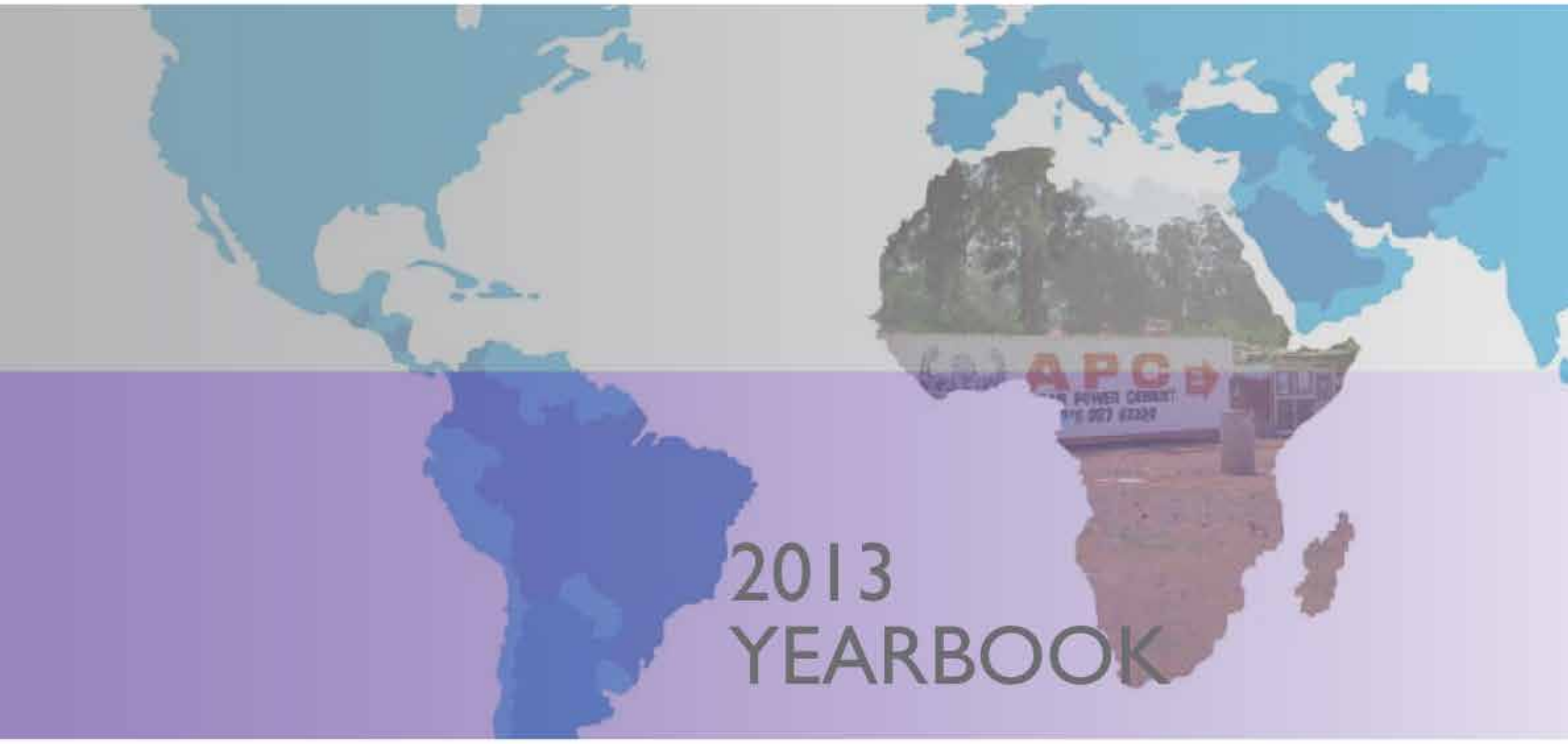
Centre for Affordable Housing Finance in Africa

A division of FinMark Trust



2013 YEARBOOK

HOUSING FINANCE IN AFRICA

A review of some of Africa's housing finance markets

September 2013

FINMARK TRUST

Making financial markets work for the poor

Published by the
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The Centre for Affordable Housing Finance in Africa (CAHF) is the housing finance division of FinMark Trust, a non-profit trust with a mission of 'making financial markets work for the poor'. The vision of CAHF is an enabled affordable housing finance system in countries throughout Africa, where governments, business, and advocates work together to provide a wide range of housing options accessible to all. CAHF's mission is to expand Africa's housing markets for all of its residents, through the dissemination of research and market intelligence, supporting cross-sector collaborations and a market-based approach. The overall goal of our work is to see an increase of investment in affordable housing and housing finance throughout Africa: more players and better products, with a specific focus on the poor. Our work covers four main areas: understanding the housing asset; monitoring housing sector performance; exploring innovation in housing finance; and supporting housing finance market development. Valuing innovation, evidence-based decision-making, collaborative networks, and local expertise, we focus on promoting the opportunities to be found in under-served housing markets across Africa, with a specific focus on the SADC region. As part of this approach, CAHF regularly undertakes and commissions research; develops market intelligence on country and regional housing markets; hosts forums, strategy discussions, and workshops; and participates in local and international conferences and debates on housing finance. The CAHF also provides strategic and secretarial support to the African Union for Housing Finance, and is a founding member and driver of the African Housing Microfinance Initiative.

FinMark Trust is a non-profit independent trust, funded primarily by the UKaid from the UK Government, 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.

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Africa is **growing** through its **cities**. And every day, as people flock to urban centres in search of opportunity and change, **the demand for housing grows**. With an annual urbanisation rate of 3.5% over the past two decades, Africa's cities are the fastest growing in the developing world. Currently, about **40% of the continent's one billion people live in cities and towns**; and it is estimated that in the next few years, some African cities will be home to as much as 85% of their country's population. Difficult to contemplate in the abstract, these numbers have a very local feel. **Africa's cities are crowded** and vibrant spaces. The **residential opportunity is obvious**.

The observation is reinforced by the economic context. With higher peaks, and lower troughs, African markets offer a **very real opportunity for global investors** wanting more than traditional markets can offer. And this growth story is only just starting. Across the continent, new discoveries of oil, natural gas and minerals are promising to completely transform national balance sheets, giving policy makers a **fiscal confidence** they only dreamed of before. This is giving rise to **increasing investment in infrastructure** – in transport routes and hubs, energy power stations, and telecommunications networks – which themselves stimulate all sorts of backwards and forwards linkages along the value chain.

Policy makers and practitioners are working hard to **expand the reach of Africa's nascent mortgage markets**. The potential opportunity in this market is significant and deserves increasing attention, both for the impact it will have on the housing futures of its residents, and also on economic growth prospects. Still, mortgage markets will only ever serve the minority. Investors will miss the market if they do not consider **the realities of affordability** across the continent and design their products accordingly. This is a clarion call to the sector: by focusing on the delivery and financing of mortgageable housing, they are missing the bulk of the market. The **opportunity lies further down the income pyramid**, where the bulk of the population lives. The real challenge facing housing practitioners is building to the market. The demand for affordable housing is significant – all players acknowledge this – but the current average house price of about $31 000 doesn't even begin to scratch the surface. At that price, not even a fraction of the opportunity will be realised.

Investors, financiers and developers must understand that **the market is ripe for innovation** that will respond to the needs and capacities of the majority. Governments are also ready for this change, and are clearly open to proposals that will address what seem like intractable problems when tackled alone. As innovation in other markets has demonstrated, it is the **disruptive business model** that will alter the terrain and create new opportunities for growth. In the housing sector, this is about engaging with the reality of affordability and **delivering to the market**.

About this publication

This is the fourth edition of the Housing Finance in Africa Yearbook. Since last year, we have added 5 country profiles and updated the existing 39, bringing the total to 40 country profiles and 4 regional profiles. We have sought out new data sources, and rethought our approach to the affordability triangles. We have been monitoring the news so that this Yearbook reflects the mood and temperature of housing finance markets on the African continent in 2013.

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 research 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 by local 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.

Kecia Rust
Centre for Affordable Housing Finance in Africa
September 2013

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Abbreviations

ACI	Agence de Cession Immobilière (Land Development Agency), Mali
AFD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
ARRU	Agency for Urban Rehabilitation, Tunisia
BANCOBU	Commercial Bank of Burundi
BBCI	Burundi Bank for Commerce and Investment
BBS	Botswana Building Society
BCB	Bank Credit Bujumbura, Burundi
BCEAU	Banque Centrale des États de l' Afrique de l'Ouest (Central Bank of West African States)
BCR	Bank Commerciale du Rwanda
BEAC	Banque des Etats d'Afrique Centrale (Bank of Central African States), Cameroon
BHC	Botswana Housing Corporation
BHM	Banque de l'Habitat du Mali (Mali Housing Bank)
BHR	Banque de l'Habitat du Rwanda (Rwanda Housing Bank)
BK	Banque de Kigali (Bank of Kigali), Rwanda
BOAD	Banque Ouest Africaine de Développement (West African Development Bank)
BRD	Banque Rwandaise de Développement (Rwanda Development Bank)
CABS	Central African Building Society, Zimbabwe
CAR	Central African Republic
CBB	Construction and Business Bank, Ethiopia
CCODE	Centre for Community Organisation and Development, Malawi
CDN	Crédit du Niger (one of the commercial banks in Niger)
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale (Economic and Monetary Community of Central Africa, EMCCA)
CFA	Communauté Financière Africaine (currency in West Africa)
CGAP	Consultative Group to Assist the Poor
CNEP	Caisse National d' Épargne de Prévoyance (National Savings and Providence Fund – one of the state-owned banks), Algeria
COBAC	Central African Banking Commission, Cameroon
COMESA	Common Market for Eastern and Southern Africa
CPA	Comprehensive Peace Agreement, South Sudan
CPIA	Country Performance and Institutional Assessment, World Bank
CRRH	Caisse Régionale de Refinancement Hypothécaire (regional Mortgage Refinance Fund), WAEMU
DFI	Development Finance Institution
DRC	Democratic Republic of Congo
DUAT	Direito de Uso de Aproveitamento da Terra (right to use and benefit from land), Mozambique
ECOWAS	Economic Community of West African States
FAEU	Fonds d'Amenagement et d'Equipement Urbain (Urban Development and Equipment Fund), Burundi
FDI	Foreign direct investment
FFH	Fundo de Fomento de Habitação (Housing Promotion Fund), Mozambique
FGCMPI	Fonds de Garantie et de Caution Mutuelle de la Promotion Immobiliere (Real Estate Development Guarantee Fund), Algeria
FLISP	Finance Linked Individual Subsidy Programme, South Africa
FMBN	Federal Mortgage Bank of Nigeria
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (Netherlands Development Finance Company)
FNB	First National Bank
FNM	National Microfinance Fund, Congo
FOGARIM	Guarantee Fund for mortgages for low or seasonal income groups, Morocco
Forex	Foreign exchange
FPHU	Fund for the Promotion of Urban Housing, Burundi
FSC	Financial Sector Charter, in South Africa and Namibia
GDP	Gross domestic product
GIZ	Deutsche Gesselschaft für Internationale Zusammenarbeit (German Society for International Cooperation)
Global Findex	Global Financial Inclusion Database
GLS	Government Loan Scheme
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
INPS	National Institute of Social Welfare, Mali
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
IRS	Integrated Resort Scheme, Mauritius
KCB	Kenya Commercial Bank
KfW	Kreditanstalt für Wiederaufbau (German Reconstruction Loan Corporation)
KYC	Know Your Customer
LDC	Least developed country
LIC	Low income country
LTV	Loan-to-value (ratio)

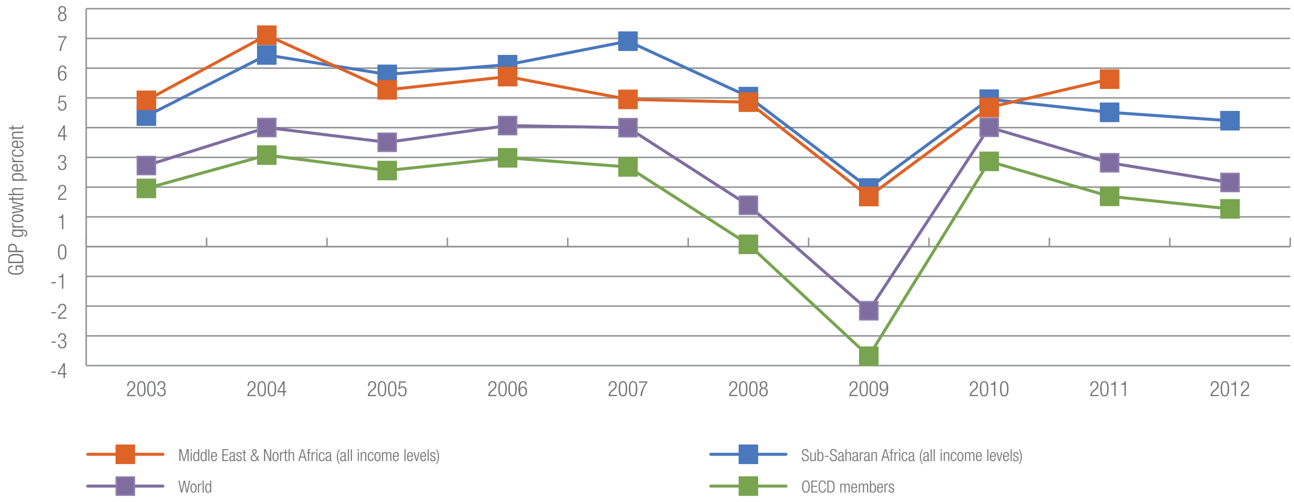
MCB	Mauritius Commercial Bank
MDG	Millennium Development Goal
MDI	Microfinance Deposit-taking Institution
MFC	Mortgage Finance Company
MFI	Microfinance Institution
MHC	Malawi Housing Corporation
MHC	Mauritius Housing Company
MINDAF	Ministry of State Property and Land Tenure, Cameroon
NACHU	National Cooperative 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	National Housing Enterprise, Namibia
NHF	National Housing Fund, Nigeria
NPL	Non-performing loan
OMH	Office Malien de l'Habitat (Mali Housing Agency)
OPIC	Overseas Private Investment Corporation
PMI	Primary Mortgage Institution
PPP	Purchasing power parity
PRS	Permanent Residence Scheme, Mauritius
REIT	Real Estate Investment Trust
RHA	Rwanda Housing Authority
RISDP	Regional Indicative Strategic Development Plan (SADC)
SACCO	Savings and Credit Co-operative
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAPES	Scheme to Attract Professionals for Emerging Sectors, Mauritius
SBM	State Bank of Mauritius
SBS	Swaziland Building Society
SDFN	Shack Dwellers Federation of Namibia
SDI	Shack / Slum Dwellers International
SHDC	Seychelles Housing Development Corporation
SHHA	Self Help Housing Agency, Botswana
SIC	Société Immobilière du Cameroun (Cameroon Real Estate Corporation)
SIP	Société Immobilière Publique (National Real Estate Company), Burundi
SIPO	Strategic Indicative Plan for the Organ (on Defence, Politics and Security) (SADC)
SMB	State Bank of Mauritius
SME	Small and medium-sized enterprise
SNEC	National Water Supply Company of Cameroon
SNHB	Swaziland National Housing Board
SNL	Swazi Nation Land
SRH	Société de Refinancement Hypothécaire (Mortgage Refinancing Company), Algeria
SSA	Sub-Saharan Africa
SSFR	Social Security Fund of Rwanda
SSHFC	Social Security and Housing Finance Corporation, Gambia
TIPEEG	Targeted Intervention Programme for Employment and Economic Growth, Namibia
TMRC	Tanzania Mortgage Refinancing Company
UEAC	Union Economique de l'Afrique Central (Central African Economic Union)
UN	United Nations
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
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 People's Federation
ZINHACO	Zimbabwe National Association of Housing Cooperatives

Overview

Africa is growing through its cities. And every day, as people flock to urban centres in search of opportunity and change, the demand for housing grows. With an annual urbanisation rate of 3.5% over the past two decades, Africa's cities are the fastest growing in the developing world. Currently, about 40% of the continent's one billion people live in cities and towns; and it is estimated that in the next few years, some African cities will be home to as much as 85% of their country's population. UN Habitat expects the tipping point to be hit by 2030, when the continent will be 50% urbanised. Difficult to contemplate in the abstract, these numbers have a very local feel. Africa's cities are crowded and vibrant spaces. The residential opportunity is obvious.

