry. The 25% year on year increase (adjusted for inflation) in Egypt's cement demand in 2009 highlights the importance of the cement industry in supporting the country's housing and construction industries.

Property market

In Egypt there is an inconsistent approach to property valuations, where a lack of valuation information exists, making the effective use of financing very difficult, as lenders have very little idea of the true value of property that they will recover in the case of default. It is estimated that over 90 percent of urban housing is in the informal sector – that is, without a formal title. Homeowners' lack of formal title to their property has hindered the use of houses as collateral for other investments, such as building small businesses, limiting economic growth. The lack of formal titles also limits infrastructure development. Another big obstacle to mortgage finance in Egypt is property registration (only around 10% of properties in Cairo, the nation's capital, are registered), a cumbersome process with high registration fees, as well as the lack of critical legal infrastructure, particularly in terms of contract enforcement, to support it. Some progress has been made in this area, reducing property registration fees with the intention of reducing the administrative cost of registration. The recent political upheaval in the country has resulted in a significant decrease in land and property prices.

Policy and regulation

The design of housing policies in Egypt is seen as an important part of the national planning process, where the housing strategy (including new town developments) has visible links with the achievements of regional development goals. Public housing in Egypt has been responsible for the development of new towns themselves and for significant urban transformation. It also serves as a basis for industrialization and increased private investment. The Egyptian housing policy has focused on designing and delivering a supply side subsidy programme (in the form of the Egyptian Guarantee and Subsidy programme), however to date, the programme is inefficient. With 1 221 urban slum areas, housing between 12 and 15 million of the country's approximately 84 million citizens, a slum upgrading strategy is increasingly important. Government's approach has been to extend basic infrastructure for water, electricity and sewage removal to slum areas. However, the focus on utility provision has left unaddressed other factors that affect slum growth.

Opportunties

Promotion of real estate ownership rights for the public and for the poor in particular through registration of their properties is a major challenge that will certainly affect the map of poverty in Egypt. Cost reduction and improved technological systems are needed to improve the situation. There is a need for faster approval procedures by government departments and for the central bank of Egypt to encourage banks to extend credit facilities to MFIs based on the quality of the loan portfolios of these institutions and to benefit from their outreach and experience in microfinance. MFIs are not participating in the current credit bureau system, which creates an information gap. This is due to the perception of the high cost of the service when compared to the value of microloans. The support of funding organizations is needed to impose and assist MFIs with practical arrangements with the credit bureau with regards to pricing issues.

In recent years NGO MFI's with successful practices have been transforming into for profit businesses, despite the wide range of tax and duties exemptions they stand to lose as a result of this change. The benefits these MFIs foresee from this transformation include the ability to provide a variety of microfinance services besides microcredit (including housing microfinance), and increased access to funding whether through debt or equity. A main challenge facing the microfinance practices is the interest rate cap of seven percent on all civil and commercial transactions: banks are the only entities exempted from this rule. Some credit guarantee initiatives have been launched to serve the MF industry in Egypt. Examples include the Credit Guarantee Company for Small and Medium Scale Enterprises (CGC) and the Cooperative Insurance Society for Small Enterprises (CIS). Neither organization has yet achieved significant success in encouraging banks to finance NGOs. In addition, some donor agencies such as KfW, USAID and the French development Agency have launched or are considering launching credit guarantee programmes.

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Ethiopia

Key figures

Exchange Rate: 1 US$*	17,11 Ethiopian Birr
Main Urban Centres	Addis Ababa (capital)
Population^	84 976 000
Population growth rate (2005 – 2010)^	2,8
Urban population (% of total) 2009	17.2
GDP per capita^	1 074
GDP growth rate (real, 2010)^	8.8
HDI (Global Ranking)+	0,412 (124)
Unemployment rate^	17,00 (2007)
Population less than US$2 per day°	77.6
Population below national poverty line^	44,2 (2000)
Bank branches per 100,000°	1.21
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	37.1 (2008)
Mortgages % of GDP°	<1

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)

Overview

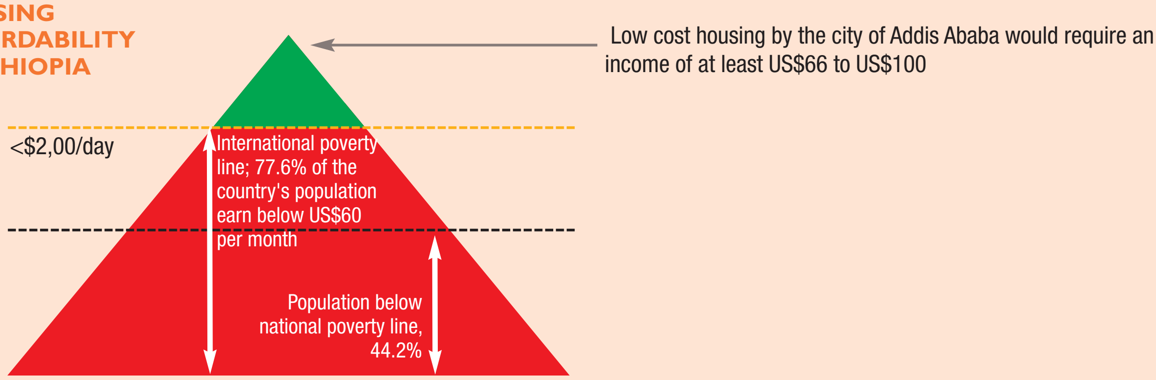
Africa's oldest independent country has, from the beginning of the 1990's after the fall of the Marxist Derg regime, been undergoing a successful restructuring of its economy; from the previous military command style to a market oriented one. The country has sustained some of the highest economic growth rates in the continent over the last decade, with double-digit growth reached in the majority of those years. Apart from its agricultural exports, on which it is heavily reliant, the country has benefited from increased foreign direct investment flows (from a low level) and remittances from the large Ethiopian diaspora around the world. The global economic recession did affect growth, causing a slow down: the real GDP growth rate in 2009 and 2010, though respectable fell to an estimated 9.9 and 8.8 percent respectively. However, the prospective growth rate for 2011 is 10 percent, which is expected to driven by a higher external demand and a good agricultural performance. The country has battled with high inflation rates. In 2008/2009 for example, it averaged 36 per cent, largely driven by food prices. This has posed a threat to the country's economic and social gains over the years. High inflation has affected lending activities of banks as well, with a general downward decline in new loan disbursements, as the National Bank of Ethiopia (NBE) imposed quantitative lending ceilings on private banks. The addition of three new hydroelectric powers stations since late 2009 are hoped to alleviate the crippling power rationing that has curtailed production in the cement and other essential industrial sectors. In September 2010, the Central Bank devalued the Ethiopian Birr by 20 per cent. This was intended to boost the competitiveness of Ethiopia's exports. It had a positive effect on remittances, but on the flip side made the price of imported building materials more expensive.

Access to finance

Traditionally the banking sector has been dominated by the state in Ethiopia. The country is still emerging from this legacy, and therefore still has a relatively undeveloped banking system. Comparative statistics such as the number of bank branches per person shows it to be fairing poorly even by sub-Saharan standards. Nevertheless Ethiopia's banks are highly profitable, and have managed to pay dividends of more than 30 per cent on share prices. There are 13 banks with more than 640 bank branches in the country. The largest is the government owned Commercial Bank of Ethiopia (CBE), which has over 208 of these braches. Its' after tax profits were Birr 1.9 billion (nearly US $114 million) in the year to June 2009, up 41 per cent on 2008. Its loan portfolio increased to Birr 19.4 billion (US$ 1.17 billion) up from Birr 17.4 billion (US$ 1.05 billion) in the previous 2007/2009 financial year. The bank has also recently opened up a branch in Juba, Southern Sudan. The entry of private banks since 1994 to rival the large state banks has infused, to a limited extent, greater competition and innovation in the banking industry. The ten operating private banks increased their share of the loan market to 43 per cent in 2007/08. Foreign participation is prohibited in banking, insurance and microfinance services.

Historically, lending for both housing, both development and mortgage finance, was carried out by a specialist lender, the Housing and Savings Bank (HSB). It was formed in 1975 through the merger of two financial institutions, the Imperial Savings and Home Ownership Association, and Savings and Mortgage Corporation of Ethiopia. For about twenty years from its inception, the HSB granted long-term loans at a subsidised rate for residential housing and commercial building construction, purchase and renovation, time deposits and long-term borrowings. It was succeeded by the Commercial and Business Bank (CBB) a wholly government owned public enterprise which has the additional mandate of universal banking. Since its establishment in the early 70's, the former HSB and now CBB has extended mortgage loans for the construction of just more than 30,000 residential units. Between 2006 – 2008, loan approvals dropped in total by 30.4 per cent with residential loans falling by 40.5

HOUSING AFFORDABILITY IN ETHIOPIA



per cent (to Birr 94.1 million) and commercial loans falling by 26.5 per cent (to Birr 60.5 million). This fall, according to the bank, was caused by the national government instructions to cap lending to mitigate high levels of inflation during that period. One consequence of this instruction has been to create a banking sector awash in liquidity. The other major mortgage lender in the country, the CBE, disbursed mortgage loans worth Birr 676 million (US$ 40.8 million) in the year 2008/2009, from virtually nil the previous year. This proportionally amounted to only 9 per cent of its total new lending activity. Private banks are yet to be fully lured into the mortgage market due to risk factors created by short-term financing and a lack of experience. This should change in the future however as they have began to show an interest in housing finance.

Microfinance is an important source of financing in the country and there are 30 registered microfinance institutions in Ethiopia. According to MixMarket, in 2009, 2.3 million consumers (2.9 per cent of the country's population) received a total of USD409.4 million in micro-loans. The industry has experienced some of the highest growth in the continent and the country has some of the largest numbers of borrowers. The regulatory systems has been created to support the industry including creating specialised microfinance laws. The microfinance sector is yet to create products suitable for housing finance although some MFIs are introducing "asset loans" which can be used for housing finance, for example the Amhara Credit and Saving Institution.

Mobilized deposits remain the major source of funding for banks in the country. There is no stock market in Ethiopia, and treasury bills are the only active primary securities, which means there are investment channels to finance growth in the country. Occasional government bonds are issued to fund short-term budgetary deficits, readily taken up by the banking sector with its excessive liquidity. International remittances represent a huge potential finance resource for housing in the country. Access to credit information in Ethiopia is very low with less than one percent of coverage of the adult population through the public credit registry. There are no private credit registries.

Affordability

Affordability is a key issue and generally, low incomes coupled by un-affordable housing products undermine borrowers' ability to purchase housing. Currently, it is only the upper income groups, and members of the Ethiopian diaspora who can afford newly constructed formal housing in Ethiopia. Cash is still the predominant form for purchasing formal housing although mortgage lending is growing. Loan-to-value ratios are moderate: a loan by the CBB for instance requires that a deposit of 30 per cent is made upfront to qualify for a loan for a term of up to 20 years.

The history of housing affordability in Ethiopia is largely dominated by the role of the state in the provision of Kebele housing. These are existing housing assets that were not being used as primary residences, and which were subsequently nationalised by the state in 1975. They were then rented out at subsidised rates to citizens. This legacy is visible today, and there are approximately 150 000 families inhabiting these houses, a considerable proportion of the total affordable housing stock in the country. From this era however, where the state played a major role, today there is only limited assistance. There have been some limited efforts, for example to provide affordable condominium houses in Addis Ababa by the Housing Development Project Office. This organisation redevelops the Kebele housing through upgrade into four storey walk-up blocks of flats for sale as condominium units. The target was to build more than 150,000 units by the end of 2010. Beneficiaries are identified from the city's housing register, pay 20 per cent of the cost of the house as a deposit and arrange finance of the balance through a mortgage provided by the state owned CBE. The pace of development has however been slow and the targets will not be met. Further, despite the reasonable unit prices of US $3,590 – US$ 6,154 or more, the houses have also not benefitted the targeted lower to middle income segments of the population and most have instead been occupied by higher income households. This is because over 20 years at 9 per cent interest, a payment of at least US$ 22 – 37 per month is needed. Given that a maximum of one third of income can be used to pay for housing, qualifying households will need a monthly income of between US$ 66 – 110 per month. This is unreachable to the majority, given the median income in Addis Ababa is within the 500 – 525 birr per month range (US$ 30.3 – 31) and more than seventy five per cent of the population earn less than US$ 2 per day. Finally, the costs of building have been on a steady increase in the country over the years, also having a negative effect on affordability.

Housing supply

According to a UN Habitat report, the current housing deficit is between 900,000 and 1,000,000 housing units in urban areas, and 225,000 housing units per annum are required to meet the 2015 Millennium Development Goals. Also, the government reports that only 30 per cent of the country's total housing stock is in fair condition, while the remaining 70 percent is in need of total replacement. A 2007 survey provides that in Addis Ababa alone, the current demand is for between 35,000 – 45,000 housing units to be supplied annually for the next 10 years to replace the current dilapidated stock as well as cater for new household formation. At the current rate of supply, this is unlikely to be met especially at the middle to lower income demand bands. There is little accurate information on the relative scale of delivery of housing among various actors. According to the data provided in UN Habitat's Condominium Housing in Ethiopia (2011), between 1996 – 2003, a total of 87,976 housing units were constructed spread across all players: informal sector (34 per cent), cooperatives (28.2 per cent), individuals (formal, 25.3 per cent), public (8.4 per cent), and real estate developers (4 per cent). There are very few private real estate developers in the country, and the ones that exist concentrate on the middle to high income consumers.

There are number of projects by the government to deal with this housing shortage. Between 2006 – 2010, and a cost of US$1,6 billion, the government allotted resources for building 396,000 units, of which 192,000 units were built in Addis Ababa, the nation's capital and the rest in Dire Dawa and other regional states.

Ayenew (2009) notes that the inability to access land owned by the state is a major hindrance to development activities. In the absence of a vibrant private sector, housing co-operatives are the primary mode of housing construction in urban areas, constituting over half of the Addis total formal sector housing stock for example. These cooperatives are allocated land at a fee for which to develop for their members. Housing cooperatives, as well as self-build through personal savings, are the primary methods for meeting housing demand in the country's urban areas.

A recurrent theme across the continent and equally challenging to the efficient provision of housing in Ethiopia is the failure by local government to provide basic infrastructure for housing development in urban areas. According to Ayenew (2009) roughly 40,000 "titled" plots with completed houses are currently lying vacant because of an inability to get services extended to their plots. The government often only does sub-division and road construction, and plots owners assume responsibility for securing water and electricity services. This results in delays and higher costs of the final product.

Property markets

There is evidence of a growing property market in the country's urban areas, including a surge in building activity. Manufacturing related to the construction industry, including the cement, lime, plaster, structural clay and glass industries, constitutes one of the largest and fastest growing industries in the country. For example in 2006/2008, the loan disbursement to the construction and building sectors by the Central Bank of Ethiopia increased by 55.6 per cent. Furthermore, in July 2011, the Ethiopian government established the Ethiopia Road Construction Company, which is a boost to the country's construction sector and infrastructure.

There is however still limited stock, necessary to support a large formal market. The Central Statistics Agency provides that the 2007 Housing and Population Census enumerated 97 per cent of urban houses of a "permanent type". There is little indication of the quality of this housing and its financeability through formal finance mechanisms. According to Ayenew (2009), as at 2001, only 47 per cent of all housing types are formal in the country. Further, the current remaining stock of Kebele housing is not of particularly good standard has a limited supply of basic services. It is also generally poorly maintained due to the very low rents charged (as low as 5 – 10 birr), poor collection rates of these rent, disincentives for occupiers to improve the housing and the inability to trade it. There are individual housing units of better quality, integrated within these Kebele settlements, which are tradeable and of more value. The government is also a major holder of housing stock, albeit also un-tradeable, through the Rental Housing Agency with over 160000 units let to state employees.

Policy and regulation

In the 2011 World Bank Registering Property Index, Ethiopia moved up in its rank from 111th in 2010 to 109th in 2011. It takes a property in Ethiopia on average 41 days to be registered; the registration process is estimated at 2.1 per cent of the property's value. All land in Ethiopia is owned by the state and rights to land are granted through a lease system from 99 years for owner occupied housing, to 50 years for other uses such as commerce. The minimum cost is obtained by auction or through negotiation with the authorities. The implementation of the land lease has not been without problems however, and it is often considered an obstacle to the development of the real estate market. The lease prices charged are considered by many as expensive and in general, supply of leases is slow and inadequate. The accuracy of the lease system has also been queried given that there are often multiple recipients to the same plots of land. As a result, banks have limited confidence in the lease system for the collateralisation of land.

The Ethiopian judiciary is considered inefficient and slow, poorly staffed and inexperienced. It is also reputed to be unduly influenced by the executive and influential local businesses or politicians. The system has however benefited from some reforms. The World Bank funded Justice System Reform Program, part of the Public Sector Capacity Building Program (PSCAP), has been able to enhance transparency and accountability through increased access to justice information. It has established over 430 client information counters in courts across the nation, to make information available to the public on both individual cases and the judiciary in general. Bench judgments are being published and disseminated, and a wide range of information about the court, including court judgments and proclamations, is now published on the web site.

The frameworks around land use development including inappropriate and bureaucratic building regulations, the lack of information on planned land use and the absence of national standards on building materials need to be improved in order to create greater certainty for developers as well as encourage innovation around other more flexible building methods.

Opportunities

In order to create even greater opportunities in the formal housing sector, Ethiopia needs to continue with ongoing reforms that target modernisation to the finance and land policy markets. These reforms should resolve the current problems of an inadequately responsive banking sector, undeveloped capital markets, the high inflationary environment that has discouraged lending and a system of land registration that does not inspire confidence. Complemented by the high economic growth that has been experienced in the past, as well as increased funding inflows, the housing finance markets are destined for growth at virtually all income levels, but particularly within the lower to middle income ranges. Meanwhile, the country has one of the largest microfinance industries in the continent. Given the relative tenure security (although evictions do happen sometime in urban areas), this enormous potential for housing microfinance need to be tapped into. Formal encouragement of this form of housing delivery is required, especially through regulatory reform around building standards and greater product innovation by banks.

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Gambia

Key figures

Exchange Rate: 1 US$*	28,43 Gambian Dalasi
Main Urban Centres	Banjul (capital), Serekunda
Population^	1 751 000
Population growth rate (2005 – 2010)^	2,9
Urban population (% of total) 2009	57.3
GDP per capita^	2 013
GDP growth rate (real, 2010)^	5.4
HDI (Global Ranking)+	Not available
Unemployment rate^	Not available
Population less than US$2 per day°	56.7
Population below national poverty line^	61,3 (2003)
Bank branches per 100,000°	5.54
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	27
Deposit Interest Rate° (2009)	3.25
Credit % of GDP° (2009)	38.7
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	6.59
Cost of standard sheet of corrugated sheet iron US$•	6,38 (8,5 GALV)
Price of the cheapest newly built house, by a formal developer (US$)•	31 000
Smallest size of a formal house (m^2)•	75

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

With a total area of only 11 000 sq km, The Gambia is one of the smallest countries in Africa. The Gambian economy is based mainly on agriculture and a growing tourism sector. Over the past three years the country has experienced strong growth rates – in 2010, growth slowed down from 6.7 per cent in 2009 to an estimated 5.4 per cent. The GDP growth prospect for both 2011 and 2012 is estimated at 5.6 per cent. The construction and banking sector are expected to drive the economy. Also the emergence of the National Agricultural Investment Plan would significantly contribute to the growth of the sector and the economy. Gambia is a member of the Economic Community of West African States (ECOWAS) and of the West African Monetary Zone (WAMZ), whose members plan to introduce a common currency, the ECO, by 2015.

Access to finance

The country's financial system, however small it is, is quite efficient. There has been an influx of foreign banks over the years, which is increasing the penetration of financial services in the country. Ten banks dominate the market. A locally incorporated subsidiary of Standard Chartered Bank has a 25 per cent market share of the total customer base.

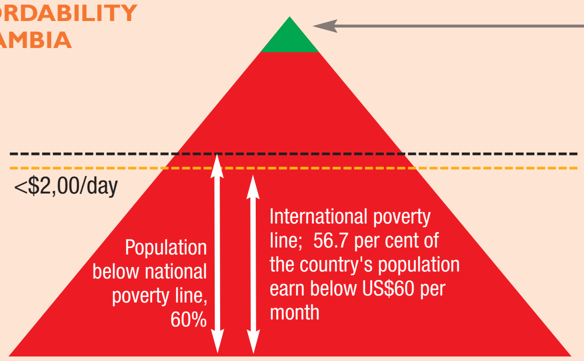
In the past decade the non-performing loans ranged between 12 – 14 per cent, which is relatively moderate, when compared to neighbouring countries' financial data. Most banks do not provide mortgage facilities. The country scores a modest five out of ten in the Strength of Legal Rights Index of the World Bank, a measure of the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Tenure security among Gambians is limited, with only 45 per cent of the population being secure. All these factors limit accessibility to mortgage financing, and dampen the incentive to self-build through housing microfinance.

Gambia has a conducive environment for microfinance lending, including specialised microfinance regulations. This has led to greater availability of financial services through MFIs. According to the MixMarket, in 2009 a total of US$3.6 million worth of micro loans were disbursed to about 13 289 consumers. The country has a high per capita savings rate to other countries. This is a good platform for housing microfinance going into the future. Gambia also has the advantage of a pension industry that actively supports housing expansion. The Social Security and Housing Finance Corporation (SSHFC) administers a housing fund linked to the various pensions and provident funds it administers. It invests in affordable residential housing development. Financing for the mortgages is likewise provided by the fund. At least four projects have been completed so far, although the total output is fairly modest given the size of the demand. According to the World Bank (2011), there are no credit bureaus in the country, thus there is no form of credit information about its adult population.

Affordability

While The Gambia has a relatively high GDP growth rate, 56,7 per cent of its population lives on less than US$2,00 per day. Data from 2003 suggests that just over 60 per cent live below the national poverty line. Remittances are a significant component of national income, measuring 18 per cent of GDP in 2007.

HOUSING AFFORDABILITY IN GAMBIA



Cheapest house by TAF Holdings (2010): requires >US$1 500 per month income, accessible to a very small minority at the very top of the pyramid.
The cheapest house, built by a formal developer in 2010, is about US$31 000.

Mortgage products are offered by various banks. The Home Finance Company, for example, offers a mortgage product that finances 70 per cent of the value of the property payable over a maximum of 15 years. One of the largest private developers in the country, TAF, is involved in housing development, requiring monthly payments of at least US$1 500, and even more per month, depending on the housing product. These mortgage products are all above the financial ability of the vast majority of Gambians, however. The SSHFC, which has a mandate to provide affordable housing for the poor, has been criticized for providing products that are unaffordable for most Gambians.

Housing supply

Gambia's urbanization rate is estimated at 4.13 per cent (2000 – 2010 est), and 56 per cent of the population live in urban areas. UN-Habitat estimates that one third of the population lacks access to potable water, and over 50 per cent of the population has inadequate access to sanitation facilities. UN-Habitat has implemented their Participatory Slum Upgrading Programme in the Gambia.

There is a general shortage of affordable housing for the majority of Gambians. This was acknowledged in the launch of the latest development by the SSHFC, in joint venture with a private developer in Makumbaya. The development is worth GMD400 million (US$14 million) and consists of 3 000 serviced plots.

Property markets

Property prices have risen steadily over the past few years, spurred on in part by the booming tourism industry. Secondary property markets are limited by the shortage of mortgageable stock in primary markets. A useful indicator is the fact that only 18 per cent of the buildings in the country are of durable material. This shortage is also reflected in the lack of adequate affordable rental housing stock, and the consistent reports of steep rises in rentals in urban areas.

Policy and regulation

It takes on average 66 days to register a property in the country, also, the registration process costs an average of 7.6 per cent of the property value (World Bank, 2011)

Laws effectively dis-establishing the SSHFC and creating distinct entities to deal with social security (Social Security Corporation Bill) and housing funding (Housing Finance Corporation Bill) were introduced in April 2010. Fortunately, the intent of the latter Bill remains to retain a fund for affordable housing in the country. To spur on better functioning housing finance markets, the country requires extensive reforms, especially around infrastructure supporting the mortgaging process. The land administration system also needs reform to create greater certainty around land collateral. Gambia's Poverty Reduction Strategy Paper acknowledges these important reforms, pointing out their necessity for the general improvement of trade and creation of a conducive investment climate.

Opportunities

The Gambian market offers potential in the areas of high income and tourism housing development. Like many African countries, the affordable housing market is inadequately served, a fact acknowledged by the government. Gambia's substantial remittances from the diaspora provide a useful source of housing finance that can be harnessed for both mortgage and microfinance lending. The high levels of informality and an established microfinance industry point at potential for HMF, which can be supported by what has proved to be a relatively well developed pensions industry.

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www.tafgambia.com
www.unhabitat.org
www.worldbank.org

Ghana

Key figures

Exchange Rate: 1 US$*	1,53 Ghanaian Cedi
Main Urban Centres	Accra (capital), Kumasi
Population^	24 333 000
Population growth rate (2005 – 2010)^	2,2
Urban population (% of total) 2009	50.7
GDP per capita^	1 526
GDP growth rate (real, 2010)^	5.9
HDI (Global Ranking)+	0,492 (111)
Unemployment rate^	10,40 (2000)
Population less than US$2 per day°	53.6
Population below national poverty line^	28,5 (2006)
Bank branches per 100,000°	4.41
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	27.9 (2008)
Mortgages % of GDP°	0,25 (2010)
Cost 50 kg bag cement (July 2011) US$•	8,55 – 11,18
Cost of standard sheet of corrugated sheet iron US$•	17,34 (8.5 GALV)
Price of the cheapest newly built house, by a formal developer (US$)•	16 447 – 30 000
Smallest size of a formal house (m^2)•	79 – 96

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

The Ghanaian economy is characterized by its stable political climate, outstanding growth performance as well as its effective macroeconomic policies. After an impressive growth rate of 5.9 percent in 2010, the forecasted growth for 2011 and 2012 are expected to almost double, with 12 and 11 per cent respectively. The main driver for the prospective rates is the emergence of oil production in commercial quantities, which started in December 2010. The increase in oil revenues should impact favourably on the development of infrastructure, which will contribute towards a better environment for housing finance investment. The country continues to have one of the highest bank lending rates on the continent.

Access to finance

Over the past years, Ghana's financial system has undergone intensive regulatory reform and restructuring, which has resulted in an increase in credit offered by commercial banks in the country. The financial sector is dominated with 26 banks, 5 of which are foreign-owned and 3 are state-owned. The largest bank in the country is the state-owned Ghana Commercial Bank which holds about 15 percent of banking sector assets. The country has one of the most efficient stock markets in the country. As at 2010, the Ghana Stock Exchange had over 35 companies with a market capitalization of more than US$12 billion. Banks have used the stock exchange to raise funds to mortgage lending. For example, HFC Bank has issued and listed six corporate bonds since 1996. Also, recent regulation has allowed foreign investors to invest in securities listed on the stock exchange without exchange control regulations.

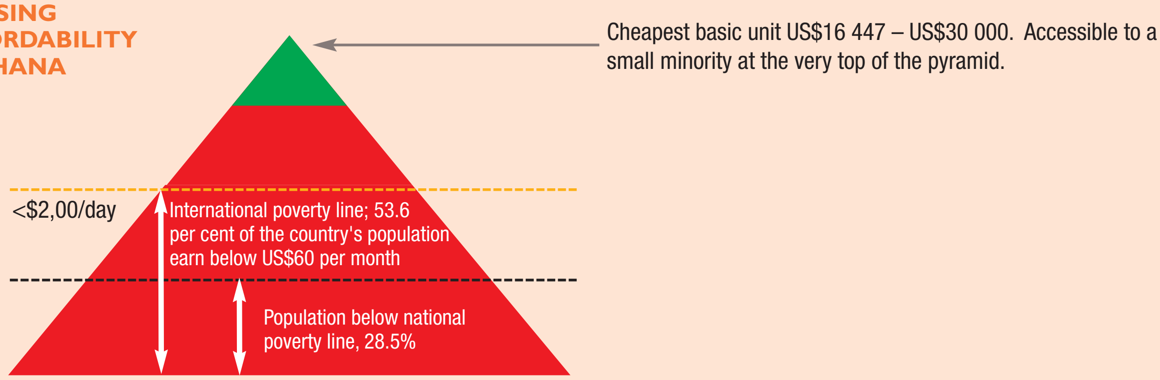
Access to finance in the country is still limited across various financial products. According to the MixMarket 360,910 borrowers received a total of US$131.8 million in microloans in 2009. The country has a well developed microfinance sector that is beginning to make inroads into housing. For example, HFC Bank offers housing loans in collaboration with CHF International. HMF loans range up to US$2 000. ProCredit, an MFI in Ghana also launched a housing improvement loan in 2006. Like commercial banking, microfinance suffers from the lack of long term funding.

Ghana's pension industry is small with only nine per cent of the labour force being contributors.

Ghana has some way to go to create the necessary systems to support mortgage lending although it is registering some progress. Mortgage debt to GDP, at 0.37 per cent in 2007, fell to 0.42 per cent in 2008, 0.3 per cent in 2009, and 0.25 per cent in 2010, in part due to the global financial crisis and the prevalence of borrowers from the diaspora in Ghana's mortgage book. The number is also low because supply is limited: there are essentially only two major lenders at present – HFC Bank with 30 per cent of market share and Ghana Home Loans, a specialised lender. Ghana Home Loans commenced operation in 2006. As of 2009 it had disbursed over 550 loans worth close to US$40 million. Some new lenders are coming into the market, including international banks such as Barclays and Standard Chartered and SG-SSB (Societé Générale – Social Security Bank). These banks, however, tend to lend only to higher income salaried households, bank employees or favoured clients.

In the World Bank's Doing Business Report (2011), Ghana moved up 63 places to the 46th rank (out of 183 economies) with regards to getting credit. The private bureau registry covers only 10.3 per cent of the adult population, receiving 3 points (out of 6) on the World Bank's depth of credit information index.

HOUSING AFFORDABILITY IN GHANA



This is as a result of the new credit bureau, Ghana's first, that started its operations last year. A national identification exercise is also underway. These measures are expected to improve the environment to facilitate lending by banks and non-bank financial institutions.

Affordability

The cost of borrowing is still very high in Ghana. As of April 2010, the lending rate among many banks hovered at the 30 percent mark. The average house price to income ratios is four to one. Only about three per cent of households can afford the cheapest formal sector dwelling on the market. Loan to Values (LTVs) vary but are all generally not exceptional; HFC Bank lends with an LTV of 80 percent. Ghana Home Loans has an aggregate LTV of 54 percent. There are some short terms for loans, as little as six months to two years, although 20 year loans are available. Most formal housing units are also beyond the affordability of the majority; a basic one bedroom semi-detached house costs between US$16 447 and US$30 000. The monthly mortgage will be US$250 a month and requires that the prospective mortgagor be earning about US$750 a month to qualify. It was reported in 2010 that in Greater Accra, the average annual household income was US$1 402 or US$115 a month.

Ghana has historically suffered a high level of non-performing loans. This has been attributed to a combination of poor "sometimes fraudulent" lending practices, weak management and ineffective loan repayment and follow-up systems. Most consumers who cannot afford a mortgage usually use their savings to first buy the building materials, followed by a lengthy construction period as money must be raised to finance each stage. Housing microfinance has a limited capacity but the practice is growing gradually.

Housing supply

A recent study by UN Habitat reports that Ghana's housing need is expected to hit 5.7 million units by 2020. The analysis highlights that housing in the country has never been a significant component of the country's national economic planning, but has been seen rather as part of its welfare sector. As much as 90 percent of Ghana's housing stock has been produced through self-build. According to the Ghana Real Estate Developers Association, the slow pace of residential property construction, is now changing. Since 2005, completions and new building plan approvals have increased. Permit approvals for registered real estate developers and parastatal real estate developers have more than doubled. This has not changed the predominant self-build form of housing delivery, however. There is some delivery of housing by the government. Players include the Social Security and National Insurance Trust and the State Housing Company. Housing developments driven by the state, which primarily targets the public service have, however, been unable to significantly dent the demand. Over the 10-year period 1991 – 2000, state housing institutions produced less than 40 000 mortgageable units. Private sector players include Rigimanuel Grey, NTHC Properties, Trassaco Estates Development, Lakeside Estate Ltd, Devtraco, Salem Investment, Flexcon and Civil Master Company. They have also not delivered sufficient quantities of housing across income bands. Recently the Ghana Government and a Korean Construction Firm called STX signed two agreements for the construction of 30,000 housing units as the first phase of a proposed 200,000 units over the next five years. Barclays Bank is leading a consortium to finance this project. About half are intended for government employees and the other half for sale to the public.

The Tema Ashaiman Municipal Slum Upgrading Fund (TAMSUF) provides useful lessons for slum upgrading, and integrated development for the poor. Funded in part by UN Habitat, the project is driven by the Ministry of Local Government in Ghana, and two municipalities. UN Habitat provided a grant of US$400 000 as a capital enhancement, and a further $100 000 for administration and development. A further $400 000 capital enhancement grant is expected. Working with People's Dialogue on Human Settlements, the first project involves the development of houses and shops, and ultimately an entire integrated development for the slum dwellers involved. By marking land both for residential and commercial purposes, the project addresses to some extent the competing land uses that often undermine the poor's access to well located land.