The observation is reinforced by the economic context. The state of the global economy has continued to have a significant impact on African markets, and each country notes its impact on remittance flows, demand for its exports, and the performance of its currency. Still, as investors have sought opportunities not available in traditional markets, Sub-Saharan and North Africa (including the Middle East) have both outperformed OECD members and the global average. With higher peaks, and lower troughs, African markets offer a very real opportunity for investors wanting more than traditional markets can offer.

GDP growth (annual percent)



Source: World Bank data: http://databank.worldbank.org

And this growth story is only just starting. Across the continent, new discoveries of oil, natural gas and minerals are promising to completely transform national balance sheets, giving policy makers a fiscal confidence they only dreamed of before. This is giving rise to increasing investment in infrastructure – in transport routes and hubs, energy power stations, and telecommunications networks – which themselves stimulate all sorts of backwards and forwards linkages along the value chain.

The opportunity has not gone unnoticed. In the last two years, the number of investors seeking information and advice on the potential to develop housing, whether for rental or ownership, whether targeted at students, new families or the elderly, has grown exponentially. Developers, investors, and lenders are crossing borders, taking local experience with them into new contexts, expectant of the obvious opportunity. Local players are also working hard to build their markets and compete with the international players. In the housing finance picture of 2013, there are two big stories:

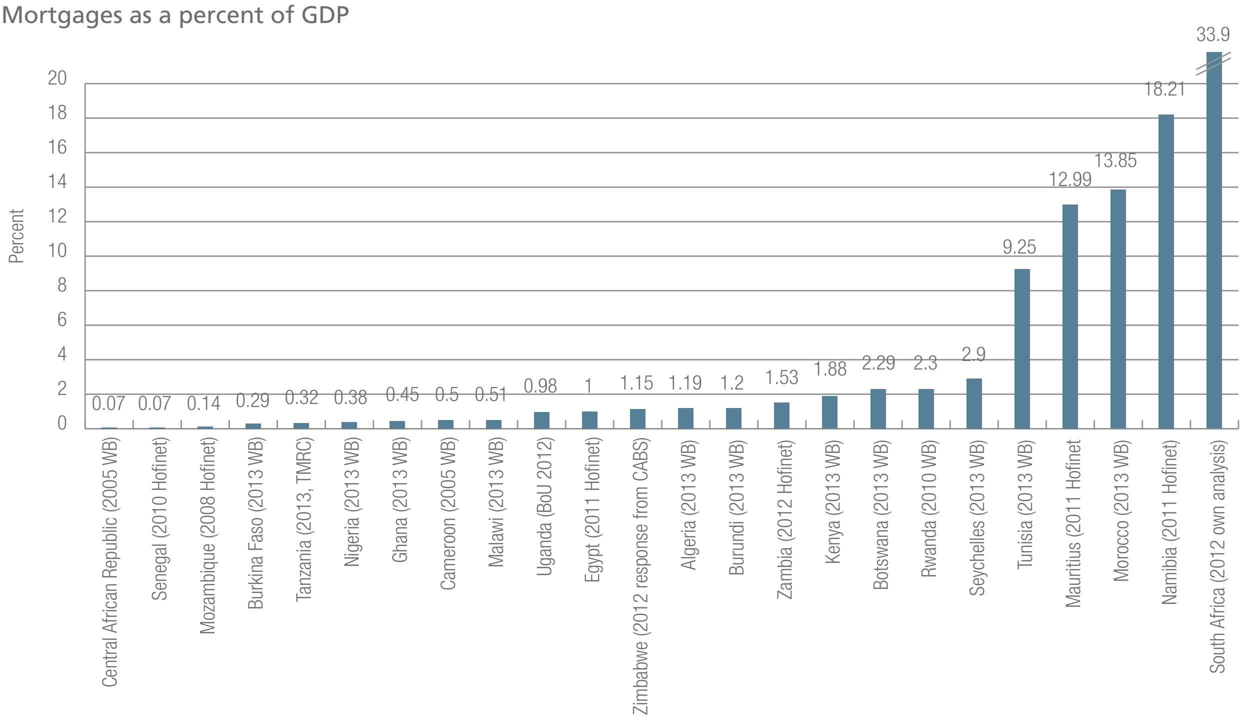
1. Policy makers and practitioners are working hard to **expand the reach of Africa's nascent mortgage markets**. The potential opportunity in this market is significant and deserves increasing attention.

2. Still, mortgage markets will only ever serve the minority. Investors will miss the market if they do not consider **the realities of affordability** across the continent and design their products accordingly.

Expanding mortgage markets

Africa's mortgage markets are small by international comparisons, but they are growing steadily, and increasingly receiving investor and policy attention. For the second year in a row, Kenya's Central Bank now explicitly reports on the performance of the country's mortgage market in its annual report, and conducts a mortgage lender's survey annually to support its analysis. In that country, the mortgage market has grown by 35.2% in the past year, comprising a total of 19 700 mortgages by the end of 2012. Thirty lenders compete to offer an increasing variety of mortgage finance products. In late 2012, market leader, Housing Finance Kenya, raised KSh 5.2 billion (about US$61.07 million, and 79% above its target) from the sale of a second tranche of a 7-year bond, to fund its expansion. Uganda's mortgage market has also been growing: by the end of December 2012, the total residential mortgage portfolio was estimated at about 0.98% of GDP. South Africa and Namibia remain the market leaders for Sub-Saharan Africa, challenged only by the performance of some economies in North Africa.

Mortgages as a percent of GDP



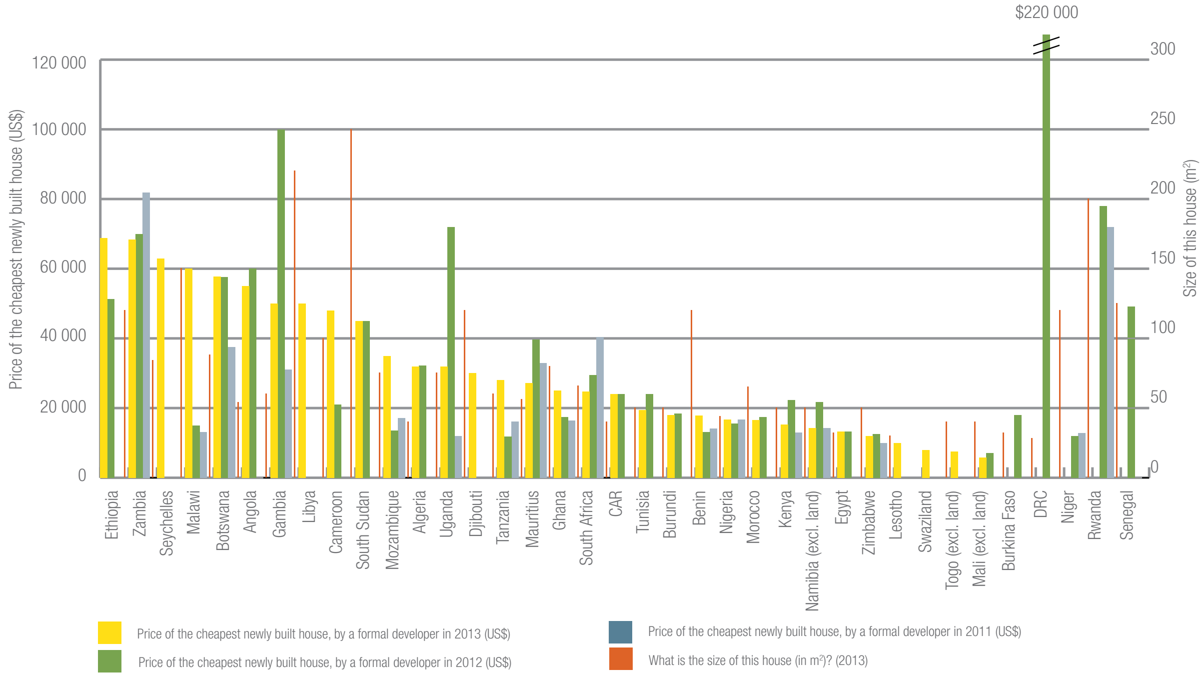
Source: World Bank data from Simon Walley; email correspondence from country-level practitioners; Hofinet; own analysis.

This activity is not even touching the tip of the iceberg. Still, even in developed mortgage markets in Africa, it is not uncommon for moderate and high-income households to buy their housing with cash. In many countries, even the wealthy build their homes incrementally, on a cashflow basis, rather than purchasing a finished house from a developer with a mortgage from a bank. The World Bank estimates that if mortgages were accessed by just 3% of Africa's population, this could contribute as much as US$300 billion to the growth of African economies. It is for this reason that a number of governments are giving explicit attention to the growth of their mortgage markets. In Nigeria, the government has been working with the World Bank to develop a mortgage liquidity facility. The Mortgage Bankers Association of Nigeria expects that the facility, due to be implemented by the end of 2013, will assist the market grow ten-fold over the next five years, to an expected size of 200 000 mortgages. Government expects the facility to support the delivery of at least 75 000 units per annum. The expectation is not wholly unprecedented. Egypt's mortgage liquidity facility, launched in 2006, saw the doubling of its mortgage market on a year by year basis bringing total number of mortgages to 29 631 by the end of 2011, comprising 1% of GDP. Tanzania also has a World Bank supported mortgage liquidity facility, formed in early 2010. Its still early days, but by October 2012, the TMRC had refinanced 636 mortgages and by June 2013, mortgage debt to GDP sat at 0.32%, up from 021% in 2012, and well on the way towards a 1% target by March 2015. Finally, in Togo, a regional mortgage liquidity facility, the Caisse Regional de Refinancement Hypothecaire-UEMOA was created in 2012 to promote easy access to long term financing for commercial banks (its members) in the UEMOA region, to enable them to finance housing loans.

And yet, even if the goals of annually doubling mortgage markets were realised, even if every single person across Africa who could afford a mortgage would actually access one, only a fraction of the population's housing finance needs would be served. The houses that mortgages are designed to finance are simply too expensive.

In August of 2013, housing practitioners from the countries profiled in this yearbook were asked to submit data on the costs of the cheapest newly built house by a private developer in their country, and its size. This is the third time such data has been collected. Prices reported range from US$5 800 (excluding land) in Mali, to US$13 300 in Egypt, US$28 000 in Tanzania, and $50 000 in Gambia. The most expensive house reported in 2013 was found in Ethiopia, at $68 783, not dissimilar from in Zambia, and followed by the Seychelles.

Price and size: cheapest newly built house by formal developer

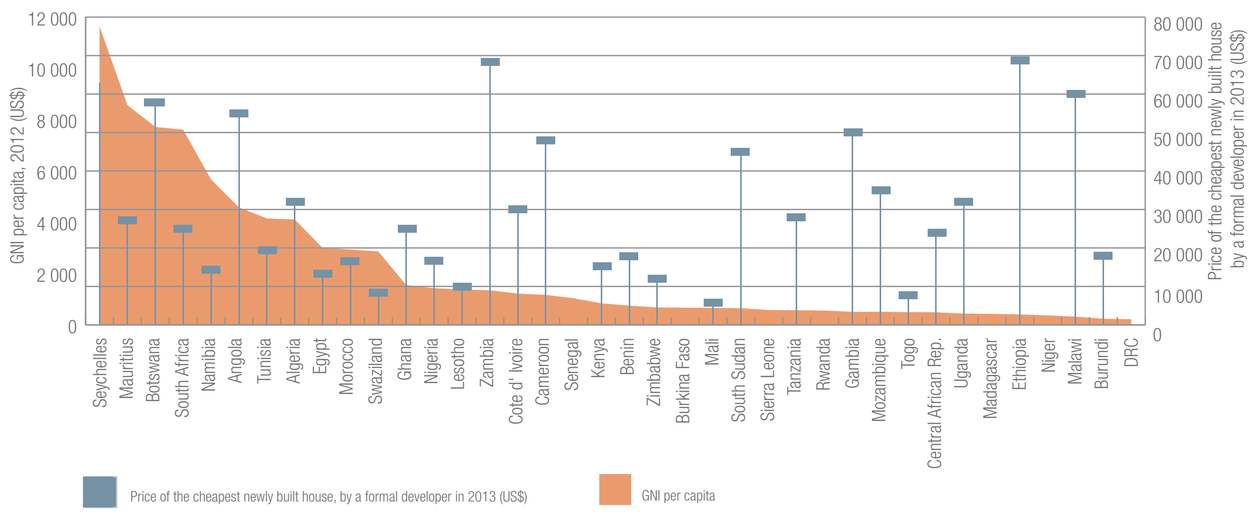


Source: Email surveys in 2010-2013, CAHF Research.

The realities of affordability

Of course, house prices relative to one another are in some ways meaningless. Different countries have different capacities, different incomes, and different policies, and what might be affordable in one country could be unreachable in another. More useful is to explore the relationship of house prices to the buying power of local residents. In the following graph, Gross National Income (GNI) per capita is plotted against the 2013 housing prices.

Relationship of income to house prices



Source: GNI per capita, Atlas method (current US$) World Bank Data: http://data.worldbank.org/indicator/NY.GNP.PCAP.CD, and house prices from email survey (August, 2013)

While the graph above is purely indicative, it is also startling: countries with the lowest incomes (measured in GNI per capita for 2012) have some of the highest entry-level house prices. And this doesn't mean that the housing markets in the high-income countries are manageable either: in South Africa, notwithstanding GNI per capita of just under US$8 000, the entry-level house at US$24 804 is affordable to only about 15% of the population. As UN Habitat put it so well in 2005 already, practitioners must acknowledge

… the two extreme outcomes of current shelter systems that are being witnessed today: affordable shelter that is inadequate and adequate shelter that is unaffordable.

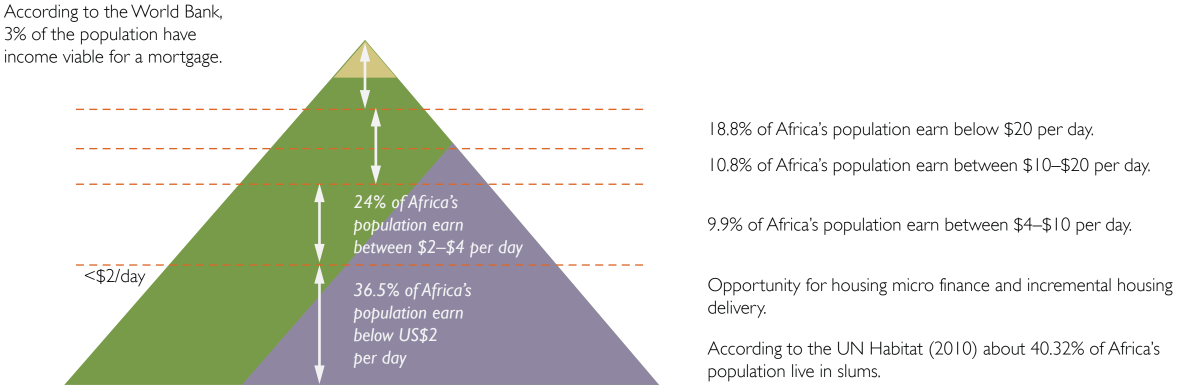
UN Habitat (2005) Financing Urban Shelter: Global Report on Human Settlements.

Taken from another perspective, this is also a clarion call to the sector: by focusing on the delivery and financing of mortgageable housing, they are missing the bulk of the market. The opportunity lies further down the income pyramid, where the bulk of the population lives.

In 2011, the African Development Bank (AfDB) launched a report on the African Middle Class, drawing on data from the PovcalNet, an online tool developed by the World Bank's Development Research Group. The research has been cited by many commentators as a demonstration of Africa's potential, and the power of the middle and emerging middle class to stimulate consumption and growth at the local level. Critics have argued that the definition of 'middle class' is naiive: living on between US$2 – US$10 per day can hardly be defined as middle class. And yet, the simple act of economic activity suggests some degrees of affordability, which, if better understood, cam prompt more appropriate product development.

The analysis isn't definitive. While the data tells us how much a person lives on per day, it doesn't define household income, and as such, is a poor indicator for affordability. It is a very rough indicator of financial capacity, as no distinction is made between urban and rural areas. Importantly, the numbers are simply indicative of distribution and not representative of actual income or wealth. Still, they offer an opportunity to consider market segments and explore areas for new product development, while pinpointing segments for better and more in-depth research.

Africa



Source AFDB (2011)

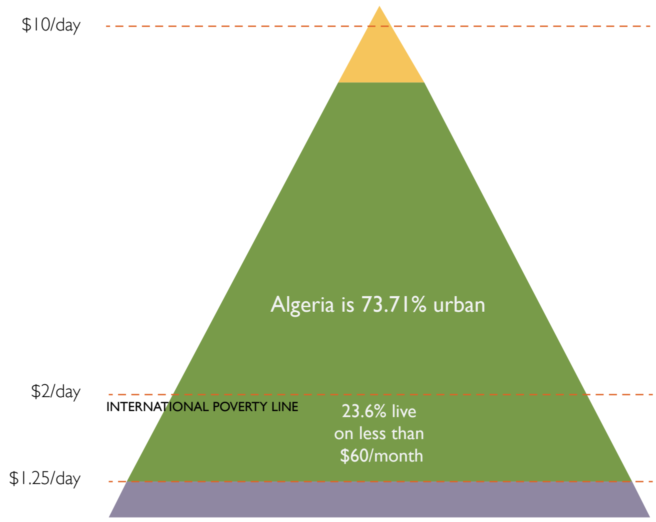
In this, and in the triangles that follow, colours suggest a shift in opportunity. The top segment of the triangle, in yellow, suggests that housing access is fairly well satisfied: given incomes, there are sufficient affordable housing and finance products available so that households can adequately meet their housing needs through formal delivery processes. This is the target of most current, formal housing development activity.

Green suggests an opportunity for further market development: households have some level of income that they may well be willing to invest in their housing, if an affordable product were available. At the top end, this this is also the focus of national housing policy and financial sector development efforts, and in many countries it is on this threshold between the served market and the opportunity market, that interesting developments are underway. Lower down, however, attention dwindles. In most countries, this market is under – or in some cases even unserved. Whether at the top or the bottom in terms of their income, households in this market segment make do with the resources around them: if they can afford to buy housing they pay cash because appropriate finance products are not available. If their affordability depends on finance, it is possible they live with relatives, waiting for the market to mature to their needs. Most build their homes incrementally, often from locally sourced building materials. Their investment is not insignificant. In Mozambique, for example, UN Habitat estimates that the average household invests $15 000 in the incremental improvements on their home over a lifetime.

Finally, purple highlights the proportion of the population who are likely to require some form of affordability support, and to whom the state's initiatives should be targeted alongside private sector offerings. Of course there are affordability challenges in this segment, but they are not absolute. It may be that they can afford to make some investment, but just not all that their housing needs would require. The opportunity for public private partnerships, in which the capacity of each is geared in support of greater housing affordability, can be explored in this market segment. Of course, the boundaries between the market segments are not clear – they are blurred: the analysis is not representative, but only indicative. Urbanisation rates and trends are also important because these change the housing affordability picture even further. Housing affordability is a result of many factors of which household income is but one. Government policy (minimum norms and standards, for example), product availability (for example, housing microfinance), and local context all have a significant influence on the housing financing capacities of households.

The graphs below are therefore subjective illustrations. Drawing on a wide range of data and insights into the cheapest newly built house available in different countries, and particular policy measures that might influence the interpretation, the graphs offer a picture of housing investment opportunity and the market segments that would welcome attention.

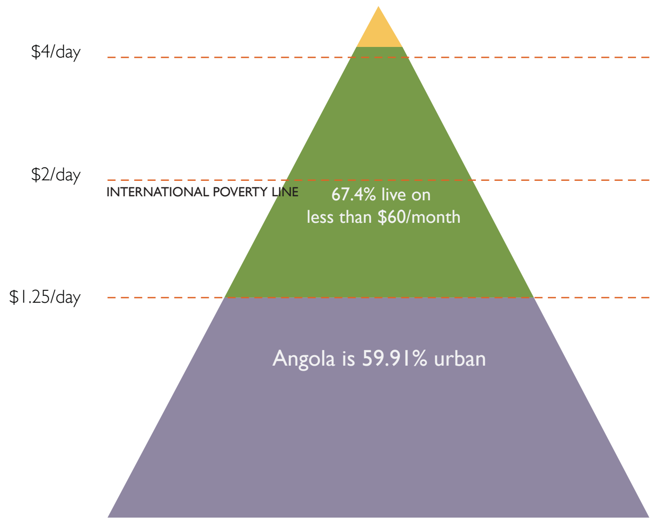
Algeria



The cheapest newly built house for sale is US$32 000, only affordable to the top, tiny minority.

The bulk of the population (72%) earns between $2-$10 per day, an important target market for housing microfinance. Algérie Poste offers a savings-for-housing account, with 2% interest, and acts as a service branch for CNEP accounts, Algeria's largest housing finance lender. Only 14% of state assistance made it to the lowest income quartile of the population.

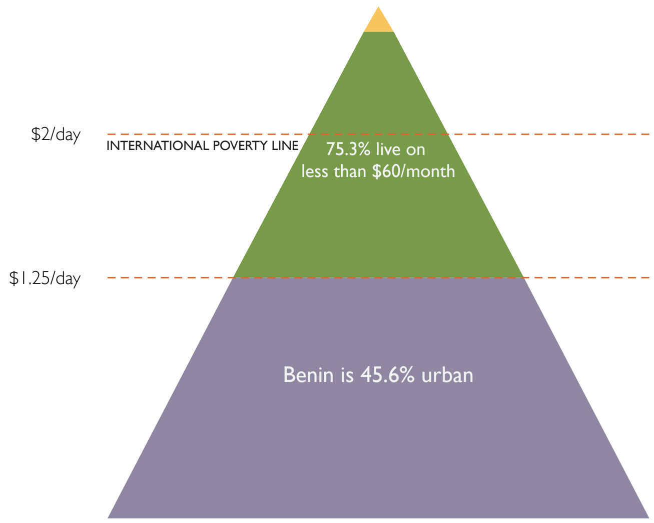
Angola



The cheapest newly built house for sale is $55 000. A new Housing Development Fund will provide 80% LTV loans.

Affordable housing supply is very thin, and financing is not readily available.

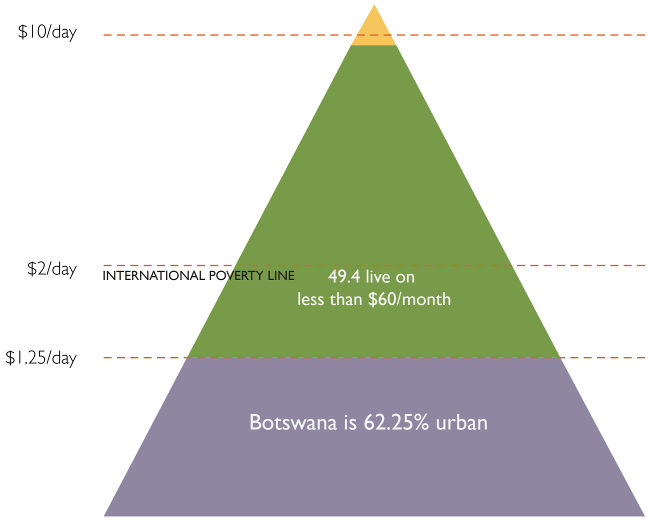
Benin



The cheapest newly built house for sale is $17 800. With Bank of Africa Benin's 20 year loan at 6.5% interest, this would be affordable to a household earning $474/month, still less than 5% of the population.

Housing loans provided by Benin Housing Bank require a minimum of $22/month.

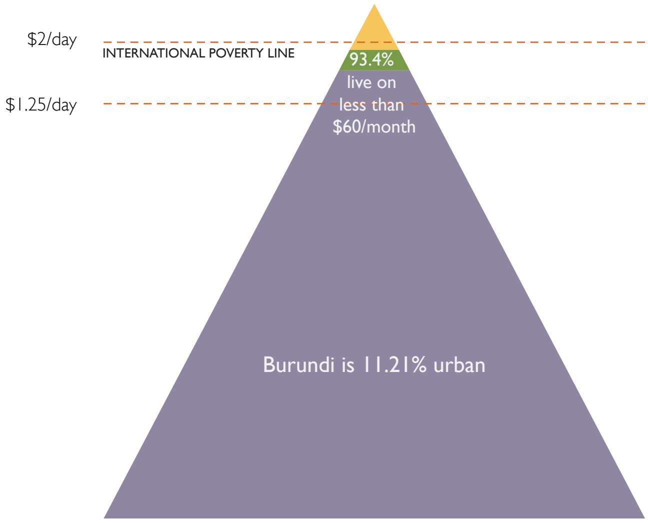
Botswana



The entry level BHC house costs $57 782, requiring a monthly income of $1919 over 30 years at a fixed rate mortgage of 10.7%.

The SHHA subsidised unit has been kept at $7014. A loan repayment of $21.50 is required.

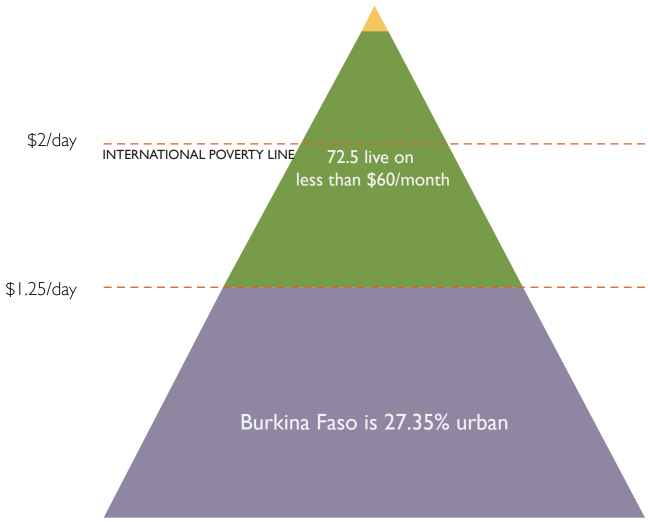
Burundi



The cheapest newly built house for sale is $17 940, affordable to less than 5% of Burundians.

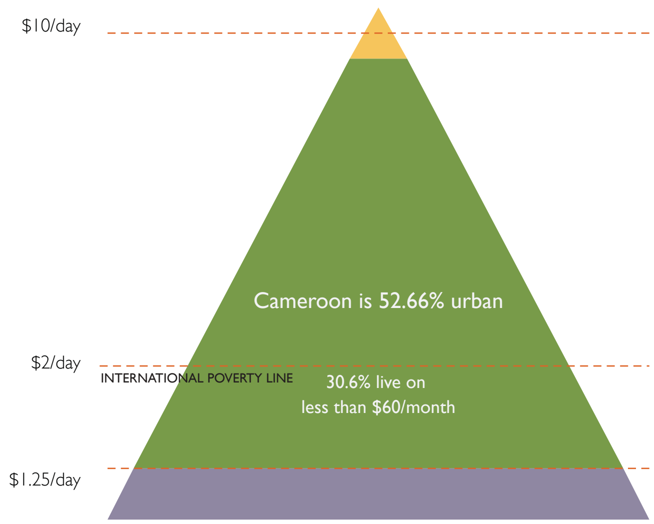
Self build and incremental construction dominates

Burkina Faso



At the minimum size of $10 000, the RCPB mortgage is affordable to a household earning $471/ month, if they can save $1500 for the deposit.

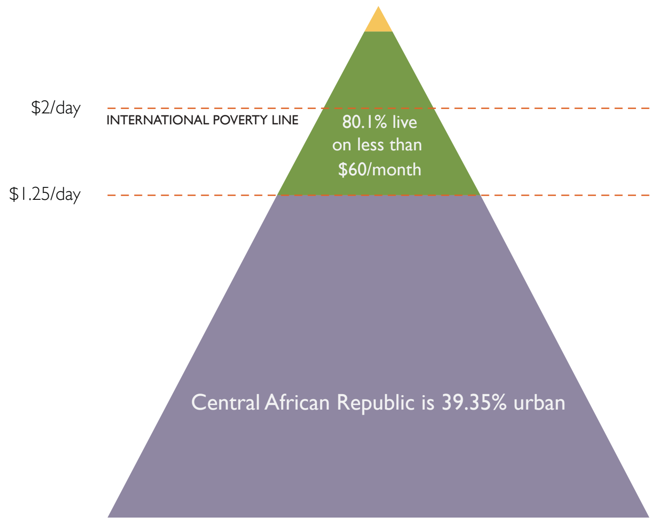
Cameroon



The cheapest newly built house for sale is $48 000; yet only 2% of Cameroonians have access to mortgage finance. Government is providing an 80% guarantee to improve this.

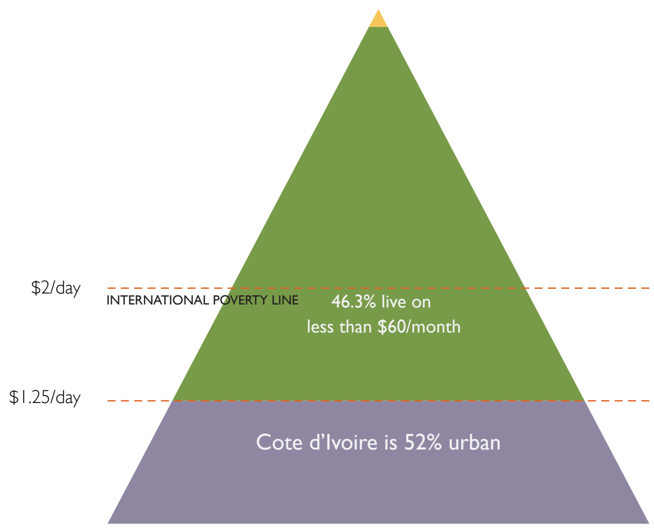
Annual housing deficit estimated at 100 000 units. Rental housing is in demand.

Central African Republic



At $24 000, the cheapest newly built house for sale is affordable to less than 1% of the population. High interest rates further constrain the market.

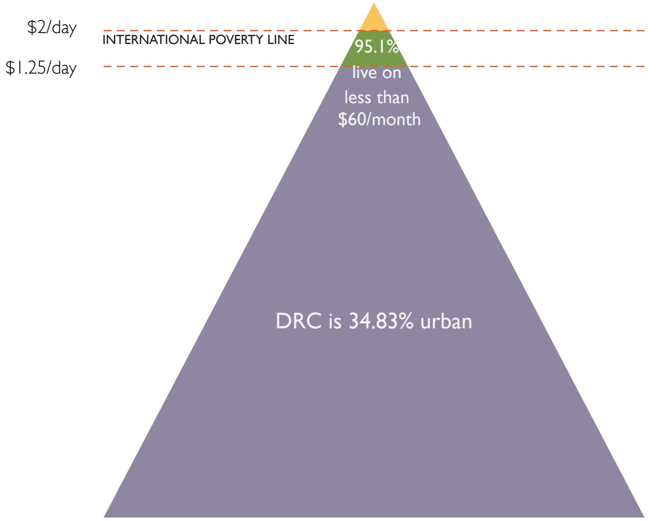
Cote D'Ivoire



A 4-bedroom house rents for $5500 per month.

Surprisingly, there is little recognised housing microfinance: with over half the population earning between $2-$10 per day, this could be a significant market.

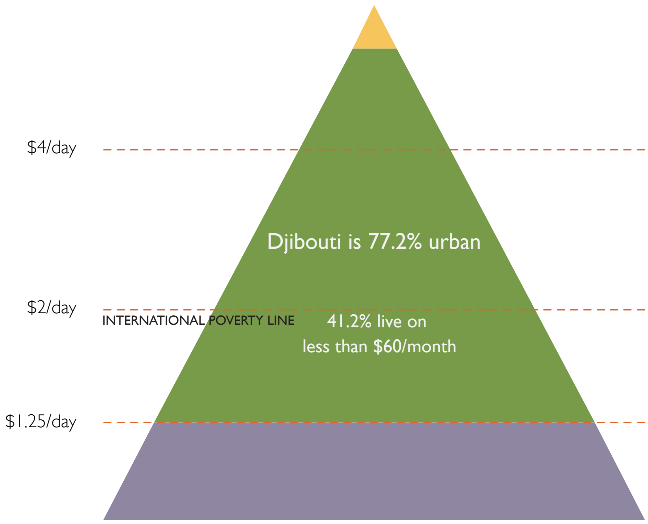
Democratic Republic of Congo



The only formally developed housing is for the luxury market. Long term finance is scarce and most housing is financed through instalment sale arranged by the developer.