Property markets

Demand for housing has accompanied what has been generally good economic performance. There has been a gradual rise in incomes of middle-class Ghanaians accompanied by lively property markets. A significant rise in the number of Ghanaians living abroad who want to own houses back home, foreign buyers of residential property, and foreign investment by multinational companies into the country have contributed to the growth in the market.

Ghana's construction industry continues to experience steady growth – in the past decade, the industry's annual growth in 2008 and 2009 was 8.6 per cent and 9.3 per cent, respectively. A more recent challenge has been the apparent market saturation with cheap but low-quality imported building materials, which has had a direct, negative impact on the local manufacturing industries.

Policy and regulation

The land administration system remains the Achilles heel of Ghana's housing finance system. Ghana is ranked second from last in the registry inefficiency index of the IFC's Financing Homes Database. The time needed to register a title in the country is over 120 days, one of the longest among the countries surveyed. Foreclosing a property through the required judicial methods is about 700 days, with the judgment phase taking over 500 of these. Again this was a poor performance among the 42countries surveyed. Ghana's land administration system is characterised by the coexistence of overlapping systems, namely traditional, state and private. It is not uncommon for land claims to clash and land is often the subject of litigation. This and unreliable title documents intensify the risk of mortgage lending, explaining why banks in Ghana often shy away from lending or do so at a premium. Reforms to the land administration system have been ongoing although their results are yet to be felt. Ghana is yet to finalise its housing and shelter policy, which has been in draft form for the last three years.

Opportunities

Early this year, Ghana joined Shelter Afrique as its 43rd member. HFC Bank in Ghana also launched an annual African Real Estate and Housing Finance Academy in Accra early this year. The academy is expected to stake the shape of an annual five day programme with a goal to enhance the professional competence of its participants, and providing them with an opportunity to network with other housing practitioners in Africa. A growing, relatively stable, well-managed economy provides prospects for even greater demand for housing, currently recognised to be huge. The entry into the mortgage space by new and specialised mortgage financiers such as Ghana Home Loans, which has since 2006 increased its lending activities, shows that the housing finance sector still provides opportunities. With greater awareness and acceptance of mortgage products in the country and finalisation of reforms to the land administration system, the mortgage industry has room for more players. The already established microfinance industry that has branched into housing provides an additional area of housing finance opportunity, one that has the potential to cater for many more Ghanaians.

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Kenya

Key figures

Exchange Rate: 1 US$*	93,64 Kenya Shilling
Main Urban Centres	Nairobi (capital), Mombasa,
Population^	40 863 000
Population growth rate (2005 – 2010)^	2,8
Urban population (% of total) 2009	21.9
GDP per capita^	1 745
GDP growth rate (real, 2010)^	5
HDI (Global Ranking)+	0,504 (106)
Unemployment rate^	9.8 (1998)
Population less than US$2 per day°	39.9
Population below national poverty line^	45,9 (2006)
Bank branches per 100,000°	4.03
FinScope financial exclusion	32.70%
Lending Interest Rate° (2009)	14.81
Deposit Interest Rate° (2009)	3.5
Credit % of GDP° (2009)	44.8
Mortgages % of GDP°	2.5
Cost 50 kg bag cement (July 2011) US$•	7.78
Cost of standard sheet of corrugated sheet iron US$•	5.00
Price of the cheapest newly built house, by a formal developer (US$)•	300 – 400
Smallest size of a formal house (m^2)•	35 – 45 sq metre

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

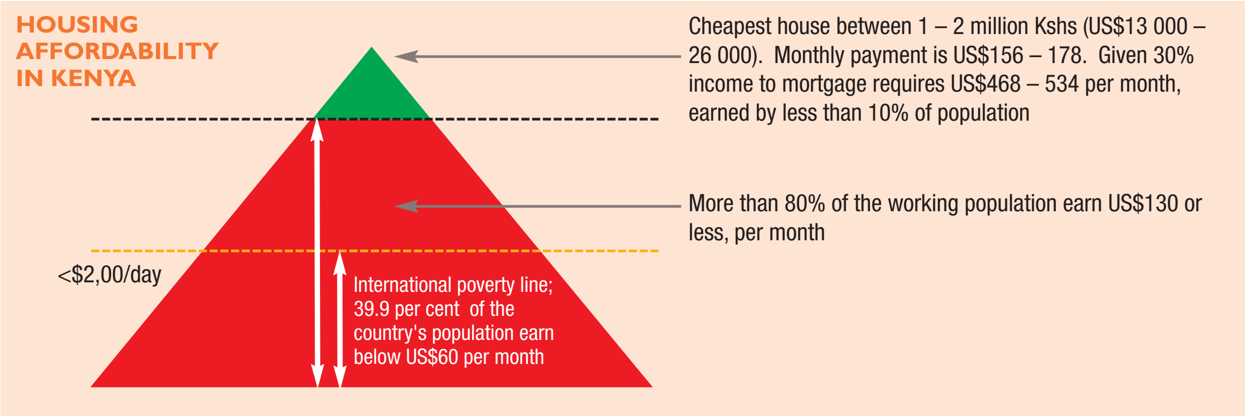
Kenya is one of the most developed economies in East Africa. Over the years, macroeconomic reform has led to greater economic stability, making the country a prime investment destination in the region. Greater discipline has been introduced in banking regulations, and the substantial legacy of non-performing loans is unlikely to be repeated. In the past year (2010) the Kenyan economy grew by 5 per cent which nearly doubled the 2.6 per cent growth rate of 2009. The economy is forecast to grow by 5.3 per cent in 2011 and 5.5 percent in 2012. However, this outlook is subject to two factors: the diversification of Kenya's economy so as to reduce its reliance on agricultural outputs (and exposure to climate hazards) ; and the possibility of political instability due to the upcoming 2012 elections.

The recent success in passing a new Constitution in 2010 should catalyse the restructuring of the land administration system and enhance political stability in the country.

Access to finance

The mortgage industry has increasingly grown and become competitive. Currently sitting at Ksh 61,4 billion (about US$ 655 million), this includes a total of 13 803 mortgage loans (Walley, 2011). The main providers of mortgages are Housing Finance, Savings & Loan, East African Building Society, Standard Chartered Bank, Barclays Bank and Stanbic Bank. Nevertheless mortgage lending is still accessible to only a tiny minority – mortgage lending as a percentage of GDP sat at 2.6 per cent in 2010. There have been some efforts to expand this reach by the industry. New entrants and aggressive marketing has resulted in some newer products. For example, fixed rate mortgages have been made available for between 10 and 20 year terms. Some banks have recently introduced 100 percent financing for the full value of a house. One lender has also introduced mortgage insurance against the risk of a loss of income. The Retirement Benefit Authority in 2009 allowed that pension contributions of up to 60 percent could be used to secure a mortgage. This has the potential to leverage assets worth KSh290 billion (US$3.625 billion) and increase access for lower-earning people who have accumulated substantial pensions.

The government has put in place measures to encourage lending by banks. For example, the Central Bank of Kenya reduced cash reserve ratios for banks in 2009, intended to free up more money for lending. Research by the World Bank indicates, however, that the two largest mortgage lenders are liquidity constrained and this undermines their further growth. Kenyan banks have been on an aggressive expansion drive in the region, and are now represented in Uganda, Southern Sudan, Tanzania and Rwanda. In 2009, S&L Mortgages, the housing finance subsidiary of Kenya Commercial Bank (KCB), signed a KSh35.3 billion ($441 million) housing deal with the Government of Southern Sudan to finance the construction of 1 750 housing units for public servants. The Nairobi Stock Exchange has been a useful arena for raising money to fund these activities, with them often oversubscribed. The most recent is the KCB rights issue to raise US$182.5 million, which was unusually undersubscribed by more than US$20 million. Another is the intended floatation of a US$130 million bond by Housing Finance. Kenya has a substantial part of the necessary infrastructure for housing lending to take place. There is a well-established and professional valuation industry. The country's judicial system also allows for non-judicial foreclosure, often considered the most conducive for mortgage lending. The first licensed credit bureau, Credit Reference Bureau Africa (CRB Africa Ltd) was launched in March 2010; The World Bank's Doing Business report (2011) states that the credit bureau coverage is about 4.9 per cent of the adult population.



Kenya has an emerging housing microfinance sector. A number of pioneering SACCOs and NGOs are using this lending methodology to provide housing finance for the poor, such as Jamii Bora and Nachu. Rooftops Canada is involved together with Homeless International, the Cooperative Housing Federation in Norway, the Swedish Cooperative Centre and other partners, in a programme with the National Cooperative Housing Union (NACHU), to provide technical and financial support to scale up NACHU's housing micro finance and housing support services. A critical component of this work involves identifying appropriate and sustainable finance for NACHU to be able to extend housing credit to its members.

Affordability

Research recently undertaken by the World Bank has found that about 11 per cent of Kenyans earn enough to support a mortgage. This means that most middle-income earners cannot afford an average mortgage necessary to buy an entry-level house. The National Bureau of Statistics in the country defines middle-income households as those whose monthly incomes fall between KSh23 671 (US$ 260) and KSh (US$1330). The Central Bank of Kenya recently stated that the average mortgage in the country is worth Sh6.6 million (US$ 70 500), thus demanding a monthly repayment of about KSh90 000 (US$1000) for 20 years. This therefore highlights the huge problem of affordability in the country.

Of the 45 commercial banks in the country, about 25 have mortgage portfolios. The minimum mortgage available is about KSh500 000 (US$6 250). Kenya Commercial Bank (KCB) is the largest mortgage lender in Kenya, as a result of its acquisition of Savings & Loans. Overall, the two largest mortgage lenders in Kenya control over half the mortgage market in the country. A typical loan is offered at a variable rate of about 14 percent over a period of 15 to 25 years; with a repayment period of 25 years, the monthly payment would be about US$75 per month. With this, only about 2.4 per cent of the country's population, and approximately 11 per cent of the urban population can afford a mortgage loan. Instead, the cheapest and most basic house costs around KSh1 million (US$13 000) through self-build, and KSh2 million (US$25 000) as a finished unit. The increasing cost of land in urban areas is also making it difficult to keep housing within affordable levels.

For the excluded majority, one option has been NGOs such as Jamii Bora, which has introduced micro mortgages for its members, many of whom are from slums. Members access mortgages of KSh300 000 (about US$3 750) for a three-bedroom house and KSh495 000 (US$6 187) for a four-bedroom house. The repayment period ranges between five and 20 years. Generally, however, these organisations have been unable to scale up their operations because of various factors, including limited funding.

Housing supply

Based on population growth and rapid urban migration (the current rate is 22 per cent), it is estimated that the annual housing requirement is about 206 000 units, with 40 per cent of these being in urban areas (82 000). While the current demand is 60 per cent rural, this is expected to taper off dramatically from about 2015, to be replaced by a rapidly growing urban demand. The Ministry of Housing estimates formal housing supply at about 50 000 units per annum, with less than 20 percent catering for low-income groups. As a result, the remaining 156 000 or so households address their housing needs independently, and this contributes to a growth in slum dwellings and poor quality housing. The current housing backlog is estimated to comprise 2 million units. In order to address this backlog and cater for new family formation, it is estimated that between 250 000 – 300 000 units need to be produced annually, over five times the number of formal housing units currently being supplied.

Formal housing supply is undermined by a number of factors, including the limited availability of serviced plots in urban centres, a problem affecting housing delivery across all income bands, but especially affecting affordability for lower-income developments because of the added cost of servicing plots. There are also major question marks over the capacity of local government to ensure good quality residential development. A spate of building collapses as well as tragic fires in 2009 highlighted shortcomings in local government enforcement of building and safety standards. That said, high profile developments, such as Tatu City, a 1 000 ha mixed-use residential and commercial nodal development, are beginning to emerge. Tatu City's master plan was unveiled in October 2010 and has become a flagship of its cornerstone investor, Renaissance Partners. The development includes mixed income housing in a 'whole-city' development approach that will be implemented over the next five to ten years. Another developer eyeing Kenya is Tatu Housing. Tatu Housing recently announced that it would enter the African market during 2012-2013, with initial affordable housing developments in Kenya and Nigeria.

The resale market is another potential source of housing supply, as households in existing housing trade up to better accommodation, making their current housing available for purchase by the new demand. As a proportion of mortgages, the resale mortgage market constitutes as much as 60 percent of transactions. It is nevertheless also restricted by the limited supply of good housing stock, given that as much as 50 percent of the existing structures in urban areas are in need of repair and rehabilitation. Mortgageable stock is also generally geographically restricted to the largest towns of Nairobi and Mombasa.

In a move to meet the demand of housing, the government has continued to explore a variety of strategies. One of them includes the possible adoption of a Housing Subsidy Scheme modeled on that which exists in South Africa. The strategy would include full subsidies and credit guarantee programmes as well as the promotion of alternative construction materials that can deliver cheaper housing. Another strategy is the adoption of something akin to Sri Lanka's One Million Housing Programme, as a way to reduce the several informal settlements present in the country. Partly in response to these policy moves, the country has been a destination of several investments in the area of housing from both investment banks and development finance institutions.

NGOs also play an important role in delivery, often with the support of international bodies. Homeless International is working with the Pamoja Trust to enable over 4 000 households obtain land and/or secure tenure; 172 households upgrade their homes and in partnership with the World Bank, relocate 20 000 railway dwelling families to sustainable accommodation.

Property markets

Kenya is currently experiencing a property boom in the home ownership sector, however rental housing remains undersupplied. This has had an effect on the property prices increasing by 5.8 per cent (adjusted for inflation) in 2010. Analysts have however predicted price stability in the year 2011.

A highly speculative property market and high demand for housing has driven Kenya's residential property price inflation steadily up over the last eight years. Even with lower economic growth in the early part of the decade, as well as the aftershocks of the post election violence, the residential property sector has performed well against these odds. According to Hass Consult's Quarterly Property Index, property prices rose by over 100 percent nationally and in the capital city Nairobi and by between 30 – 50 percent in other smaller urban areas from 2001. Prices for 4 – 6 bed units grew from just under KSh 10 million (US$106 000) in 2001 to just over KSh 25 million (US$ 267 000) in late 2010. For 1 – 3 bed units, prices grew from about KSh 5 million in 2001 to about KSh 8 million in late 2010. A small, 2-bed contractor built dwelling, built with permanent materials and including the cost of land and services is about Ksh 2.5 million (US$ 27 800).

Indicators within the construction industry likewise point to a construction boom. In Nairobi, the council approved KSh19 billion (US$238 million) worth of buildings for the first three months of 2009, up from KSh12 billion (US$150 million) in 2008. Cement consumption increased by 16.2 percent in 2008/2009 from the previous period. Low-end real estate housing has posted a market value increase of a staggering 200 percent since 1998, and has gained the reputation of providing fantastic profits. The Kenyan diaspora have also contributed to the boom, responsible for almost 35 percent of the mortgage loan volume as non-owner occupied borrowers. Finally, suppliers of housing finance across the board have recorded healthy profits over the last couple of years because of this upward turn in the property market.

The mortgage market is the largest in the region and is likely the third largest in sub-Saharan Africa after South Africa and Namibia, with mortgage assets equivalent to 2.5 per cent of Kenya's GDP. The country is very well positioned to support the future growth of its mortgage market by tapping into its capital market.

Policy and regulation

Reform is urgently needed in the land administration system specifically targeting laws dealing with collateral, which make mortgage lending unattractive to lenders. Generally, the system is considered inefficient, inaccurate and prone to delays and corruption. In 2009, for example, there was a large scale revocation of illegally provided deeds that shook confidence in the land titling system and affected the appetite for collateralisation by banks. The system is considered costly and priced out of reach of the majority (obtaining a title can cost US$280). Kenya also needs to reform laws dealing with money laundering. Anecdotal evidence suggests that the property boom in urban centres has been partly fuelled by laundered Somali pirate money.

Some reform has happened; 2009 saw the adoption of the national land policy, a positive step in resolving the protracted question of the reliability, accuracy and legitimacy of the land administration system in the country. To create greater affordability, the stamp duty on property purchases was cut from 25 percent to five percent of the principle amount, and the tax on mortgages was reduced to 0.1 from 0.2 per cent. Finally, to encourage more supply, developments of greater than 20 low-cost units are exempt from VAT. A National Land Commission is expected in 2011.

Opportunities

Going into the future, property developers believe that the best prospects will be for middle- and low-cost housing in the range of US$15 000 to US$40 000, where demand is highest and supply least. Research published recently by the World Bank estimates the potential size of the mortgage market to be about Ksh 800 billion (about US$9.9 billion) – that is about thirteen times its current size. The report identifies a number of obstacles to growth into this area, however, including affordability constraints, limited capacity for effective risk management, limited availability of long term funds for mortgage lending, and insufficient housing supply.

Housing microfinance, which has an established practice, is destined to grow, catering for the lower- and informal-income groups, the majority of the population. Early in the year, the World Bank granted a loan of $100 million to upgrade the infrastructure in slums and improve their security of tenure. This investment was part of the $165 million tranche pledges by the country's municipal authorities to increase the standard of living in the country: this fund is managed by the Kenya Informal Settlement Improvement Programme. The loan and associated interventions will no doubt improve the investment environment for both formal housing construction at the bottom end of the income pyramid, and the growth of the housing microfinance sector.

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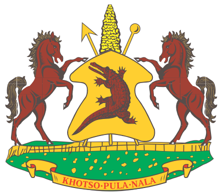
Lesotho



Key figures

Exchange Rate: 1 US$*	7,15 Loti
Main Urban Centres	Maseru
Population^	2 084 000
Population growth rate (2005 – 2010)^	0,9
Urban population (% of total) 2009	26.1
GDP per capita^	1426
GDP growth rate (real, 2010)^	3.1
HDI (Global Ranking)+	0,461 (117)
Unemployment rate^	27.26 (1999)
Population less than US$2 per day°	62.2
Population below national poverty line^	56.6 (2003)
Bank branches per 100,000°	1.91
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	13
Deposit Interest Rate° (2009)	5.99
Credit % of GDP° (2009)	-15.5
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	
Cost of standard sheet of corrugated sheet iron US$•	3.54
Price of the cheapest newly built house, by a formal developer (US$)•	
Smallest size of a formal house (m^2)•	

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

The economy of Lesotho is driven by its agricultural and mining sectors. The economy took a dip as a result of the global financial crisis, but in 2010 the country began to recover when its GDP growth rate rose to an estimated 3.8 per cent. The GDP growth rate is expected to take a dip again in 2011 (2.9 per cent), as there are no major investments anticipated for the year.

There are six major banks in the country's small banking sector. Of these, the three South African banks are dominant. As at 2008, the non-performing loan book was 3.5 per cent of all the loans disbursed that year. According to the World Bank, the lending interest rate in 2009 was 13 per cent, while the deposit rate was 5.99 per cent. Access to financial products is low, and according to the World Bank, there are 1.9 bank branches per 10 000 adults in the country, and an estimated 18.12 loan accounts at a commercial bank per 1000 adults 18.12. Also microfinance as a practice is low in the country.

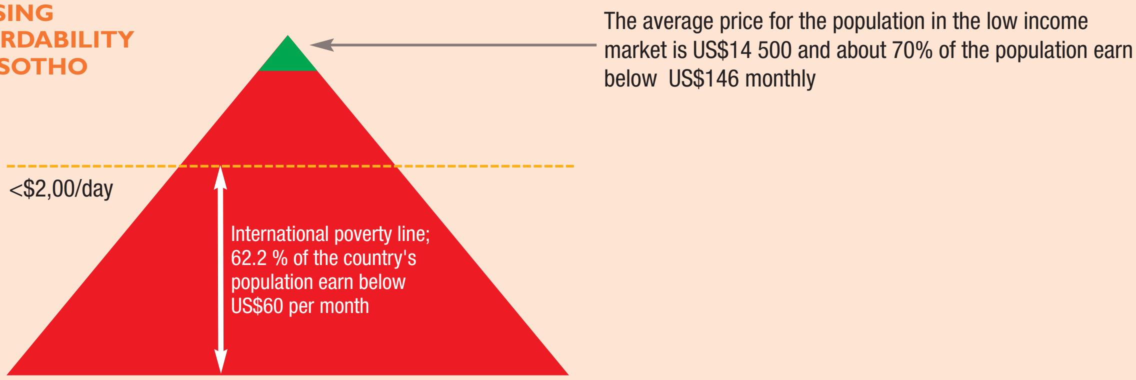
Although there is currently no credit bureau in Lesotho, moves are currently underway to establish an appropriate system for the country. A consultant has been appointed to undertake a comprehensive regulatory review to explore the issues for establishing and governing a credit bureau sector. With support from the Millennium Challenge Corporation, the Central Bank of Lesotho is creating a national identification smart card system, and engaging with private credit bureaus. Several South African firms have expressed an interest in extending their infrastructure into Lesotho.

Nearly 70 per cent of the households earn less than M1000 (US$ 146) monthly, and therefore cannot easily afford to purchase or build quality houses. Such low incomes also disqualify many households from accessing loans from commercial banks.

The vast majority of housing is owner-constructed and financed. In urban areas, and to some extent in rural areas, owners typically collect materials over time and eventually build the houses after all the building materials have been assembled. In this way, it normally takes a household a minimum of three years to gather the building materials before they can begin the actual construction of the house. Households with unreliable or irregular incomes tend to apply this incremental housing strategy. In rare cases homebuilders are able to access limited credit. Even where credit exists, it is unaffordable to the majority of the people because of the stringent conditions imposed by commercial banks, including high interest rates and deposits of around 10 per cent of the loan. Only 9.8 per cent of households in Lesotho purchase their houses – and half of these were financed with savings or with work-related loan guarantee schemes. Twenty three per cent of households live in homes they built themselves, and 19.7 per cent inherited their houses. The majority of people still depend on family networks and/or inheritance to acquire housing. The higher end market segment comprised housing units with prices ranging from M500 000 ($72600) per unit while the middle segment comprised houses ranging between M100 000 ($14500) and M500 000 ($72600).

The formal real estate market is poorly developed and private sector developers are discouraged from playing a role in housing provision, however, because of difficulties experienced in obtaining land.

HOUSING AFFORDABILITY IN LESOTHO



About 70 per cent of the country's population resides in rural areas; the remaining 30 per cent live in urban areas, mainly in Maseru. Most of the investment into housing and infrastructure has been in Maseru, the nation's capital. In recent years the country has focused on infrastructure development which has driven activity in the construction industry (the construction sector accounted for 4.7 per cent of the country's GDP in 2009). The significant shifts from rural to urban areas exert immense pressure on the limited infrastructure services and the acute shortage of housing has become a contentious issue in urban areas.

According to the 2006 Population Census, most people access housing land through allocation by customary chiefs (67 per cent), inheritance (20 per cent), purchase from someone else (7 per cent), government agency (4 per cent) and unspecified other (2 per cent). In Lesotho, 95 per cent of the land is owned by the state or under customary tenure, while the remaining 5 per cent is privately owned customary land. In 2010, the government improved on the Land Act 1979, as a way to regularize peri-urban land and settlement and facilitate investment. Through the Land Act 2010, the government launched its Land Administration Authority. Some of the functions of the organization include administering the country's leasehold land tenure system and the deeds registration system. LAA is currently undergoing systemic land regularization and improvement of the rural leasehold process in the country. According to the World Bank Doing Business Report, in 2011, it takes on average 101 days to register a property in the country; the cost of the process is estimated at 8 percent of the property's value. With regards to the efficiency of its property registration system, according to the World Bank, in 2011, the country is ranked 146th out of 183 economies.

As a result of the country increasing its investments in the construction industry, there are opportunities for property developers and construction companies to get involved in the housing process. There are opportunities for microfinance institutions to infiltrate the local financial services market focusing on products like housing and SMME financing.

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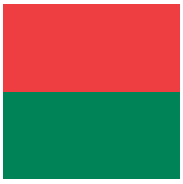
Madagascar



Key figures

Exchange Rate: 1 US$*	1 947 Malagasy Ariary
Main Urban Centres	Antananarivo (capital)
Population^	20 146 000
Population growth rate (2005 – 2010)^	2,9
Urban population (% of total) 2009	29.8
GDP per capita^	916
GDP growth rate (real, 2010)^	0.3
HDI (Global Ranking)+	0,494 (110)
Unemployment rate^	2,60 (2005)
Population less than US$2 per day°	89.6
Population below national poverty line^	68,7 (2005)
Bank branches per 100,000°	1.02
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	45
Deposit Interest Rate° (2009)	2.5
Credit % of GDP° (2009)	11.6
Mortgages % of GDP°	Not available

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)

Madagascar's economy is driven by its extractive industries, tourism and agricultural sectors. In 2008 the country experienced a negative growth rate of -3.7 per cent as a result of the global financial crisis and local political instability. Since then, the economy has been recovering slowly growing from an estimated 0.3 per cent in 2010, to a prospective rate of 0.6 per cent in 2011. However, economic activity in the private sector remains by the lack of transparency and the uncertainty of Madagascar's political climate.

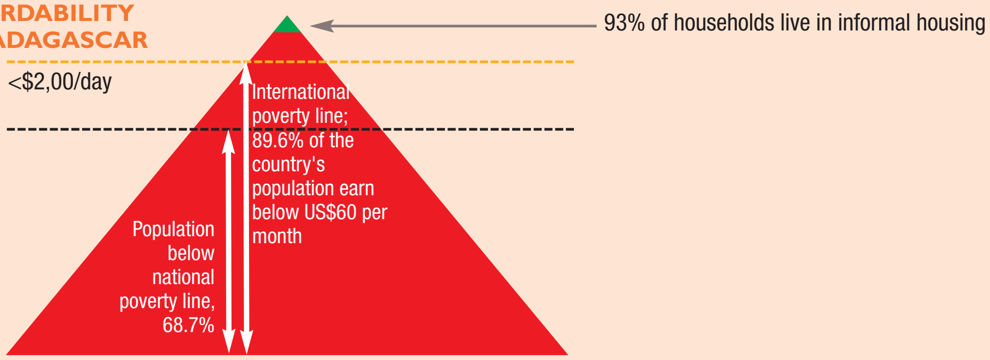
Madagascar's financial sector contributes about 25 per cent to the country's GDP. The financial sector is dominated by commercial banks, which hold about 84 per cent of the total system's assets, while nonbank financial institutions (pension funds, insurance companies and other institutions including microfinance) account for the remaining 16 per cent of assets. Though country has three public pension systems, they cover less than 10 per cent of the active population. All seven registered commercial banks are foreign-owned. Three of these are subsidiaries of large French banks, and account for about 65 per cent of banking sector assets. Madagascar's commercial banks are generally liquid, stable and adequately capitalized.

Access to finance in the country is limited. According to World Bank data, about 21 people per 1000 adults possessed a loan account in any of the country's commercial banks in 2009, while the number of depositors with commercial banks was 45.2 per 1000 adults. Credit to the private sector stands at around 10 per cent of GDP. Most credit given has a short to medium term, with a maximum maturity of seven years. According to the World Bank, the average lending interest rate by banks was 45 per cent in 2009, while the deposit rate was 2.5 per cent. As a result of the high interest rates, only a select clientele can afford to obtain credit from the banks. Microfinance in the country is also limited but growing. According to the MixMarket, in 2009 the value of loans disbursed amounted to $43.3 million while the total value of deposit accounts amounted to $24.7 million. Enforcement of prudential standards is weak, as insufficient funds have been available for supervision since the Central Bank ran into financial difficulties in 2004.

Poverty is widespread in Madagascar. About 49.1 per cent of the population earns less than $1 a day, thus basic needs such food, education and housing for this group of people is largely unsatisfied. According to UN Habitat, about 86.5 per cent of the country's households live in either rural areas, or in informal settlements. Considering urban areas alone, an estimated 93 per cent of the urban population lives in informal settlements with limited or no services. The average house in the rural areas is about 26 square meters. The current housing backlog in Madagascar is estimated at about 2 million units. Annual population growth creates a demand for an additional 100 000 units, this demand is expected to grow by 3 per cent.

Madagascar prohibits foreign land ownership, offering rather long term leases of about 99 years. Under customary law, land in Madagascar is perceived as the land of the ancestors (tanindrazana). Although land may become individualized, many believe that land must be titled or recorded in some fashion before an individual can claim perpetual ownership rights to the plot. Most urban land is held under customary tenure and residents do not have title recognized under formal law (UN-Habitat 2010). In 2006, the Madagascar Action Plan was formed, setting out development goals within the time frame of 2007 – 2012. One of these goals was to increase the number of households with land title from 10 per cent to 75 per cent. Progress on these goals is yet to be reported.

HOUSING AFFORDABILITY IN MADAGASCAR



With the growing presence of microfinance in the country, there are opportunities for MFIs to diversify their product range to cater for the housing need the country experience. Also, there is a need for stakeholders in the housing sector to participate in the affordable housing process – from the supply of affordable and innovative building materials to the delivery of formal housing that is affordable to the lower income class.

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Malawi

Key figures

Exchange Rate: 1 US$*	168 Malawian Kwacha
Main Urban Centres	Lilongwe (capital), Blantyre
Population^	15 692 000
Population growth rate (2005 – 2010)^	3,0
Urban population (% of total) 2009	19.3
GDP per capita^	870
GDP growth rate (real, 2010)^	6.7
HDI (Global Ranking)+	0,448 (122)
Unemployment rate^	7,80 (2004)
Population less than US$2 per day°	90.4
Population below national poverty line^	45,0 (2006)
Bank branches per 100,000°	1.79
FinScope financial exclusion	55%
Lending Interest Rate° (2009)	25.25
Deposit Interest Rate° (2009)	11.23
Credit % of GDP° (2009)	32
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	13.24
Cost of standard sheet of corrugated sheet iron US$•	3.60
Price of the cheapest newly built house, by a formal developer (US$)•	13 200
Smallest size of a formal house (m^2)•	

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

Malawi has a relatively small population of 13.9 million people, and is located in the SADC Region. Its two largest cities Blantyre and Lilongwe have less than one million inhabitants. The country's political and macroeconomic environment has been stable for the past few years, however this past year has been challenging and the country is defined by some as being in serious economic crisis. In 2010, the country's GDP growth rate slowed down, moving from 7.6 per cent in 2009 to an estimated 6.7 per cent in 2010. This reduction can be attributed to the drought experienced in the 2009/2010 growing season, which reduced the country's agricultural outputs. The real GDP growth for 2011 and 2012 has been forecasted at 6.4 per cent and 6.1 per cent respectively. Poor economic policies, including fixing the currency to the US Dollar, have further challenged the economy. The mining and agricultural sectors drive the economy, but the country is heavily dependent on foreign aid. In 2010, the estimate net official aid flow accounted for about 24 per cent of the country's GDP.

Access to finance

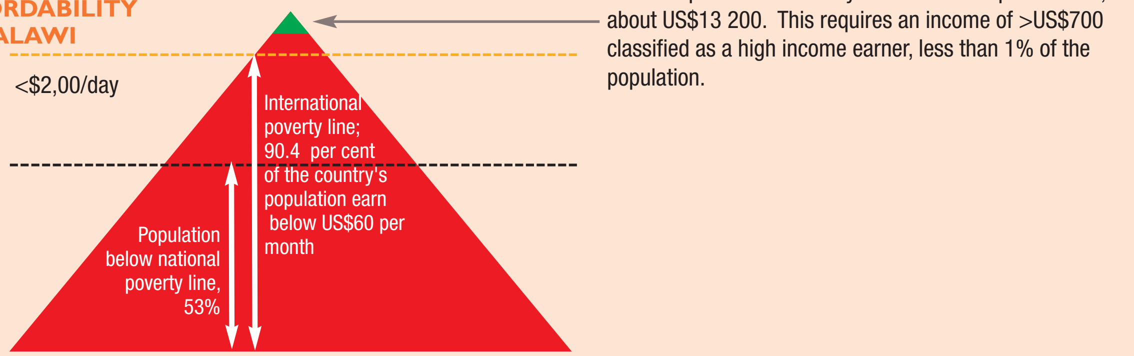
Malawi's banking system has emerged from the global financial crisis well capitalised, reasonably profitable and with a low ratio of nonperforming loans to total loans. Low penetration of formal banking and financial services characterises the country, although access to financial services has been improving mainly because of the entry of new players in the banking industry. FinScope Malawi 2008 reports that while 81 per cent of urban adults say they use some kind of savings mechanism, only 35 per cent of these save at a bank. The remainder use an informal savings mechanism, or keep their cash at home. Interestingly, of those urban adults who are saving, 9,1 per cent they're saving to buy or build a home; another four per cent say they are saving to buy a dwelling or land to rent out; and another 3,4 per cent say they wish to buy land. Just under one fifth of urban adults said they borrowed money in the past year. Of these, 12 per cent used the loan to buy or build their home, or to buy land.

The practice of microfinance in the country has been fast growing. According to the MixMarket, in 2009 a total of US$ 36.2 million worth of micro-loans were disbursed to about 119 385 consumers in the country. FinScope Malawi 2008 shows that of those who borrowed in the past year, almost a third borrowed from a microfinance or other finance organisation. Only about ten per cent borrowed from a bank.