A few affordable housing developments have been funded with Chinese investment.

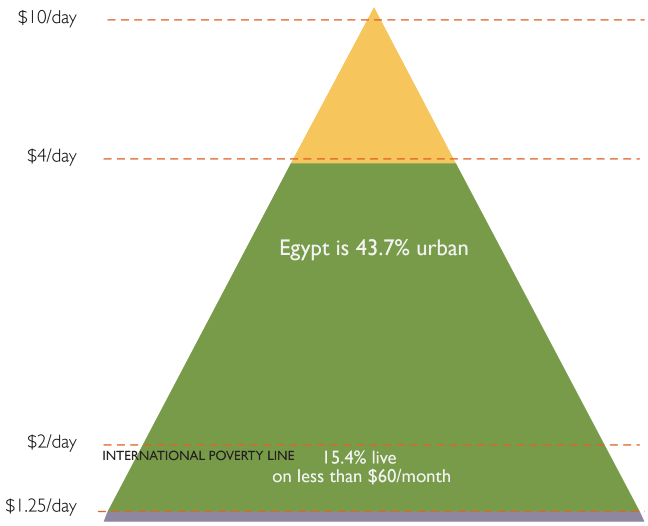
Djibouti



Entry level new housing costs $30 000 and monthly rentals in the city centre are about $600 per month for a 3-bedroom unit.

Only 34% of housing in Djibouti is permanent. Limited incomes suggest an opportunity for incremental housing and housing microfinance.

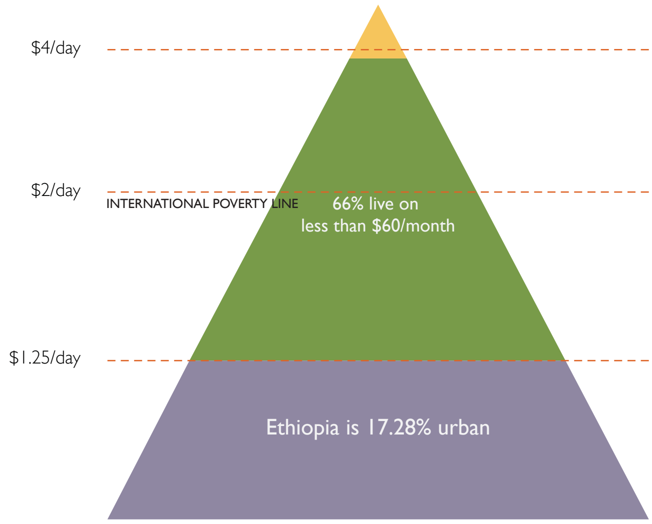
Egypt



Only 10% of supply is built by professional developers. Although the cheapest house is $13 300, and the mortgage finance fund provides subsidised loan finance for people earning below $90 per month, there is insufficient supply.

Microfinance is still underdeveloped relative to the large potential market. Market studies suggest a supply gap of 90%.

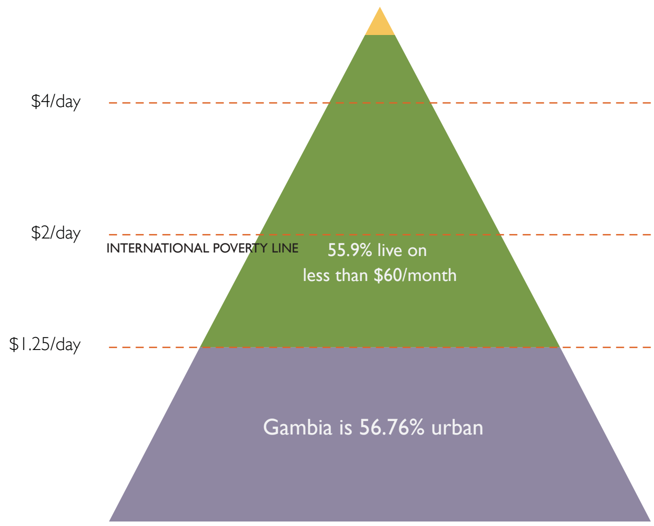
Ethiopia



The cost of a newly built house is $68 783. A buyer would have to deposit 20% of this amount ($6 878). To afford a mortgage for the difference at 9.5% interest over 20 years, the buyer would have to earn $2 061 per month.

A 100m² house delivered as part of the governments Integrated Housing Development Programme is about $16 600. The programme has a target of 400 000 units nationally.

Gambia



Housing development is targeted at the high income market: large, expensive houses, starting at $50 000 for 2 bedrooms.

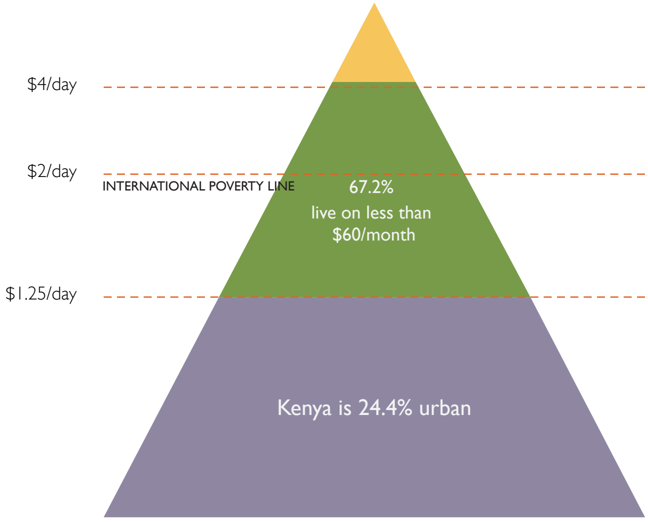
Most Gambians self-build their housing. Sky High Limited offers plots for sale – a 400m² plot costs $4 275.

Ghana

The cheapest newly built house for sale is $25 000. A buyer would have to put down a $2500 deposit and earn $970/month to afford a 20 year mortgage (US dollar denominated) at 13.5%

About 90% of Ghana's housing stock has been produced through self-build. A sizeable middle class suggests opportunities for microfinance. These are being explored by Habitat for Humanity International with its MicroBuild Fund.

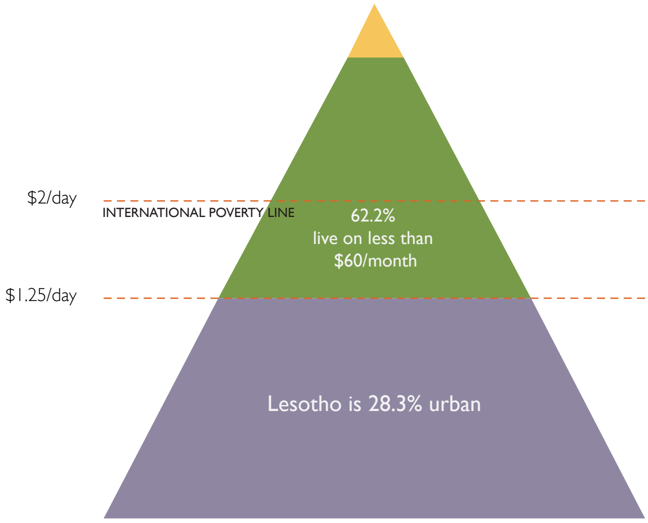
Kenya



High interest rates undermine affordability even for modestly priced housing. A $13 000 house would still require a monthly income of $677, with a 10% deposit on a 20 year mortgage at 19%.

NACHU is the leading housing developer in Kenya in this market, demonstrating affordability for savings and incremental housing construction.

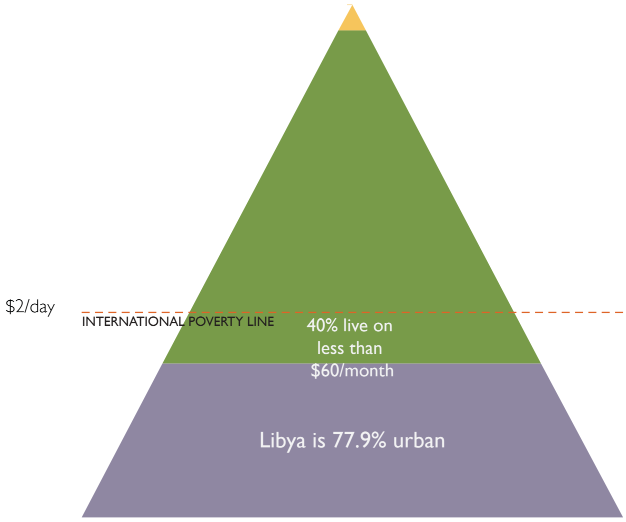
Lesotho



Entry level housing starts at $9 928. The mortgage market has grown by 149% in the past two years, largely due to the titling programme.

Most housing is self-built. Housing microfinance is also available.

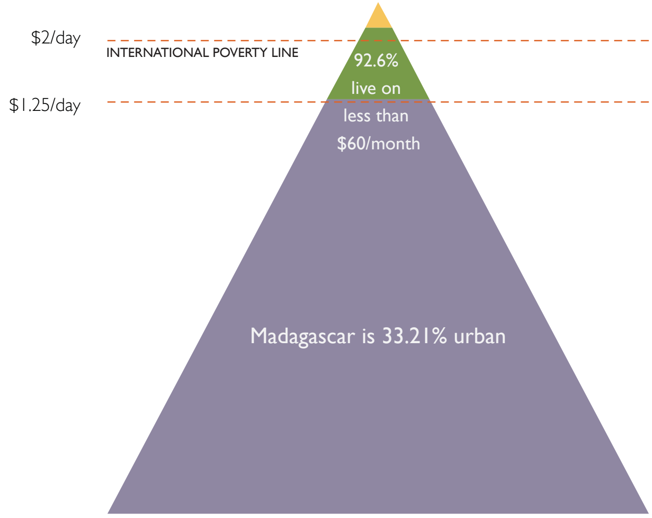
Libya



A one-bedroom apartment in Tripoli rents for about $858/month, above the median income. At $50 000 for the cheapest newly built house, the house price to income ratio is about 6.45.

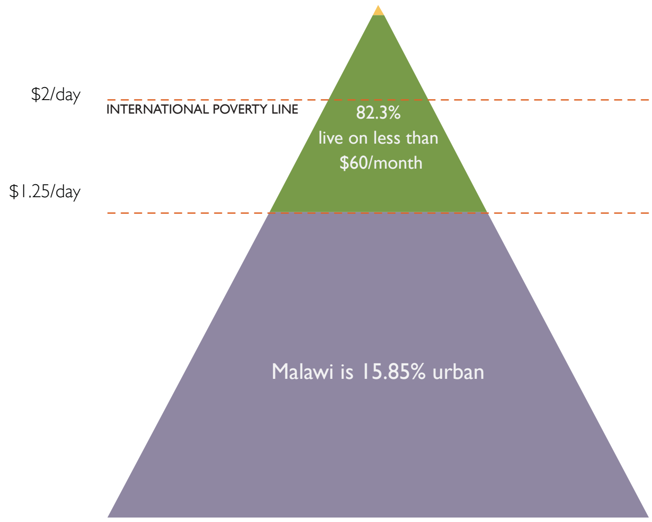
More than a third of the urban population in Libya lives in slums

Madagascar



About 86.5% of housing is self-built with traditional materials and in urban areas 93% of the population lives in slums with limited or no services. The current housing backlog is estimated at 2 million.

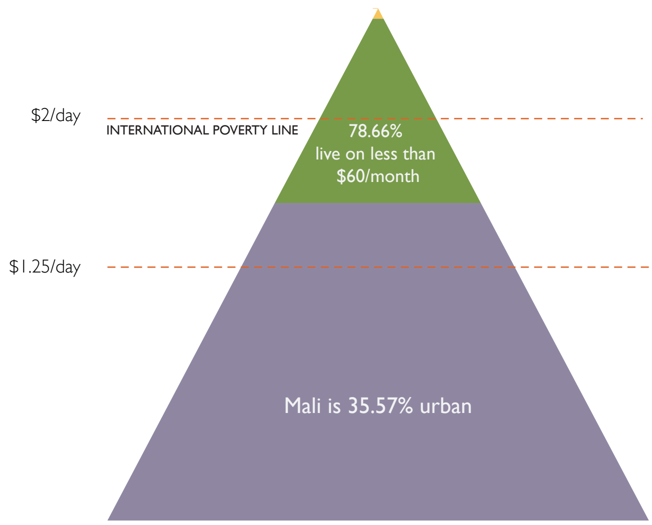
Malawi



New housing projects are targeted at the higher income market, starting at $60 000. This is affordable to less than 0,5% of the population

Incremental, self-built housing construction is the norm. Some microlenders are exploring the housing microfinance market.

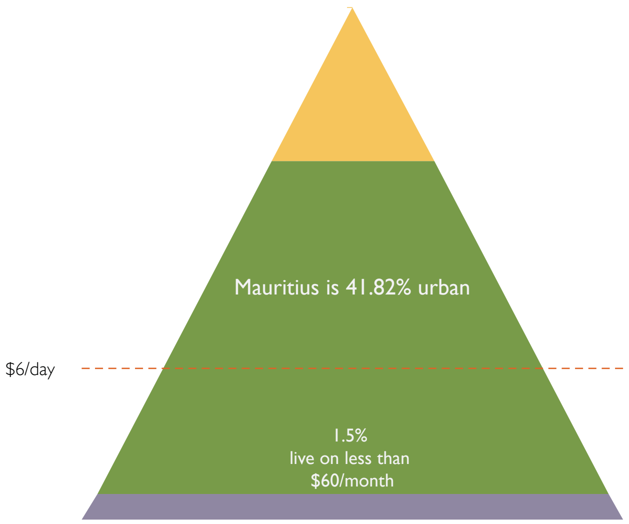
Mali



The cheapest newly built house is $5 800, plus another $1 000–$4 000 for the land, depending on the location. Still, this far beyond the affordability of the majority.

Very rapid growth in the microfinance market suggests an opportunity for incremental housing construction financing. Governmet has a generous subsidy system in place but this does not reach the majority.

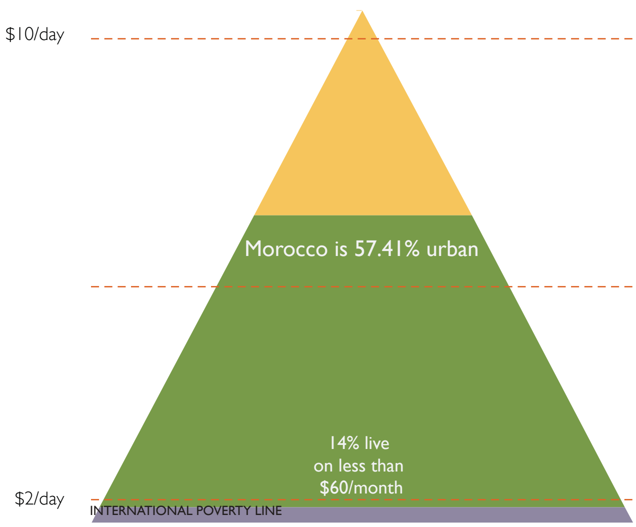
Mauritius



The cheapest newly built house for sale is $27 200. For lower income earners, a government subsidised loan is available to a maximum of $10 585. The monthly repayment is limited to $81/month over 25 years.

An unemployment rate of 8% has resulted in some slum living. Government has targeted this population with the construction of about 200 core housing units of 32m². Rental is charged at $16/month.

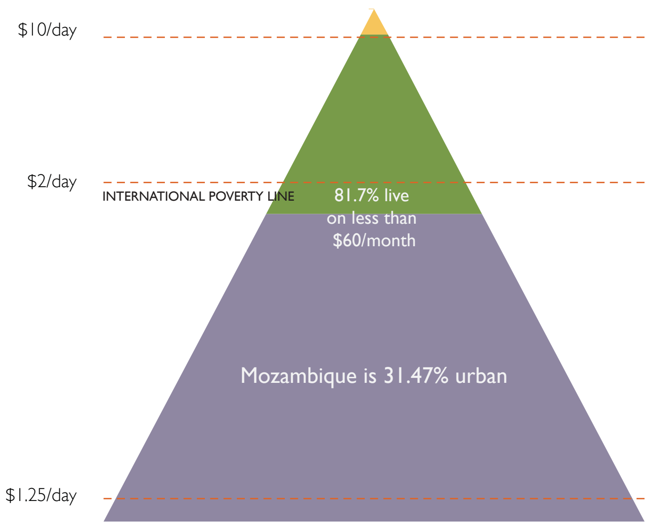
Morocco



Government subsidies support the middle-income market and promote the delivery of housing costing $31 000. With the Fogarim mortgage guarantee fund, this is affordable to a sizeable proportion of the population.