Before 1989, only the New Building Society (which converted later to the NBS Bank) could offer mortgage finance. In the 20 years of its operations, it lent a very modest number of mortgages, in total less than 1 000. Currently, it has an accumulated a loan portfolio of MK6 billion (US$40 million). The mortgage market has since broadened with new players including the National Bank, Standard Bank, Indobank, Ecobank and Malawi Savings Bank. Strict eligibility criteria including a 20 per cent cash deposit, a minimum of six months history with a bank and three months of payslips restricts access to mortgage finance. According to FinScope Malawi 2008, only one per cent of urban adults have a housing loan. In rural areas, the figure is 0,3 per cent. Nevertheless mortgages are increasing slowly and, significantly, private sector credit grew by 45.2 per cent from the previous year to December 2008.

Active in the housing sector for the poor are NGOs such as Habitat for Humanity. Since commencing operations in 1986, Habitat for Humanity has helped build nearly 6 000 houses in both urban and rural areas. The organisation operates revolving funds that provide

HOUSING AFFORDABILITY IN MALAWI



finance for the purchase of building materials. It has recently entered into an arrangement with a microfinancier, FINCA Africa, to begin lending for housing microfinance. A partnership with Select Africa is also under development. The Mchenga Fund in conjunction with the Centre for Community Organisation and Development has a housing microfinance product targeting the poor. Generally, however, there is a lack of funding for the small HMF lenders.

Malawi's modest pensions industry is mainly invested in equities, T-bills and property development. Pensions are not generally used for lending for housing finance. Two other factors limiting access to housing finance are the shortage of mortgageable tenure security and the lack of a national identification system. There is a small valuation industry of less than 50 registered valuers. Most banks have excess liquidity – their funds consisting primarily of a combination of equity plus retail funds from savers. Some have external lines of credit, but only for special schemes such as SME lending or for access to foreign exchange. The main source of funds for the few mortgages remains retail funds and most surplus funds are instead invested in T-bills (there are no bonds).

In 2009, CRB-Africa was appointed by the Bankers Association of Malawi to form a closed-group register for banks. The Credit Reference Bureau Act (CRB Act) was passed in 2010, together with the Financial Services Act, 2010 (Section 21 Licencing and Registration of Financial Institutions) and this made ti possible for private credit bureaus to be licensed by the Reserve Bank of Malawi. No licenses have yet been awarded.

Affordability

FinScope Malawi 2008 reports that 56% of Malawians earn less than MK 5000 (about US$ 33) per month. Forty-seven per cent of urban adults receive wages or a salary, and another 41 per cent earn their income from their own business. These figures constrain access to and affordability for mortgage finance significantly.

In 2010, NBS Bank provided a small mortgage of MK500 000 (US$3 300), although typically the least expensive, entry-level house costs around MK2 million (US$13 200). Given that only 30 per cent of income is allowed towards servicing mortgage payments, the total income to be earned by a borrower for this house would be MK107 200 (US$710). This means that access to the very cheapest house is available only to the highest income earners, comprising less than one per cent of the population. It is possible, however, for the smaller NBS Bank loan to be used for home improvements, or even incremental housing construction.

Malawi has higher lending spreads than other SSA countries, as high as 16 per cent compared to the SSA average of seven per cent. It has been argued that higher bank overhead costs and relatively low productivity compared to peers has contributed to this. Further, the current funding base, through own retail funds, has meant that extension of loans for greater than 10 to 15 years is unusual. The exception is Standard Bank's 20 year mortgage. Fundraising through the capital markets has been limited – the NBS Bank, the biggest mortgage lender, is partially listed on the Malawi Stock Exchange and raised money through the capital markets. The IFC and the African Capitalisation Fund (ACF) announced in August 2011 its plan to invest US$10 million in equity in NBS Bank to support its capital base and increase its lending operations.

Housing supply

Individual builders dominate the housing construction landscape with 90 per cent of houses being self-built. According to FinScope Malawi 2008, 66 per cent of hosueholds live in traditional housing with either a thatched roof, mud walls or reed / straw walls; 15 per cent live in semi-permanent housing, built using more durable materials than traditional housing; and 18% live in permanent housing built using durable materials: cement, iron, tiles or asbestos for the roof, burned bricks or concrete for the walls, and bricks, concrete or cement tiles or wood for the floors.

For the remainder, Malawi Housing Corporation (MHC) and a few private sector players are the principal housing deliverers. The MHC was established to develop housing estates for both high-income and low-income earners. The high-income groups, largely public servants, were provided for through the construction of conventional houses ready for occupation. The low-income groups were provided for through the development of Traditional Housing Areas. Since inception, only about 10 000 units have been built countrywide.

Housing and urban development NGOs also play a role in Malawi's housing supply. The Centre for Community Organisation and Development (CCODE) and the Malawi Homeless People's Federation (a federation of 80,000 members) have been working with UK-based Homeless International in supporting poor urban communities to plan and implement their own solutions to the challenges of inadequate land, housing and infrastructure provision, while also advocating for changes in policy and practice by actively engaging local and national government. Since the partnership started in 2003, the collaboration successfully negotiated for more than 2000 plots of land, and constructed 780 low cost houses in Lilongwe, Mzuzu and Blantyre. The collaboration has also secured tentative financial support from national government for pro-poor housing delivery.

Malawian urban centres have a shortage of affordable housing for the middle- and lower and middle- income bands. Because of rapid urbanisation and inadequate housing finance, among other things, demand remains unsatisfied. The housing situation also started to worsen because the MHC stopped housing development when government stopped annual budgetary allocations to state organisations. The policy of build and sell, introduced in the mid-1980s, also did not increase the MHC's capacity to build more houses. Since 2010, however, government capital expenditure in housing has been on the increase.

Property markets

Malawi's housing markets have registered increased activity because of high demand. According to Knight Frank, in 2011 there has been an increase in demand for up market residential properties as well as an increase in property values in urban areas, as housing supply is insufficient. Demand is higher in Lilongwe due to the presence of government-related operations.

NBS Bank, for example, saw its mortgage advances rise from MK3.8 billion (US$25 million) in 2008 to MK4.8 billion (US$31.6 million) in 2009. Nevertheless there is a real constraint in the supply of housing, and in the recent past this has caused rapid property price rises. The supply constraint also acutely manifests itself in the resale market; there is limited existing mortgageable housing stock, and most formal housing is in slum areas – 60.9 per cent of households in formal housing live in areas with 25 per cent or less slum dwellings; 12.7 per cent live in areas where 25 – 50 per cent of stock is slum, and as much as 20 per cent in areas where 75 per cent or more stock is slum.

Policy and regulation

The land administration system in Malawi needs reform in a number of key areas. Firstly, it is estimated that as much as 90 per cent of land is customary land. However, to date there are no defined laws that deal with property rights of customary land, resulting in uncertainty on the mortgageability of this type of tenure. Further, transferring customary property rights is difficult. Secondly, the system is generally inefficient; it takes up to 118 days to register land and 49 days to register a property, a considerably long and complex process that slows down the mortgage system. Thirdly, coverage by the formal mortgageable tenure system is only eight per cent of the land, almost all confined to urban areas.

Enforceability of collateral should be improved as banks have expressed a lack of confidence in the legal system. This has resulted tighter eligibility criteria, which limits access.

Government policy does not engage sufficiently with the issue of housing finance markets: the Malawi Growth and Development Strategy does state that the availability of housing finance is a key barrier to increasing home ownership and improving the quality of shelter, but this is only in passing. The Draft National Housing Policy 2007 advocates broad access to housing for all, decentralisation, improving urban land markets, upgrading informal settlements and improving the quality of rural settlements, but this is yet to move beyond paper. There have been some positive reforms in various sectors. The Reserve Bank of Malawi drafted the Financial Services Bill 2008, intended to strengthen the legal framework for providing financial services and consolidating supervisory functions. The government has also recently passed a law to establish a Credit Reference Bureau. Malawi also has a draft consumer protection law for financial services.

Opportunities

Given the predominant self-build method used in Malawi and the existence of a budding microfinance industry, lending for housing microfinance has good potential for growth. Growth of the middle class has also boosted the mortgage market. Nevertheless, this potential can be fully met only with substantial reform of the land administration system, and sustained and prudent macroeconomic reform and management. Greater competition in the banking industry has spurred on the mortgage markets, and access to mortgages will be greatly enhanced if this trend is sustained.

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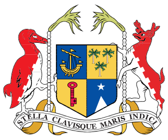
Mauritius



Key figures

Exchange Rate: 1 US$*	27,92 Mauritian Rupee
Main Urban Centres	Port Louis (capital)
Population^	1 297 000
Population growth rate (2005 – 2010)^	0,7
Urban population (% of total) 2009	42.5
GDP per capita^	14 278
GDP growth rate (real, 2010)^	4.1
HDI (Global Ranking)+	0,748 (66)
Unemployment rate^	7,30 (2009)
Population less than US$2 per day°	Not Available
Population below national poverty line^	Not Available
Bank branches per 100,000°	19.37
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	19.25
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	109.7
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	6.00
Cost of standard sheet of corrugated sheet iron US$•	30 per sq meter
Price of the cheapest newly built house, by a formal developer (US$)•	33 000
Smallest size of a formal house (m^2)•	40 sq metre (1 bedroom)

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

Mauritius is a small island country of only 2,000 sq km in the Indian Ocean. The Mauritian economy is well run, with sound political and economic management practices. Despite the country's exposure to external shocks in the world economy, its GDP growth rate rose from 3.1 per cent in 2009 to 4.1 per cent in 2010. The government is working towards diversifying its economy beyond the major four sectors that drive the economy – sugar, financial services, tourism and textiles. This strategy is expected to help the country increase its competitiveness and reduce the impact of exogenous shocks. The prospective growth rate for 2011 is expected to remain at 4 per cent, as the country's export industry is heavily dependent on its European trading partners. A key challenge faced by Mauritius, is the demand for land and housing arising from its tourist economy, which undermines access by lower income, less-economically productive populations.

Access to finance

Mauritius has a healthy banking industry with 19 banks, of which two, the Mauritius Commercial Bank (MCB) and the State Bank of Mauritius (SBM), are among the largest banks in the East African region. The banking system is highly concentrated with 4 of the major banks accounting for 85 per cent of the whole banking system's assets, and 70 per cent of the country's financial sector. Despite the tough operating environment in 2009, banks remained strong, liquid and profitable. Like the majority of banks on the continent, Mauritian banks had limited involvement in complex structured financial products and low exposure to toxic assets, shielding them from the global banking problems. While non-performing loans remained low, at about 2.5 per cent, they rose by 13.8 per cent to 2.9 per cent in 2009, reflecting the economic stress faced by borrowers.

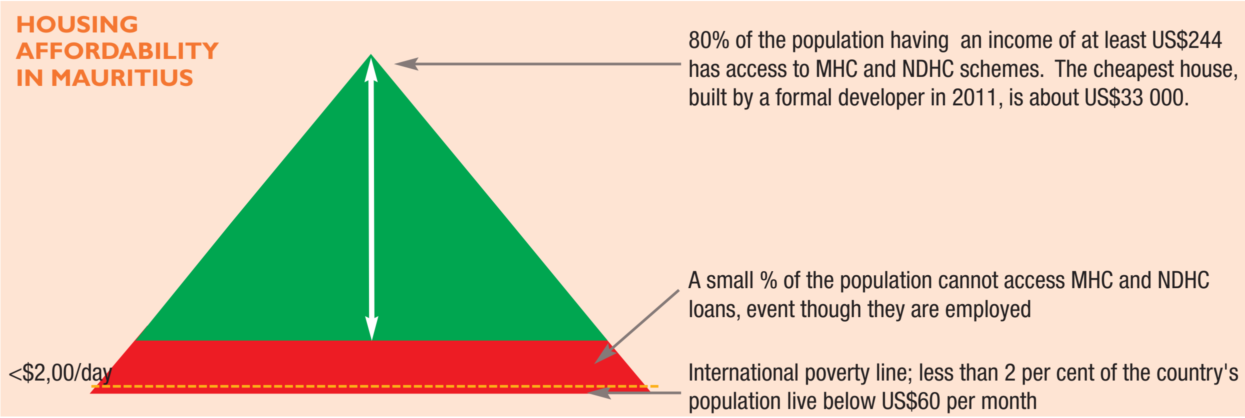
Penetration of financial services is generally good, with 80 per cent of Mauritians having bank accounts. Loans and advances by the banking industry to the private sector have increased significantly. The SBM, for example, saw consumer credit rise by 3.6 per cent as at June 2009. Much more notable was growth of 17.1 per cent in mortgages, for the portfolio to stand at Rs21.8 billion (US$710 million). The MCB saw mortgage advances for the year increase from Rs6.87 billion (US$220 million) in 2008 to Rs8.3 billion (US$270 million) in 2009.

The use of mortgage finance is also generally high by African standards. According to the 2000 Mauritius Housing Census, 47,000 housing units were mortgaged representing almost 16 per cent of the country's housing stock.

Mauritius has a relatively large pensions industry and 51.4 per cent of the labour force are contributors. The national pension fund is also involved in the housing sector and, for example, lends money to MHC. There are no private credit bureaus. Credit information has deepened, however, as the public bureau's coverage has grown from 37 per cent of the adult population in 2009 to 49.8 per cent in 2011.

Affordability

The government uses parastatals such as the Mauritius Housing Company (MHC) to improve affordability for housing. The MHC is a housing finance provider as well as developer, formed in 1963 and incorporated in 1989 as a total solution provider in respect of housing finance requirements in Mauritius. MHC offers a range of products including home loans for the construction, extension, completion or renovation and repairs of a house; the purchase of a house, apartment or bungalow; the construction or purchase of a second or more residential properties; loan consolidation; and insurance. MHC also acts as a developer, and has recently (2011) completed the construction of two blocks of 24, 3-bedroom apartments.



Through the MHC, a subsidized Government Loan Scheme (GLS) is provided to lower-income earners. The Mauritian government further guarantees loan capital obtained by the MHC from various sources of funding both locally and overseas. In October 2010, MHC reduced its interest rates across all its products. For example, the interest rate for Home Loan Extra (with an LTV of up to 90 per cent) was reduced from eight per cent to 7.25 per cent, while Home Loan Plus (with an LTV of up to 75 per cent) was reduced from 8.25 per cent to 7.5 per cent, A maximum loan amount of Rs325 000 (US$10 585) is provided. Up to 20 per cent of the loan amount can be drawn as a government grant. Terms are for 25 years and construction of the house is on land belonging to the client or leased from the government. Further, savings in the form of regular contributions on a monthly basis within a period of 12 months are required. For a term of 25 years, the monthly payment required for the maximum loan amount will peak at Rs2 487 (US$81) a month, meaning a monthly income of more than US$265 is needed to qualify. For lower loan amounts, which can be used for housing improvements, lower incomes qualify.

Another government driven scheme to increase affordability is offered through the National Housing Development Company (NHDC). This parastatal was set up in March 1991 to serve low-income Mauritians. It offers both fully developed units and sites and services at subsidized rates. The NHDC site and service scheme provides applicants a portion of state land through a lease. There is an income criteria, requiring a monthly income of between Rs7 500 (US$244) and Rs16 000 (US$521) to qualify for the land. To put this in perspective, the average monthly earnings in the lowest paid sectors, the textile and mining and quarrying sectors, were Rs8 274 (US$270) and Rs6 870 (US$223) respectively. This means that while the products do cover the majority of the population, a small minority of the working population, as the lowest paid, still cannot afford to meet their housing needs.

Although Mauritius is a relatively rich country, a segment of the population is unable to afford their housing. In 2009, Mauritius had an unemployment rate of around seven per cent or over 40 000 people. According to the Central Statistics Office, about 1.5 per cent of people earning below US$2 a day. Neither the NHDC, nor the MHC programmes serve this market, and this population is increasingly turning to squatting.

Housing supply

The 2000 Housing Census stated that 10 000 dwellings were needed to be constructed annually over the 20-year period to 2020 to meet demand as well as deal with housing backlogs. Despite this, currently, there is a recognised housing backlog especially at the lower end of the market. The NHDC produces about 500 units a year, which is insufficient and this has created a waiting list of about 20 000 units. The government encourages self-build at this lower income level through the NHDC scheme. On acquiring a plot of land through the scheme, beneficiaries can access services provided by architects of the MHC at Rs2 a square foot. Financing for construction may also be obtained at concessionary terms from the MHC. Further, the government provides a grant for slab casts worth Rs60 000 (US$2 000) and building materials worth Rs35 000 (US$1 140) for the construction process.

Property markets

The global economic problems affected the higher-end property market in Mauritius, although this market is set to pick up in 2010 and 2011. The market segment is closely tied to the economic fortunes of Europe and the US because of the deliberate efforts by the government to encourage greater foreign ownership. The Permanent Residence Scheme, Integrated Resort Scheme, and Scheme to Attract Professionals for Emerging Sectors all encourage foreign investment and settlement.

Most housing stock in Mauritius is of good quality, providing a platform for active property markets even outside the high-end tourist segment. According to the World Bank, 91 per cent of the dwellings are durable. The Mauritius Housing Census of 2000 provides that 99 per cent of households had electricity in 2000. The percentage of households which obtained their water supply from fountains, wells or rivers dropped from 10.5 per cent in 1990 to 1.8 per cent in 2000, and 89 per cent had flush-type toilets. In terms of ownership quality, 99 per cent of the housing units enumerated were privately owned, with virtually all occupied as a principal residence.

Policy and regulation

Mauritius generally has investor-friendly policies and regulations. This has been borne out of deliberate government action to make it a competitive investment destination. According to the World Bank'd Doing Business Survey, in 2011, it takes 26 days on average register property (aside from South Africa at 24, the best in the continent). Also the registration process costs on average 10.6 per cent of the value of the property. The tax regime is also especially attractive, intended to turn the country into a global financial centre.

Opportunities

Mauritius has been emerging as an international financial centre since the early 1990s. It is becoming a favoured country for structuring cross-border investments into Asia and Africa and particularly into India and China. This reputation as an offshore financial haven should see it continue to become an important player in international financial flows. The country also has preferential access to markets in the Africa region (such as the African Union, Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the Indian Ocean Rim-Association for Regional Co-operation (IOR-ARC) pointing to its strategic location. State investment in educating its population should see it continue to grow its financial and services sector. All these factors point to greater opportunity in middle- to higher-end housing finance, as foreign investment and wealth increases in the country.

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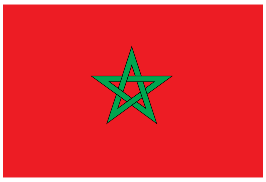
Morocco



Key figures

Exchange Rate: 1 US$*	7,8 Moroccan Dirham
Main Urban Centres	Rabat (capital), Casablanca
Population^	32 381 000
Population growth rate (2005 – 2010)^	1,2
Urban population (% of total) 2009	56.4
GDP per capita^	4287
GDP growth rate (real, 2010)^	4.6
HDI (Global Ranking)+	0,618 (98)
Unemployment rate^	10 (2009)
Population less than US$2 per day°	14
Population below national poverty line^	19,0 (1999)
Bank branches per 100,000°	11.59
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	100.5
Mortgages % of GDP°	

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)

Overview

Morocco possesses a diversified economy, with the agriculture sector playing a major role and contributing about 20 per cent of the nation's GDP, while the country's tourism and manufacturing industry grow significantly. Morocco's oil reserves offer attractive investment opportunities, as does the well-educated, and (according to Ernst & Young) relatively cheap labour force. The dynamism of the country's financial sector makes it one of the best in its region, and one of the best in Africa. The country is set to make its Casablanca stock exchange a regional financial sector by 2014, which in turn would contribute about two per cent to the country's GDP.

In the past years the government has steadily increased its spending across various sectors. For example in the area of infrastructure, the government has invested in projects for the construction and renovation of roads, airports and seaports. The increased spending has contributed to economic growth. With an impressive economic growth rate for the past four years, the growth rate for 2011 is estimated at 5 per cent.

Access to finance

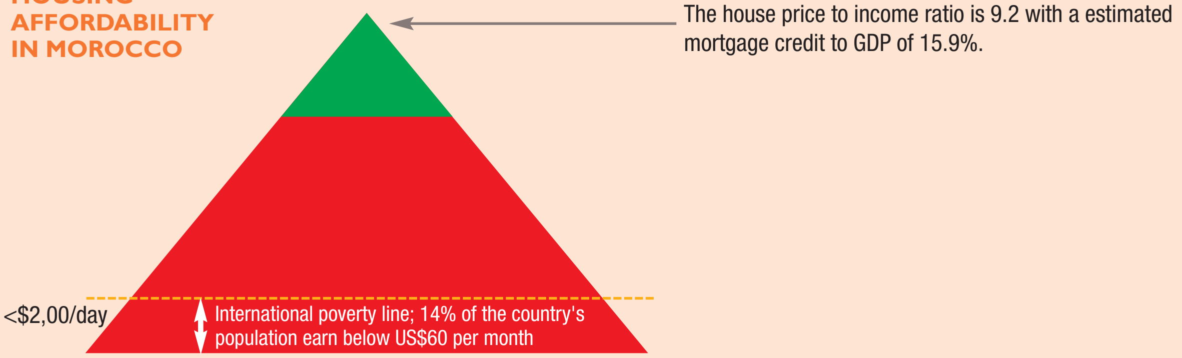
The banking sector plays a significant role in the country's financial system. There are about 16 banks in the country, five of which are managed by the government, while the six largest banks control about 85 percent of assets in the whole financial system. The financial system also includes 13 microfinance organizations, consumer credit financing, money transfer and guarantee companies. The banking system in Morocco is efficient; however it is relatively expensive due to high interest rate margins and high commission fees. Non-performing loans comprised 17.5 per cent of total gross loans offered by banks in 2010, up from 16.8 per cent. The Moroccan Postal Service plays an active role in Morocco's financial system, providing both depository and payment services to low income earners. Though the postal service represents about 2 percent of the financial systems' assets, it serves about 13 percent of the population. The country possesses a contemporary payment scheme where all payment instruments are paperless. A larger platform for the local market has been established to facilitate online payments.

Access to finance has grown in recent years. The percentage of the population holding commercial bank accounts increased from 15 percent in 2002, to 27 percent in 2007, while in 2009 it was 27.7 per cent, showing a small increase in recent years. The Moroccan microfinance sector has experienced rapid growth over the years. According to the MixMarket, between the 2003 and 2007 the MFI loan portfolio multiplied 11 times while the client outreach grew by four. In the year 2009, there were 919, 025 active borrowers and the loan portfolio totaled at USD 611.7 million.

In 2009, the Central Bank of Morocco launched its first private credit bureau under IFC's global credit program. Due to this reform, the country now scores 5 out of 6 on the World Bank Doing Business credit information index, up from 1 out of 6 in 2006. As at the year 2009, the bureau covered about 14 per cent of the adult population, up from the 2 per cent coverage under the former Central Bank registry.

By legislation it is required that buyers should provide 30 percent of the loan amount as down payment. Thus, the maximum loan a

HOUSING AFFORDABILITY IN MOROCCO



potential buyer can receive from any bank in Morocco is 70 percent on the purchase price of the property. The term of mortgage finance ranges from 12 to 20 years, however, in rare instances, it is possible to obtain a 25 year term of repayment. Most loans are granted on a variable rate and on all mortgages the government applies a 10 per cent mortgage tax on the interest repayment. Mortgage credit to GDP is 15.9%.

Affordability

The average price for affordable housing in Morocco ranges between 140000 Dirhams ($17800) and 200000 Dirhams ($25400), with a capped price of 290,000 Dirhams ($37000). The government of Morocco has also encouraged affordable housing development through a system of guaranteed funds. To qualify for this security fund and tax breaks, developers have to build at least 2,500 affordable housing units over five years, which are sold for less than 200,000 Dirhams. As at 2010, the amount of guaranteed mortgages amounted to seven billion Dirhams ($890 million). The guarantee fund, FOGARIM (Guarantee Fund for small and irregular income) was launched in 2004. Fogarim's main beneficiaries are traders (41 per cent), followed by street vendors (23 per cent), craft workers (16), taxi drivers (4.2), maids (3.7) and labourers (3.3). As a result of this initiative, in 2009, banks were able to lend up to 29 per cent of total banks loans to the property industry.

Al Amana Microfinance provides individual loans to micro entrepreneurs and employed individuals. The organization also provides housing loans to these individuals, who would like to improve, construct or acquire a home. The repayment terms vary from 6 months to 7 years, while the amount of housing loans range from 1 000 to 48 000 dirhams (USD 125 – USD 6012). Also some of the housing loans disbursed by the organization are backed by guarantees, a provision that is dependent on the realities of the clients.

Housing supply

In 2010, the affordable housing shortage in Morocco was estimated at 1.2 million. This is expected to increase by 125 000 annually. The country is introducing a new Finance Act this year which aims, among other things, to improve the provision of social housing in the sector. Some of the measures include apportioning 70 per cent percent of affordable housing projects covering both urban and rural areas by the government, to property developers, who would be rewarded on the quality and safety of housing projects through tax exemptions. The maximum price of social housing by the government will be set at 290,000 Dirhams (USD 36, 320) tax inclusive, where the state will contribute 40,000 Dirhams (USD 5,010) of the price.

The government's programme 'City without slums' was launched in 2004 and is expected to end in 2012. The programme is expected to cost the government about $2 billion, and with housing subsidies, aims to improve the conditions of about 293,000 homes. As at September 2009, the housing conditions of about 138, 000 homes had been improved.

Property market

The Moroccan housing market faces three major obstacles– affordability, land and ownership titling issues, and poor finance infrastructure. While the government has developed initiatives to deal with the housing problems, certain factors still persist that have hindered the desired progress – unemployment rates, urban growth rates, and financial insufficiencies. With the annual urban rate estimated at about 3 – 4 per cent (about 120, 000 units per year), and housing production rates being inadequate, it gives rise to the creation of informal settlements in the country.

In 2001, the government of Morocco launched a Vision 2010 plan to boost the nation's tourism. The focus of the strategy was on infrastructure and transportation networks. However, it has had a positive impact on the country's property market, investment in the country, employment, income distributions and even education. Through the Vision 2010, there has been a surge of high end properties in the country, thereby widening the gap and exacerbating the relative lack of supply of middle to low income houses in the country. On average, residential properties have appreciated between 15 and 20 percent per annum in recent years. It is believed that in coming years this will increase further. The country imports a significant portion of its building materials, which has an impact on the high cost of building and properties in the country.

Land markets in Morocco are limited by the pluralistic legal environment that supports formal and informal land markets and by restrictions on the alienation of collectively held land. However, the government is working on several programmes including the revision of the registration law in order to make the process more efficient, and to provide legislative support for the privatization of individualized collective land. The country has two land registration systems: a formal system maintained by the land registry and a traditional system maintained by local traditional leaders. About 30 per cent of land in Morocco, almost all of it in urban areas, is registered under the formal system. The process has been streamlined in recent years: registration requires eight procedures, about 47 days, and payment of 4.9 per cent of the property value. According to the

World Bank Doing Business Report, the country is ranked the 124th country (out of 183 economies) in terms of the efficiency of its property registration system.

Policy and regulation

The country has a combination of many types of property rights for land. For example, land owned by the state represents a significant portion of the country. However, most property rights for private land are originated from the customary system which recognizes both individual property rights and community rights. This dynamic in the land titling system results in the uncertainty of property rights, inefficiency in the housing acquisition process and the immobilization of land with urban potential. Building permits in the country are expensive, time consuming to obtain and are subject to having an official title or deed for the property.

Opportunities

With the Finance Act released in 2010, the affordable housing market is expected to receive a boost in supply of housing. Also this Act promises to contribute to the growth of the construction industry, especially the small and medium businesses, many of which might be focused in the affordable housing sector. The implementation of the Vision 2010 strategy plan is also likely to result in continued investment into the housing sector as well as in infrastructures.

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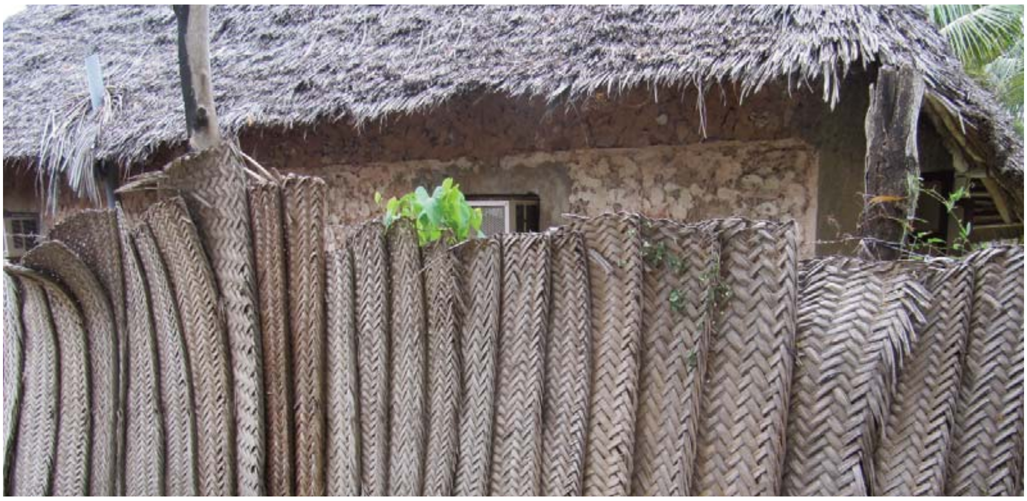


Mozambique

Key figures

Exchange Rate: 1 US$*	27 Metical
Main Urban Centres	Maputo (capital), Beira Matola, Nampula
Population^	23 406 000
Population growth rate (2005 – 2010)^	2,5
Urban population (% of total) 2009	37.6
GDP per capita^	1 127
GDP growth rate (real, 2010)^	8.1
HDI (Global Ranking)+	0,381 (125)
Unemployment rate^	2,24 (1997)
Population less than US$2 per day°	90
Population below national poverty line^	54,1 (2003)
Bank branches per 100,000°	2.88
FinScope financial exclusion	78%
Lending Interest Rate° (2009)	15.68
Deposit Interest Rate° (2009)	3.93
Credit % of GDP° (2009)	22.8
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	10.30
Cost of standard sheet of corrugated sheet iron US$•	12.3
Price of the cheapest newly built house, by a formal developer (US$)•	USD 17167
Smallest size of a formal house (m^2)•	41.3 sq metre

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

In recent years Mozambique has experienced rapid economic growth – with an estimated GDP growth in 2010 of 8.1 per cent. In the past year, the country also gained from the massive inflows of foreign direct investment in coal projects. Revenue from Mozambique's mobile phone industry is also expected to grow by more than four times to $8.1 billion by 2015. However, the inflation rate increased in 2010 due to the scrapping of fuel subsidies, the rise of international food and oil prices, and the depreciation of the currency against the US dollar and the South African rand. Growth forecasts state that with all things being equal the growth rates for 2011 and 2012 would be 7.7 and 7.9 per cent, respectively. The IMF's structural reform programme will continue to focus on public financial management, tax policy and administration, debt management and the strengthening of the financial sector.

Access to finance

Mozambique's banking industry, while profitable and liquid, has tended not to lend to the private sector. There are about 12 banks in the country, however the three largest banks account for over 85 per cent of the domestic banking sector's total assets, signifying a lack of competition in the sector. With the improvement of financial regulation and supervision, several positive changes have occurred including the decrease in non-performing loans: NPLs reduced from 17 per cent in 2003 to 3 per cent in 2008.

While there has been a definite increase in credit to the construction sector, by 50 per cent from October 2009 to September 2010, lending criteria remains stringent. The retail housing finance market is small, with only 3.8 per cent of total bank credit being extended for housing loans in 2008. Formal banking institutions include Banco Internacional de Moçambique, Barclays Bank and Standard Bank. Banks and loan terms range from 12 to 25 years. The IFC recently assisted the Central Bank of Mozambque with a project on finding an appropriate regulatory framework for credit reporting. An initial framework was handed over to the Central Bank, suggesting there will be developments in the future.

There is a vibrant microfinance industry in Mozambique, and the country has specialised microfinance laws. According to the MixMarket in 2009, a total of US$62.2 million in microloans were disbursed to approximately 90,258 consumers in the country. A nascent housing microfinance sector is also emerging; Procredit, for example, grants housing loans. The law in Mozambique provides a high degree of security of land tenure, which provides ideal conditions for incremental self-build methods. Construction loans, commonly provided in many other countries, are not readily available from formal banks, further increasing the potential for specialised HMF lending.

Less than 10 per cent of the population is covered by the social security system in the country, which limits extending pension savings for housing finance. Mozambique has draft consumer protection laws and a public credit registry was established in 1997. While the latter has operated successfully since then, its coverage of borrowers is low (2.2 per cent of the adult population) and greater buy-in from banks is necessary to reduce non-compliance with data submission requirements. It also needs to expand to include non-bank financial institutions and other lenders.