The cheapest newly built house is $16 600. A buyer would have to earn about $425/month to afford a 20 year mortgage at a 6% fixed interest rate. Demand for housing microfinance should be high.

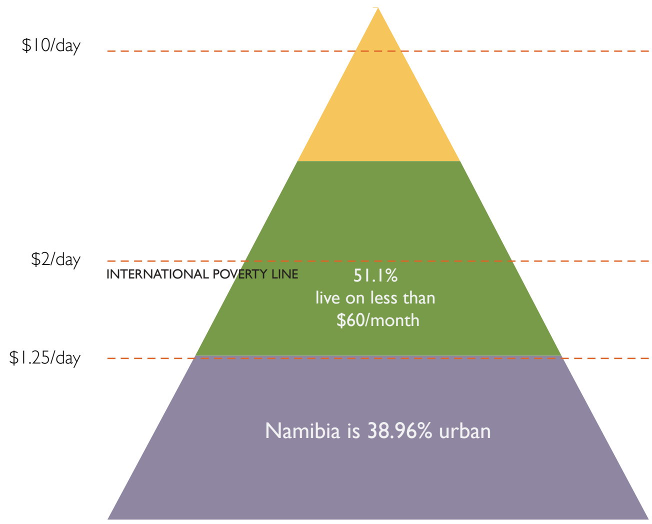
Mozambique



The maximum mortgage that a typical middle-high income family could achieve is about $40 000, yet the majority of delivery is above this amount. The cheapest housing available is in Matola, costing $24 500.

Government has a strategy to build 100 000 houses by the end of 2014. Most housing is self built. UN Habitat suggest the average household invests about $15 000 in their housing over time.

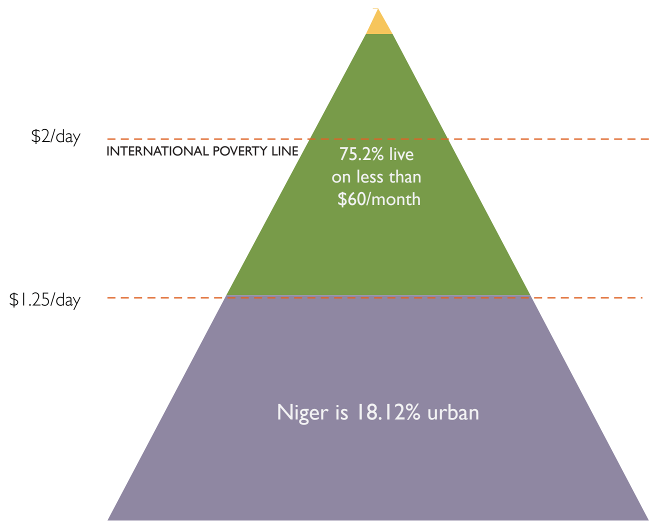
Namibia



A $28 770 house in Windhoek would be affordable to a household earning just under $1000/month, financed with a mortgage at 11% over 20 years.

87% are eligible for state subsidies but delivery is insufficient. Some companies are targeting the affordable market, using new technologies to reduce the housing price to about $14 000. Shack Dwellers Federations of Namibia provide loans for incremental housing construction.

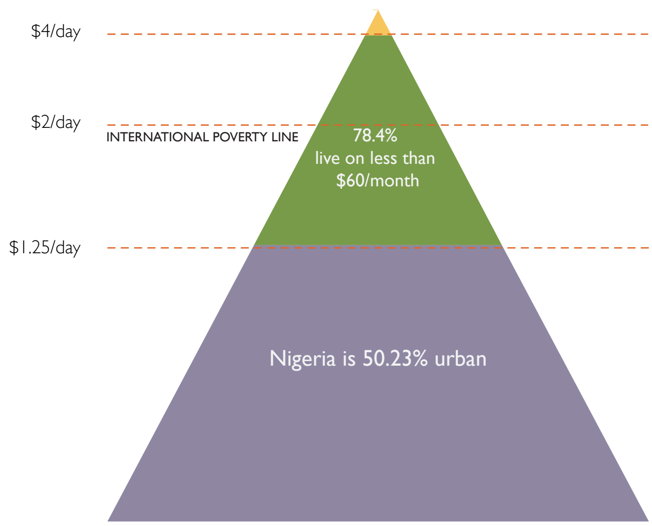
Niger



The smallest mortgage available is about US$14 444, which, at 10.5% interest over 7–15 years, would be affordable to a buyer earning about $400–$600.

The majority of the population in urban areas rent their homes. Large scale rentals are not provided, however. Only salaried workers qualify for housing subsidies.

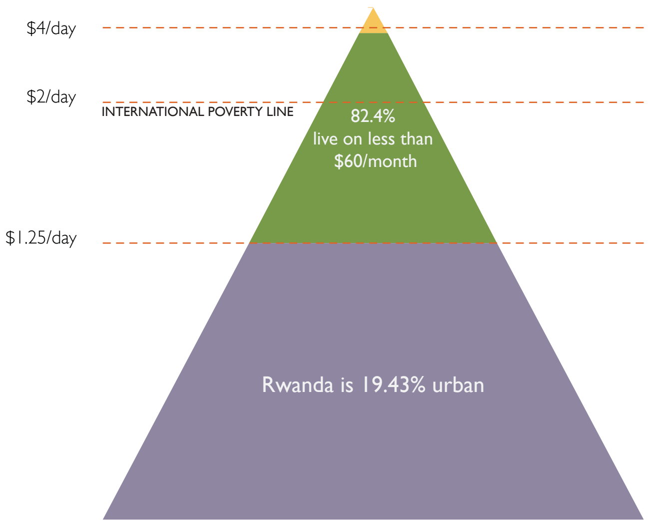
Nigeria



A household earning the minimum wage ($116/month) could only afford to borrow $4 685 – not enough for the cheapest house, which at $16 700 costs almost 4 times that amount.

The Social Housing Bill intends to deliver 3.6 million units to lower income earners, annually. The Bill is still in Parliament, however.

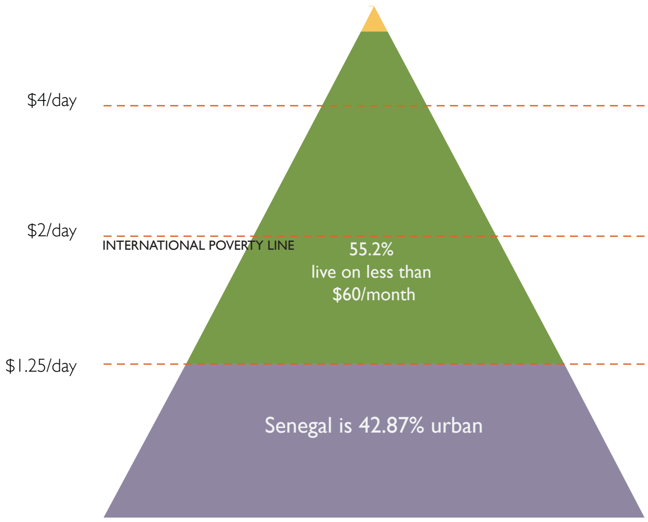
Rwanda



Most developers build homes priced above $100 000, affordable to a tiny minority.

The Kigali Housing Market study plans for the delivery of over 340 000 units, with the bulk targeted at the middle and lower income markets.

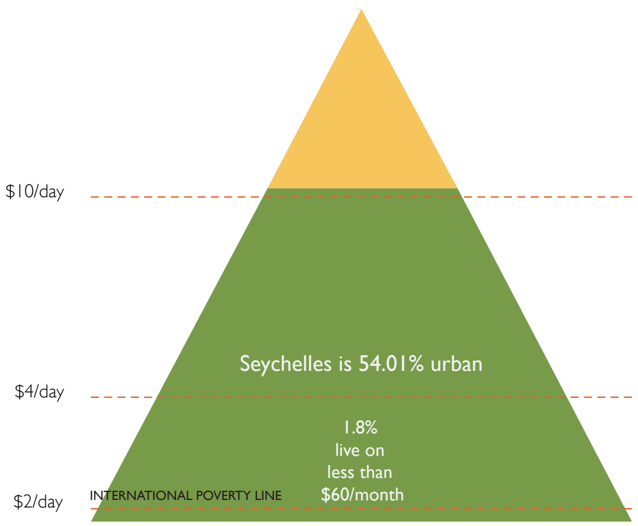
Senegal



A 4-roomed house can cost almost $49 202. At 9% interest over ten years this would be affordable to a household earning $2 226. As a result, most households, even those with affordability, build incrementally.

In 2012, a 150m^2 stand costs about $4 920, although it can cost double that in high income areas, and half in more remote areas.

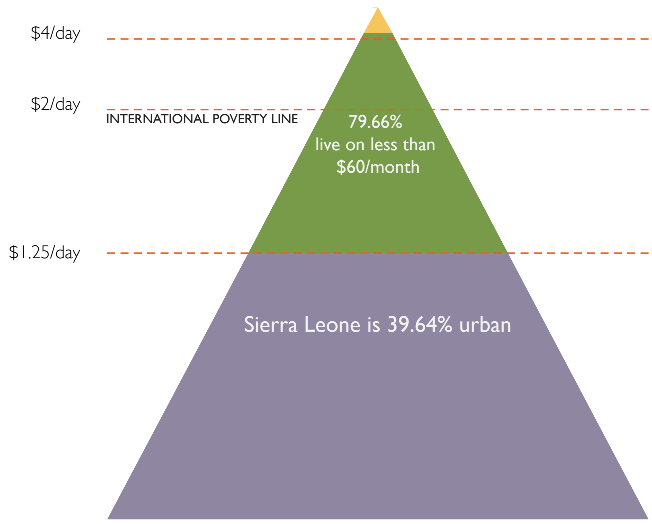
Seychelles



Government-supported housing loans from HFC Bank are affordable to those who earn more than $500 per month. At $62 866, the cheapest privately delivered house is affordable only to a minority.

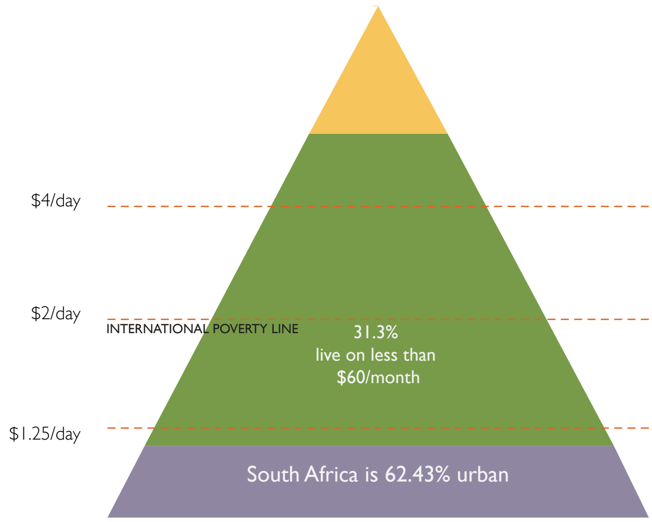
A basic unit starts at about $16 000. HFC home improvement loans suggest incremental self-construction by the majority.

Sierra Leone



A wide range of mortage products are only accessible to a minority, and delivery attention focuses on the higher end. High lending rates make formal housing even less accessible.

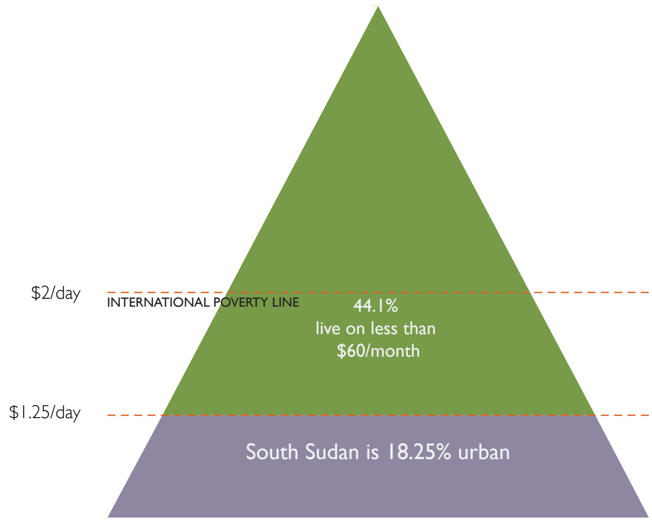
South Africa



Entry level housing starts at $24 804, leaving about 20% of the population unable to afford to buy housing.

About 86% of the population is eligible for some form of housing subsidy: 60% for a full housing subsidy and 26% for affordability support. Delivery is insufficient for demand and the backlog is estimated at 2.1 million units.

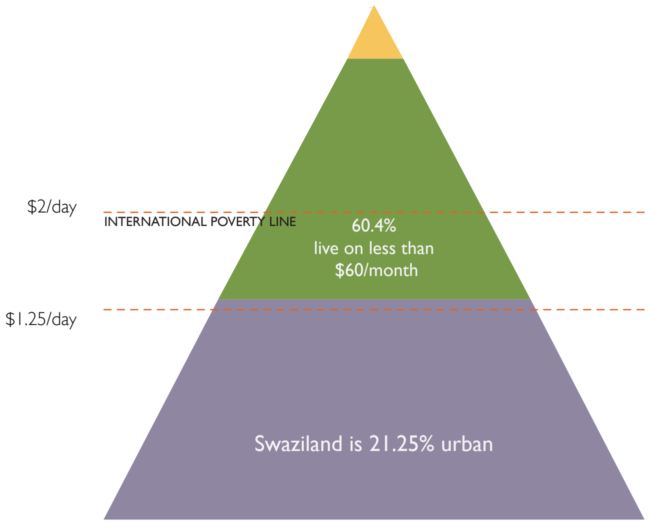
South Sudan



A mortgage market does not yet exist: housing is purchased on a lease basis or outright, with cash.

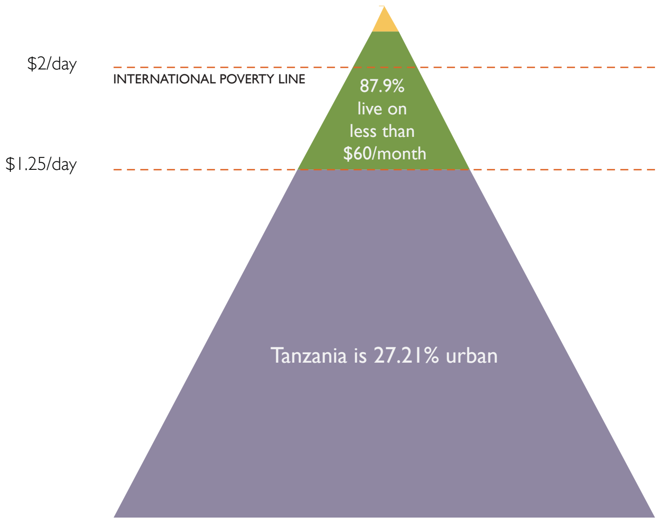
A new Housing Finance Bank is planned, and expected to offer mortgages at 10-15% interest. The majority of housing is self-built from temporary materials.

Swaziland



In 2011, a low cost housing unit from SNHB cost about $39 351–$63 243. This would require an income of at least $913–$1468.

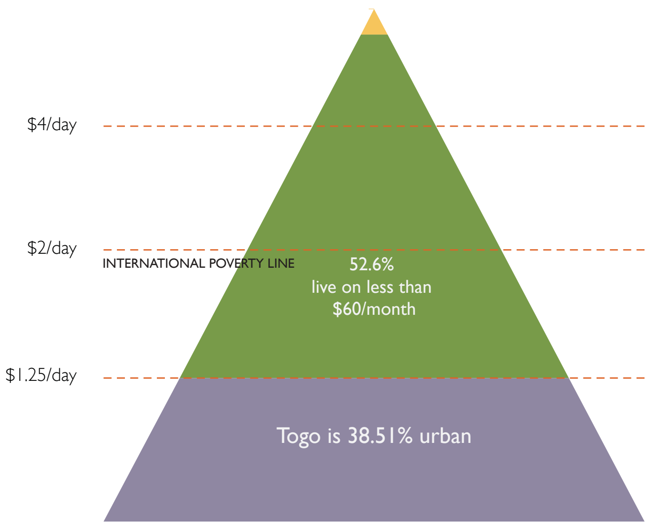
Tanzania



The Public Servant Housing Scheme will offer soft loans at 10-13% over 25 years, to civil servants. 50 000 units are expected. The TMRC has had a positive impact on interest rates. Still, these developments are only accessible to a small minority.