A state sponsored parastatal, the Housing Promotion Fund (Fundo de Fomento de Habitação or FFH) was founded to increase access to housing for people with few resources. Currently working in 35 districts and 14 municipalities, it provides access to housing in three ways. Firstly, it acquires land, services it and then sells fully serviced sites for construction of basic housing. Demand for these plots is much higher than supply. Secondly, it provides low-interest loans for modest amounts, repayable over periods of 5-20 years. While banks do not accept an FFH plot as a guarantee for a loan, the loan does help beneficiaries to start building incrementally. Finally, the FFH builds a limited number of houses. From 1996-2004, FFH laid out 7 488 plots and funded 1 021 new houses throughout the country. In practice, the FFH has targeted a relatively small number of middle income households. Further, rates of loan recovery have not been exemplary, currently standing at 70 per cent. In 2010, it reported plans to build 600 houses in the cities of Maputo, Matola, Beira, Quelimane and Nampula in 2010, as well as install basic infrastructure for 20 000 plots of land in municipalities.

Affordability

Supply constraints and growing demand has meant that house prices are beyond the reach of middle- and low-income Mozambicans. To illustrate, the Joaquim Chissano Foundation recently launched a housing project in Maputo costing US$100 million to build 1 836 homes, the cheapest costing US$25 000 and most expensive US$120 000. According to the project promoters, a couple with a joint income of 25 000 meticals (about US$680) a month would be able to pay off the mortgage on one of these homes over 30 years. This is a large sum by Mozambican standards where statutory minimum wages range between 1 593 and 3 483 meticals (US$43 to US$95).

Housing supply

As access to mortgage loans is difficult, many low- and middle income families build their own housing. In the north and centre of the country in particular, houses are built with local materials and self-built housing is affordable. This is more difficult in the larger urban centres where local materials and building land are in short supply. One of the biggest constraints to housing supply is the severe shortage of serviced land. Further, the typical procedure for land allocation from the state is long. This unmet demand for land suitable for housing often results in downward raiding by higher income earners of plots occupied by low income groups.

The government's strategy to build 100,000 houses by the end of 2014 is on track: with its commitment to housing, the government has also strengthened its focus on support services by providing 3000 water supply points over the past year. It is expected that the countries capacity will increase in the coming year. The houses however are expected to be delivered to young people and public servants who can afford to pay for a mortgage. Also in 2011, Insitec a real estate and construction company acquired a major building and engineering company in Mozambique, CETA. The move is expected to increase the company's initial capital of operations in the country and have a positive impact on the construction sector in the country. The acquisition also includes the CINAC cement factory in northern Mozambique.

Property markets

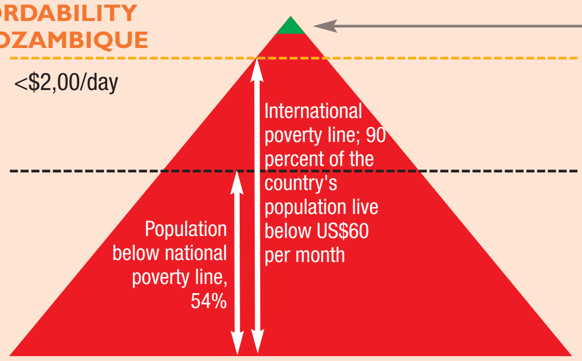
Mozambican towns and cities retain the spatial legacy of the colonial period with a central area (the "cement city") formally laid out with some public services. Areas surrounding these have a mix of unplanned occupation and formal laid-out areas with plots for self-build. Recent history has seen a steep increase in prices of houses in the cement towns, growing at about 100 per cent per annum. Today these may be worth between US$75 000 and US$1 million. The purchase price for a flat in a high-rise building can be anything above US$120 000. These price increases have resulted in the gentrification of some small, relatively well-maintained areas of the cement city. There is some limited new development in Maputo mainly in the form of gated residential estates (condominiums) or blocks of flats.

Most of the urban population, roughly 75 per cent, lives in less formal areas. According to the World Bank, only 20 per cent of the dwellings in urban areas are "durable" meaning they are made of formal construction materials and expected to maintain stability for twenty years or longer under local conditions with normal maintenance and repairs. Because overall housing quality and access to public services remains poor for the majority, there is little mortgageable stock. Further, secondary sales are also limited. Apart from the fact that they are difficult due to the protracted procedures and consents necessary because of leasehold tenure, owners also avoid the risk of forfeiting current rights in the process of sale (fearing for example the title may be questioned). Some rented housing stock converted to private ownership is emerging from the government's policy since 1991 of divestiture to existing tenants at concessionary prices and interest rates. The majority of this stock has however already been sold.

Policy and regulation

Systems and regulations around land administration need reform. A good example is the registration and cadastre systems, which cover limited urban areas; in Maputo for example, a mere ten per cent, mainly in the cement town area. This limits the amount

HOUSING AFFORDABILITY IN MOZAMBIQUE



Houses provided by Joaquim Chissano Foundation require income of 25000 meticals (US$680) per month to service, accessible to only a small minority. The cheapest house, built by a formal developer in 2011, ranges between US$17 167 outside of Maputo, to US$20 700 inside Maputo. The cheapest apartment is about US$25 000.

of formally financeable land through mortgages and contributes to a general lack of clarity on property titles. Greater coverage of land by the formal administrative system is also needed to improve mortgage markets. Collateral enforcement through the regular court systems is long (on average three years) and there are many instances of fraudulent titles. Traditional authorities have been fairly competent in administering tenure rights in the vast tracts of customary land; however, using this land as collateral is limited. Weak condominium laws have resulted in otherwise formal and potentially marketable high-rise flats turning into slums. According to the 2011 World Bank Doing Business Survey, it takes on average 42 days to register a property in Mozambique, while the registration process cost on average 9.9 per cent of the property value. In mitigation, the government Housing Policy and Five Year programme 2010-2014 has given housing high priority status. However, these issues must be addressed if the programme is to achieve its goals.

Opportunities

Mozambique has had healthy economic growth and foreign investment in the last few years. While this has led to a boom in the higher-end property market, the need for greater supply of affordable housing is significant. Housing finance is still largely cash-based, and there is a dire need for long-term housing finance. Greater mortgage lending will necessarily require a more efficient land administration system. This is particularly important in this country where all land is owned by the state, and the need for state consent is onerous. There is enormous potential for HMF; a pre-existing microfinance industry, self-build being an accepted building method, provision of starter plots by the FFH, and secure tenure among urban dwellers create an ideal environment.

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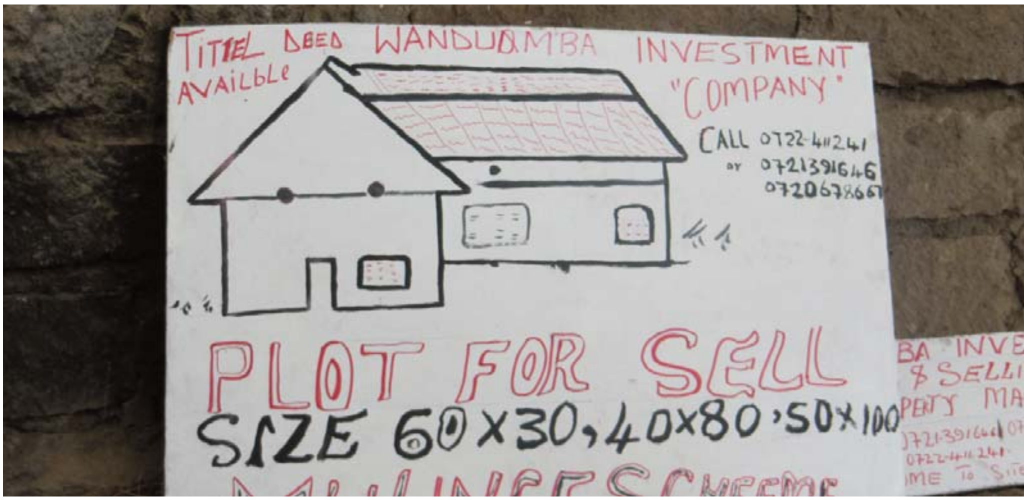
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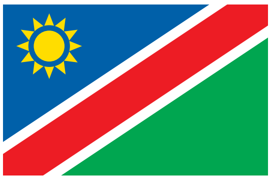
Namibia



Key figures

Exchange Rate: 1 US$*	7,05 Namibian Dollar
Main Urban Centres	Windhoek (capital), Walvis Bay, Swarkopmund
Population^	2 212 000
Population growth rate (2005-2010)^	2,0
Urban population (% of total) 2009	37.4
GDP per capita^	6 758
GDP growth rate (real, 2010)^	4.2
HDI (Global Ranking)+	
Unemployment rate^	37,60 (2008)
Population less than US$2 per day°	62.2
Population below national poverty line^	Not available
Bank branches per 100,000°	7.25
FinScope financial exclusion	48.30%
Lending Interest Rate° (2009)	11.12
Deposit Interest Rate° (2009)	9.95
Credit % of GDP° (2009)	43.5
Mortgages % of GDP°	20
Cost 50 kg bag cement (July 2011) US$•	11.25
Cost of standard sheet of corrugated sheet iron US$•	3.69
Price of the cheapest newly built house, by a formal developer (US$)•	445
Smallest size of a formal house (m^2)•	32 sq metre

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

Namibia is a middle-income country with a GDP per capita of $4,267. Following a 0.7 per cent contraction in 2009, the economy grew by an estimated 4.2 per cent in 2010. The main growth driver in the country is the mining sector, especially the diamond and uranium mining activities. The economy is expected to grow by 4.8 per cent in 2011 and experience a slight drop with a growth rate of 4.6 per cent in 2012. As a result of a drop in demand of mainly the country's agricultural outputs as well as a strong currency, there was a decline in inflation, from 8.7 per cent in 2009 to 4.5 per cent in 2010. The inflation is expected to be around 6.1 and 5.5 per cent in 2011 and 2012, respectively. The discovery of oil off the cost of Namibia in July 2011 promises to change the country's fortunes dramatically.

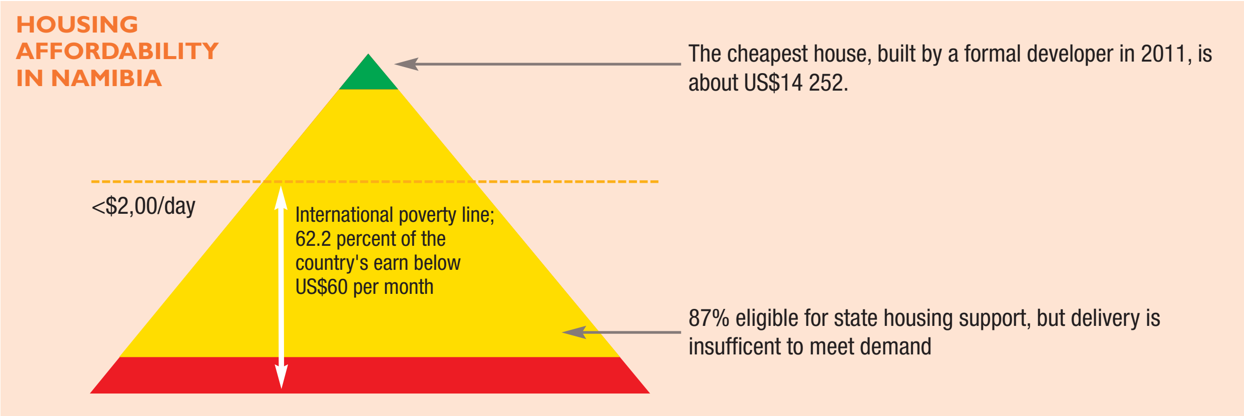
Access to finance

Namibia's financial banking system, with strong links to South African financial institutions, is mature and efficient. Traditionally, lending to households and corporations has been a big part of bank credit and has been increasing, with about 40 per cent of these loans being in the form of mortgages. This makes mortgage lending as a percentage of GDP (estimated by the World Bank to be 20 per cent in 2004) relatively high by continental standards and second only to South Africa. Loan eligibility criteria is generally stringent and has become more so in recent times. Also, limited collateral hampers the usage of these loans by low-income consumers.

To promote enhanced access to financial services, Namibia launched a Financial Sector Charter (FSC) in May 2009 to last until 31 December 2019. The FSC is a voluntary code of conduct for the transformation of the Namibian financial industry. Among its objectives are creating greater access to and affordability of financial products and services. There are specific targets the deal with lending to formerly disadvantaged members of the population, which should encourage even greater lending by the financial sector. Interest rate spreads continue to be a concern for the Bank of Namibia.

The infrastructure to facilitate mortgage lending is fairly well developed. In terms of the World Bank's depth of credit information index, Namibia scores 5 out of a possible 6, as the country has three private credit bureaus that include data on approximately 58.5 per cent of the adult population. Government has issued a bill on the Supervision of Financial Institutions, which includes the licensing and regulations of the credit bureau sector. The judicial system scores 8 out of a possible 11 on the World Bank's strength of legal rights index. More needs to be done for certification standards in the valuation industry, however.

In June this year, the government embarked on a reform strategy within its financial industry. The aim of this new strategy is to enhance the access to finance for lower income people through the development of microfinance-oriented banks. Namibia has a small but growing microfinance sector, and lending for housing purposes is starting to take place, for example by the Shack Dwellers Federations of Namibia (SDFN). The government's strategy also includes improved consumer literacy and protection and local ownership in commercial banks. Pension-based lending for housing is allowed, although concerns have been raised that part of the money is diverted for consumer rather than long-term housing spending. Better enforcement for correct use is needed.



Affordability

According to the housing sector study commissioned by FinMark Trust, unemployment was found to be the major cause of rising urbanization. The study also observed that the increase in informal settlements was as a result of a number of factors including housing affordability. Namibia's housing backlog is estimated at 300,000 houses.

According to the FNB House Price Index (October 2010), a small housing unit is priced between N$231 667 in Central areas and N$275 000 in coastal areas (US$32 300 – US$38 300). Over a term of 20 years this will cost between N$2 500 and N$2 950 (US$350 – US$410) a month. As 87 per cent of the population earn less that US$200 a month, the average cheapest house is therefore not available to the vast majority of the population. A significant component of this cost – over half – is land and services: the average m^2 price for constructing a house by a contractor is about N$3 200. This translates into about N$102 400 (or just over US$14 200). Further, supply of houses at this price, which represents the lowest priced formal housing unit, is not always available. FNB's Volume Index reported volumes declining particularly in the small price segment: total properties registered were down 17.9 per cent on an annualized basis.

Mortgage access is limited. Data from FinScope Namibia 2007 showed that the mean age of mortgage holders was 46 years and there were fewer new entrants into the mortgage loan market. The recent recession has had a significant effect on housing affordability levels in Namibia. The proportion of overdue mortgage loans rose from 6.5 per cent in June 2009 to 11.3 per cent in December 2009. Growth in mortgage credit also slowed to 8.5 per cent in 2010, from 9.2 per cent in 2009 and 12.2 per cent in 2008. FNB notes that the primary bond market (for housing purchase) was growing at 7 per cent year on year, with the difference coming from strong growth in the further mortgage markets (home extensions), which is 20 per cent year on year – suggesting an affordability challenge for the purchase of new stock that has borrowers rather extend what they have.

Housing supply

While the housing markets in the higher income bands have done well, Namibia has an affordable housing shortage. State housing is driven by the Namibian Housing Enterprises (NHE) which targets low-income formal housing. It acts as developer, provides loans for the purchase of its own developments and lets out units that have not been sold. Financing is provided to households based on their ability to make repayments. In 2007, it made loans worth N$440 million (US$60 million). One of the NHE products is a core house, which consists of one or two rooms plus an enclosed bathroom. These houses are intended to form the core of a larger house for extension at a later stage.

Housing delivery at scale is a challenge, however. For example, from 2000 to 2006, the NHE supplied only 3 245 houses. According to research by FinMark Trust (Kalili et al, 2008) this mainly targets people earning N$ 4600 – N$ 10 500 (US$ 638 – US$1 440) a month, and even lower income earners. This is a modest number of houses, as the target represents over 90 per cent of the population. It is noteworthy that while those earning more than US$1 000 a month may qualify for a mortgage, supply of housing priced at this range is not always available. For the 35 per cent of the population earning between N$1 500 and N$4 601 (US$205 – US$635) a month, and another almost 52 per cent of the population earning less than N$1 500 (US$205) a month left out because of the NHEs limited supply, there is the option of seeking financing from organisations such as the SDFN or loans from the Build Together Programme.

The Namibian Housing Action Group (NHAG), the service NGO of Shack Dwellers Federation Namibia, caters for the housing needs of lower-income groups. The SDFN is an alliance of savings groups operating in many informal settlements in Namibia. Its principal aim is to mobilise collective savings for the purchase and group settlement of land for their members. The SDFN has also been active in lobbying for a policy that supports incremental development with legal land tenure. The results have been encouraging, especially in Windhoek where residents are allowed to construct basic shelter to meet their needs for accommodation. The understanding is that the housing will be improved at a later date, when it is affordable. Through the Flexible Land Tenure Act, secure tenure is obtained through sales of blocks (multiple plots) to communities that are then responsible for upgrading the sites, including transforming communal toilets and water points to individual household connections. SDFN obtains funding from the state for its Twahangana Fund, the latest being a N$3 million (US$411 000) grant for the 2010/2011 financial year. The Build Together Programme is part of the government's national housing strategy to provide access soft loans to the poor to construct homes. More than 10 000 such loans have been given, for as much as N$40 000 (US$5 480 at subsidized interest rates, requiring monthly instalments of less than N$300 (US$41).

Property markets

The scarcity of land suitable for housing developments is having a direct impact on the housing price in the country. According to the FNB House Price Index, there has been higher price per square metre for entry level houses when compared to the price per square metre for medium and high segment houses. Also, as a result of the unavailability of developed land for housing, the monthly delivery of housing in towns in particular has reduced. For example in Windhoek, in 2006 the number of new houses per month averaged 50 – 60 housing units per month. By 2011, the number has declined to about 8 – 10 housing units per month. Current demand is estimated at about 250 housing units per month.

Policy and regulation

According to the 2011 World Bank Doing Business Survey It takes on average 23 days to register a property in Namibia; and the registration process costs on average 9.6 per cent of the value of the property.

The National Development Plan 2 recognises the shortage of affordable housing and advocates establishment of mechanisms to meet this demand. There has been little actual development around these enunciations, however, and the housing gap continues to be a problem. The mortgage market is affected by the limited amount of land that can be used as collateral; urban private land constitutes less than one per cent of the land area. Instead, communal land titles dominate, which presents problems for lending, a particular problem experienced by pension scheme loans that often act as collateral substitutes for banks. There is need to clarify the role of communal land in this regard. Also while many occupiers have relatively secure tenure on state owned land, there is reluctance to lend against this form of land security.

Namibia has enacted judicial reforms targeting mortgage enforcement. These were to improve proceedings by providing detailed guidance on the process, limiting delays and the possibility of abusive appeals, and eliminating arbitrary decisions and delays. The Flexible Tenure Act has also been cited as a pioneering piece of land legislation in its recognition of incremental forms of tenure and building methodology.

Opportunities

Affordable housing presents the highest potential of an untapped housing market. This not only includes people for whom there are no mortgage products, but also a section of the population which may qualify for loans but are unable to access suitably priced housing. The recognized successes of the SDFN through its group savings and lending methods, incremental approaches to housing, and use of land laws such as the Flexible land Tenure System suggest a high potential for housing microfinance.

Commercial banks are overexposed to mortgages, which is an ongoing concern in the economy. There have been calls to provide greater opportunities for fundraising through securitisation, for example. This could increase the number of investment instruments and deepen the financial sector, as well as enable local authorities to raise the funds necessary for urban infrastructure development and thus increase the housing provision.

Of course, the opportunities arising from the discovery of oil can only be imagined at this stage. The Department of Mines and Energy has identified 44 billion barrels of potential off the coast. This would have a dramatic effect on the national economy and would increase considerably the country's capacity for addressing the challenges in its housing and housing finance sectors.

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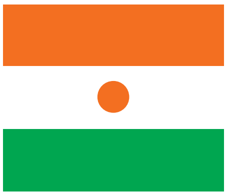
Suraya

Niger



Key figures

Exchange Rate: 1 US$*	453 CFA Francs
Main Urban Centres	Niamey (capital)
Population^	15 891 000
Population growth rate (2005 – 2010)^	4,3
Urban population (% of total) 2009	16.6
GDP per capita^	691
GDP growth rate (real, 2010)^	5.5
HDI (Global Ranking)+	0,321 (133)
Unemployment rate^	1,46 (2001)
Population less than US$2 per day°	85.6
Population below national poverty line^	63,0 (1993)
Bank branches per 100,000°	Not available
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	7.77
Credit % of GDP° (2009)	12.2
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	15.50
Cost of standard sheet of corrugated sheet iron US$•	5.7
Price of the cheapest newly built house, by a formal developer (US$)•	12,889 (Contractor), 19,556 (Formal developer)
Smallest size of a formal house (m^2)•	45 sq metre

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

Niger Republic is a landlocked country in the north western part of Africa. The country is the second largest producer of uranium in the world. The recent increase in the price of uranium offers an opportunity to the government to improve Niger's human development index which, at 0.261 in 2011 and ranking 167 out of 169, is among the lowest in the world. The current increase in the demand for mineral resources such as uranium, petroleum, tin, gypsum and gold has resulted in an economic boom in Niger's mining industry and an increase in the effective demand for housing, as well as for other urban infrastructure. The country's economic growth is driven by its agricultural and mining sectors. The real GDP growth rate in 2010 was estimated at 5.5 per cent, and the prospective growth rates for 2011 and 2012, are 4.9 per cent and 11.5 per cent respectively, the jump being due to the rise in the prices of uranium and gold. Of Niger Republic's 16 million inhabitants, 3 million live in cities, making the country lightly urbanized in comparison to other countries in the region. Nevertheless, with one of the highest fertility rates in the world (7.6 children to a woman*), the urban population is estimated to double in 12 years.

Access to Finance

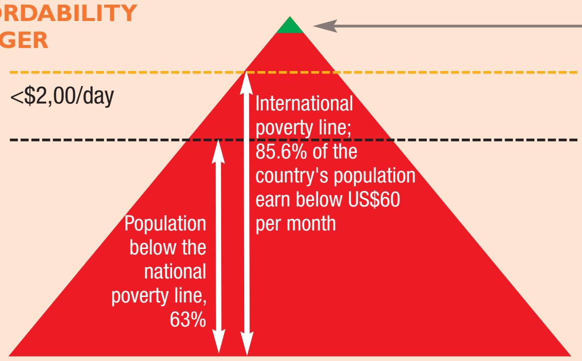
Penetration of formal financial services is very low in Niger. In the past decade, however, Niger has witnessed the establishment of a number of new commercial banks and an increase in branches (49 in 2009), the majority of which belong to the four largest commercial banks in Niger. The branches are concentrated in Niamey, the capital and very few in other main cities. As of now there are ten commercial banks, a bank of agriculture (Bagri) established in 2011 and one mortgage (Banque d'Habitat) bank created early 2011 but not yet operating. The practice of microfinance in the country is steadily growing, and most of the microfinance institutions provide housing finance products. According to the MixMarket, in 2009, a total of US$10.6 million loans were disbursed to 48,894 borrowers, while there were US$4.6 million deposits by 139 352 consumers in the country. It is very difficult to estimate the amount used for housing, however.

Prior to 2000, the government of Niger offered housing finance and government subsidized homes to government employees through a public and private owned credit and loan institution known as Crédit du Niger (CDN) and a government owned housing development company, Société Nationale d'Urbanisme Et de Construction Immobilière (SONUCI). SONUCI is still operating but Crédit du Niger has been liquidated, and in 2011 replaced by Banque d'Habitat.

A few commercial banks, such as Bank of Africa, Ecobank and BIA, Sonibank, offer housing loans to employees of private companies. In most cases these companies are the banks' clients. Some micro finance institutions and national labor unions are also introducing new products for housing savings and loans. This form of financing is quite limited due to the low average income of employees in Niger, as well as other constraints such as the percentage of the population with employment. Some private but informal housing promoters use their personal funds to build houses for low income and higher income brackets for rentals. Other forms of housing finance include personal savings, remittances and family assistance.

As for the majority of the West African Monetary Union (Union Monétaire Ouest Africaine, UEMOA) countries, long term funding is the major challenge for Niger's housing market. Nevertheless, there are opportunities for developing national and regional mortgage banks and credit bureaus.

HOUSING AFFORDABILITY IN NIGER



Affordability

Access to mortgage finance is extremely limited, and where available, interest rates and loan tenure make the cost of borrowing is very high. As such, the majority of the population cannot afford housing. The smallest mortgage available is 6.500.000fcfa (about US$ 14 444), which, at an interest rate of 10.5 per cent and repayable over 20 years, requires a monthly repayment of US$ 60.18. About 85.6 per cent of the country's population earn below $60 per month (or $2 per day), however, so affordability for mortgages is very low. Also the high cost of borrowing in terms of interest rates, also contributes to the low mortgage affordability in the country. Only about 22 per cent of salary workers (representing less than 1 per cent of the entire population), in most cases high government officials and to some extent middle management staff in private companies, have access to housing finance. Some private but informal housing promoters use their personal funds to build houses for low income and higher income brackets for rentals. Other forms of housing finance include personal savings, remittances, and family assistance. The majority of the population in the urban areas rent their homes. Additionally, less than 0.1 percent of the population has access to government subsidies for housing due to the fact that only salary workers (and particularly government employees) qualify for the subsidized houses.

Housing Supply

The rate of housing supply is insufficient to meet the demand estimated in 2000, by the Ministry in charge of housing (Ministère De l'Equipement De l'Habitat ET de l'Aménagement Du territoire), to be about 40,000 per annum. The recent boom in the mining sector has accentuated rents and demand for houses in Niamey, the capital, as well as in other cities. The absence of mortgage banks to provide end user finance is a major challenge to the development of housing. There are about 10 formal enterprises in the construction industry and a few in the real estate sector but the majority focuses on land acquisition from traditional proprietors and servicing the land into plots. The serviced plots are sold to potential home owners who build their homes incrementally.

The housing stock in Niger can be classified into 3 categories, according to the material used for construction:

- Construction with mud and straws and ceiling with wood (Maison en terre);
- Construction with mud and plaster with cement, with corrugated iron sheet for the ceiling (Maison en semi dur); and
- Construction with cement, concrete, stone and ceiling with corrugated iron (modern homes) (Maison en dur).

The three categories of houses are found all over Niger. In the capital, housing stock is predominantly constructed with durable materials, cement and concrete.

In the forty years between 1960 and 2000, the government of Niger financed only 1236 houses. Given this, most houses are produced through self-build. The construction of 174 government-financed houses in Niamey (Sari Koubou) this year was awarded to local contractors. This project exemplifies the government's recent work in affordable housing finance. The houses are mainly for middle-income government employees. Other organizations such as Social Security (CNSS) have recently produced a few modern houses for low-income groups.

Property Market

Property prices have risen steadily over the past five years due to an increase in demand for houses and the boom in the mining sector. Prices are expected to grow further from 2012 when Niger will start producing and exporting petroleum. Foreign investors and people in Niger's Diasporas are buying properties and investing heavily in modernizing the stock of residential and commercial properties in the capital and other cities. The growth in the market is expected to continue due to the growing demand for commodities.

Policy and Regulation

Since the late 1990's, there has been a significant evolution in urban planning and urban management. The Niger Republic's national policy and regulation on habitat (Politique Nationale en Matière d'Habitat: loi n°98-054 du 29 décembre 1998) was adopted in December 1998.The law defines the procedures for housing finance and the orientation for promoting housing development. Some of these procedures include the creation of a national housing fund scheme; the creation of a national research centre to promote construction materials and technology; and the transformation of a commercial bank (Crédit du Niger) into a housing finance bank.

The policy advocates for housing loans by commercial banks, and encourages private investments and savings.
In terms of urban planning and land administration, the land administration law (la loi d'orientation sur l'urbanisme et l'aménagement foncier, "LOUAF") was adopted in March 2008. LOUAF deals with customary property rights and decentralization. The adoption of LOAUF has contributed to the clarification of responsibilities between the central authority and communal authority. This in turn should facilitate the registration of properties in the rural areas.

There are different ownership rights (for example, full and temporary rights, as well as customary rights). Although there has been reform in land administration, the registration of properties to obtain full ownership rights of land and property (Titre Foncier, TF) is still a challenge. The difficulties encountered hopefully will be addressed by Sheida, the reform system adopted by the UEMOA countries in 2006 to simplify the process of obtaining full ownership title. The reform has reduced significantly the cost of registration and eliminated unnecessary bureaucratic authorizations. The progress of the reform can be measured in terms of the number of Land and Property Titles (or Titre Foncier, TF) awarded before and after the introduction of Sheida: 150 TF before and 1000 TF after.

Sheida, LOUAF and the new investment code will definitely contribute to accelerating the development of housing and housing finance in Niger.

Opportunities

Niger offers great opportunities for housing and mortgage products for the following reasons: a huge deficit in affordable and adequate houses, the uranium exploitation, the exploitation of petroleum and complementary activities, the influx of foreign investors in the mining and agricultural sectors and a significant increase in the income of middle class Nigeriens. The Niger market also offers potential for other urban infrastructure. There is a need for long term financing to develop affordable houses for the majority of people in Niger and higher income properties for the minorities and expatriates. The reform in land management, registration of properties and fiscal advantages offered by the government of Niger Republic to formal private enterprises are incentives for promoting a dynamic housing development business and housing finance.

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Firestone
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Nigeria

Key figures

Exchange Rate: 1 US$*	155 Naira
Main Urban Centres	Lagos (capital), Abuja, Port Harcourt
Population^	158 259 000
Population growth rate (2005 – 2010)^	2,5
Urban population (% of total) 2009	49.1
GDP per capita^	2 427
GDP growth rate (real, 2010)^	8.1
HDI (Global Ranking)+	0,478 (113)
Unemployment rate^	3,94 (1986)
Population less than US$2 per day°	83.9
Population below national poverty line^	65,6 (1996)
Bank branches per 100,000°	Not available
FinScope financial exclusion	53%
Lending Interest Rate° (2009)	18.36
Deposit Interest Rate° (2009)	3.5
Credit % of GDP° (2009)	35.9
Mortgages % of GDP°	0.4
Cost 50 kg bag cement (July 2011) US$•	12.00
Cost of standard sheet of corrugated sheet iron US$•	3.75
Price of the cheapest newly built house, by a formal developer (US$)•	16700 – 20000
Smallest size of a formal house (m^2)•	45 – 50 sq meter

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

This Western African country is known for its huge oil and gas industry, which is the main driver of its GDP. Following a banking sector crisis which is now working its way out of the system, the real GDP growth rate rose from 7 per cent in 2009 to an estimated 8.1 per cent in 2010. This increase is attributed to prudent economic reforms underway. The GDP growth rates for 2011 and 2012 are projected at 6.9 and 6.7 per cent respectively. The further growth of the Nigerian economy could be hampered by its lack of industry diversification and the structural imbalance in the economy.

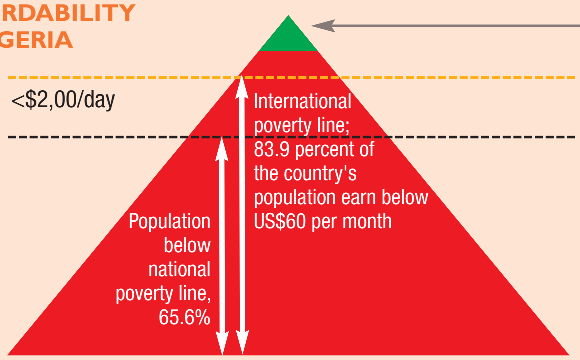
Access to finance

Nigeria's financial system has undergone severe restructuring and this has seen considerable improvements to its sector supervision. In 2010, most banks were required to adopt the International Financial Reporting Standards (IFRS). The restructuring involved the consolidation of banks, which inadvertently and significantly improved the financial intermediation levels. Although growing, the insurance and pension industry is relatively small. The microfinance sector is growing rapidly: according to the MixMarket, a total of US$64.2 million worth of microloans were disbursed in 2009 to approximately 503 196 consumers in the country.

Nigeria has a low rate of credit to GDP, and of the little credit provided by banks, few of them provide mortgages. Despite the size of the Nigerian economy, mortgage debt to GDP is only about 0.4 per cent. Most residential mortgage loans in Nigeria are provided by the existing 24 commercial banks, primary mortgage institutions (PMIs) (institutions specifically established for the purpose of providing mortgages and including the government owned Federal Mortgage Finance Ltd.) and some, usually institutional, employers. By the end of 2011, with the completion of all the recapitalisation deals, however, it is expected that only 20 commercial banks will remain. Of the approximately 195 registered PMIs only about 20 are active. In 2010, they had a consolidated balance sheet of which N61.4 billion (US$400 million) is in mortgage loans. To put this loan portfolio into perspective, the largest, Union Homes, had less than 10 000 mortgages originated over a 10-year period, a modest number indeed. In total, the mortgage market is put at a mere N127.5 billion (US$840 million). Mortgage finance is thus very small and inaccessible to the vast majority. Instead, savings, remittances, small loans and gifts from family friends are the more commonly used methods of housing finance in the country.

The Nigerian government uses the Federal Mortgage Bank of Nigeria (FMBN), an apex mortgage institution, to avail greater access to mortgages in the economy. The FMBN raises capital through the National Housing Fund (NHF) which obtains funding, mostly by mandatory contributions from salaried employees earning N3 000 (US$20) and above monthly, who must contribute 2.5 per cent of their salary. Contributions receive a two per cent interest rate, which is repayable at age 60 or on death. Contributions are also expected from banks and registered insurance companies according to preprescribed formulas. Twenty-six states contribute to the NHF (10 states have no PMIs) and its collection has tripled to more than N1 billion (US$6.6 million) a month. Cumulative collections at December 2009 stood at N52 billion (US$342 million). In 2011, it is expected that all contributors to the NHF will soon be able to check their contributions on line.

HOUSING AFFORDABILITY IN NIGERIA



NHF loans are subsidised at a rate of 6% for 30 years. Taking the full loan of N5 million (US$33 000) from the NHF at the current subsidised 6% interest rate, the loan requires N30 000 to N40 000 (US$200 – 266) per month. The cheapest house, built by a formal developer in 2011, ranges between US$16 700 – US$20 000.

The FMBN offers concessionary mortgage lending windows, an operation funded by the NHF designed to finance social housing. Under this fund there are two mortgage facilities: the estate development loan and the other focuses on individual contributors. These mortgage facilities are given at subsidized rate: the estate development loan is 10 per cent, while the mortgage facility for individuals is 6 per cent. For workers, after contributing to the scheme for six months, they are entitled to a mortgage loan of up to N5 million (US$33 000) to be used for house purchase, house expansion or building on a plot that is owned. Loan applications are made through the PMIs and if accepted, necessary funds are paid by the FMBN to the PMI at a rate of four per cent. The PMI may make an additional loan at market rates if the borrower requires more.

Like many parts of Africa, long-term funding is a major problem in the Nigerian housing market. There is however increasing use of the capital markets to raise funds for housing finance in the country. For example, the FMBN in 2008 issued N100 billion residential mortgage backed securities, also Union Homes Savings and Loans Plc. introduced its hybrid Real Estate Investment Trust (REIT) N50billion ($US333 million) public offer in 2008. There have also been state level efforts at improving mortgage market liquidity; recently Lagos established a mortgage board, and also launched a mortgage scheme seeded with an initial capital outlay of N40 billion (US$264 million), raised from banks for 25 years, to serve as an intervention fund for long-term financing.

There is scope for pensions to be used to fund housing finance, a fact that is increasingly being recognised in the country. The pension industry in Nigeria is relatively small; only 1.7 per cent of the labour force contributes. Nevertheless it holds a substantial amount of long-term liquidity. N1.2 trillion (US$80 billion), of which the Pension Act allows 40 per cent to be invested in REITs and Mortgage backed Securities The potential for these instruments has been hampered by the very low loan portfolios held by PMIs, however, and over 80 per cent of pension funds have gone into government bonds instead.

There are presently no credit bureaus in the country to provide credit information of the adult population; however, the government has begun to create a framework for providing credit information to lenders. The policy initiated by the Central Bank of Nigeria has started yielding results as 21 of the 24 banks in the country have engaged the services of credit bureaus. Over 50 microfinance institutions have also signed up.

Affordability

Like many African counties, the lack of affordable housing is a problem in Nigeria. The NHF loan offering has LTVs that are graduated, between 70 to 90 per cent, and the larger the loan, the bigger the down payment required. Recently, the maximum loan available was increased from N5 million to N15 million, when the previous amount was recognised to be too little to purchase or build a starter house. There is no minimum limit, however, which does allow the possibility of borrowing for incremental housing. NHF loans are subsidised at a rate of six per cent for 30 years. Taking a loan of N5 million (US$33 000) from the NHF at the current subsidised six per cent interest rate, the loan requires N30 000 to N40 000 (US$200 – US$264) a month to service. Although the minimum wage was revised to N18,000 this year (US$116.24, and up from N7,500, where it was set in 2000) Nigeria is a country where 80 per cent of the population earn less than US$60 a month. Such housing is therefore inaccessible to the vast majority.

There are a number of causes for the relatively high costs of housing in Nigeria. Over 60 per cent of raw materials are imported – this leads to high building costs, which fluctuate in price with the exchange rate. Another contributor is the lack of basic infrastructure, which adds as much as 30 per cent to the total costs of the development. Land is also very costly. Inflation contributes towards the high cost of borrowing in the country and has additionally often discouraged banks from lending.

Housing affordability has historically been a challenge also in the rental market, where existing tenants were often required to pay a year's or more advance rental payments, and new tenants had to pay deposits upwards of two years. This kept many people out of the formal rental market. In August, the Tenancy Bill was signed into law in Lagos State, making it illegal for a landlord to require deposits of more than six months rental payments from existing tenants, and limiting deposits for new tenants to one year's payments in advance. The new law also includes provisions on the notice period required for eviction, and imposes a five of N250 000 for forceful eviction.

Housing supply

Estimates of the housing shortfall in Nigeria are between 14 – 16 million units and the World Bank notes that the country needs to produce about 720 000 units annually for the next 20 years to begin to solve the problem. The rental market is big; about 85 per cent of the urban population lives in rented accommodation, spending more than 40 per cent of their income on rent. Ninety per cent of houses in Nigeria are self-built, with less than five per cent having formal title. A substantial amount of work needs to be done to supply serviced land, and infrastructure provision in Nigeria's main urban centres is poor.

The government owns a substantial amount of housing stock, which it has been selling into the open market from time to time. There are also some small private sector players in housing construction in the country, but they are almost exclusively serving the very high end of the housing sector. Further, they have limited capacity: Nigeria has neither a single indigenous construction company capable of handling large-scale projects, nor a real estate developer that builds more than 100 housing units per annum. The developers rely on bank loans (with interest rates as high as 27 per cent for terms as short as two years) and cannot access long-term financing that capital markets offer. Besides the private sector, there are the activities of the FMBN, which is also involved in housing construction. In 34 years, it has built only 30 000 houses. One of its most recent efforts is a N2billion (US$13 million) affordable housing project in Kogi State for civil servants. The Central Bank of Nigeria has established a 200 billion Naira (USD 1.3 billion) housing intervention fund, structured as a loan facility that would be provided for prospective beneficiaries through the Federal Mortgage Bank.

In the 2011 national budget, the Minister of Finance, Segun Aganga, promised a N50 billion public works programme, involving labour intensive projects in a range of sectors including construction and housing.

The poorest sections of the population are partly served by NGOs such as the Women's Housing Plan Initiative and Habitat for Humanity, which in conjunction with the MTN Foundation has launched a low-cost housing project.

Property markets

Nigeria has a high-income housing market with demand for good quality housing outstripping supply in many urban centres. However, the fact that very little land is under formal title, as well as the predominance of less than mortgageable quality housing, means that overall the formal housing market in the country is small.

Policy and regulation

The Vision 2020 national strategic plan provides that mortgages will play a key role in growing the country. However, uncoordinated policies of various tiers of governments on land management and administration, which includes the high cost and long process of obtaining titles, are greatly hampering the housing delivery process. Protracted transaction processes, which include consents from the state governors, as well as onerous fees, all contribute to the unattractiveness of mortgage financing. The enormous powers of governors over state land allocation also means that title is prone to political uncertainty and interference. Establishing title to land can be a fraught process. According to the 2011 World Bank Doing Business Survey, it takes on average 82 days to register a property in the country while the average cost of the registration process is about 20.9 per cent of the value of the property. Even in urban areas where title deeds are more common, there can be difficulties in clarifying who actually holds title to land. This title uncertainty often means endless challenges in court taking a number of years. Another hindrance is the fact that 65 to 70 per cent of land is still held under customary title, again limiting its utility for mortgage finance. The cost of building housing units in the country has also increased, evidenced by the significant increase in the price of a bag of cement, growing from about US$ 8.5 to US$ 13 in 2010. This has come down in 2011 to US$12. There is dire need for better land use management at local authority level to create better quality housing stock; fatal accidents caused by poorly constructed buildings are common.

There have been some regulatory and policy changes. In 2000, the government implemented a number of reforms to spur on the housing sector. These included establishing a Real Estate Developers Association and a Ministry of Housing, as well as restructuring the housing finance system through the FMBN to introduce among others a secondary market. Computerised land registries have also been introduced, in Lagos and Abuja. The Lagos state government has established an electronic documents management solution to fast track title and mortgage documentation processing. In August 2010, the Governor of Lagos State signed into law a bill establishing the Lagos State Mortgage Board, which, among its various functions, is mandated to "generate a conducive environment to enable access to mortgage as well as protect Lagosians and the State Government from the evil practices that will not enhance good living conditions for the people."

There have been some regulatory changes covering the housing finance market. Proposals are on the table to no longer make PMIs the sole originators of mortgages for the NHF, and universal banks, pension funds, insurance companies as well as microfinance banks will in future also have this ability. Foreclosure, which has always been difficult in Nigeria because of legal restrictions, has been eased through direct power of sale of pledged properties to "prevent ill founded court injunctions". A Mortgage Division was created in the Lagos state judiciary.

Opportunities

Nigeria represents a potentially huge market for microfinance lending for SMEs, consumers and housing. Pison Housing Company (2010) points to this high potential of HMF, noting it is the manner in which the vast majority have built in this country historically. Housing cooperatives have been delivering housing to members where government and the organised private sector have failed. With a population of more than 70 million low-income people and a very small mortgage market, HMF has enormous potential. Many self-build properties have appreciated in value in the country pointing to the possibility of HMF products entering into the formal property market and being resold through mortgages.

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Rwanda

Key figures

Exchange Rate: 1 US$*	599 Rwandan Franc
Main Urban Centres	Kigali (capital)
Population^	10 277 000
Population growth rate (2005 – 2010)^	2,9
Urban population (% of total) 2009	18.6
GDP per capita^	922
GDP growth rate (real, 2010)^	7.4
HDI (Global Ranking)+	0,456 (120)
Unemployment rate^	0,60 (1996)
Population less than US$2 per day°	90.3
Population below national poverty line^	56,9 (2006)
Bank branches per 100,000°	3.15
FinScope financial exclusion	52%
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	13.45
Credit % of GDP° (2009)	
Mortgages % of GDP°	2.4
Cost 50 kg bag cement (July 2011) US$•	15.00
Cost of standard sheet of corrugated sheet iron US$•	4.2
Price of the cheapest newly built house, by a formal developer (US$)•	72 – 81 667
Smallest size of a formal house (m^2)•	120

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

This small East African country with the highest population density on the continent is a case study of positive economic transformation after the genocide of 1994. The capital, Kigali, is the first city in Africa to be awarded the Habitat Scroll of Honor Award in recognition of its "cleanliness, security and urban conservation model." The country is ranked as the 58th country out of 183 economies in the World Bank's Doing Business Report 2011. After experiencing a dip in its economic growth in 2009, in 2010 its economy recovered with a growth rate of 7.4 per cent. The outlook for the 2011 and 2012 are 6.5 and 7.0 per cent respectively. According to the IMF, this growth is based on sound economic fundamentals including good policies, higher investment and a commitment to implement wide-ranging structural reforms. Major economic challenges remain, however, including a narrow export base, low government revenues, inadequate basic infrastructure, and a still shallow financial sector. Agriculture comprises 90 per cent of the economy and much of this feeds into the export market.

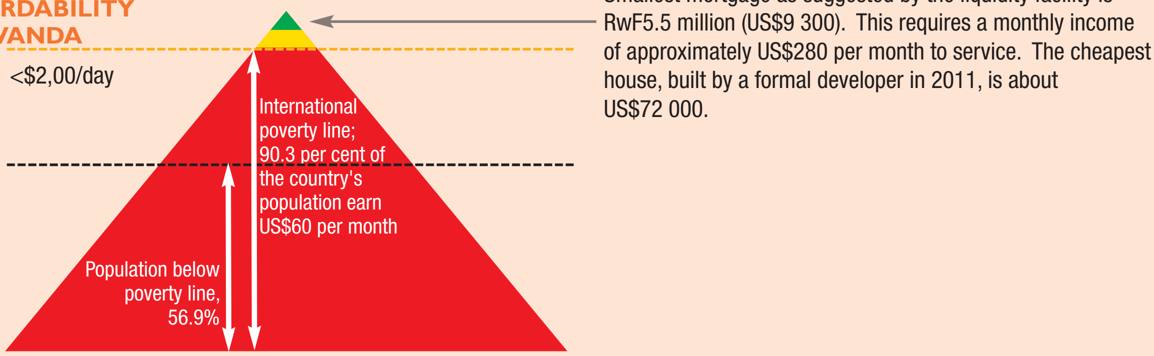
Access to finance

The Rwandan banking system comprises 11 financial institutions, including eight commercial banks: Kenya Commercial Bank, Bancor, Cogebanque, Bank Commerciale du Rwanda (BCR), Banqu de Kigale (BK), Bank Populare Rwanda (BPR), FINA Bank, Ecobank) and four other banks and financial intermediaries: Rwandan Development Bank, Urwego Opportunity Bank, and Continental Discount House Rwanda. Access to finance in the country is low, as the number of loans accounts (by commercial banks) per 1000 adults is 2.37. Mortgage lending accounts for about 15 – 20 per cent of the country's 420 billion (USD 70 billion) Rwanda francs loan book, and mortgage debt is estimated by the World Bank at 2.4 per cent of GDP.

Banque Housing du Rwanda was a state-sponsored institution set up to promote the development of the housing market – this was taken over by the Rwanda Development Bank in April 2011. The takeover was very successful and Rwanda Development Bank has incorporated all activities that were previously done by the Rwanda Housing Bank. According to a speech by the Minister of Finance at the hand over ceremony, the acquisition created "an institution with assets of over Rwf 72 billion, resulting in a stronger and better positioned bank to provide long-term project loans, home loans, mortgage refinancing, and other financial services" to improve access to finance in Rwanda.

The other major mortgage lenders are BCR and BK. Growth in overall lending has increased, with mortgages growing from 1.8 per cent of GDP in 2004 to 2.6 per cent in 2007. Rwanda's mortgage market is still relatively small, variously put at between RWF33 and RWF47billion (US$60–US$80 million) worth of mortgages outstanding in 2009. This is against an estimated potential demand of more than RWF200 billion (US$ 340 million). This mortgage finance shortage was exacerbated in 2009 by difficult lending conditions when a domestic liquidity squeeze resulted in outstanding credit to the private sector to fall by 1.8 per cent. This has been partly blamed for the fall in housing prices, by as much as 20 per cent in late 2009. As a result of these liquidity problems, BCR suspended its mortgage product in early 2009. These problems are easing off, however, as lending increased in the latter quarter of 2009 and early 2010. BCR also resumed mortgage lending later in 2009.

HOUSING AFFORDABILITY IN RWANDA



Rwanda's mortgage market faces a number of challenges, the most critical being the lack of liquidity. Long-term finance for mortgages as well as microfinance has been a constant problem. Part of the solution lies in selling long-term debt to the market, given the growing demand for such from good companies in an economy with limited investment opportunity. The modestly sized Rwandan stock market, in existence since early 2008, has provided some facility for these listings. This includes BCR's 10-year note issue worth RWF5 billion (US$8.4 million). As a result, the BCR is now offering 20-year loans, funding mortgages with a blend of short-term deposits (65 per cent) and the bond issues proceeds (35 per cent). BCR also has a construction loan of seven to fifteen years. BCR is now considering a second corporate bond on the market, or arranging long term credit lines from DFIs. Kenya Commercial Bank shares have also been listed on the Rwanda stock exchange as they have been through cross-listings across the East Africa Community. The Kenya Commercial Bank introduced its mortgage business this year. The bank's proposed interest rate on mortgages would be 16 per cent per annum, and the mortgage will be financed up to 20 years for residential properties. It offers borrowers a 90 per cent loan to value ratio, the highest in Rwanda. In June, the bank reported they'd already approved loans to a value of Rwf 3 billion ($5,059 million). BRD is also considering placing some of its equity investments in a Capital Market Fund and creating a BRD bond to raise more funds.

The BRD's new mortgage liquidity facility will support long-term lending activities by Primary Mortgage Institutions (PMIs). This facility will raise money by issuing debt instruments, targeting investors such as the national pension fund, insurance companies, and even denominate sufficiently sized bonds for the emerging class of individual investors. Lack of consistency and standardisation in the way banks originate mortgages is also an issue. This is a challenge to the liquidity facility if PMI loan books are used as security. Enforcement of minimum origination standards by PMIs for them to qualify for borrowing has been suggested to remedy this problem.

The Rwandan housing market does not have a good source of credit information. The existing Public Credit Registry, the Centrale des Risques et Impayés, does not have sufficient coverage, as its covers only 0.7 per cent of the adult population; there are no private credit bureaus. The government is setting up a new system and has suggested two options: improving the existing public credit registry, or establishing a private credit bureau. It has drafted a new law to create the enabling environment for a credit bureau, including its licensing and supervision, and has held various consultative meetings with stakeholders including banks, MFIs and the insurance industry. Rwanda has a growing microfinance market with more than 90 SACCOs and microfinanciers licensed as of 2009. According to the MixMarket, in 2009 there were a total of US$20.5 million worth of microloans disbursed to approximately 45,571 consumers in the country. Facilitative, specialised microfinance laws have been enacted by the government. Some HMF lenders are emerging. For example, COOPEDU-Kigali, a local MFI, is offering HMF loans averaging US$350 for a term of one to five years. Urwego has also partnered with Habitat for Humanity to offer home improvement loans.

Remittances from the Rwandan Diaspora remain a leading source of foreign exchange, contributing about US$150 million to the economy in 2008. These have fuelled a housing boom and are being specifically targeted by housing producers. The Kigali City Council, for example, is developing a framework that will make it easy for non-resident Rwandans to acquire land and housing.

Affordability

A survey of some mortgage products in the market reveals that maximum LTVs are 80 per cent with loan terms usually for around 10 years (for example BPRs construction or outright purchase loan scheme) with higher terms being the exception. In 2010, it was reported that BRD's housing finance liquidity facility recommended a minimum loan size at origination of RWF5.5 million (US$9 300) and maximum loan size of RWF110 million (US$187 000), LTVs at not more than 75 per cent if owner occupied, and debt service to income ratio not exceeding 35 per cent. Loan maturities are expected to improve with this facility, to as high as 20 years.

A study of the housing supplied by the Social Security Fund of Rwanda (SSFR) pension fund found that current prices of homes built are misaligned with the income of pension contributors, making home ownership out of reach for many. Taking the suggested minimum mortgage loan by the proposed liquidity facility, it is clear that this problem will persist. A mortgage of RWF5.5 million (US$9 300) requires an annual income of over RWF2 million (US$3 400). Very few people have this financial ability, in a country where more than 90 per cent of the population are below the international poverty line. Further, formal supply of houses priced at this level is not common. In 2010 it was reported that units priced at around RWF16 million (US$27 000) and more are more likely to be available.

Housing supply

It is estimated that the annual housing demand in Rwanda is 25,000 houses. Households themselves, building incrementally, meeting the majority of this demand. The construction is mostly informal, using inexpensive and easily available materials. The structures have few or no amenities and are not properly planned. Ideally, the builders of such housing structures are supposed to get clearance from Kigali City in the form of an 'Authorisation to construct', but this seldom happens – partly because of the onerous requirements, including the drawing of a housing plan and evidence of financial backing, and partly because unauthorised building is widespread and penalties uncommon. One of the biggest constraints to self-build housing supply in urban areas is the lack of serviced plots.

The Rwanda Housing Authority (RHA) has set a target to build about 40,000 houses by the year 2015. With this, the government-owned organization has set out strategies for banks to increase their capital and offer innovative financing mechanisms to middle to low income earners, to enable them to afford the houses that would be built. Realizing the opportunities that abound in low-income housing, property developers have began to develop a focus on housing in the market segment. The price of this form of housing is expected to range between 15 million (USD 25000) and 20 million (USD 33000) Rwanda Francs. Beyond this, these developers outline the cost of land, expensive construction materials and the limited financing from banks, as the major challenges they are set to face.

There are some formal suppliers of housing such as the SSFR, DN International and Real Contractors. They are, however, well short of meeting the country's housing demand of an estimated 15 000 units in urban centres per annum. The SSFR, one of the biggest suppliers in the market both in residential and commercial construction, has a number of residential projects in the pipeline. These include constructing 2 759 houses valued at US$500 million in Gaculiro in Kigali City reportedly catering for the entire income spectrum, from high end to low income earners. Private-public partnerships have also been pursued. These include the development of land plots targeted at high-income earners, going for around US$6 000, in Urugarama, Gisozi and Kibaganbaga involving the UN and the City of Kigali. According to Knight Frank (2011), the housing market is experiencing strong growth with interest from international developers, particularly from the Middle East. While most residential areas offer low density configurations, government is promoting higher density developments, such as the Kimihurura Gateway project.

Property markets

Rwanda's deeds registry system has been undergoing dramatic changes in recent years, and a programme to provide title deeds for all properties across the country is currently underway, having started in 2009. According to the World Bank's 2011 Doing Business survey, it takes on average 55 days to register a property in the country, while the cost of the registration process is 0.4 per cent of the value of the property. The registration fee for a mortgage is currently a flat RWF20 000 (US$34) as opposed to 1.2 per cent of the mortgage amount previously. The real property transfer fee, formerly six per cent of appraisal value, was reduced to RWF20 000 (US$34) flat fee. Private ownership of land needs to be applied for from the state and is granted on condition that investment and development of the land has happened. Additional steps are being taken to accelerate the point at which creditors may obtain valid mortgages on undeveloped land. This is by issuing beneficiaries of state lands with long-term leases, which can then be mortgaged pending completion of improvements and conversion to free hold.

There is little information on the quality of the housing stock, although indications are that mortgageable stock is in short supply. According to the World Bank, only 30 per cent of the urban dwelling structures are made of durable materials. FinScope Rwanda 2008 finds that homes consist mainly of informally built houses using local materials such as iron sheets and earth tiles for roofs, bricks and wood for walls, and mud or clay for floors. Most households have their own toilets, mainly an ordinary pit latrine, and very few households have electricity – only five per cent of the population is connected to the electricity grid. Lamps are used for lighting and firewood for cooking.

Policy and regulation

Rwanda's National Urban Housing Policy acknowledges the lack of affordable housing finance products and calls for facilitation of greater access for lower and middle-income groups. The country is generally regarded as a top reformer in making its business environment more investor friendly. Rwanda has quick and relatively cost-effective procedures for enforcing pledges of immovable property, including a non-judicial power of sale that can be enforced in less than six months. This fast-track foreclosure procedure (voie parée) has time limits on appeals once a judge has agreed to foreclose, and specialized chambers established within the three busiest courts to deal specifically with these cases. Reforms to the judiciary, driven by among others the Investment Climate Facility (ICF), have seen the backlog of cases in the judiciary fall significantly. It is now quicker to enforce a contract than in many much more developed countries in Europe.

A modernised law on mortgages has made it easier for Rwandans to access home loans by improving the risk parameters under which banks operate. Banks can now sell the loan security in the case of default, and the down payment requirements have been lowered to 30 per cent.

A new banking law has been published, and the process to update the prudential regulations commenced towards the end of 2009. An amendment to the Social Security Act of 2006 resulted in the establishment of an umbrella compulsory contribution Provident Fund to which citizens and government will be contributors. According to reports, the fund will be used to help develop affordable housing.

Opportunities

Housing finance demand, both mortgage and microfinance, in rapidly urbanising Rwanda has barely been met, and there is great potential for growth. More players are needed in the market to improve accessibility in general. As a top regional performer in reforming the macroeconomic environment, the state has performed its role as a market maker well. For example, the incorporation of the Rwandan Housing Bank into the Rwandan Development Bank has created liquidity, which means that more capital will soon be provided to lenders to meet the untapped demand. Positive steps on land administration reform are also being made. Given Rwanda's high poverty rates, however, the mortgage market will not reach the majority in the near future. Housing microfinance offers an important opportunity for the majority and the nascent HMF lending practices emerging serve as a pointer to this enormous potential. Clear action towards creating a good investment climate by the state, growing urban demand and positive economic growth provide ample opportunity for housing finance in this country.

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Senegal

Key figures

Exchange Rate: 1 US$*	453 CFA Francs
Main Urban Centres	Dakar (capital)
Population^	12 861 000
Population growth rate (2005 – 2010)^	2,8
Urban population (% of total) 2009	42.6
GDP per capita^	1 711
GDP growth rate (real, 2010)^	4.2
HDI (Global Ranking)+	0,450 (121)
Unemployment rate^	10,00 (2006)
Population less than US$2 per day°	60.4
Population below national poverty line^	53,9 (2001)
Bank branches per 100,000°	Not available
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	26.6
Mortgages % of GDP°	2

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)

Senegal is a low to middle income country located in West Africa. The GDP grew from 2.2 per cent in 2009 to an estimated 4.2 per cent in 2010, and it is projected that the growth rate for 2011 would be 4.5 per cent. The country's average annual rate of inflation is low: ±1.0 per cent in 2009 and 1.2 per cent in 2010. The inflation rate for 2011 is forecast at 3 per cent, largely as a result of higher energy prices. In the World Bank's Doing Business, Senegal ranked 152nd out of 183 countries, one spot lower than in 2010.

The country's financial sector consists of a diversified range of institutions that are not fully integrated. Access to finance in the country is incredibly low – about 6 per cent of the country's population have a bank account. Although there are about 17 banks in the country, the three major banks control two-thirds of all deposits, and the government owns over 25 per cent of the shares in seven of the country's banks. Many factors hinder the country's banking system from distributing medium and long term credit to businesses and individuals. The level of nonperforming loans is high, amounting to 19 per cent of all loans as at June 2008.

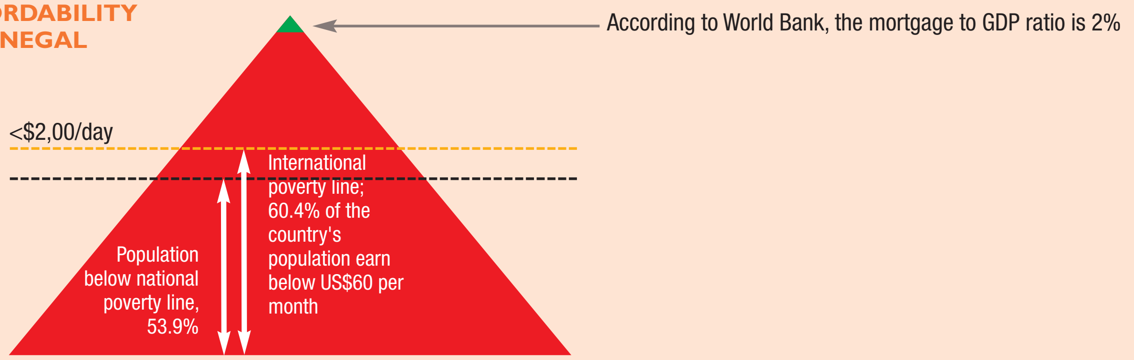
The country has a growing microfinance sector, which includes profitable MFIs and sound supervision. However access to finance for housing and SMME finance remains a challenge. For SMME finance for example, an estimated 80 percent of bank credit applications are denied because of insufficient collateral. The microfinance sector is highly saturated with six major institutions accounting for 87 per cent of customers and 90 per cent of all credit outstanding. According to MixMarket, 249 645 consumers received a total of USD 292.6 million in microloans in 2009, while 835 575 consumers made about USD 240.1 million worth of deposits through MFIs. According to the World Bank's Doing Business report, only 0.4 per cent of the country's population is in the public registry and there are no private credit bureaus in the country.

The current demand for housing in the country is estimated at 200,000 with an annual increase by 10 percent. There are several constraints to the housing supply in the country including the lack of formal market players, limited availability of land, limited availability of relevant financial products and the high interest rate, high cost of construction policies, and weak policy regarding the provision serviced land and the housing tax system. In response to these challenges, the government introduced its 'one family one roof' initiative, focusing on the affordable housing market and to address the demand of housing in the country. The provisions in the programme include free housing and land, tax breaks and a range of subsidies.

There have been high increases in land prices in settlements declared for regularization and the commencement of delivery process of property rights. This has also increased market pressure in targeted settlements and accelerated gentrification. Property titles, or the anticipation of receiving them have stimulated investment in housing, as households have undertaken improvements when they have considered themselves secure. The rental market in Senegal is said to favour the Landlord. In theory, rents on residential leases are fixed by law, according to the market value of the premises. In practice, however such rents are decided solely by the landlord.

The needed growth in the Senegalese housing sector lies in the creation of relevant policies that would strengthen the capacity of government in the provision of housing and land. Also, several opportunities lie in the construction of homes in the country, from the provision of affordable and innovative building materials to the enhancement of relevant skills for professionals in the industry.

HOUSING AFFORDABILITY IN SENEGAL



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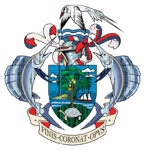
Seychelles



Key figures

Exchange Rate: 1 US$*	12,30 Seychelles Rupee
Main Urban Centres	Victoria (capital)
Population^	85 000
Population growth rate (2005 – 2010)^	0,5
Urban population (% of total) 2009	54.8
GDP per capita^	27 222
GDP growth rate (real, 2010)^	6
HDI (Global Ranking)+	
Unemployment rate^	5,45 (2005)
Population less than US$2 per day°	1.8
Population below national poverty line^	Not available
Bank branches per 100,000°	Not available
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	15.35
Deposit Interest Rate° (2009)	3.5
Credit % of GDP° (2009)	48.8
Mortgages % of GDP°	Not available

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)

The Seychelles is comprised of 115 tropical islands located in the Indian Ocean, to the northeast of Madagascar. The country's GDP is projected to grow by 4% in 2011 and 4.5% in 2012. Its economy is mainly driven by its tourism industry, which accounts for 25.5% of the gross domestic product (GDP). Inflation was extremely high between 2007 and 2009, averaging 30.7 per cent. However in 2010, inflation in the country experienced a sharp decrease due to the stability of commodity prices, the adjustment of monetary policies and the emergence of more conservative bank lending.

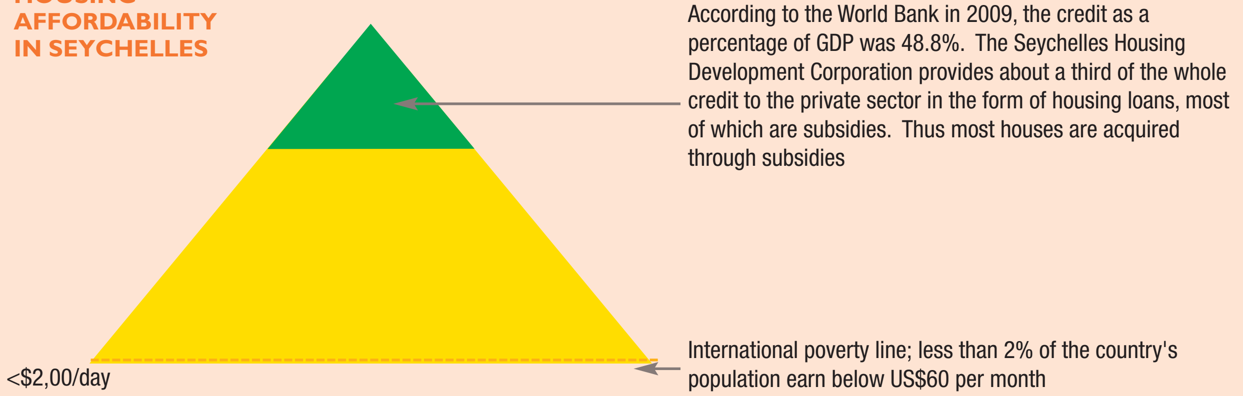
The country's financial sector is mainly driven by the banking system; there are 8 commercial banks and a development bank. The country's banking sector is majorly state-owned or owned by foreign banks. The government holds a 55.5 per cent stake in the country's development bank. Also in the banking system is the Seychelles Housing Finance Company, a public entity that provides financing to Seychellois for the construction of homes and financing home improvement. In 2009, the company merged with another public entity, the Public Management Corporation as a way to strengthen its social housing focus.

Access to finance in the Seychelles is low. According to the World Bank, the number of depositors in commercial banks per 1000 adults is 330.2. The levels of bank lending to individuals and business are also low, even as most of the banking assets are held are in government obligations. Microfinance extremely limited, but the country is experiencing slow growth as international MFIs begin to infiltrate the local financial services market. As part of the country's private sector development strategy, the government is working with the International Finance Corporation (IFC) to put in place regulations to create a credit rating agency mid 2011.

The Seychelles Housing Development Corporation (SHDC) contributes approximately one third of all credit to the private sector, through subsidized lending for housing. Land in the country is a great demand, and the tourism and agricultural industries compete with the housing industry for sites. Conflicts over land and housing are set to deepen as the urbanization rate continues to grow. As a response to the increasing urbanisation rate in the country, the government has continued to focus its investments in public infrastructure such as roads, water and energy.