NGOs cater for the low income majority, but their delivery rate is insufficient to meet demand.

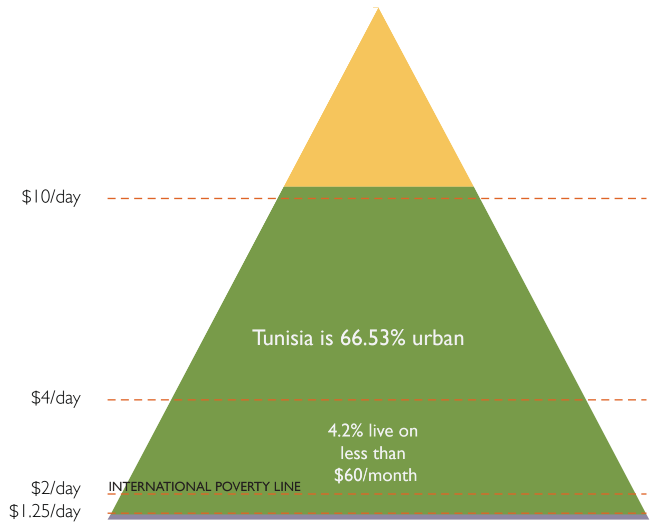
Togo



It will take indeed about 10 to 15 years for a senior manager in the Togolese public administration to pay off the price of land in downtown Lomé. The cheapest housing unit (40 sq. meters) built by a developer costs between $7 600–$ 8 800), excluding the cost of land.

Government is actively seeking to address this market segment, but supply is insufficient. Most housing is self-built, suggesting a demand for housing microfinance.

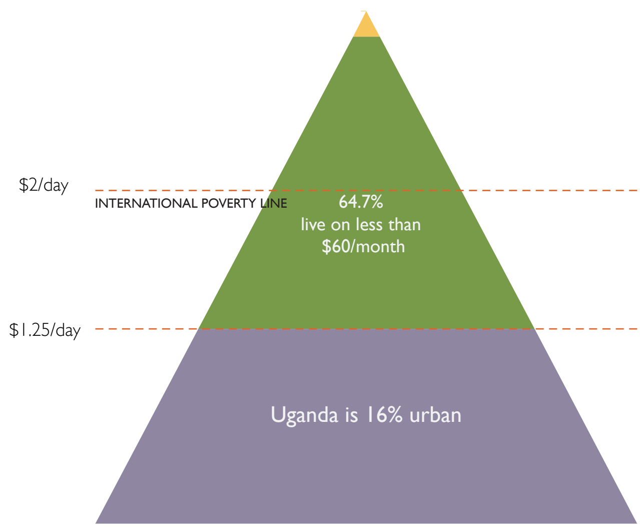
Tunisia



Formal supply is almost exclusively targeted at middle-high income groups. Government's FOPROLOS programme offers a 50m^2 unit for $19 400, for sale at a subsidised interest of 2.5% over 25 years. This is affordable to a buyer who can provide the $1 940 deposit and who earns about $280 per month.

At least 40% of annual supply is built informally, incrementally.

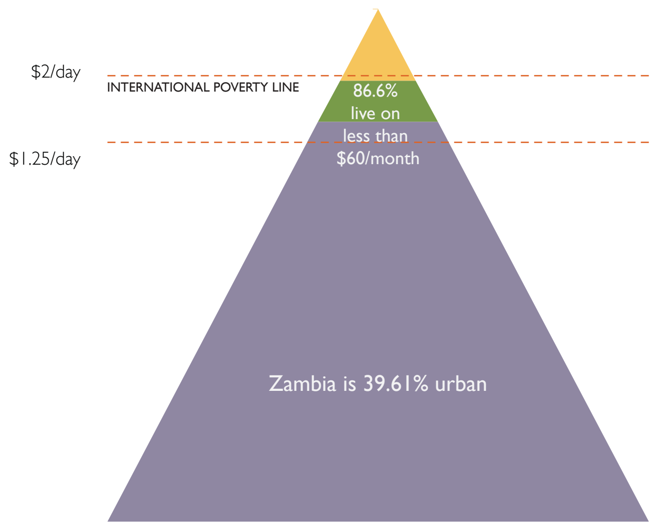
Uganda



To buy the cheapest newly built house of $32 000, the buyer would have to pay a depost of $6 400 – $9 600. This excludes most households.

A rapidly growing housing microfinance sector is starting to address the demand at the bottom end, with loans for incremental home improvement.

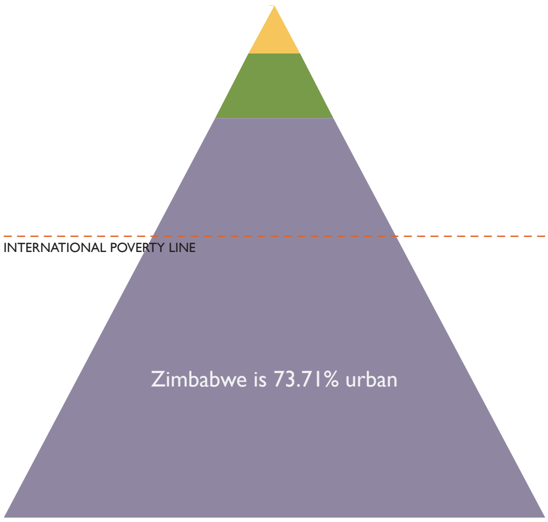
Zambia



The cheapest newly built house for sale is $68 363. Only 11% of employed adults earn a formal salary or wage. High interest rates and short loan terms undermine affordability further.

Most housing is self-built. An estimated 70% of housing in Lusaka is informal.

Zimbabwe

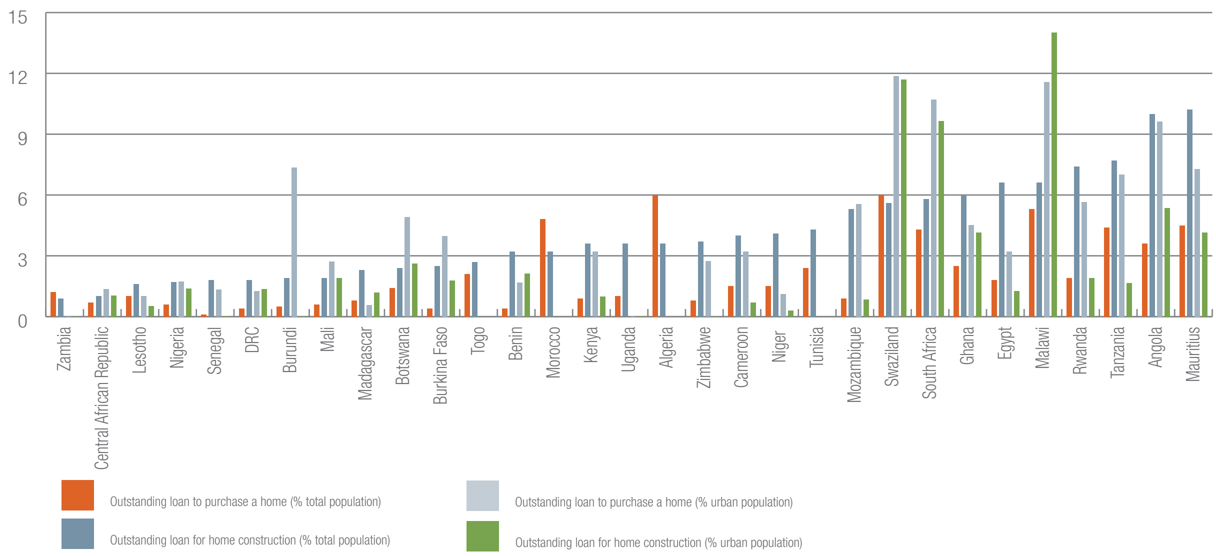


Most mortgage lending is medium term – 10 years – at rates between 14–18%, undermining housing affordability. A CABS housing project promises houses of $12 000, affordable on these terms to a household earning at least $6 65/ month.

Put all together, the picture of housing affordability across Africa is not good. Only a fraction of the population in each country can afford the cheapest, newly built house available on the market today. The real challenge facing housing practitioners is building to the market. The demand for affordable housing is significant – all players acknowledge this – but the current average house price of about US$31 000 does not even begin to scratch the surface.

Clues to the innovation required are already evident. In some countries, such as South Africa, Tanzania, and Malawi, government has used its land resources to deliver serviced plots to low income earners. Malawi's pending housing policy explicitly acknowledges the opportunity to be found in incremental housing processes and the role that housing microfinance can play in supporting low income households in realising their housing needs. In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database, exploring levels of financial inclusion around the world. According to Findex, loans for home construction are much more common than loans for home purchase; and urban loans are generally (although not universally) more prevalent.

Global Findex data on housing lending (2011)



Source: Asli Demirguc-Kunt and Leora Klapper, 2012, "Measuring Financial Inclusion: The Global Findex", World Bank Policy Research WP 6025.)

In the context of many African countries, where systems and incomes are not well suited for the mortgage product, non-mortgage housing loans – whether secured with the borrower's pension, as is the case in South Africa, Namibia, Botswana, Zambia and Kenya; or whether left unsecured, as is the case in most housing microfinance products – offer an important opportunity to engage with the wider demand market.

The MixMarket collects and analyses microfinance performance data from around the world. In 2011, 312 MFIs in 34 countries reported a gross loan portfolio of US$8.6 billion, extended to 7 million active borrowers. A benchmark in the microfinance industry is that in general, 30% of microloans are used by borrowers for housing purposes. Based on this benchmark alone, it could be estimated that US$2,5 billion is already being invested in housing across the continent, by low income earners.

Africa's cement industry: the next frontier

The growth of the cement industry across Africa has received considerable news attention in the year. This isn't surprising: cement is a significant ingredient of a country's infrastructure investment intentions and has a profound impact on the distance a budget can go. Besides being a simple ingredient in construction value chains, however, cement is also becoming an economic driver in its own right. The creation of cement plants throughout the continent seek to reduce the price per bag by bringing supply closer to demand, while contributing to job creation and building overall national economic health. In 2011, Imara Securities noted that cement consumption across Sub Saharan Africa was outpacing GDP growth, responding to a massive infrastructure and housing deficit. Africa's cement market was the last cement frontier, they said. Imara also noted that this demand has been driven by cash and not by credit, speculating that with increasing financial intermediation and the opening up of bond markets, demand for cement would increase further.

The cement industry has responded to this opportunity, which Imara estimated could involve as much as a 128% increase in production capacity by 2013. While South African cement manufacturer PPC projects an increase of 23% (3 million tons) from 2011 to 2016 in its current operating areas (South Africa, Botswana and Zimbabwe), it is putting even more energy into its expansion into new markets. Recently, PPC secured a 27% stake in an Ethiopian company and a 51% equity stake in a Rwandan company in anticipation of a tripling of cement demand in the region over the next decade. The leading cement manufacturer in South Africa and Zimbabwe, PPC expects to grow its revenue outside of South Africa to over 40% of group revenue by 2016. PPC's strategy is to invest where there is high potential for infrastructure development, low per capita cement consumption, current cement shortages, within 250km of major population centres and avoiding proximity to ports, which create a threat of imports.

Dangote Cement Plc is the largest cement manufacturer in Africa, originating in Nigeria, and dominating the West African cement market. With investments also in Southern and Eastern Africa, Dangote produces about 10 million metric tonnes of cement per annum, with revenues of US$1.8 billion. Total capacity is 19 million metric tonnes and Dangote currently holds 60% market share. Dangote's current round of investments involve the development of manufacturing capacity in nine countries, and import terminals in another four. All projects are expected for completion by 2014, and by 2015, Dangote expects a total capacity of 51 million metric tonnes.

> Dangote Cement estimates that 50% of its sales go into housing:
> 10% for mass housing,
> 15% for block makers, and
> 25% for individual house builders.

It's a good business. Dangote Cement reports that its Nigerian operations achieved a Return on Equity of 37% in 2009, and 50% in 2010. The average return on Invested Capital, excluding capital work in progress, was 33%. Dangote's pretax profit for the first half of 2013 increased by 52% to US$670 million, up from US$440 million in 2012. The company expects that new projects will also have similar or better financial ratios, demonstrating the attractiveness of the cement industry as an investment target.

The growth of the cement industry in Africa is responsive to the pressures of urbanisation and development. More particularly, however, the rapid expansion of multiple manufacturing plants closer to the customer has to do with the cost of transporting the heavy product. Price variety from one country to the next is almost always a function of the location of supply. Countries with less developed road and other transport infrastructure, and which do not have their own cement plants where development is happening, face higher cement prices.

In 2013, the range is wide. Prices vary from US$20,31 for a 50kg bag in Malawi, all the way through to the regulated price of US$4 in Tunisia.

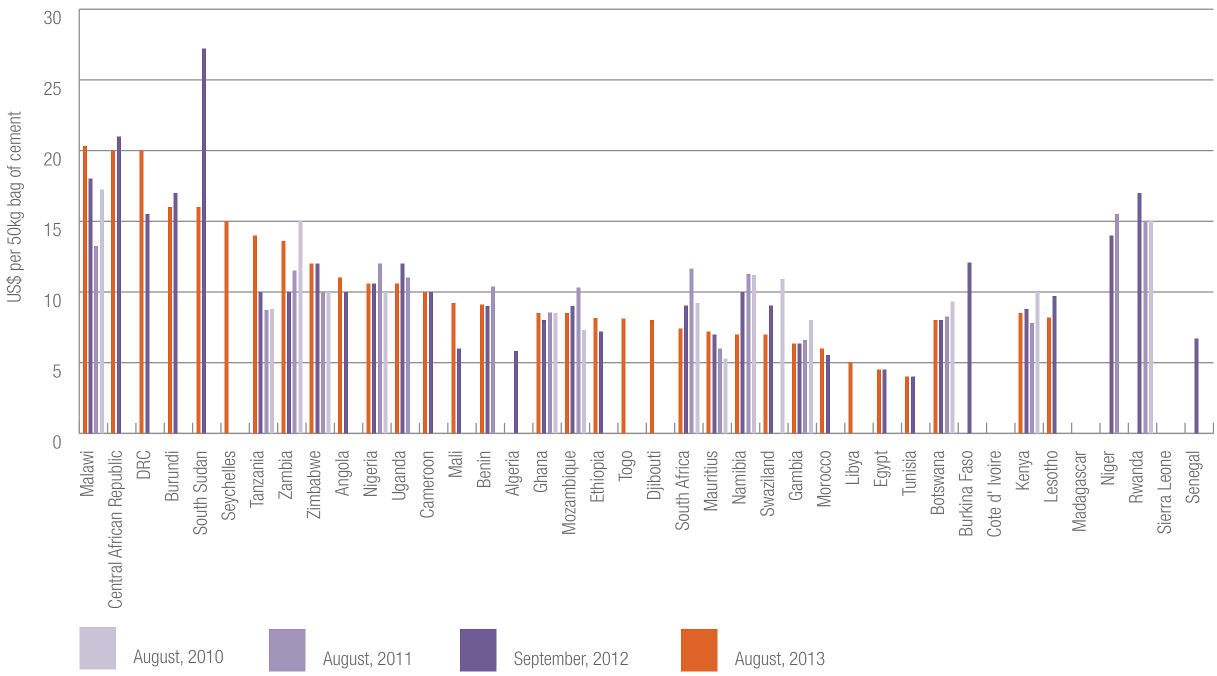
With a doubling of supply capacity, as well as the considerable investment in energy in many countries (another factor contributing to price), indications are that cement prices will come down to manageable levels, improving affordability. Already, 2013 prices are lower than 2012 prices in many countries. A decrease in the price of cement could have a dramatic impact on the price of housing and the capacity of households to improve their housing with durable building materials.