With the country being a tourism destination, there is a focus on housing for the high-income class, which has led to a shortage of affordable housing. In a bid to open the country to more foreign investment, recent changes in the law of property ownership have been approved to offer freehold title and residency rights to foreign owners and their immediate families. The Seychelles housing policy has a strong focus on enhancing the supply of homes to its citizens, through the provision on land, building materials, adequate infrastructure and financial services. Though the government continues to development innovative programmes to address the demand for affordable housing in the country, there is a need for the government to increase its capacity in order to meet the considerable demand in the affordable, and low income markets.

HOUSING AFFORDABILITY IN SEYCHELLES



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South Africa

Key figures

Exchange Rate: 1 US$*	7,05 Rands
Main Urban Centres	Pretoria (capital), Johannesburg, Cape Town
Population^	50 492 000
Population growth rate (2005 – 2010)^	1,0
Urban population (% of total) 2009	61.2
GDP per capita^	10 334
GDP growth rate (real, 2010)^	2.8
HDI (Global Ranking)+	
Unemployment rate^	23,80 (2009)
Population less than US$2 per day°	42.9
Population below national poverty line^	45,0 (2000)
Bank branches per 100,000°	8.03
FinScope financial exclusion	26%
Lending Interest Rate° (2009)	11.71
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	183.5
Mortgages % of GDP°	30.6
Cost 50 kg bag cement (July 2011) US$•	11.64
Cost of standard sheet of corrugated sheet iron US$•	5.27
Price of the cheapest newly built house, by a formal developer (US$)•	40 425
Smallest size of a formal house (m^2)•	40

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

South Africa is the largest economy in Africa. It is classified by the UN as a middle-income country – but in many respects is a high-income and low-income country rolled into one without the benefits of the average. It has well-developed transportation infrastructure, legislation that is largely supportive of private investment, a world-class financial sector, and a well-diversified economy. It's stock exchange ranks among the top 20 in the world and is the largest on the African continent. Historically dominated by mining (South Africa is a significant producer of platinum, gold and chromium), the services sector now dominates the economy, employing 65 per cent of the labour force. The country has enjoyed growth since its first democratic elections in 1994, which has supported an extensive social security programme providing social grants (child, pension, housing and others) to the majority of the population and considerable public infrastructure investment. Even so, South Africa continues to be one of the least equal economies, with a Gini coefficient estimated to be 0.578 in 2010, putting it in the same ranks as Brazil. At 25.7 per cent (up from 22.9 per cent in 2010), unemployment is unmanageably high. The informal sector is large and creates more work than the formal sector. Public confidence in prospects improving is low, as evident by the on-going service delivery protests and labour union strikes.

South Africa has weathered the global economic crisis from a position of strength: the National Credit Act, promulgated in 2005, is attributed with protecting the financial sector from venturing into subprime territory. In September 2010, the Monetary Policy Committee reduced the repo rate to its lowest level since 1974, leading to a reduction in the prime interest rate to 9.0 per cent. The rate has remained at this level for the past twelve months. Following the July 2011 Monetary Policy Committee meeting, Reserve Bank Governor Gill Marcus reported an increase in the Consumer Price Index (CPI) for all urban areas, to five per cent. The rise was attributed to increases in food, housing and utilities, and transport costs. Inflation is forecast to average 6.3 per cent in the first quarter of 2012.

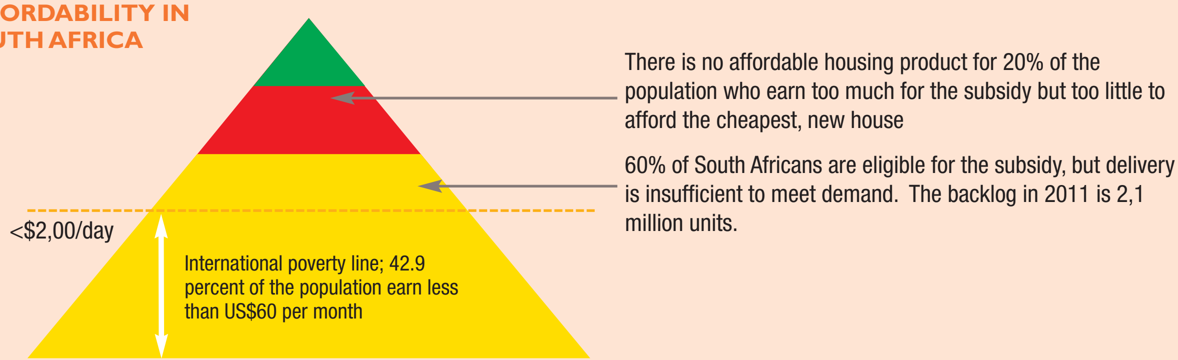
Following a slow year in 2010, when GDP growth was at 2.8 per cent, annualised GDP growth in the first quarter of 2011 was 4,8 per cent, driven by growth in manufacturing. The GDP growth forecasts for 2011 and 2012 are 3,7 per cent and 3.9 per cent respectively, and the rate is expected to increase to 4,4 per cent in 2013.

South Africa is ranked 34th in the World Bank's Ease of Doing Business Ranking in 2011.

Access to finance

South Africa has a sophisticated banking industry that serves the upper-income segments of the population well. The country has 36 registered banks (17 of these foreign), of which four dominate: Absa Bank, First National Bank, Nedbank and Standard Bank. According to the 2010 FinScope survey, 63 per cent of the South African adult population is banked, and 76.5 per cent are financially included, using some financial product or service from the formal or informal sector. Nine per cent of the adult population relies on informal products, and 23.5 per cent is financially excluded and does not use either formal or informal financial products. South Africans are more likely to use formal loan products (28 per cent) than informal loan products (12 per cent), such as loans from family.

HOUSING AFFORDABILITY IN SOUTH AFRICA



Access to financial services was dramatically improved with the signing of the Financial Sector Charter (FSC) in 2003. The agreement grew out of requirements in the Black Economic Empowerment Act, which required certain key industries in South Africa to promote transformation in their ownership and management structures so that they reflected the racial population distribution in the country. The FSC had an added feature to other charters, however, in that it also promoted access to the goods and services of the financial services industry for those who had been previously excluded. In terms of the FSC, members of the financial sector collectively committed themselves to extending more than R70 billion of development finance by end 2008 (just under US$10 billion), including R42 billion (about US$5.8 billion) for housing finance to low-income earners with a monthly income of between R1 500 and R7500 (about US$208 – $1 041). In the five years of the FSC, the financial sector actually exceeded its housing finance target, originating R44 828 billion in loans. Mortgage loans comprised 24 per cent of the 984 730 housing loans originated through the FSC, and 63 per cent of the total value; loans secured by the borrower's pension or provident fund comprised 26 per cent of all housing loans originated and 11 per cent in value; unsecured (housing micro) loans comprised 32 per cent of all housing loans originated and eight per cent in value; wholesale loans comprised 18 percent of all loans originated and were eight per cent of the total value; and the 402 construction loans comprised 10 per cent of the total value of FSC housing loans extended over the five years.

The FSC had a significant impact on access to housing finance, not only in its five year period to the end of 2008, but also into the present. Indeed, lenders still speak of lending to the "FSC market" even though the target no longer exists. And loans from this period are still on lenders' books, illustrating the relative performance of this market segment. Research released in late 2011 found that FSC loans appear to have performed slightly better than all mortgages in general. While non-performing loans for the entire mortgage book hit a high of 9.4% in the last quarter of 2010, FSC NPLs did not go above 8.5 per cent.

Still, mortgage loans in the FSC target market still only comprise a fraction of the overall mortgage book – an estimated three per cent. By the end of 2009, residential mortgages (banks only) accounted for 39% of total credit extended to the private sector and 31.7% of GDP. The sector grew particularly strongly in the period between 2001 and 2007, when annual growth averaged at 22.4%. This has tapered off in recent years, however, with growth of just 3% in nominal terms between 2008 and 2009.

Housing loans secured by the borrower's pension withdrawal benefit, known as pension-backed loans, are also commonly available in South Africa. The sector is not well reported upon, however. Estimates of the size of the industry vary from R5.4 billion (in 2005 – US$771 million) to R17 billion (US$ 2,4 billion). The Banking Association reports that R4.8 billion (US$686 million) in pension backed loans were originated during the course of the FSC. Assuming an average loan size of about R20 000 (US$2 857), there are up to 850 000 outstanding pension backed loans. Default rates are low, reported at 2 per cent in 2009.

Since the introduction of the 1994 housing policy, South Africa has had a small but growing housing microfinance industry. Two state-owned institutions provide wholesale finance to housing microlenders, who on-lend housing microloans to borrowers seeking to improve their housing. In most cases, borrowers use this finance to extend their housing – the use of housing microloans for incremental housing delivery is not yet significant, as the delivery framework for this does not exist.

Affordability

South Africa's housing and finance policies have paid explicit attention to housing affordability since 1994. Understanding that most of the population could not afford housing, and facing an estimated housing backlog of about three million units, the 1994 government implemented an ambitious and far-reaching national housing subsidy programme. This Reconstruction and Development Programme or RDP subsidy entitled all households earning less than R3 500 (US$ 500) a month and satisfying a range of other criteria to apply for a fully subsidised house. In terms of the RDP programme, subsidy beneficiaries get freehold title to a 250m² serviced stand with a 40m² top structure, entirely for free. The programme persists today, with a few modifications, and has delivered an estimated 2.9 million housing units.

In addition to the RDP subsidy, the 1994 housing policy implemented other measures to enhance access to housing finance and improve housing affordability. These included establishing the National Housing Finance Corporation and the Rural Housing Loan Fund in the mid-1990s, wholesale financiers which continue to provide capital to non-bank housing lenders targeting low-income earners. As a result, South Africa has a small but growing housing microfinance industry.

These government interventions notwithstanding, South Africa has a new housing affordability crisis. While the estimated 60 per cent of the population earning less than R3 500 is eligible for housing subsidies, the cheapest newly built house is about

R250 000 (about US$35 700), affordable at current rates to households with an income of about R10 000 (US$1 428) a month or more. The issue was highlighted by President Jacob Zuma in his State of the Nation address in February 2010, when he promised "a key new initiative to accommodate people whose salaries are too high to get government subsidies, but who earn too little to qualify for a normal bank mortgage" required to access the least expensive house available. The President, and later the Ministers of Finance and of Human Settlements, promised the introduction of a R1 billion guarantee facility to address this affordability gap affecting 20 per cent of the population. Since that announcement, government has mentioned nothing further about the R1 billion. Some believe the facility is being designed into a Mortgage Insurance initiative, to be administered by the National Housing Finance Corporation. While the NHFC has presented on this to Parliament, nothing has been confirmed.

While affordability challenges remain in the housing sector, access to finance has been so successful that South Africa now faces a serious problem of indebtedness. In the first quarter of 2011, the National Credit Regulator (NCR) calculated that only 39.1 per cent of all credit-active consumers were current. Of the remaining 60.9 per cent, just under half (28.7 per cent of all credit active consumers) were facing adverse listings, judgments and administration orders. Given this, the eligibility of these households for housing credit is seriously constrained, undermining housing affordability further. In the absence of affordable housing for purchase, there are also worries that households may be indebting themselves over non-productive, consumption goods that will not enhance their overall wealth as housing would, if it were available.

Housing supply

Housing supply in the country is dominated by government-subsidised delivery. The National Department of Human Settlements reports on the delivery of subsidised housing annually. For the 2010/2011 financial year, 121 879 subsidised units and 63 546 serviced sites were completed. This is a decrease on the previous year, where 161 854 houses and 64 362 sites were reported as completed or under construction. Data showing the total number of new houses registered on the deeds registry suggests that 75% of all delivery in 2010 was in the subsidised market. This emphasis is changing the shape of South Africa's housing sector. Already, 58 per cent of all properties on the deeds registry are in the so-called "affordable" category, trading at a value of less than R500 000 (US$71 400) and including an estimated 1,44 million subsidised properties.

Despite impressive delivery in the subsidised market, the housing backlog persists. It is officially defined as 2.1 million units, comprised of households in inadequate housing, many of whom live in informal settlements. This is part of the problem: of the 1.1 million households that live in informal settlements in South Africa, about 350 000 are not eligible for the housing subsidy that was designed to address this problem. Because of the affordability gap, these households cannot purchase improved housing even though they could afford some credit. A further one million households falling outside the subsidy range live in inadequate or overcrowded conditions.

There are a number of reasons why housing delivery is not achieving the levels of scale required to support the population. A key factor is the availability of serviced land for housing. Infrastructure backlogs in many of the cities undermine the capacity to delivery affordable and subsidised housing.

In the past year, statements made on various occasions by the President, the Minister of Human Settlements, the Finance Minister, and even provincial and local politicians all suggest that a change to South Africa's housing subsidy policy may be under consideration. Concerns with the sustainability of the extensive subsidy offering, and the impact it has on those just outside the eligibility criteria, seem to be weighing on public figures.

Property markets

South Africa has a well-established property market and a world-class cadastral system that offers procedural protection for buyers, sellers and financiers. According to the World Bank (2011), it takes 24 days to register a property in South Africa. This involves six procedures and costs an estimated 8.8% of the property value – lower than the Sub-Saharan African average, but higher than for the rest of the world.

Property transaction data is reported on in a myriad of publications and economic analysts rely on this as a key indicator for overall macroeconomic health. Property prices have been improving since 2009. According to Lightstone, the affordable segment (properties valued at less than R250 000 or US$35 700) has shown the strongest improvements, with the highest rate of annual inflation, followed by mid value housing (R250 000 – R750 000). According to Absa Bank's house price index, in the second quarter of 2011, the average nominal house price in the middle segment of the market was just over R1 million (about $150 000). Absa segments the middle segment by size, and reported that the average value of small houses (80 – 140m^2) was about R755 968 (about US$108 000) in Q2 2011. The affordable market is defined as houses between 40m^2 and 80m^2 and costing less than R480 000. By the second quarter of 2011, the average price was R312 360 (about $44 600), up 1,2 per cent year on year from 2010. The gap in affordability between the "affordable" segment and the "middle" segment has been noted as cause for concern.

Policy and regulation

South Africa generally has investor friendly policies and regulations. This has been borne out of deliberate government action to make it a competitive destination. The Wold Bank ranked it second in Sub-Saharan Africa in its Doing Business 2011 survey, after Mauritius and before Botswana. South Africa was also ranked first in terms of business access to credit, and protecting investors.

Housing policy in South Africa is at a crossroads. Recent strike action has drawn attention to a critical gap in the housing policy framework, in that there is no explicit policy targeting the 20 per cent of the population falling into the affordability gap. Key public sector workers are in this gap and their frustration with their housing prospects were voiced in a 20 day public sector unions strike in August and September 2010. One of the resolutions which allowed for the suspension of that strike by union bosses was an agreement by government to develop a housing policy to address worker housing concerns. Given the size of the housing budget already, and the myriad of constraints to delivery of housing that extend beyond simply finance, it is not clear how soon such a policy will reap the kinds of results that workers expect.

At the other end of the spectrum, the persistence of informal settlements across the country is receiving explicit government attention. A policy position put forward by the Presidency's monitoring and evaluation unit, entitled Outcome 8: Sustainable Human Settlements and an Improved Quality of Household Life, includes the upgrading of 400 000 units of accommodation within informal settlements as a key deliverable for government, by 2014.

Opportunities

Opportunities in South Africa's housing finance landscape can be found in a variety of market segments. The most urgent, and significant, however, is in the affordable market where demand far exceeds supply. Broadly, this market comprises households earning less than about R16 000 (US$ 2300) household income who might afford housing for less than R500 000 (US$ 71 500). Already, some developers are beginning to work at the top end of this market segment, delivering houses in the region of R300 000 – R500 000. Here, there is room for a substantial increase in scale. The only caveat, is the indebtedness profile of the market, which has not been sufficiently studied from the perspective of housing affordability. At the bottom end of this range, however, is about 20 per cent of South Africa of households who earn too much to access a housing subsidy but too little to afford the current cheapest new house. This market segment is desperate for innovative solutions – solutions which might be found in the resale of government subsidised housing, the delivery of incremental housing on serviced stands, inner city rental, or conversion of office blocks to residential accommodation for sale or for rent. While the state housing subsidy creates some market distortion in this market, demand should be responsive to alternative housing and financing approaches.

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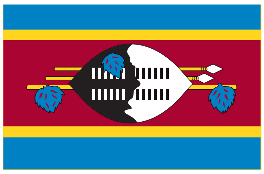
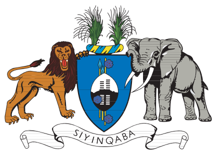
Swaziland





Key figures

Exchange Rate: 1 US$*	7,15 Lilangani
Main Urban Centres	Mbabane (capital), Manzini
Population^	1 202 000
Population growth rate (2005 – 2010)^	1,4
Urban population (% of total) 2009	25.2
GDP per capita^	5 315
GDP growth rate (real, 2010)^	2.1
HDI (Global Ranking)+	0,536 (104)
Unemployment rate^	22,54 (1997)
Population less than US$2 per day°	81
Population below national poverty line^	69,2 (2001)
Bank branches per 100,000°	2.85
FinScope financial exclusion	53%
Lending Interest Rate° (2009)	11.38
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	9.1
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	10,90 (2010)
Cost of standard sheet of corrugated sheet iron US$•	3,54 (2010)
Price of the cheapest newly built house, by a formal developer (US$)•	
Smallest size of a formal house (m^2)•	

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

Swaziland is a small, mainly rural country, with a relatively high GNI, making it a middle-income country. However, over the past decade, the country's growth rate has been low, at 2.9 per cent. The growth rate forecast for 2011 and 2012 is 1.9 per cent and 2.1 per cent respectively. There are several factors that have contributed to this low growth rate, some of which include, a high dependence on exports which exposes the country to exogenous shocks, as well as low foreign direct investment The country also suffers from high inequality and recurring drought, which adversely affects nearly 75 per cent of the population who are subsistence farmers. The economy is largely based on agriculture, forestry and manufacturing. As a result of a decrease in food and transport prices, last year, the inflation rate went from 7.5 per cent in 2009 to 4.5 per cent in 2010. However in 2011 the inflation rate is forecasted at 7.7 per cent due to the increase in electricity and water tariffs which were enacted in 2010.

Access to finance

The Swaziland banking sector consists of three commercial banks, Nedbank, Standard and FNB; a mutual building society, Swaziland Building Society; and a statutory bank, the Swaziland Development and Savings Bank (SwaziBank). SwaziBank is in an advanced stage of its privatisation process. The country's pension and insurance sector are small leaving Swaziland with an undiversified financial system that is dominated by the banks.

According to FinScope Swaziland (2010), 60 per cent of Swazis are formally banked, while just under 40 per cent only have access to informal products. Only nine per cent of the banked population uses credit and loan products; the majority (85.7 per cent) use transactional products, followed closely by savings products (82.7 per cent). The use of loans for housing purposes did not feature in the responses.

The Swaziland Building Society (SBS) was established in 1962, and is a viable and self-financing development and housing finance institution, and the major provider of long-term mortgage lending. It provides loans mainly for buying vacant land and housing construction but also for residential and commercial mortgages. It also runs a rural housing scheme, which enables borrowers to build on Swazi National Land (SNL, where the land is held by the tribe), by mobilising pension and provident funds as collateral. Through a pioneering project, it also lends to residents of informal settlements by working with savings groups. The scheme involves the provision of loans to buy small plots and for house improvements. From 2010, SBS has diversified its product base to retain existing clients and attract new ones. It is working towards broadening its ATM network.

SwaziBank provides normal commercial banking services with a particular focus on business and development finance. It has been the most pro-active of the banks in serving lower-income households. The bank has historically obtained interest-free deposits from the government, channelled to, among others, its mortgage programme for public servants. According to its 2009/2010 financials, this will change as the Government Fund that funds the Civil Service Housing Loan Scheme is converted into an interest bearing deposit. SwaziBank also has a significant mortgage portfolio. Commercial banks provide a few mortgages for the upper- and middle-income settlements of the market.

Another government-affiliated institution, the Swaziland National Housing Board (SNHB), apart from being a developer and owner of housing, also provides housing finance as well as developed land for sale. The Growth Trust Corporation – the financial arm of the Swazi Business Growth Trust – has also extended its lending programme from small and medium businesses to housing. It has financed mortgage loans and also loans for building on SNL provided the borrower can provide sufficient guarantee.

While Swaziland has a relatively well-developed banking system, over the long term there has been a worrying trend of it becoming shallower. Private sector lending, money supply, and bank deposits as a percentage of GDP have all declined since 1995. Some positive short-term indicators point to a change in this trend; expansion of credit to consumers has remained buoyant from January 2010 rising from 11.3 per cent in January to 13.7 per cent in February, and falling marginally to 10.6 per cent in March. Banks have also seen credit lending rise. SwaziBank, for instance, had its net loans and advances grow by more than 21 per cent between 2009 and 2010, although the number of loans to the agricultural industry has decreased. The bank also approved 164 housing loans, an increase of 5.1 per cent in loan numbers over the previous year, and a 10.8 per cent increase to E24.9 million (US$3.5 million). The value of the housing loan portfolio is, while increasing, also fairly modest at E282 million (US$39.7 million) in 2010.

Swaziland has a vibrant microfinance industry with more than 100 institutions. Among them is Select Africa, which offers housing lending as part of its stable of products. According to MixMarket, in 2009 a total of US$40.2 million worth of microloans were disbursed to approximately 4544 conusmers in the country. The country also has a rapidly growing industry of SACCOs.

Swaziland has a small capital market with almost no market liquidity. While Swaziland does not have a public credit register, TransUnion operates a private credit bureau on their hub and spoke model, which operates from South Africa. It is estimated that 42% of adults are on record.

Affordability

Access to mortgage finance is limited in Swaziland, as only 28.7 per cent of Swazis earn salaries or wages. Affordability is also limited, given income levels in the country.

In 2010, it was reported that SNHB had low-cost offerings priced at E280 000 (US$39 351) to E450 000 (US$63 243). This required an income of E6 486 to E10 422 (US$913 – US$1 468) a month to qualify to service the loan. This is beyond the reach of the vast majority in a country where more than 81 per cent of the population is classified as earning less than US$2 a day. Even employed people such as teachers who typically earn less than US$600 a month would find it difficult to afford this product. The SNHB also has a rental portfolio of about 1 080 units in Mbabane and Matsapha and rentals range from E500 (US$70) to E1 800 (US$253). SNHB claims that this is approximately 62% of the market rate charged by private landlords for similar units. As a result, the SHNB maintains a long waiting list, and this has led to frustrations among those still in the queue.

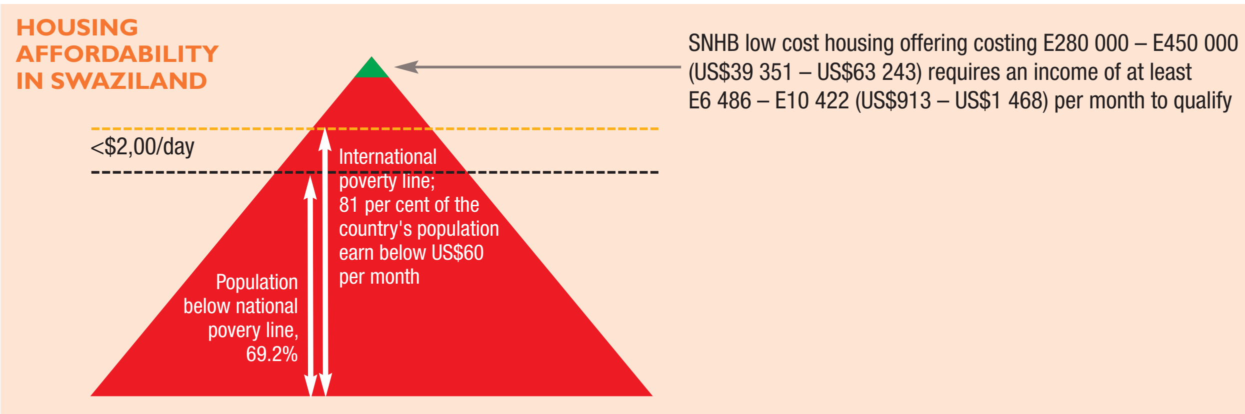
The SBS has established lending for plot acquisition among low-income earners. The scheme has less onerous income eligibility criteria than mortgages and provides a starter property for incremental building. Loans are partly guaranteed by the state. Loan uptake has been modest, however, due to among other reasons a reluctance to use plots as collateral among poorer households, reluctance to be taxed, general risk aversion by the SBS to lend more, and insufficient targeted marketing. The concept is, however, pioneering and offers a platform for greater lending, taking lessons learnt into consideration.

Non-performing loans have been a perennial problem, especially with SwaziBank, which in 2010, had some dating 15 to 20 years ago still on its book. In the 2009/2010 financial year, it wrote off almost E85 million (US$11 950 000) for its NPL portfolio, making the portfolio in 2010 stand at 12 per cent down from 20 per cent in 2009. Swaziland is also significantly affected by HIV/AIDS, with between 25.1 and 27.1 per cent of the adult population infected (UNAIDS, 2008). This poses challenges to housing demand, affordability and the associated risks and costs of lending.

Housing supply

Self-build is the predominant method of housing supply. Poor people source funds from social support networks like family and friends, moneylenders and other finance sources such as business income and rental revenue. The number of people who use credit to build their housing is statistically insignificant. According to FinScope Swaziland 2010, 25 per cent of urban dwellers do not have water in their home, and just over 50 per cent in urban areas lack flush toilets. Forty-eight per cent of urban dwellers use electricity in their homes; the rest use liquefied petroleum gas (25.7 per cent), kerosene (8.5 per cent), or wood (15.9 per cent).

The Swaziland National Housing Board was established in 1988 to provide affordable housing and end user finance, but current



and future developments suggest that the SNHB primarily caters for middle- to higher-income earners. It currently has three projects underway: 316 units in Mhobodleni Townshp, 444 units in Nhlangano Township (extension 9), and 28 upmarket plots in Woodlands. The SNHB has plans for a further three projects: 1000 ha for upper and middle income development in Woodlands (phase 2); a mixed development of 330 plots in Ngwenya New Township; and a middle income township in Piggs Peak. The SNHB's restructuring process, initiated in 2007, was completed in 2011.

In April, the Minister of Housing and Urban Development reported on Swaziland's "Housing the Nation" programme, a housing delivery programme targeted at civil servants and the general population. The E4,8 billion project was expected to create 25 000 jobs and contribute up to 14 per cent of the GDP in the delivery of housing for sale on a sectional title basis.

The supply of land in urban areas is limited in Swaziland is a constraint to housing development as much land is tribal owned – SNL. Swaziland's growing urban areas cannot incorporate land within the jurisdiction of the chiefs. Servicing and land-use management regulations have generally overwhelmed the chiefs in these peri-urban areas, creating sprawling informal settlements and making future upgrading and planning difficult. Further, conversion of SNL land to leasehold requires the consent of the king and does not happen frequently.

Property markets

In addition to local demand, higher-end property markets are fed by South African buyers seeking holiday homes. In 2009, the market saw residential sales fall by 20 per cent and auctions go up in 2009. Ezulwini, which is fast becoming a tourist hub, has been the exception where despite the recession the cost of property rose. The area is seeing a strong migration of middle-class buyers into the area.

Policy and regulation

In general, the Swazi legal system effectively enforces property and contractual rights. The court system is considered free and fair. The country performs relatively well on different indicators including the time necessary to register property (44 days), and the Strength of Legal Rights Index (six out of 10). There have been some reforms to the land tenure system. The World Bank funded Urban Development Project pioneered the introduction of a 99-year lease on urban land. This made it easier for land to be used as collateral for mortgages and housing improvement. Nevertheless most land, including peri-urban land, is SNL land, which lenders find a problem to use as collateral. This means additional security such as the borrower's pension, is necessary to provide sufficient comfort levels for banks. The leasehold system can, if carefully applied, be extended to SNL land although it may in practice halt the allocation and use rights administered by chiefs.

There has been some financial regulatory reform. The implementation of the Retirement Funds Act of 2005 targeted greater liquidity for capital formation through the Swaziland Stock Exchange, although the exchange remains largely inactive with small market capitalisation. Liberalisation of the insurance industry through the Insurance Act of 2005 also led to growth in nonbank financial institutions. The legislation has led to impressive growth in foreign direct investment in the sector especially from South Africa.

Opportunities

Housing for lower- to middle-income earners remains a challenge. The activities of a number of microfinance institutions such as Select and building societies such as the SBS, which provide products that allow starter plot acquisition and incremental build, point to a possible solution to the problem if done at scale. The high levels of tenure security and the availability of housing microfinance products create an adequate platform for this. With greater understanding of the advantages of credit for housing purposes among lower-income groups and better marketing by housing microfinanciers, HMF can flourish. Real estate development related to tourism is another area of high potential especially in towns that draw on the South African tourist market.

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UNITOUR

Tanzania

Key figures

Exchange Rate: 1 US$*	1620,5 Tanzanian Shilling
Main Urban Centres	Dodoma (capital), Dar-es-Salaam, Arusha
Population^	45 040 000
Population growth rate (2005 – 2010)^	3,1
Urban population (% of total) 2009	25.9
GDP per capita^	1 411
GDP growth rate (real, 2010)^	6.8
HDI (Global Ranking)+	
Unemployment rate^	4,30 (2006)
Population less than US$2 per day°	96.6
Population below national poverty line^	35,7 (2001)
Bank branches per 100,000°	1.78
FinScope financial exclusion	54%
Lending Interest Rate° (2009)	15.03
Deposit Interest Rate° (2009)	5.99
Credit % of GDP° (2009)	18.1
Mortgages % of GDP°	0.2
Cost 50 kg bag cement (July 2011) US$•	8.70
Cost of standard sheet of corrugated sheet iron US$•	3.5
Price of the cheapest newly built house, by a formal developer (US$)•	16130
Smallest size of a formal house (m^2)•	45

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

The East African country has continued to experience impressive growth rates since the last decade. After the global downturn in 2010, Tanzania recovered with an estimated growth rate of 6.8 per cent. Growth prospects for 2011 and 2012 have been estimated at 6.9 and 7.3 per cent respectively. The drivers for this growth include low inflation, high gold price, tourism revenues and increased rate of foreign investment. To combat the dip in 2011, caused by rising fuel and food costs, the Tanzanian Finance Minister pledged to lift expenditure on electricity projects, road building and irrigation schemes in 2011/12 by 85%.

These positive economic indicators and reforms, as well as stable political leadership, have resulted in substantial multilateral and donor support for the country's development agenda. Some of this support is specifically targeted at developing the housing finance sector.

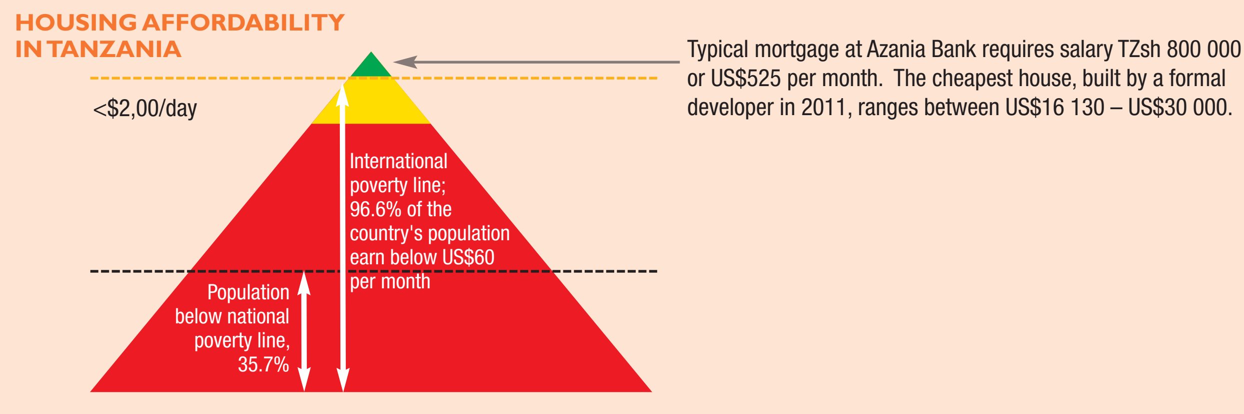
Access to finance

After two decades of liberalisation, more than two dozen commercial banks and many other private financial institutions have developed. This has resulted in credit to the private sector expanding by 30 – 40 per cent. Nevertheless, an indication of a shallow financial system is the gross domestic savings rate which was estimated at 15 per cent of the country's GDP in 2009. Access to credit is low by comparable standards continentally and worldwide. However, Tanzania's microfinance sector is growing steadily. According to the MixMarket, a total of US$591.3 million worth of microloans were disbursed in 2009 to approximately 233 341 consumers in the country.

Mortgage lending began in 1972 with the establishment of the state-owned Tanzania Housing Bank. By the time the bank collapsed in 1995, it had provided about 14 000 mortgages in the country – this was the extent of Tanzania's mortgage industry. The Tanzanian mortgage market is minute with three banks active in the market: Commercial Bank of Africa, Stanbic Bank, Azania Bank. Together, these banks have a combined mortgage portfolio of about TZs 100 billion ($61,6 million) and mortgage debt to GDP was reported to be 0.30 per cent. None of the loan portfolios of these banks exceed a couple of hundred loans, however.

Banks in Tanzania struggle with a lack of long-term financing, and rely heavily on retail deposits to fund mortgages. Further, the capital market is in its early stages of development and value of shares traded is less than one per cent of GDP (compare to 145 per cent for South Africa).

To address the challenges in the housing finance sector, the Government of Tanzania established a Housing Finance Project with the support of the World Bank. The Mortgage Finance Act of 2008 was a product of this initiative, and led to the establishment of the Tanzania Mortgage Refinance Company in early 2011. The TMRC is a mortgage liquidity facility created as a private sector institution owned by the banks with the sole purpose of supporting banks to do mortgage lending by refinancing banks' mortgage portfolios. Licensed by the Bank of Tanzania as a non-deposit taking financial institution for the purpose of conducting its business, the TMRC will also be licensed by the Capital Markets and Securities Authority (CMSA) for the purpose of bond issuance. The initiative offers important opportunities for growth in Tanzania's mortgage sector: the TMRC serves as a secure source of long term funding at attractive rates, while



ensuring sound lending habits and best practice among the banks. Initially, the TMRC will use a World Bank loan to refinance the portfolio of member banks. Once this is exhausted, the TMRC will raise funds from the capital markets by issue bonds, acting as an efficient way of connecting long-term investors with the institutions generating long-term assets. Over time, the TMRC will lead to the establishment of specialised housing finance companies in the private sector.

With the prospects for mortgage lending looking brighter, TMRC reports that another ten banks are considering offering mortgages: NBC, Standard Chartered, Diamond Trust, NMB, BancABC, NIC Bank, Twiga Bancorp, CRDB, DCB, and KCB Bank.

Also this year, the government announced its plan to establish a housing microfinance fund in a bid to provide affordable housing to its citizens.

In 2010, the Bank of Tanzania issued regulations for a Credit Reference Bureau, within the framework of the Bank of Tanzania Act of 2006. The intention is to have a state-owned, central databank that is managed by the Bank of Tanzania, from which licenced private credit bureaus can access data. Banks and other regulated financial institutions must report to the register, while reporting by non-bank financial institutions is voluntary. In April of this year, the Bank invited applications for credit reference bureau licenses from the private sector.

Affordability

According to FinScope Tanzania 2009, 53 per cent of all adults in Tanzania earn less than TZs 50,000 (roughly US$30) per month. Only nine per cent of urban adults are employed in the formal sector, and another 22 per cent earn their incomes from running their own business (not farm related). Forty-one percent of all urban adults in Tanzania rely on two or more sources of income.

Mortgage financing institutions offer loan terms that range from five to 15 years, with an interest rate of between 18 – 21 per cent. The average mortgage size is between TZs50 million – Tzs350 million (about $31 000 – $215 000), and so most clients are high-income earners. One bank requires a deposit of three instalment payments, a savings account with the bank, and title deed indicating remaining leasehold of not less than 12 years. In another bank, to qualify for a typical mortgage product, a salary of TZS800 000 a month (US$525) is needed. In perspective, more than 70 per cent of Tanzanians have incomes of less than US$150 a month.

There are various NGOs that cater for the lower-income categories. These include the Tanzania Women's Trust which benefited from a guarantee from UN Habitat for US$100 000 deposited with a local commercial bank, intended to incentivize issuing of loans. Tanzania also has a well-developed microfinance sector suggesting high potential for housing microfinance. WAT SACCO, for example, is expanding to include housing microfinance by piloting a project in Dar-es-Salaam's informal settlements with technical support from Rooftops Canada and NBBL of Norway. The Financial Sector Deepening Trust (Tanzania) is meeting the costs of this technical assistance in addition to availing guarantees. Another player is Habitat for Humanity with the Makazi Bora home improvement loan targeting urban and peri-urban household with incomes of US$1 – US$5 a day, at interest rates of 2.5 per cent per month. The Presidential Trust Fund is a microfinance institution established by the Office of the President with 19 branches, 23 000 clients, and a loan portfolio of US$3.3 million. It is intended to operate commercially.

Housing supply

Tanzania has an estimated housing backlog of three million units. Most Tanzanians self-build rather than relying on formal housing suppliers. Even this, however, has been hampered by a shortage of serviced land. Between 1990 and 2001, a mere five per cent of applications for plots received were allocated. To address this challenge, the government implemented a 20 000 residential plot programme, which was rolled out first in Dar-es-Salaam and later in Mwanza and Mbeya. The programme seeks to parcel out, survey and allocate plots to individuals. Anecdotal evidence suggests that building on the plots has been slower than expected because of limited infrastructure (which will only be provided when there is a certain number of people), lack of finance and the remoteness of the plots. There is limited formal housing delivery.

The National Housing Corporation, a parastatal, has historically built less than 100 middle- and high-income houses a year. Early in 2011, the NHC announced that it would raise its budget from $23 million to $230 million in the 2011/12 financial year, so that it could dramatically increase the scale of delivery. In the 2011/12 financial year, it plans to build 100 units. To achieve this rapid scale, the NHC is investigating various technology solutions. New housing development will complement urban renewals and slum clearance initiatives, and are likely to contribute to the development of new, satellite cities. The TMRC argues, however, that a key obstacle to growth in the mortgage market is the limited capacity of the supply sector.

NGO efforts provide housing support to the most poor. The Centre for Community Initiatives supports the Tanzania Federation of the Urban Poor, a network of slum dwellers that are members of Shack Dwellers International. UK based NGO Homeless International has supported the work of CCI since 2007, mobilising 7000 Federation members in six major cities, piloting water supply rehabilitation and toilet construction pojects in Dodoma and Arusha, piloting a resettlement project for 500 families in Dar es Salaam, and negotiating for in-situ upgrading in another.

Property markets

Lack of an adequate supply of mortgageable units makes it difficult for a vibrant property market to exist. As an illustration, 75 – 80 per cent of the city of Dar-es-Salaam is considered a slum. This severely limits the amount of mortgageable stock in urban areas. National housing policy intends that the fiscal support offered by the TMRC will stimulate the construction of new housing.

Policy and regulation

The Tanzanian government has been working very hard to put all the necessary policies and laws in place to enable a vibrant housing market. That said, there are still very real challenges.

According to the World Bank's Doing Business Survey (2011) it takes on average 73 days to register a property in the country; the cost of the registration process costs approximately 4.4 per cent of the property value. The foreclosure process in Tanzania needs reform. All foreclosures require court action and there is a reported cautiousness by banks to lend because of the difficulties encountered with this process. These include long delays because of the backlog of cases in the courts as well confusion over which courts hold jurisdiction, allowing for "forum shopping" by litigants. One bank has said that as a result, mortgage lending is more like "relationship" banking in which the lender relies on its knowledge of the client rather than solely on the collateral value of the property being financed. Reforms to property law, including the Mortgage Financing (Special Provisions) Act 2008, which repeals certain sections of the Land Act, are an effort to ease the use of land as collateral. The ICF is also supporting a programme to modernise the judiciary. Prudential norms were created for microfinance institutions in April 2005. These reforms, among others, were intended to increase wholesale funding to MFIs and ensure their financial viability. Broader finance reform has also been initiated by the Bank of Tanzania through the Banking and Financial Institutions Act, Bank of Tanzania Act, and Companies Ordinance.

Opportunities

The mortgage market in Tanzania provides potential for growth, but only if crucial reforms around infrastructure for lending as well as land are implemented. Many of these reforms are already in process. The relatively healthy economic growth and good political management of the country provides an adequate platform for this. The World Bank's focus on expanding housing finance markets suggests important opportunities for growth in future. Beyond mortgage finance, there are real opportunities for growth in the housing microfinance sector, which is also receiving policy attention and funding support. High levels of self-build coupled with a vibrant microfinance industry with good links to the formal banking sector, and experimentation with housing, mean that housing microfinance has enormous potential to contribute towards housing the majority.

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Tunisia

Key figures

Exchange Rate: 1 US$*	1,37 Tunisian dinar
Main Urban Centres	Tunis (capital)
Population^	10 374 000
Population growth rate (2005 – 2010)^	1,0
Urban population (% of total) 2009	66.9
GDP per capita^	9 698
GDP growth rate (real, 2010)^	3.7
HDI (Global Ranking)+	0,729 (71)
Unemployment rate^	14,20 (2008)
Population less than US$2 per day°	12.8
Population below national poverty line^	3,8 (2005)
Bank branches per 100,000°	13.64
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	75.2
Mortgages % of GDP°	Not available

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)

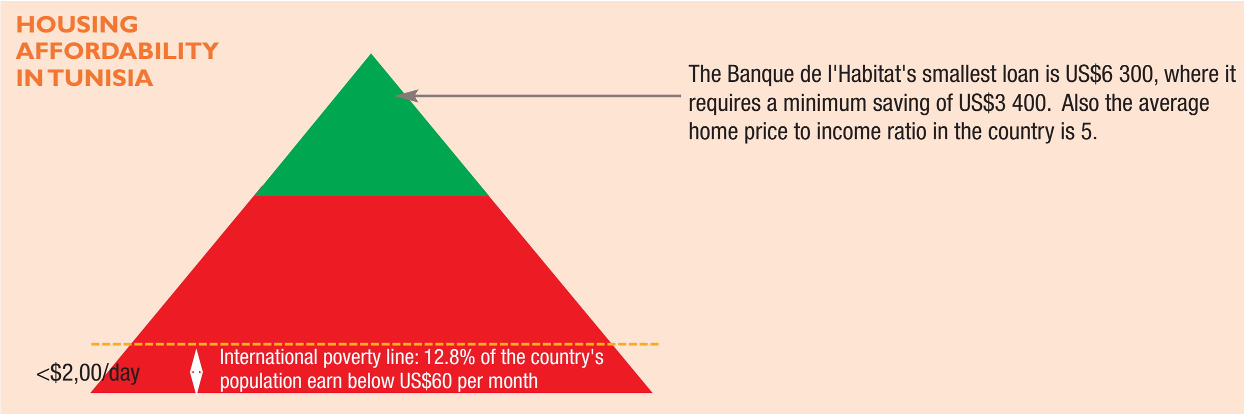
The political uprising that occurred early this year in Tunisia affected the country's economic, social and political stability, changing the country's prospects. The estimated growth rate for Tunisia, set at 3.7 per cent in 2010, is expected to decrease to 1.1 per cent in 2011. On the other hand, the World Bank's 2011 Doing Business report moved Tunisia up to 55th place in the world business climate rankings (from 58th in 2010).

The Tunisian financial sector is concentrated with the 10 largest banks accounting for 80 per cent of total banking assets and 99 per cent of all deposits. Within this, the three state banks, specializing in mortgage lending, agricultural, and tourism lending, accounted for 51 per cent of banking assets. Bank soundness indicators have been improving in recent years, with liquidity and profitability witnessing a significant increase in 2008. However, while the level of non-performing loans (NPLs) has significantly decreased, it remains relatively high at 15 per cent of the total loan disbursed (2008). The level of activity in the microfinance industry is relatively low – according to the MixMarket, in 2009 there were 123 041 microloan borrowers amounting to USD 41.4 million in micro loan disbursements. There are no private credit bureaus in the country; however, 22.9 per cent of the adult population is present on the public registry.

In 2008, the average home financing rate was 5.75 per cent – a variable rate mortgage. Despite this relatively low interest rate, affordability is an issue (the average home price to income ratio is 5), and there is a shortage of housing in the country especially for the low to middle income class. A typical repayment term in Tunisia is about 18 years, and the average loan to value ratio is 65 per cent. There are four social mortgage lending products, three of which are supported by the state's social housing policy: direct subsidies from the state, credit from tax free savings, traditional mortgage loans and social security funds. The recent political crisis had a direct effect on the housing sector, contributing to an increase in land and housing prices. It is estimated that over 77 per cent of the population lives in self owned houses, 8 per cent in rented and leased houses, and the remainder, 15 per cent of the population, live in informal or subsidized houses.

The Tunisian government has been actively involved in the provision of housing to its citizens using various finance mechanism. Some of these mechanisms include social housing being provided by FOPROLOS (a government housing initiative) for the low to medium income citizens; programmes like the government's National Rudimentary Housing Eradication; and the assertion that married women have an equal right to benefit from housing loans by the country's housing bank and the National Security Fund. Limitations in supply are partly attributed to land supply constraints. The limited availability of land and the continuous growth of the urban population have contributed to an increasing land cost. However, the Tunisian government has begun to sell state land to build social housing projects. The policy also encourages vertical (high rise and multi-storey walk-ups) housing projects to reduce the land cost per dwelling, to limit the urban expansion, and to assure the sustainability of natural resources.

Tunisia's housing policy is based on direct state intervention to deliver affordable housing equipped with the basic facilities and infrastructure. A number of specialized public institutions were created such as the Real-Estate National Company (SNIT), the Housing Land Agency (AFH), the National Home-saving Fund (CNEL), the Social Housing Promotion Company (SPROLS), the Urban Rehabilitation and Renovation agency (ARRU). The Housing Land Agency for example,



works to control prices and counter speculation and to supply more social housing in order to combat unregulated self-built housing. The HLA, which covers both the urban and rural areas, provides about 25 per cent of the land needed nationally for housing.

By the end of the year, the property market is expected to pick up, as the country's economy becomes stable again. As microfinance continues to grow in the country, the feasibility for housing microfinance as a financial product is growing.

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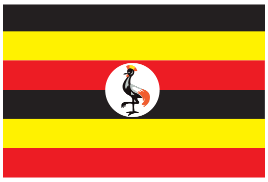
Uganda



Key figures

Exchange Rate: 1 US$*	2800 Uganda Shilling
Main Urban Centres	Kamapala (Uganda)
Population^	33 796 000
Population growth rate (2005 – 2010)^	3,6
Urban population (% of total) 2009	13.1
GDP per capita^	1 422
GDP growth rate (real, 2010)^	
HDI (Global Ranking)+	
Unemployment rate^	3,20 (2003)
Population less than US$2 per day°	75.6
Population below national poverty line^	37,7 (2003)
Bank branches per 100,000°	1.94
FinScope financial exclusion	28%
Lending Interest Rate° (2009)	20.96
Deposit Interest Rate° (2009)	Not available
Credit % of GDP° (2009)	11.2
Mortgages % of GDP°	1
Cost 50 kg bag cement (July 2011) US$•	11.00
Cost of standard sheet of corrugated sheet iron US$•	3.86
Price of the cheapest newly built house, by a formal developer (US$)•	12 000
Smallest size of a formal house (m^2)•	120 – 150

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

Uganda, East Africa's third largest economy has had a decade of strong economic growth, helped on by a robust private sector, liberal policies and a stable macroeconomic environment. Key challenges however lie in transport and energy infrastructure, as well as high unemployment and poverty rates. The economy showed resilience during the global economic downturn and will continue to expand at a reasonable rate, relying on the industrial and services sectors. Uganda also has reputed exploitable quantities of oil, which can boost the economy of the country. Large-scale oil production is predicted to begin in around 2012. The new National Development Plan (NDP) launched in April setting economic plans until 2015 seems to take into consideration revenues and needs emerging from these oil reserves. It plans for increased infrastructure spending, especially in the energy sector. Plans include the building of an oil refinery, an oil distribution network and hydroelectric power projects that would increase energy production by 3,500 mw.

Oil revenues have the potential to pose challenges for the authorities in maintaining macroeconomic stability and curbing corruption, the latter which is currently a considerable challenge to the country. Such revenues will place additional pressure on the current public financial management systems. Like many African central banks, the Ugandan equivalent has been intervening to limit any further appreciation of the shilling as it looks to support economic growth.

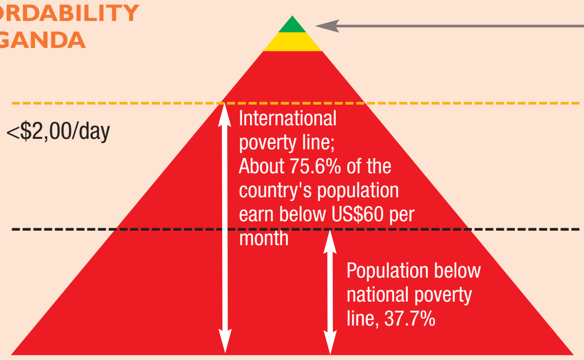
As a result of a decrease in private consumption and reduced demand for the country's main exports, the Ugandan economy in 2010 experienced a weak economic growth of 5.1 percent. However, the growth forecast for 2011 and 2012 has been estimated at 5.6 and 6.9 percent respectively. The growth in the telecommunications, financial services and construction sectors is expected to contribute to the further growth expected.

Access to finance

Uganda's banking sector continues to grow. The number of commercial banks in the country increased to 22, with a total network of 390 branches (including sub-branches and agencies) as at the end of June 2010, from 349 branches at the end of June 2009. In recent years, lending by banks has increased substantially especially given their historical inclination to invest in government securities. During 2009/10, commercial banks' stock of outstanding credit to the private sector increased by 25.0 percent, relative to a growth of 32.2 percent registered in the previous fiscal year. The personal and household loans sector accounted for the largest share of total credit from commercial banks at 21.2 percent. The trade and commerce, building and construction and agriculture sectors accounted for 19.2 percent, 18.6 percent and 6.4 per cent.

After independence in the early 1960's the Uganda government established the Housing Finance Company of Uganda (HFCU), now the Housing Finance Bank (HFB) to provide mortgage finance. This institution, now private currently dominates almost 55 per cent of the market. It made loans and advances to customers of Ushs 149.9 billion (US$ 65.2 million) up from Ushs180.6 billion US$ 78.5 million) a 20.5 per cent growth over the year to 2009. The value of the housing finance book for all the five banks that offer mortgage finance was estimated at UGsh 274 billion (USD 119 million) as at the end of 2008, which is a modest amount. Apart from HFB, the DFCU Bank accounted for 12 percent, Centenary Bank accounted for 15 percent, Stanbic Bank accounted for 14 percent, while Standard Chartered and Barclays Bank accounted for five percent.

HOUSING AFFORDABILITY IN UGANDA



Cheapest mortgage loan by requires a monthly income of US$434. Less than 1% of households earn this amount. The cheapest house, built by a formal developer in 2011, is about US$32 000.

While the mortgage sector has principally been serving the middle and high income earners, many Ugandan banks like their East African counterparts in Kenya and Tanzania are beginning to take an interest in the lower end of the market. The Post Bank for example provides low costs savings accounts and is reportedly operating in the lowest income quintile. Commercial banks like Stanbic Bank Uganda and Centenary Bank have product mix that includes micro-finance services. Nevertheless the sector still has a long way to go as access to financial services is still available only to a minority; the FinScope Uganda survey in 2006 established that over 8.1 million households or about two thirds of Ugandan's are financially un-served.

There is only limited funding for housing developers although the situation is improving. HFB and DFCU are offering financing for project development, covering as much as 80 per cent, with the remainder to be met by the developer themselves. HFB recently re-launched the Construction Mortgage and Commercial Mortgage financing products, having obtained financing estimated to be over Ushs100billion (US$43m). This will be to lend to property developers in the country to put up commercial and residential properties for sale. According to the bank, they are willing to meet up to 70 per cent of the project cost.

Obtaining long term funding for lenders has also always been a challenge in the country although things are improving. Banks rely mostly on their short-term deposits to provide mortgage finance, meaning shorter terms for loan products. The Uganda Securities Exchange while growing is still a small stock exchange by any standards, and has a relatively modest market capitalisation of USh 9.9 billion (US$ 4.4 million). It has nevertheless offered some opportunity for fund raising with over 25 treasury and corporate bonds as well as a number of successful Initial Public Offerings. In January 2010 for example, Stanbic issued a bond for about US $15 million, to be used for long-term liquidity, raising hopes for more readily and affordable mortgages. The Ugandan statutory pension scheme, the National Social and Security Fund (NSSF) on the other hand offers much more potential as a funder. The NSSF is mandatory scheme requiring that employees of medium companies contribute 5 per cent of their gross monthly salary and employers contribute 10 per cent of the total monthly salary to the fund. The NSSF has invested considerably in the finance sectors, acquiring 50 per cent equity in the HFB and holding shares in Stanbic and the DFCU. It is also involved in providing lines of credit for the DFCU bank. The NSSF has however not been involved in direct lending for housing acquisition to its members. The NSSF is complemented by a substantial number of other private pension schemes, pointing to great potential for an even bigger role to be played by pension funds in the housing finance sector. Other sources of long term funding include international credit institutions. The HFB recently launched new mortgage funds that are funded by besides the NSSF, the African Development Bank, the East African Development Bank, the European Industrial Development Bank and the AFD. Recently, the government also announced its intention to provide the HFB with USh 15 billion (US$ 6.5 million). DFCU sources credit lines from among others, the OPEC Fund For International Development (OFID) PROPARCO, Deutsche Investitions (DEG), Kfw Bankengruppe, International Finance Corporation (IFC), the Netherlands Development Finance Company (FMO), European Investment Bank (EIB), the Norwegian Investment Fund for Developing Countries (NORFUND) among others.

Early this year, the European Investment Company granted a 40 million euros loan to five leading commercial banks in Uganda to assist in providing financial support in the areas of small and medium enterprises as well as housing. Also, the Kenya Commercial Bank in Uganda recently earmarked USD 15 million to address the increasing need for mortgage facilities in the country. KCB Uganda has staked about $15 million as it focuses at addressing the increasing need for mortgage facilities in the country. The strategy is in the form of a partnership between property development through which Ugandans can own homes at affordable and negotiated rates. In addition, Uganda is set to also access funding from Shelter Afrique at an interest rate of below 10 percent to improve its housing sector.

Recently, the economic slump in developed economies curtailed the flow of remittances from abroad with consequences to the property market. Ugandan diaspora remittances which account for 7 per cent of GDP data suggests more than halved in 2009. This is a short term problem however, and should change with improved economic conditions abroad. More effort to create housing finance products to take advantage of this high potential source of funding needs to be made.

Uganda has fairly diverse, well established and growing microfinance industry. According to MixMarket, in 2009 432 440 consumers received a total of USD 313.6 million in microloans. Also loans owing to Micro Finance Deposit taking Institutions (MDIs) increased by 18.4 percent year on year to August 2010. Net loans and advances by Centenary Bank, one of the largest microfinance banks in the continent, increased by almost 20 per cent between 2008 and 2009 with profit after tax up 15 percent (it did experience greater non performing loans however increasing by over 120 per cent). Some of these organisations have been experimenting with HMF. With support from the Stromme Foundation and Habitat for Humanity Uganda (HfH), a number MFIs are piloting housing micro-finance products in which they will lend to low income earners up to UShs 8 million (US $ 3,478), payable between 2 to 5 years. HfH directly issues home improvement loans to low income earners through two of its branches in Luweero and Masindi. These are disbursed in cash at an average loan amount of US $ 805 payable within 2 years at in interest rate of 2 per cent per month. It is also funding UGAFODE. In 2007, it injected US $ 190 000 as a housing microfinance fund to start the UGAFODE home improvements product. Uganda Microfinance Limited is another microfinance institution in the country also providing home improvement loans. Centenary Bank also provides home improvement loans. This is a short-term consumer loan designed for regular income earners to finance home improvement project, purchase land, construction, renovation and installation of energy, water and purchase of furniture and recreational equipment. Over 100 NGOs and 700 SACCOs also likewise offer microfinance. Some such as Pride Microfinance and Womens Finance Trust for example have been providing loans that have indirectly gone to house construction.

In December 2008, a Credit Reference Bureau was launched in Uganda. The CRBS, operated by CompuScan, a South African firm, delivers a biometric (body)-based customer numbering system for each borrower, while the Bank of Uganda (BOU) issues and supervises its operations. The cards have particulars of the borrowers' debt profiles and repayment history enabling lenders to make informed lending decisions. In the long run, this should support and enhance the lending industry in the country. The Bank of Uganda sees it as a means of reducing the risk on lending and ultimately making loans more affordable, given the very high interest rates in the country. In March 2010, the Government awarded a contract to a German Firm; Mühlbauer High Technology International to develop a comprehensive national identification system. This if fully implemented should also make lending in the country less risky. However, according to the World Bank, in 2011, private credit bureaus only have credit information for 1.1 per cent of the country's adult population.

Affordability

Of the products on offer from commercial banks, typically a deposit of 20 per cent is required and terms range from 5 to 20 years. Products cover house construction, new home acquisition as well as house improvement. There is a recognised shortfall of affordable housing in the country. Most houses built by real estate companies range between Shs80 million (US $34800) and Shs564 million (US $245,217). The National Housing Construction Company Ltd (NHCCL) builds units in the range of UShs58 million (US$25,000) and UShs158 million ($68,700) and on its own admission is yet to "realign itself" to constructing more affordable housing units in the range of UShs15 million (US$6,520) and UShs30 million (US$13,000).

The cheapest house available on the market in 2009 was $12 000; more recently houses are in the region of about $32 000. In 2010, it was reported that the cheapest housing loan products by commercial banks require at the very least, an individual have a monthly salary of at least UShs 1 million (US $ 434) to qualify for a mortgage. Less than one per cent of households qualify for this. Further, results from the 2005/6 National Household Survey for example estimated the combined monthly average household income in Uganda is UShs 170,891 (US$ 74). Finally, more than 75 per cent of Ugandan's fall below the international poverty line, earning less than US$ 2 a day.

Uganda has high lending interest rates as well as interest rate spreads, as high as 13 per cent in June 2010. These rates have also restricted affordability in the country. There has been some government intervention seen as useful in addressing this. This includes increasing capitalisation of Uganda Development Bank by UShs 20 billion (US $ 8.7 million) in the past 2 years, which has allowed it to have lower rates than those of commercial banks, to assist small and medium investors. The government also has a policy of supporting Savings and Credit Cooperative Societies (SACCOs) and is encouraging new entrants into the commercial banking sector after a moratorium on licensing them. Finally, to improve affordability, the government provides serviced land for the poor to initiate self-help projects for example in Masese Project in Jinja, Makhulu Project in Mbale, Oli Project in Arua and the Mpumudde Project in Jinja.

SACCOs and microfinance institutions also improve affordability among the lower end of the income spectrum. According to Kalema at al (2008) out of 5.2 million households in the country, an additional 19.95 per cent can access housing micro-finance loans through Micro-finance Deposit taking Institutions, 7.2 per cent can access loans from Micro Finance Institutions and Savings and Credit Cooperatives, and another 10.3 per cent can only access loans through Savings and Credit Cooperatives. Nevertheless despite this, 62.3 per cent of Ugandans have no access to financial services.

Housing supply

There are various estimates on the housing shortfall in Uganda, and they range from 550 000 up to as high as 1.6 million housing units. What is clearer is that formal supply is not keeping up with the demand. This is because Uganda only has a few well capacitated formal housing developers. The largest developer is the NHCCL, which according to it, has the capacity to develop as many as 4 000 units per year, although in 2009, it only put 900 units into the market. There has been, in recent times, entry of a number of larger developers both local and foreign such as the Kensington Group from Dubai UAE, Pearl Estates, Nationwide Properties, Akright Properties and more recently Highland Heights. These developers only contribute a modest number of units, largely to the middle to upper income categories. At the lower end of the income spectrum, the government in conjunction with donors such as Danida as well as UN Habitat is involved in a number of local housing initiatives with women's groups as well as for slum upgrading. Recently for example, UN Habitat in conjunction with the government and DFCU bank launched a low cost 15 year mortgage project worth Ush 5 billion (US$ 2.1 billion) in Tororo Municipality. These efforts are however largely localised and do not adequately cater for larhe numbers at this end of the income spectrum.

Other projects of note that have been announced include funding by DFCU using a credit line from Norfund for a project for 2,000 low cost houses using prefabricated technology, to be developed by Akright Projects. Akright also plans to construct 4,000 new houses in the next five years in Kampala and Wakiso Districts, each costing bout USh47 million ($25,000) or less, on 20 year mortgages. The NHCCL on its part is planning to build 8, 728 housing units by 2014. Iranian investors launched a Shs 600 billion (USh$ 260.8 million) investments named Haba Nace consisting 4,000 housing units in Bwebajja, on Entebbe Road. Nationwide Properties, a real estate venture between Property Services and Mukwano Industries is constructing another 1,300 up market residential houses estimated to cost about Shs282 billion (US$122 million), at Butabika Hill, in Kampala.

Ultimately most Ugandan's self build. This includes the poor (over 60 per cent of Kampala's population lives in slums), but among the higher income earners as well, where a culture of incremental build using savings as well as loans from SACCOs and more recently micro financiers has been established.

Uganda towns have also been a source of constant worry with regard to the lack of effective physical planning and the sprouting of unplanned and haphazard development. The construction industry in the country also lacks professionalism and expertise at times. The extension of infrastructure to developable land has likewise been slow and hindrance to greater housing supply because of time delays, as well as the additional cost placed on developers, which is eventually passed on to the consumer. One of the reasons land costs have more than doubled over the last decade for example is because of the inability to expeditiously develop land due to these delays and a lack of finance.

Property markets

Like its East African counterparts in Kenya and Tanzania, it has experienced a building and construction boom described as being in the "take off stage". Kampala's residential market has seen the rapid growth with construction of various housing estates, apartment blocks and townhouses in older residential areas as well as new suburbs being opened up. Housing stock is also being improved and increased. Overall, greater lending by financial institutions to the building and construction sectors was registered, with loans outstanding increasing by an average of about 40 per cent year on year between 2008/2009 and 2009/2010. Contribution of the sector to GDP has also been growing year on year over the same period, by around 10 per cent to currently stand at 13 per cent. This increase in supply has however not solved the problem of a shortage of affordable well located good quality housing. As a result of the increased inflation in the construction sector, which rose to 19 per cent for the year ending in April 2011, the housing deficit in the country is expected to increase. The major contribution to the inflation were building materials – cement prices climbed to 10 per cent, timber prices rose up by 11 per cent, iron and steel by 16 per cent while electrical wires rose up by 29 per cent.

Policy and regulation

In 1992, the government instituted a National Shelter Strategy to put in effect constitutional land reform aimed at improving ownership, security of tenure and management of land, and the divestiture of government of physical housing of civil servants. Steps taken by the NSS did leave some gaps however. These include the effective utilisation of land use planning and enforcement of development standards and regulations, and the provision of development plans of urban and local authorities' primary infrastructure and services. The NSS also did not address the housing needs of the urban poor sufficiently. Also, the government did not assess civil servants readiness and ability to house themselves. In 2005, a reviewed and draft National Housing Policy was prepared. It unlike the previous policy addressed among others the affordable housing needs for low income earners, including as priorities slum upgrading, enforcement of minimum standards that will prevent overcrowding and the improvement of standards of living of the urban poor. The policy also recognizes the role of the private sector in the provision of housing on a commercial basis. The policy is yet to be fully adopted.

Uganda has a system of non judicial foreclosure, often considered more useful for developing mortgage markets. There is however concern among mortgage lending institutions that proposed amendments of the Mortgage Act will force the foreclosure process to be administered through the court system, which is overloaded, understaffed and slow. Uganda suffers from a very inefficient land administration and registration system that curtails the development of the mortgage market. The Financing Homes Database of the IFC scores it very low places in the registry inefficiency index, as it takes an average of 227 days to register land in the country, making it one of the worst performers in Africa. The registration system has also limited reach with a large percentage of Uganda's land, as high as 80 per cent remaining untitled. The Land Act it has also been commented does not allow for smooth transfer of titles because of its protection of occupiers of land who also often appeal to political authorities. Uganda has four tenure systems; mailo, customary, freehold and leasehold and also a number of informal occupancy mechanisms. The fragmented nature of these tenure systems has contributed to the poor control and enforcement of urban development.

There is a draft land policy that has been published to resolve these and other long standing land problems. It will be interesting to see whether it is adopted and how soon this happens, given the traditionally contentiousness of land in the country.

More positively, to deal with the problem of a lack of adequate physical planning, a Physical Planning Act 2008 was passed by the parliament, which repeals the outdated Town and Country Planning Act and is intended to resolve many of the planning problems. Further, central government is taking this issue seriously, and has suggested the unprecedented step of taking over the administration of the capital and other major cities, although the wisdom of this can be debated. There has been a gradual reduction on VAT on the sale of property from 18 per cent to 5 per cent. In the 2009/10 budget, this remaining charge was abolished, and developers exempted from paying Value Added Tax (VAT).

The construction boom that has happened in the country has not always been exploited by the tax collector, and the incomes associated with it, especially tax on rental and VAT go uncollected. This has been attributed to the informal nature of the business, the poor or non existent property and business registration system, and the absence of an organised physical address system complicating traceability. Greater regulatory coverage of the largely informal building sector is required to ensure that it contributes meaningfully to the government fiscus.

Opportunities

Continued macroeconomic stability has sustained economic growth and created a suitable investment climate in the country. With this has come an unsatisfied demand for housing, especially at the affordable housing segment, to cater for the growing middle class and lower income groups. This is a definite area for growth and opportunity. The mortgage market is still in its infancy and it can accommodate many more players, as has been illustrated by the entry of new comers such as Stanbic Bank and Standard Chartered. Microfinance is well established in the country, including housing microfinance lending practices. This is an area of enormous potential given the established market for microfinance and pre-dominance for self-build.