Still, today, cement is an expensive ingredient. In some countries, it is unlikely that it will ever be the dominant building material. Taking a simple view of GNI per capita as indicative of the average income per person in a given country, the following graph considers how many bags of cement a person earning GNI per capita in 2013 might be able to buy.

The short answer is, not much. If it takes an estimated 40 bags of cement to build a simple, 40m^2 house, the average household in Rwanda, Niger, CAR, Malawi, Burundi and DRC will need to build with something else, or build smaller. This explains why in so many countries, governments are exploring whether they might use alternative building technology for house construction. Households are also exploring alternatives – in some cases drawing on old technologies of adobe bricks, reserving cement for the top row and the lintels, and in other cases using different materials altogether.

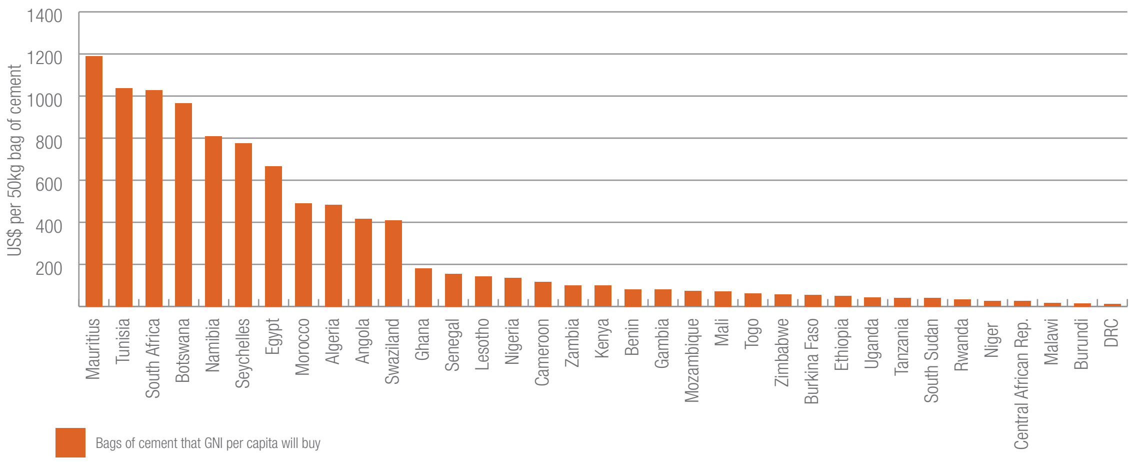
It's worth noting that cement manufacturers recognise that the housing market is a significant component of their market. In a presentation given in November 2012, Dangote Cement estimated that while 20% of its sales went to infrastructure and a further 30% to government via distributors, the remaining 50% went into housing: 10% for mass housing, 15% for block makers, and 25% for individual house builders. In this vein, Dangote Cement made an interesting observation. The company's growth in Nigeria has been more than double the growth rate of the overall Nigerian cement market, estimated at 14.2%. The company believes that their strategy to offer direct delivery to customers has added to its growth and the demand for its products.

Cement prices, 2010–2013



Source: Cement prices from email surveys in 2010-2013, email from AfriSam, CAHF Research.

Bags of cement that GNI per capita will buy (2013 prices)



Source: Cement prices from email survey, 2013, 2012, email from AfriSam, CAHF Research. GNI per capita from World Bank Data Bank, accessed August 2013.

Meeting the affordability challenge

The affordability challenge demands attention for at least two reasons. First, there is the simple reality that unaffordable housing and housing systems will do little to ease the increasing pressure of rapidly urbanising areas, and will therefore, by default, contribute towards the further growth of informal settlements. This must be addressed if other growth ambitions are to be achieved. Second, the delivery and financing of truly affordable housing processes creates a tremendous opportunity for innovation, product development and market expansion. The housing backlogs evident in cities across the continent will not be served by the formal housing that is currently being delivered. When practitioners shift their focus to where the market really lies, they will find an enormous population of demand – an untapped market.

The Africa property landscape will be radically transformed over the next few years. And, with growing economies and populations, it offers rich opportunities to property developers who seriously consider it as an option for diversification.

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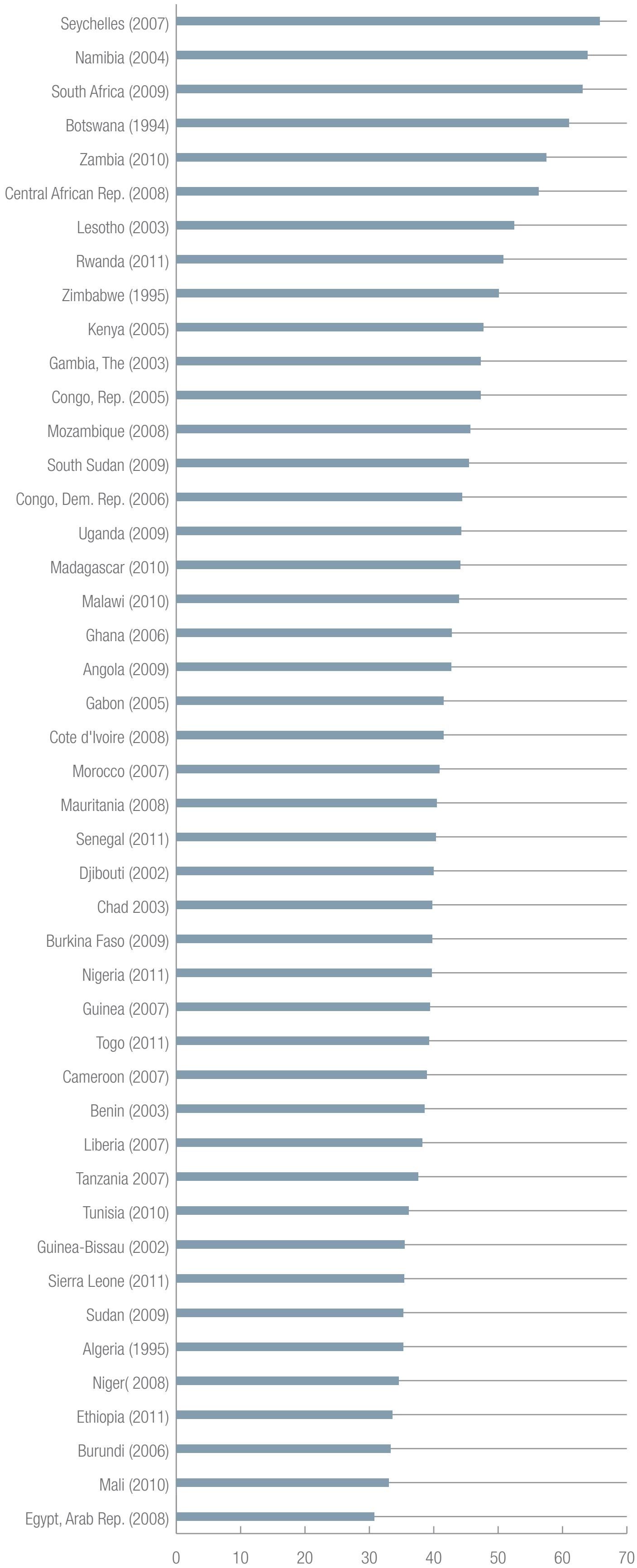
The rapid growth of the property market in many of Africa's economies also suggests a third reason why the affordability challenge must be addressed: as property markets develop, the wealth gap between those with property and those without, will grow. The Gini coefficient, measuring levels of inequality, is high for most countries across the continent. Access to property markets gives households the opportunity to grow their wealth beyond the limitations of their income. If low-income households are excluded from this market because the entry-level requirements are set too high, they are likely to fall even further behind their compatriots who can afford what's available. This will exacerbate the pressures on the cities, where the contestation for resources will be at its height, and governments will be faced with a growing demand for their attention – a demand it can't even meet in the current environment. The picture is not an unfamiliar one. In the reports of protests in Egypt, Tunisia, Algeria, South Africa, Zimbabwe, and Nigeria, access to housing was among the issues that contributed to the discontent.

Cities are not just Africa's future; they are its present. Unless collective action is taken now to transform cities like Nairobi into the drivers of economic development and sources of opportunity that they are supposed to be, they will become a tinderbox of perpetual inequality.

Kennedy Odede, Africa's Urban Challenge. Accessed on 28 August 2013 from http://www.project-syndicate.org/commentary/mitigating-the-consequences-of-urbanization-in-afirca-by-kennedy-odede#vcgZsGOquWtEVWik.99

Investors, financiers and developers must understand that the market is ripe for innovation that will respond to the needs and capacities of the majority. Governments are also ready for this change, and are clearly open to proposals that will address what seem like intractable problems when tackled alone. As innovation in other markets has demonstrated, it is the disruptive business model that will alter the terrain and create new opportunities for growth. In the housing sector, this is about engaging with the reality of affordability and delivering to the market.

Gini coefficient across Africa (various years)



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C A
H F

Explaining the indicators

Each of the country profiles has a set of tabulated indicators on the right hand side of the page. The figures have been derived from various sites, most notably the African Economic Outlook database, the World Bank database and the United Nations Development Programme. The Global Financial Inclusion (Global Findex) Database includes data that measures how people in 148 countries save, borrow, make payments and manage risk. The prices of cement, the formal house and plot size within each country was drawn from an informal survey of practitioners and adapted by the authors for the purpose of this report.

- **Main urban centres:** These are urban areas that are largely populated. By the year 2050 Africa's population will increase from 414 million to over 1.2 billion. Some 60% of this will be in urban areas. This is especially important as cities' spatial layouts need to be planned according to their growth.

- **Exchange rate:** The foreign rate for all currencies to the US dollar currency was obtained through the forex website www.coinmill.com in August 2013.

- **Population:** 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. This data is drawn from the World Bank's World Development Indicators.

- **Population growth rate:** This data was drawn from the World Bank and explains population growth rate as the increase in a country's population during a period of time, usually one year, expressed as a percentage of the population at the start of that period. It reflects the number of births and deaths during the period and the number of people migrating to and from a country. The indicator measures the growth of a country's population between 2008 and 2012. The data is drawn from the World Bank's World Development Indicators.

- **Urban population:** Refers to people living in urban areas as defined by national statistical offices. It is calculated using World Bank population estimates and urban ratios from the United Nations World Urbanization Prospects.

- **Urbanisation rate:** Refers to the rate of increase in the country's urban population as defined by national statistical offices, expressed as a percentage.

- **GDP per capita:** GDP is the gross domestic product of a country, or how much it produces in a year, measured in US dollars. The GDP per capita provides a rough indication of the residents' 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 World Bank's World Development Indicators.

- **GDP rate:** GDP growth rate measures the growth in the economy. It 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. This data is also drawn from the world Bank's World Development Indicators.

- **GNI per capita, Atlas method:** GNI is the gross national income of a country: the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. Some argue that it is a better measure of the standard of living than GDP per capita. It is measured in US dollars. The data is drawn from the World Bank's World Development Indicators.

- **Population less than US$2 a day:** Population below US$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 calculated from the World Bank's PovCal database.

- **Population below national poverty line:** Some countries have established national poverty lines that better reflect the reality of poverty in their own local economies. This data is drawn from African Economic Outlook.

- **GINI coefficient:** This measures levels of inequality in a country, based on extent to which the distribution of income or consumption expenditure among the population deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. The data relates to various years, depending on when the calculation was done for a particular country, and is drawn from the World Bank's World Development Indicators.

- **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 187 countries.

- **Unemployment rate:** The share of the labour force that is without work but available for and seeking employment. This data was drawn from the World Bank database.

- **Bank branches per 100,000:** This figure refers to retail locations of commercial banks that provide financial services to customers and are physically separated from the main office. Its a measure of relative access, available from the World Bank's World Development Indicators.

- **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. The 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 institutions. It is an industrial average and will vary per bank. This data is drawn from the World Bank's World Development Indicators.

- **Credit % 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.

- **Ease of doing business:** Ease of doing business ranks economies from 1 to 185, with first place being the best. A low numerical rank means that the regulatory environment is conducive to business operation. The index averages the country's percentile rankings on 10 topics covered in the World Bank's Doing Business Survey, which it conducts annually. The ranking on each topic is the simple average of the percentile rankings on its component indicators.

- **Mortgages % of GDP:** This indicator measures the provision of mortgages outstanding in a country 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 database, the Housing Finance Information Network (Hofinet), as well as own calculations.

- **Average outstanding loan to purchase a home:** The percentage of respondents who report having an outstanding loan to purchase their home or apartment. This data was drawn from the World Bank's Global Findex study.

- **Cost of standard 50kg 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.

- **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.

- **Size of this house (m^2):** This is a rough indicator to understand what is the minimum size of a housing unit that formal developers are prepared to build. Researchers and practitioners in various countries across Africa were invited to submit this data.

- **Minimum stand or plot size for residential property (m2):** This indicator (which is country specific) is the minimum size of a stand/plot that the house will be built on. Researchers and practitioners in various countries across Africa were invited to submit this data.

Investor interest in housing in Africa has grown substantially in recent years. Driven in part by new market opportunities created by economic growth, investors are looking for specific initiatives on which to place their bets. Data across much of Africa is scarce, however, especially so for the housing and housing finance sectors. As investors struggle to assess market risk and opportunity with precision, they either shift their sights to more easily dimensioned investments outside the housing sector, or price for the inability to fully determine risk, ultimately narrowing the affordability of the housing output. Better data would stimulate increased investment and enhance housing affordability. The recent development of the World Bank's Open Data platform has made a tremendous difference, but still, very little data explores the nature, status and performance of residential property markets. Another new data source is Hofinet, the Housing Finance Information Network. This is a global initiative, which the Centre for Affordable Housing Finance in Africa is proud to support, and it is starting to include data for a number of African countries.

As this has been a desktop study, the reporting is limited by the data and sources available. While every effort has been made to overcome these shortcomings, there will always be more information and nuance to add to the picture. In some cases, where the current status is not conclusive, both perspectives have been offered. In other cases, data tables necessarily have a blank spot where the data is not available. Future editions of this yearbook will strive to overcome these data and information shortcomings. As always, comments are welcome.

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www.africaneconomicoutlook.org
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http://datatopics.worldbank.org/financialinclusion/ www.hofinet.org

Algeria

KEY FIGURES

Main Urban Centres	Algiers (capital), Oran.
Exchange Rate: 1 US$ =	80.79 Algerian Dinar (DA)
Population ^	38 481 705
Population growth rate (%) ^	1.89
Urban population (% of total) ^	73.71
Urbanisation rate (%) ^	3.03
GDP per capita (US$) ^	5 404.00
GDP growth rate (%, real) ^	2.50
GNI per capita, Atlas method (current US$) ^	
Population less than US$2 per day~	60.83
Population below national poverty line *	15.0
Gini co-efficient ~	36.06
HDI (Global Ranking)"	93
HDI (Country Index Score) "	0.713
Unemployment rate (%) *	13.80
Bank branches per 100 000 ^	
Lending Interest Rate ^	8.00
Deposit Interest Rate ^	1.75
Credit % of GDP ^	14.29
Ease of Doing Business Ranking (out of 185 countries) !	152
Average Mortgages % of GDP°	1.15%
Average Outstanding loan to purchase a home, older adults (% age 25+)	7%
What is the cost of standard 50kg bag of cement (in US$)? #	8.50 – 10
What is the price of the cheapest, newly built house by a formal developer or contractor? #	32 000 – 36 000
What is the size of this house (in m^2)? #	75
What is the minimum stand or plot size for residential property #	80

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

The People's Democratic Republic of Algeria is an important North African Maghreb state with 36 million inhabitants. At 2 381 000 km^2, it is the largest country in Africa. Algeria has experienced steady growth over the past few years, estimated at 2.6% in 2012, with GDP per capita at US$7 600. High public spending has resulted in fiscal deficits for the past four years, rising to 6% in 2012. Continued high prices on the global oil market has ensured low external debt at 2% of GDP, and has enabled Algeria to amass significant foreign exchange reserves, reaching US$193 billion as of September 2012 (second in the world only to Saudi Arabia). In 2000, Algeria also set up a large budget stabilisation fund to protect against external economic shocks, particularly drops in oil prices.

The economy is heavily dependent on the petroleum industry, which accounts for 60% of budget revenues, 40% of GDP and 98% of export earnings. A five-year investment programme, running from 2010-2014 and estimated to cost US$286 billion, aims to diversify the Algerian economy by stimulating small and medium-sized enterprises (SMEs), as well as improve physical and social infrastructure. Housing is a key component of these development plans.