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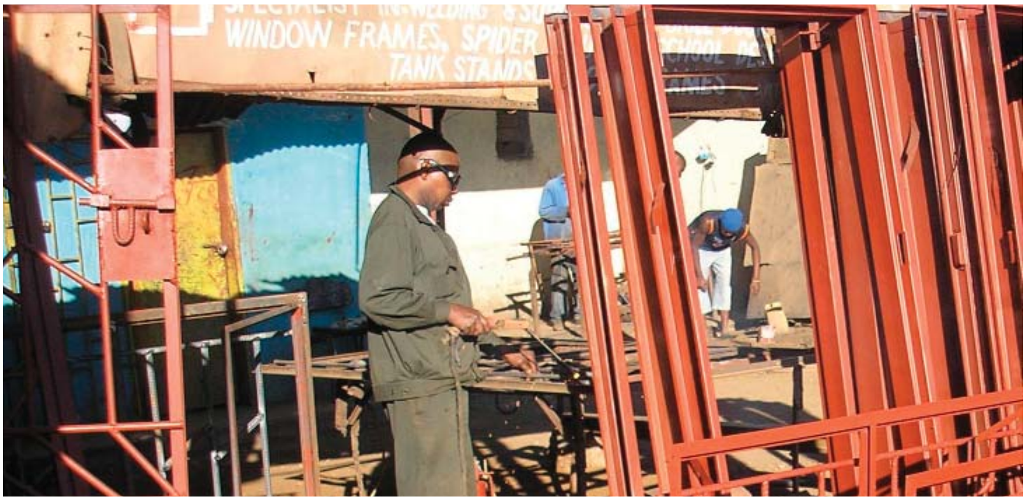
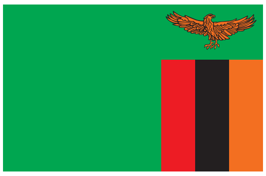
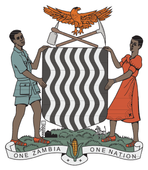

WINDOW FRAMES, SPIDER
TANK STANDS

Zambia





Key figures

Exchange Rate: 1 US$*	4970,15 Zambian Kwacha
Main Urban Centres	Lusaka (capital), Ndola, Livingstone
Population^	13 257 000
Population growth rate (2005 – 2010)^	2,6
Urban population (% of total) 2009	35.5
GDP per capita^	1 703
GDP growth rate (real, 2010)^	6.6
HDI (Global Ranking)+	0,429 (123)
Unemployment rate^	12,90 (2000)
Population less than US$2 per day°	81.5
Population below national poverty line^	68,0 (2003)
Bank branches per 100,000°	3.54
FinScope financial exclusion	63%
Lending Interest Rate° (2009)	22.06
Deposit Interest Rate° (2009)	10.02
Credit % of GDP° (2009)	18.5
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$	11.50
Cost of standard sheet of corrugated sheet iron US$	10.32
Price of the cheapest newly built house, by a formal developer (US$)•	81 914
Smallest size of a formal house (m²)	85

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
\+ UNDP (2010)
• In-country responses

Overview

Zambia is a mineral-rich country, the largest producer of copper on the continent. With an average GDP growth rate of 5.6 per cent over the past decade, Zambia has achieved relative macroeconomic stability, and this year was re-classified by the World Bank as a middle-income country, with a GNI of between $1006 and $3975 per year. The country is increasingly a destination for foreign investment due to its positive economic indicators, and its burgeoning mining industry, however its dependence on copper makes it vulnerable to global demand fluctuations. The mining sector grew by 7.4 per cent in 2010. The agricultural sector is the largest contributor to Zambia's GDP, growing by an estimated 7.6 per cent in 2010, in part due to a bumper maize crop. The agriculture sector is estimated to drop in the next couple of years – still, more than a third of Zambians earn their livelihoods in this sector. The forecasted GDP growth for 2011 and 2012 are 6.5 per cent and 6.7 per cent, respectively.

Access to finance

General access to financial services remains low. According to FinScope™ 2009, 86% of adults are unbanked, and 63% of adults use no financial products at all to manage their financial lives. Seventeen per cent use products from non-bank financial service providers, who provide services that banks cannot or do not provide and 22 per cent use informal products. Finscope found that more people save informally (17 per cent) compared with those who save through formal channels (10 per cent). The extent and use of housing finance is even more limited.

Banking services have expanded with Ecobank, Access Bank and First National Bank invested in Zambia in the past year. Not all of these offer housing finance services. While there have been indications of intent to expand into mortgage business by banks, the dominant lenders such as Barclays Bank, the Finance Bank and Building Society, Pan African Building Society, and Zambia National Building Society all have small loan portfolios. More recently, Standard Chartered Bank launched a mortgage product.

Use of alternative forms of finance such as housing microfinance remain relatively low, partly explained by the fact that relative to other African countries, Zambia's microfinance markets are still young. Moves to remedy this include legislation specifically meant to encourage microfinance lending. That said, Pulse Financial Services Limited, a registered micro lender, has recently introduced home improvement loans targeted at home owners and entrepreneurs. Applicants need to have legal title of the property, regular income through employment or own business, and must participate in compulsory savings. Investors in the initiative include a wide range of DFIs and global NGOs: Desjardins Developpement International, Care, Blue Orchard, Africinvest. Partners include the African Development Bank Group, FMO, the Canadian International Development Agency, and Triple Jump. According to MixMarket, in 2009 a total of US$6.5 million worth of microloans were disbursed to approximately 31340 consumers in the country.

Zambia saw the establishment of its first credit bureau, formed by the bankers association in 2006. In 2008, the Bank of Zambia made it mandatory for banks and other financial service providers in Zambia to go through the credit reference bureau before a loan is provided. The system has limited coverage, however. However, According to the 2011 World Bank Doing Business Survey, it provides only very limited coverage, 3 per cent of the population as at 2011.

Affordability

Affordability levels for conventional housing finance are low. Only 14 per cent of urban adults earn a salary or wage from a company or business, undermining access to mortgage finance even further. Stringent terms such as high deposit requirements (as high as 20 per cent) and relatively short loan terms, (for example four years offered by the Zambia National Building Society) make it difficult to afford mortgage finance for housing. Further, due to the general unavailability of mortgages, many finished units require payment in cash. The National Housing Authority (NHA), for example, typically requires a 50 per cent deposit and 12 months settlements of the balance, for purchase of its units to the general public. In 2010, a low-cost two bedroom unit was advertised at US$45 000. Affordability of such a unit, even to a registered nurse typically earning less than US$4 000 a year, would be extremely difficult. This year, the cheapest new house sold by the National Housing Authority was advertised as $81 914. This is described as a "medium cost" detached, 85m^2 house with concrete roof tiles. The NHA does not have a quote for "low cost" houses. NAPSA prices are higher, starting at $91 500 for a maisonette, up to $166 000 for a townhouse.

The government has made efforts to improve access and affordability. In 2007, it launched a programme to construct 7 200 housing units (100 low-cost housing units in every district) throughout the country using the NHA. An initial K2 billion (about US$408 000) was released for the construction of these units in five districts. While commendable, these numbers are modest given the backlog, and again the units are often too expensive given local affordability levels. More promising has been the use of pension funds to fund more accessible and affordable housing finance products. Historically, the relatively small size of the pension industry (assets amounting to less than four per cent of GDP), legislative framework ambiguity, and the risk averse nature of the industry has limited its activity in housing. This seems to be changing: the first housing bond on the Lusaka Stock Exchange was issued in 2008 by the National Housing Bond Trust, with the intent of harnessing capital from pension funds to channel into affordable housing development. The Trust has also helped to facilitate the process of obtaining land from City Councils (initially Lusaka, Kitwe, Chipata and Livingstone). Other efforts at raising capital for onward lending include Shelter Afrique's US$2.5 million line of credit granted the Finance Building Society of Zambia to on-lend for mortgages.

Housing supply

There is a definite shortage of housing supply in many urban centres in the country, but particularly in rapidly growing towns in the Copperbelt and North Western province where there has been a resurgence of mining activities.

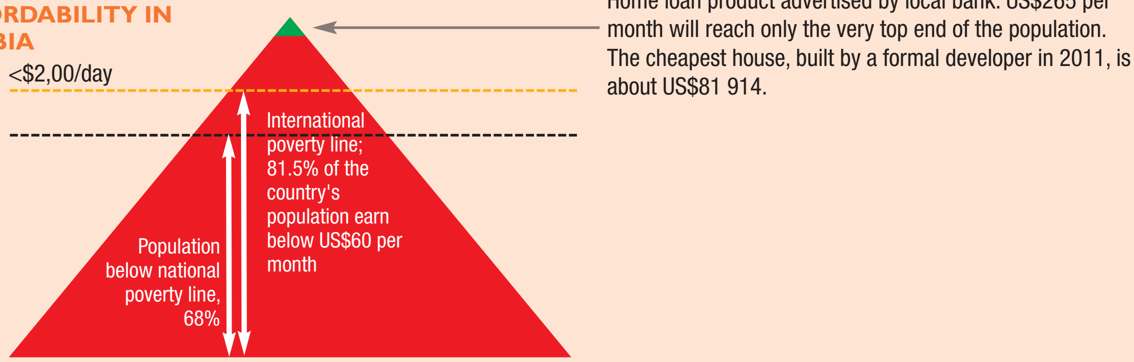
The National Housing Authority builds low, medium and high cost houses, provides serviced plots for sale, and supports municipalities in their town planning obligation. The National Pension Scheme Authority also develops houses for sale. Both target middle and upper income housheolds.

Middle and high-income housing is also getting attention from the private sector. A 104 ha mixed-use residential and commercial development six kilometres outside of Lusaka will involve housing for an estimated 500 to 1000 residents on 137 low, medium and high density plots. Launched in April 2011 by the Zambian President, the development is being promoted as the first ever mixed-use development of its kind in Zambia. Backed by the Zambian Development Agency, the development is being implemented by Renaissance Partners together with the CPD Investments Group. It will involve residential houses and town houses, as well as business and commercial establishments, a light industrial area, offices, community facilities and extensive parks and open spaces.

Resale housing stock in Zambia limited, especially given that 80 per cent of Zambia's total housing stock is classified as informal. Lower-income groups have a greater problem in obtaining affordable housing, as this end of the market has little formal development.

NGO players such as Homeless International are involved in helping to fund housing efforts of the very poor. The People's Process on Housing and Poverty in Zambia (PPHPZ), and UK-based Homeless International have worked with the Zambia Homeless and Poor People's Federation to mobilise 39 000 urban poor families into the Federation, to secure land in six towns, and to sign a Memorandum of Understanding with the National Housing Authority to commit land to Federation members. While significant, these efforts are still small compared to the need.

HOUSING AFFORDABILITY IN ZAMBIA



Property markets

There is enormous potential for residential housing in Zambia and sentiment is positive. For example, a large cement manufacturer recently identified Zambia as a prime untapped market. The shortage of quality housing at the higher end of the market is also driving several developments of modern cluster-style homes particularly in the south of the city of Lusaka. According to Knight Frank (2011), this delivery is expected to plateau by mid 2011, as a result of over-supply.

Policy and regulation

The limitations to mortgage finance are apparent in this country where more than 60 per cent of the population hold only informal title. The country's title registration systems is however improving. According to World Bank's Doing Business Report (2011), it takes on average 40 days to register a property in the country while the cost of the registration process is approximately 6.6 per cent of the property's value.

Zambia has targeted its land administration system to some success. Acknowledging this informality, the Housing (Statutory & Improvement Areas) Act is progressive land tenure legislation that allows for incremental and flexible housing development. This is especially suitable for building methods financed through housing microfinance. In fact, progressive land laws and the low reach of conventional forms of housing finance create enormous potential for housing microfinance. The planning legislation in Zambia's urban centres is also undergoing substantial revision and an Urban and Regional Planning Bill was presented to the Ministry of Local Government and Housing in late 2009 for final approval. This is especially important given the limiting effect of urban management legislation in allowing for sufficient supply of well-serviced land. The Zambian judiciary is undergoing substantial reform to ensure that it is faster, more secure and transparent. Significant challenges remain in reforming laws in other areas, however – in particular, the need to improve legislation around collateral and credit recovery.

Opportunities

Zambia's relative political stability, recent economic growth, spurred by a rise in mineral prices, and growing middle class means that housing demand should continue to grow in major urban areas around the country. Progressive legislative reform around the land sector suggests that mortgage markets should have a supporting land administration system to sustain their growth. Demand is especially unmet in the affordable housing segment, which presents good opportunities. Zambia has a relatively undeveloped microfinance sector by regional standards. HMF lending in the country needs specialised and dedicated institutions rather than merely using traditional microfinance institutions as a platform for this type of lending.

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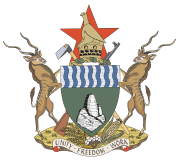


Key figures

Exchange Rate: 1 US$*	1 US Dollar
Main Urban Centres	Harare (capital), Bulawayo
Population^	12 644 000
Population growth rate (2005 – 2010)^	0,3
Urban population (% of total) 2009	37.8
GDP per capita^	256
GDP growth rate (real, 2010)^	8.2
HDI (Global Ranking)+	0,181 (135)
Unemployment rate^	4.16 (2004)
Population less than US$2 per day°	Not available
Population below national poverty line^	34,9 (1996)
Bank branches per 100,000°	2.84
FinScope financial exclusion	Not available
Lending Interest Rate° (2009)	Not available
Deposit Interest Rate° (2009)	6.87
Credit % of GDP° (2009)	79 (2006)
Mortgages % of GDP°	Not available
Cost 50 kg bag cement (July 2011) US$•	10.00
Cost of standard sheet of corrugated sheet iron US$•	4.2
Price of the cheapest newly built house, by a formal developer (US$)•	6 – 10 000
Smallest size of a formal house (m^2)•	25

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
+ UNDP (2010)
• In-country responses

Overview

In 2009, the country's economy began to recover after a decade long of poor economic performance. The emergence of the Government of National Unity, and the improvement of the political and macroeconomic conditions, have together contributed to an increase in the country's GDP growth rate. The GDP growth rate for 2010 was estimated at 8.2 per cent and the forecasted rate for 2011 is 7.8 per cent. The two drivers of the economy have continued to increase their outputs: the agriculture sector grew by 15 per cent in 2009 and 34 per cent in 2010, factored by the increase in tobacco production, while the mining sector grew by 8.5 per cent in 2009 and 47 per cent in 2010. The multi-currency system the country adopted to address the country hyperinflation, resulted in the inflation rate to fall to 7.7 per cent in 2009. The year on year inflation rate in 2010 was estimated at 4.2 per cent, while the forecasted inflation rate for 2011 is 5.9 per cent. The change in food prices in 2011 could greatly affect this eventual rate for 2011.

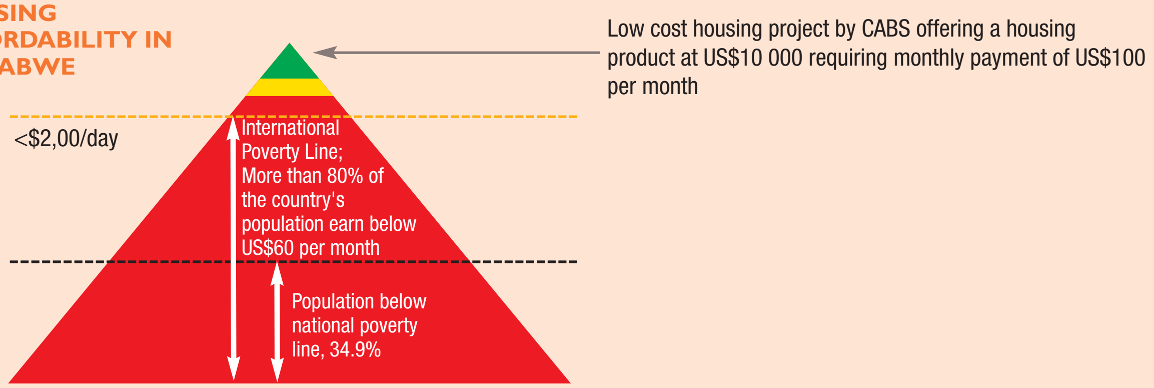
Access to finance

According to the Bank of Zimbabwe as at January 2011, there were 155 financial institutions in the country of which 15 are commercial banks, 4 are building societies and 114 are microfinance institutions. The housing finance sector is experiencing liquidity constraints due to low investment in Zimbabwe and low deposit levels in the banking sector. For example loans by building societies' in 2010 had an average loan to deposit ratio of 60.89 per cent, merchant banks 91.36 per cent and commercial banks 61.97 per cent. As at December 2009, there are 10 pension funds registered in the country, with a total capital balance of US$778.4 billion; the prescribed assets by pensions are however not utilized for housing purposes.

Housing finance in Zimbabwe had a strong tradition of financing through building societies including the Central African Building Society (CABS) (now part of the Old Mutual group), Commercial Bank of Zimbabwe (CBZ) Building Society (formerly Beverley Building Society), FBC (formerly Zimbabwe Building Society) and ZB Building Society (formerly Intermarket Building Society) although the commercial banking sector also offered mortgages. Building societies had also captured the largest share of deposits in the country exceeding commercial banks and even the POSB. Access to housing finance was generally confined to the middle- to higher-income earners through these building societies and banks. Nevertheless some, including CBZ had begun to make inroads into lower-income segments. Some building societies rather than engaging in their core business of providing loans were providing only short-term credit for a couple of weeks. Appetite for borrowing had also become subdued because of high inflation and interest rates. According to the Bank of Zimbabwe, inflation in 2010 ranged between 12 per cent and 18 per cent while in 2011 the bracket became wider, with the lending rates ranging between 10 per cent and 20 per cent.

Currently, trading conditions have improved following the reduction of inflation and there is a gradual turnaround in lending activities, although much more cautious, and with observance of strict lending criteria. Obtaining money for long-term financing by finance retailers is still difficult. This is because of a general lack of liquidity in the economy

HOUSING AFFORDABILITY IN ZIMBABWE



borne out of, among other reasons, low economic activity, insufficient foreign direct investment, the drying up of external lines of credit, and a generally low deposit base. The Zimbabwean credit markets have also been operating without a lender of last resort or a functioning interbank market, making banks more cautious when lending. Total credit provided by the financial sector increased from US$ 645 million in 2009 to US1.4 billion by December 2010, accounting for 30.15 per cent of the GDP(PPP). Also lending to households increased from US5.9 million in 2009 to US96.7 million in 2011, accounting for only 7.5 per cent of total credit. According to the Zimbabwe Economic Monitor, the level of non performing loans rose from 3.1 per cent in 2010 to 34 per cent as at February 2011,

Zimbabwe had a vibrant and growing microfinance sector and SACCOs, whose services significantly dwindled, and for many ceased from 2004. Again this was because of the difficult economic conditions. Some operating in lower-income markets had their loan books completely wiped out. According to the Zimbabwe Association of Microfinance Institutions (ZAMFI), the decline began in 2007 by the end of which there were still 309 institutions licensed as microfinance service providers, which by 2011, decreased to 114. The microfinance business has, however, regained profitability, and demand for microfinance is now high, including according to one investigation, housing microfinance loans of between US$2 000 and US$ 10,000. Owing to the regained profitability, CBZ is diversifying its product range to include low-income housing finance for incremental housing as it resumes lending operations. Some initiatives are underway with international NGO support. Rooftops Canada is working with the Swedish Cooperative Centre and SIDA to support the Zimbabwe National Association of Housing Cooperatives (Zinahco) with technical and financial support so that it might increase its housing micro lending, and housing support services.

The government was traditionally involved in creating greater access to housing finance, including through the National Housing Fund. The fund is channeled to local authorities by the Ministry of Public Construction and National Housing. The authorities then use it to both build top structures as well as site infrastructure. This changed with local authorities providing only serviced sites and onwards selling them. This had affordability ramifications as the plots were sold on a cost recovery basis and were not affordable to the majority. Today, municipalities have seen their capacity to provide housing and plots with basic services significantly eroded and many are unable to provide land with installed basic services or access roads. The second financing institution used by the government is the National Housing Guarantee Fund, which provided guarantees for housing loans for civil servants. The considerable Zimbabwean Diaspora also plays an important part in funding housing locally. Products have been introduced to take advantage of this, for example the Reserve Bank of Zimbabwe's Homelink product. The country needs to build a credit information database. It has a zero depth of credit information index at present, with no functional public or private credit registries.

Affordability

Zimbabwe is one of the few countries on the continent to register falling per capita incomes in the last few years – In 2009, the GDP per capita reduced from 449 in 2009 to 256 in 2010. This has affected affordability significantly. The cost of money has also been prohibitive for a long time. There has been a shortage of any form of long-term financing since 2008, and retail lending is only just resuming, a substantial part of which still remains for short terms. However according to the Association of Building Societies in Zimbabwe, the long term house lending picked up in August 2010 – between August 2010 and April 2011, a total of 3000 home loans were disbursed, which were valued at US$104.6 million, with about 7 per cent of the total value accounting for low income housing. The lending rate for housing purposes varies across all market players; for example, the lending rate used by building societies is averaged at about 12 per cent, while for unsecured lending 35 per cent. CABS has just resumed mortgage lending for terms of up to 10 years at 15 per cent (August 2010), per annum for both medium to low-density borrowers and high density borrowers respectively with a threshold of 25 per cent of repayment to income ratio required to service the loans. The loan to value ratios across all building societies ranges between 60 – 75 per cent. Lender deposit bases are still thin, which is limiting lending activities and directing their attention to long-term sources of funding outside the country. In the current market, US$3 500 would buy a serviced stand in low-cost areas. With another $6 500 to build a one room housing unit, the total cost would come to about $10 000. A loan of about US$12 000 to US$15 000 would buy or build a core house in a low-cost area. This is still out of range of most Zimbabweans, where 69 per cent lived below the Food Poverty Line and 80 per cent below the Total Consumption Poverty Line in 2002.

Housing supply

According to Knight Frank (2011), as a result of the low supply of housing units, there is a high demand for rental properties – however the low incomes of most consumers in the country hamper prospects. The Ministry of Local Government estimates that about 560 000 units across all housing market segments were added to the housing stock between 2000 and 2010. According to the National Housing Policy document, as at December 2010, the housing backlog was estimated to be over 1.25 million units, up from an estimated 500 000 units at independence in 1980.

Self-build is the most common method of construction, as formal housing provision, mainly dominated by the public sector, has been unable to supply sufficient units. State production generally fell short of the annual target of 162 000 units between 1985 and 2000. The relative housing supply to demand ratios for 1990, 1995, 2000 and 2005 were 7.5 per cent 2.6 per cent, 0.3 per cent and 0.2 per cent respectively. Self-build suffered a major setback with the large-scale evictions of Operation Murambatsvina in 2005, during which 700 000 people were evicted in urban centres. While many of the structures were indeed illegal, much including backyard accommodation that was of reasonable quality. This has also placed urban inhabitants in a dilemma because of the limited alternatives available. The government did embark on a reconstruction programme after the eviction, named Operation Garikai/Hlalani Kuhle, which sought to promote large-scale delivery of low-cost housing. Less than 4 000 units have been completed, however. Further, there is a problem of a lack of basic services in some of these houses. Tension has thus developed between local authorities and central government because properties have failed to come up to the required building codes and standards, making many of them illegal.

Land, infrastructure and basic supply of services have become major issues in urban areas. This shortage of serviced land continues to hinder housing development activities, including by the private sector. By 2002, only 5 500 plots were being released in eight major urban areas, compared to an estimated annual demand of 250 000. This has led to stalled projects, and increased the costs of others where the infrastructure investment was made by the developer.

Housing co-operatives are significant suppliers of housing. Originally, formed by low-income groups, they gradually gained relevance with middle- and high-income groups. About 2 000 co-operatives with over 200 000 members are registered, although in reality only around 500 are functional. The co-operatives were initially supported by the umbrella organisation, the Housing People of Zimbabwe, which provided technical assistance for institutional development and housing construction. Today, a more active umbrella organisation is the Zimbabwe National Association of Housing Cooperatives (Zinhaco) with more than 1 000 co-operatives. Among the things Zinhaco has been working to change is building standards which dictate that hookups to public services must be in place before an owner begins to build a home. Another player is the Zimbabwe Homeless Peoples Federation (ZHPF), which is a member of Shack Dwellers International (SDI). SDI is an international network of grassroots organisations created to assist the poor, whose basis is savings groups formed by individuals from low-income households. ZHPF with branches in Mutare, Harare, Gwanda, Victoria Falls and Karoi has been operating for more than 10 years and has about 30 000 families as members mobilised into 330 savings groups. ZHPF is supported by the Harare-based NGO Dialogue on Shelter. ZHPF and its supporting NGOs are involved in obtaining land for housing as well as secure tenure. While providing useful and needed help for low-income communities, none of these organisations have developed sustainable financial mechanisms to provide credit for members.

Property markets

The prevailing liquidity crisis has seen property prices stagnating despite rising demand. This is especially so at the higher end of the market. The sector will take time to recover, as the availability of money in the economy remains low as financial firms continue recapitalising operations. The significant levels of poverty will also keep the market subdued for some time. Zimbabwe has relatively good housing stock compared to other African countries. Almost 70 per cent of this housing stock is made of durable materials, ranging from higher-end flats and townhouses to the detached and semidetached housing found in lower-income communities. According the Central Statistics Office, shacks comprise only three per cent of housing, although this has grown significantly because of rising poverty in the country. Nevertheless existing stock has decayed considerably. Compared to its neighbouring countries, the property registration system in the country is efficient; on average it takes 31 days to register a property in the country, while the registration process costs approximately 8.5 per cent of the property's value.

Policy and regulation

Greater policy and regulatory certainty is required, firstly around rights over holding of property both land as well as other forms. Secondly, the general regulatory hostility towards self-build impedes incremental housing methods for the poor. The Town and Country Planning Act 1976, for example, was the legal basis for the enforcement of notices authorising organs of state to demolish structures and evict people during Operation Murambatsvina. Onerous urban housing standards have also been cited as a hindrance to housing affordability. The National Housing Convention in October2009, which the government participated in, recognised this and highlighted that relevant laws need to be enacted to resolve this issue. Urgent measures to support the resumption of lending in the finance industry are needed, particularly lending that was reaching the lower end market such as microfinance. It's crucial that the government focuses on creating an enabling environment for housing finance including prudent macroeconomic management to get the economy going once again.

Opportunities

There is definitely a renewed sense of optimism in Zimbabwe after a protracted difficult period during which formal housing finance activities came to a virtual standstill. The microfinance industry was also severely affected, and there are currently calls for donor-driven recovery packages as well as deliberate government incentives to revitalise the industry. Zimbabwe had a history of a relatively substantial amount of mortgage lending to higher-income earners meaning the basic infrastructure is in place. This should work to its advantage. Already, a number of players in the industry have resumed limited lending, although constrained by liquidity levels in the country. There is an important opportunity for housing microfinance. The high levels of poverty, the established base of microfinance lending that historically took place in the country, and rising demand create the right conditions for this. A number of microfinance providers have already recognised this. Political buy-in for incremental building methods seems to be making some progress, and this needs to be backed up by regulatory reforms.

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The West African Economic and Monetary Union, WAEMU (UEMOA)

Overview

The West African Economic and Monetary Union (Union Economique et Monétaire Ouest Africaine, UEMOA) is a regional organization of eight West African countries (Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo). They share the same money, West African francs (FCFA), monetary policies, and official language (French). The objective of the union is to promote regional economic integration and create a common market. Benin, Cote d'Ivoire, Guinea Bissau, Senegal and Togo are situated on the Western Coast of West Africa whereas Burkina Faso, Mali and Niger are landlocked countries. The climate ranges from warm and humid in the southern coast and dry and hot in the semiarid countries. The economy is predominantly agricultural. Cocoa, coffee, timber, cotton, onions, sesame seeds, and Arabic gum are among the cash crops produced and exported by the union. Cote d'Ivoire, which represents the largest economy of the union, has some manufacturing activities. On average, the majority of the populations of the coastal countries live in the urban areas, compared to the landlocked countries where the population is primarily rural. UN Habitat estimates that Senegal has the highest urbanization rate of the union.

Access to Finance

The formal financial system is underdeveloped and the banking system is concentrated on two or three commercial banks in the majority of the countries. Financing entrepreneurial activities and housing remain challenging. The Central Bank (Banque Centrale de l'Etat de l'Afrique de l'Ouest, BCEAO) a unique central bank for the eight countries and governs the financial institutions across the Union. The BCEAO headquarters are in Dakar, Senegal, and each country has a national agency. In the last decade, a number of the countries in the region (particularly Senegal, Benin and Niger) witnessed an increase in the number of commercial banks and micro financial institutions operating.

The housing finance market in UEMOA countries is underdeveloped. Few long term mortgage vehicles exist and in most cases belong to government. Only a few of the member countries have mortgage banks, among which are Banque de l'habitat du Bénin, created in 2003 with operations starting in 2004; Banque de l'Habitat du Burkina Faso, created and with operations starting in 2005; Banque de l'habitat de Côte d'Ivoire, created in 1994; Banque de l'habitat du Mali created in 1996; Banque de l'habitat du Niger created in 2010 and not yet operating; and Banque de l'habitat du Senegal created and operating since 1979. There are no regional mortgage banks.

There is an urgent need for mortgage development in the UEMOA countries. The need is an opportunity to unleash construction activities and housing development. The opportunity will generate investments and employments and increase in population's revenues.

Affordability

Affordability depends on each of the country's economic environment but in most cases majority of the population who lives with less than $2 a day has little or no capacity of financing their homes. To address these affordability realities, there is a need to support the private sector to contribute to the development of affordable housing finance appropriate to the income situation of the majority in the UEMOA countries

Housing Supply

Presently housing supply is far insufficient to meeting the demand in all of the UEMOA countries. The population growth rates of the eight countries are among the highest in the world and the rate of urbanization is growing in all of the members of the union. To face this challenge, some of the governments are promoting housing finance through different mechanisms among which are the establishment of mortgage banks and housing development agencies. Housing supply is still dominated by incremental, self-construction and informal entrepreneurs. Some of the upper middle class use the services of government housing development agencies and to some extent private developers. The very poor live in slums.

Property Market and Opportunities

Economic and political reforms, coupled with the demand for natural resources have positively affected the UEMOA countries and the GDP growth rate has been improving. The rate of urbanization and the population growth rate, both high, are indicators of opportunities for the housing finance and housing development sectors, especially in the low-income bracket.

Policy and Regulation

There have been reforms in land administration, but the registration of properties to obtain full ownership rights called (Titre Foncier, TF) is still a challenge in all of UEMOA countries Doing Business rankings (WB 2011) indicates that some difficulties persist. World Bank Rankings 2011:

Countries	Ranking of African countries	Construction permits (number of days)	Number of days to register a property
Bénin	36	125	129
Burkina Faso	22	77	118
Cote d'Ivoire	35	165	151
Guinea Bissau	39	103	175
Mali	24	87	88
Niger	37	162	84
Senegal	23	117	167
Togo	30	152	158

The difficulties encountered hopefully will be addressed by "Sheida", the land and registration reform system adopted by the union in in 2006 to simplify the process of obtaining full ownership title.

	Benin	Burkina Faso	Cote D'Ivoire	Guinea Bissau	Mali	Niger	Senegal	Togo
Exchange Rate: 1 US$ ="	453 CFA Francs	453 CFA Francs	453 CFA Francs	453 CFA Francs	453 CFA Francs	453 CFA Francs	453 CFA Francs	453 CFA Francs
Main Urban Centres	Porto-Novo (capital), Cotonou	Ouagadougou (capital), Bobo	Abidjan (capital), Yamusokoro	Bissau (capital), Bafata,	Bamako (capital), Sikasso	Niamey (capital), Zinder	Dakar (capital), St Louis	Lome (capital), Namakara
Population^	9 212	16 287	21 571	1 647	13 323	15 891	12 861	6 780
Population growth rate (2005 – 2010)^	3,4	3,7	2,4	2,4	2,5	4,3	2,8	2,6
Urban population (% of total) 2009	41,6	20	49,5	29,9	32,7	16,6	42,6	42,7
GDP per capita^	1 502	1289	1699	10740	1144	691	1711	928
GDP growth rate (real, 2010)^	2,1	5,7	2	3,6	4,5	5,5	4,2	3,4
HDI (Global Ranking)+	0,473 (115)	0,374 (126)	0,459 (119)		0,370 (128)	0,321 (133)	0,450 (121)	0,461 (118)
Unemployment rate^	0,70 (2002)	2,40 (1998)	4.1(1998)		8.8 (2004)	1,46 (2001)	10 (2006)	
Population less than US$2 per day°	75,3	81.2	46.8	77.9	77.1	85.6	60.4	69.3
Population below national poverty line^	29,0 (1999)	46.4 (2003)	38.4 (2002)	65.7 (2002)	47.5 (2005)	63,0 (1993)	53.9 (2001)	72.2 (1995)
Central bank discount rate (%)	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,75
Deposit Interest Rate° (2009)	3,5	3,5	Not available	Not available	3,5	7,77	Not available	Not available
Credit % of GDP° (2009)	19,1	15,2	22,8	4,9	10,7	12,2	26,6	30,2

^ African economic outlook
° World Bank
* www.coinmill.com (as at 30 August 2011)
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