Algeria was only marginally caught up in the wave of social unrest that touched the Arab World in 2011. Political reforms, including lifting the long-standing state of emergency, ending the state's monopoly on broadcast media and an additional state investment of US$23 billion to increase social spending were implemented, and these initiatives worked to placate protests quickly, which never gained significant public support. However, inflation doubled in 2012, and grew to a 15-year high of about 9% in 2013, putting further pressure on the poorest and fueling a new wave of protests against continuing hardship and corruption. Many of these protests were in response to discontent over the allocation of social housing programmes, high youth unemployment of 24.9%, and uncertainty surrounding the next election, with speculation that President Abdelaziz Bouteflika will make a Constitutional amendment so that he would be eligible to be elected for a fourth term in 2014.

Access to finance

The banking system in Algeria has 14 private banks, but is dominated by six state-owned banks, which controlled over 89% of banking assets in 2011, and 80% of all loans. Banking and financial sector reforms in Algeria have been unsteady. The slow process of liberalisation of state-owned banks and companies has been deferred repeatedly, and is still on hold.

Since Bouteflika came into power in 1999, Algeria has been attempting to reform the mortgage system to bring about improved access to capital markets and market deepening towards lower income groups. Yet despite regulatory reforms, excess liquidity resulting from high petroleum prices and heavy public spending are spurring high prices and acting as a disincentive for banks to innovate. The high liquidity of banks in Algeria also lessens the need to attract further deposits and cultivate long-term savings, or resolve asset-liability mismatches. The Central Bank has managed to maintain a reputation for prudent management, so the short-term outlook is still positive.

Housing finance is an underdeveloped sector. Mortgage lending is still available, but on a relatively small scale. In March 2013, mortgage lending was equivalent to about 1% of GDP, making up 6% of the US$31.4 million total lending of banks which is dominated, at 90%, by business loans. In general, commercial real estate finance represents a larger share of total bank lending than retail housing finance.

State-owned banks provide nearly all mortgage loans, more than 60% of which are attributable to one state-owned bank, the CNEP (Caisse National d' Épargne de Prévoyance, or National Savings and Providence Fund). Housing finance products have a maximum duration of 20 to 40 years, with a maximum loan-to-value ratio of between 80% and 100% of the total unit cost, and requires a minimum salary of US$189 (DA15 000) per month. Loans are available at both fixed and varying interest rates of between 5.75% and 7.5%, compared to interest on savings accounts of 0.7% to 2%.

Government efforts at reform were aided by a World Bank Mortgage Finance Technical Assistance Project which ran from 2002 until 2007 and aimed to strengthen the enabling environment for a well-functioning mortgage loan market. As part of the project, 1 580 staff members of Algeria's state-owned banks were trained in primary mortgage lending. However, the number of units for sale did not match the housing finance available, which pushed up the prices in the private sector further, and meant that only 22 900 new loans were made in 2007 through the state-owned banks, well below the project target.

There are also nine non-bank financial institutions. One of the most useful tools to promote mortgage lending was the development of a mortgage security facility, the Société de Refinancement Hypothécaire (SRH), or Mortgage Refinancing Company, in 1997. The facility aims to improve banking intermediation for housing finance and promote the use of secondary financial markets to facilitate access to long-term finance for mortgage loans, in particularly the issuing of bonds and other securities to enable credit refinancing, and developing uniform standards for mortgage underwriting. SRH is capitalised with a fund of US$52.3 million held at the Treasury and US$12.5 million of its own funds. The SRH facility was complemented by a new securitisation law that came into force in 2006. The stated objective of this legislation was to free up capital and thereby enable banks to fund housing construction, yet this financial instrument has not been effective in practice. The expansion of secondary mortgage markets is limited by the lack of maturity in primary mortgage lending markets.

Lease-to-own programmes have recently become a very popular way to access housing in Algeria. In 2011, the SRH facility received approval to operate directly in real estate leasing. There are now five non-bank financial institutions specialised in leasing services, including real estate, two of which were authorised in 2012 – Ijar Leasing Algérie and El Djazaïr Ijar. SRH may have supported the expansion of the leasing sector, but the main factor for growth has been the stagnation in the authorisation of new bank licences.

The main institution providing microfinance services is Algérie Poste, which was set up as a government corporation in January 2002 to provide both postal and financial services. Algérie Poste has a large branch network, especially in rural areas. There are 3 198 postal bank branches compared to 1 259 commercial bank branches, which amount to 13 million post bank accounts versus 10 million accounts held in commercial banks. There are no specialised housing microfinance products, but Algérie Poste offers a savings-for-housing account, with 2% interest, and acts as a service branch for CNEP accounts, Algeria's largest housing finance lender.

Affordability

Housing affordability is a significant problem in Algeria and the cause of substantial social unrest. While the supply of housing for high income and expatriate buyers appears to be sufficient, there is a distinct undersupply of affordable housing for the lower income group. Prices in the main urban centres are equivalent to those of major European cities. At the end of 2012, the price-to-income ratio in the capital city of Algiers was estimated at 13.8 times the average annual income. It is therefore extremely difficult to access housing on the private market.

The GDP per capita of US$7 600 is not indicative of actual household incomes. Although inequality is low, with a Gini coefficient of 35.3, a quarter of urban households earn less than DA12 000 (US$150) per month, 50% earn between DA12 000 and DA40 000 per month (US$150 – US$490) and a further quarter earn above DA40 000 (US$490) per month, putting the price of housing beyond the means of most households.

The state is building a large amount of very low cost rental and subsidised housing, yet it is not able to entirely respond to demand. Waiting lists are long, and the down payment to buy a dwelling can also be prohibitive. For the middle income housing programme, between DA700 000 and DA1 million (US$8 600 – US$12 300) is required upfront, which is high for the target groups. Furthermore, according to a World Bank study in 2007, only 14% of the housing assistance made it to the poorest quartile of urban households.

The result is overcrowding, with Algeria having very high occupancy rates, estimated at 6.42 persons per household in 2008, and the proliferation of informal areas.

Housing supply

The national housing shortage in Algeria is estimated at 1.2 million units. The Ministry of Housing and Urban Development announced in July 2013 that it was confident that the backlog would be made up in the next two years, with 674 000 homes of various types of housing to be delivered in 2013, and a further 265 000 units in each of the coming years. The state is the major supplier of housing through the use of budgetary resources. The Ministry reports that 810 000 housing units were built under the 1999-2004 housing programme, and 912 326 under the 2005-2009 programme. The government has pledged to spend a massive DA3 500 billion to DA4 500 billion (US$46 billion – US$60 billion) during the current five-year plan, from 2010-2014, and the Ministry plans to have 2.4 million homes built in total, before 2017. Of these, 1 million will be rental units, 550 000 subsidised lease-to-own or freehold title and 900 000 units will be situated in rural areas.

This programme has been an enormous effort that is both widely publicised and visible. Thousands of housing units have been built by the state-owned firm Cosider. Of the 1 800 building developers constructing the rest of the public housing, 1 500 are local Algerian firms, usually working on smaller projects of 100, 200 or 500 units. Some 300 of the developers that are carrying out the rest of the public housing projects are foreign, many from Turkey and China, with an estimated 35 000 to 60 000 Chinese construction workers in Algeria at any one time.

Despite the extent of housing construction, there is still a backlog. In the wilaya (province) of Algiers, for example, 24 300 temporary structures were built between 1998 and 2008, and substandard housing as a percentage of total housing stock rose from 5.9%

to 9.1% in the province over the same period. There have been additional initiatives to clean up shantytowns with the slum eradication project Résorption de l'Habitat Précaire, which aims to demolish 553 000 illegal homes and replace them with 300 000 safe housing units. The additional households will be relocated to other state housing programmes.

Property markets

Constraints on the availability of land have severely restricted the emergence of a formal real estate market. The state is the primary owner of land in Algeria and only very limited supply is made accessible to private individuals or developers. Furthermore, the land registration system is cumbersome and unclear. Algeria's ranking in the 2013 Doing Business report fell to 172 for registering property, with 10 procedures taking an average of 63 days (up from 48 days in 2012) and costing 7.1% of the property value. Many apartments or plots are left vacant due to disputes over tenure.

The government has attempted to resolve this with a rebate on the sale price if the land is sold for housing. However, this has mainly benefitted high income groups. With 90% of the population living in only 10% of the national territory, and growing demand from high population growth and urban migration, this obstacle is not likely to be overcome without significant land policy reform.

The majority of households are forced to rely on public housing programmes, or otherwise self build or buy informally. Due to the enormous price gaps between the private property market and affordable housing constructed by the state, many of these units are quickly re-released into a thriving black market. The mark-up of the property value can be as high as 40%, and real estate brokers engaged in the business demand high commissions to facilitate the transactions.

To facilitate property development, Algeria introduced a Real Estate Development Guarantee Fund (FGCMPI) in 1997 and made a Certificate of Guarantee on advance payments for off-plan sales compulsory. Its purpose is to reimburse payments made by purchasers in the event of the developer defaulting on their obligations. The latest figures available in 2011 show that the Fund had 1 841 certified developers as members, of which 233 were public and 1 608 were private developers. During this period, the Fund guarantees covered 26 649 homes and 455 cases of warranty claims were made, as well as 950 requests for amendments to certificates. Despite being obligatory for off-plan sales, it is clear that many developers proceed without the Certificate of Guarantee, as it requires a cumbersome application and certification process. With little transparency around the Fund's financial activities it is difficult to determine how effective this mechanism has been.

Policy and regulation

With the return of stability and large oil profits following a decade of civil war in the 1990s, the Algerian government has played a significant role in addressing the accrued housing shortages. A large proportion of the population takes advantage of government housing programmes. For instance, from 1999 to 2012, one third of those living in the Algiers region applied for some sort of government housing assistance.

The government's approach to the housing challenge is primarily quantitative, and as such there are four main housing programmes.

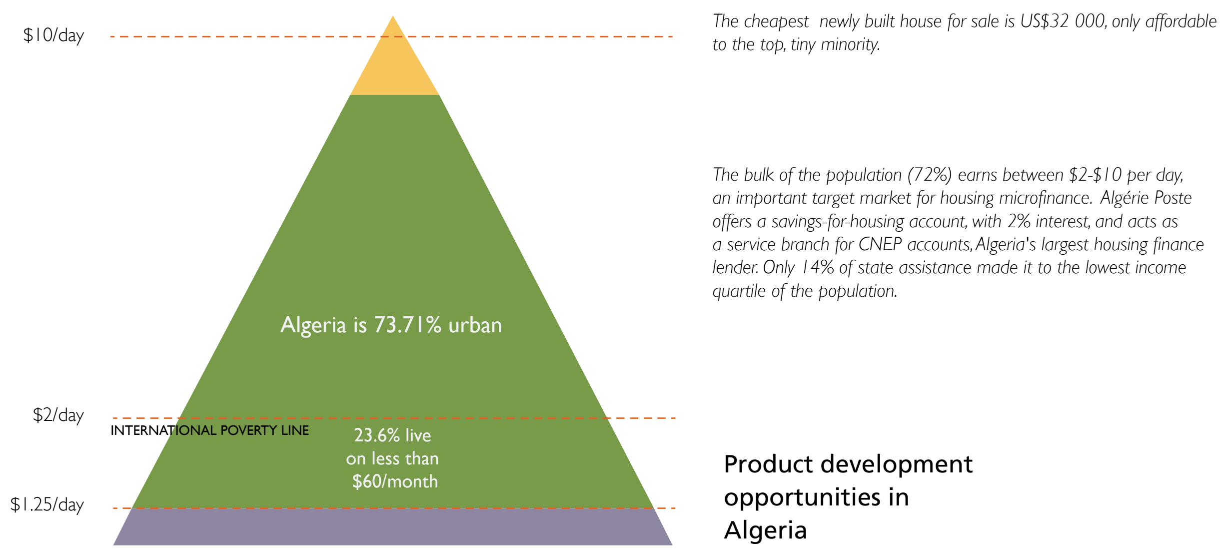
i) Rental housing for households earning less than 1.5 times the minimum wage (DA24 000 or US$307 a month), in which construction is entirely financed by the budget on free government land and rent is extremely low.

ii) The Assisted Housing Programme (LPA), started in 2010, aims at facilitating home ownership for households earning up to six times the minimum wage. There is an upfront grant of up to US$8 000 to assist with down-payments, and subsidised loan finance of interest rates between 1% and 3%. To reduce overall cost, government provides the land to developers at discounted rates for these projects, but demand is very high.

iii) In the Lease-to-Own Programme for households with little down-payment capacity, serviced land is provided for free and finance (distributed only by the government-owned CNEP) is subsidised.

iv) The Rural Housing Programme for rural areas makes upfront subsidies of up to US$4 000 to US$5 000 available for renovation or housing construction.

Demand for all these programmes is high and supply is insufficient. Allocation procedures have been brought under scrutiny for clientelism and mismanagement, arguments around which are the cause of many protests. In response to unrest in January 2011, the Ministry of Housing and Urban Development set up a working group to inspect and better regulate application and waitlist procedures for the housing programmes, yet the outcomes of this effort did not result in any major system change. Distinct issues to resolve are the



Product development opportunities in Algeria

duplication of applicants across regions, as the waitlists are managed locally, and verifying applicant eligibility, as often people may already own property or may move to precarious housing in shantytowns simply to qualify for government assistance. In addition, there is a challenge to eradicate fraudulent documents of identification or false certificates of accommodation.

Opportunities

The outlook for growth in the Algerian mortgage market remains positive, given the health of the financial system, the development of legal frameworks and the growing number of banks offering housing finance options. Nonetheless, the financial sector liberalisation process is essentially at a standstill and the sector will be at grave risk if oil production should fall.

Housing production is still blocked on the supply side, caused by a lack of land available for private development. In light of this, a 2002-07 World Bank project included a nation-wide systematic registration system for physical and legal properties, and the expansion of the cadastre. New legislation has also helped to standardise and digitise the registration procedures, and designed a special ad hoc procedure to expedite the process in urban areas. A 2011 law that was enacted to grant leases for state land to foreign investors for 99 years instead of 20 years has been promising to stimulate private investment in real estate, although delivery on the government side has been slow, so results are yet to be seen in the marketplace.

The government has stated intentions to shift the housing delivery emphasis from the provision of public housing towards the facilitation of privately developed affordable housing, financed through long-term mortgage loans. Yet public construction of housing is at an all-time high, and there have been very few concrete attempts to facilitate private sector activity, so the Algerian population remains at the mercy of public delivery systems and all opportunity is dictated by the government.

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Angola

KEY FIGURES

Main Urban Centres	Luanda (capital)
Exchange Rate: 1 US$ =	96.03 Angolan Kwanza (Kz)
Population ^	20 820 525
Population growth rate (%) ^	3.12
Urban population (% of total) ^	59.91
Urbanisation rate (%) ^	4.41
GDP per capita (US$) ^	5 484.83
GDP growth rate (%, real) ^	3.55
GNI per capita, Atlas method (current US$) ^	4580
Population less than US$2 per day~	67.42
Population below national poverty line *	68.0
Gini co-efficient ~	42.66
HDI (Global Ranking)"	148
HDI (Country Index Score) "	0.508
Unemployment rate (%) *	25.20
Bank branches per 100 000 ^	10.51
Lending Interest Rate ^	16.93
Deposit Interest Rate ^	3.60
Credit % of GDP ^	17.46
Ease of Doing Business Ranking (out of 185 countries) !	172
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	4%
What is the cost of standard 50kg bag of cement (in US$)? #	11 urban / 9 rural
What is the price of the cheapest, newly built house by a formal developer or contractor? #	55 000
What is the size of this house (in m²)? #	60
What is the minimum stand or plot size for residential property #	250

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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! World Bank's Doing Business Survey Data (2013)

Overview

Angola is an oil-rich nation located in southern Africa, on the Atlantic coast of Africa, and bordered by Namibia, Zambia and the Democratic Republic of the Congo. President Jose Eduardo dos Santos' ruling party, the People's Movement for the Liberation of Angola, won a further term at August 2012 elections, having taken 72% at the polls. The country has come a long way since its civil war ended in 2002. In 11 years, Angola has managed to transform its economy with a real GDP estimated at 7.2% in 2013 and 7.5% in 2014 respectively. This is an impressive increase in real GDP from 3.5% in 2011, due to the rise in oil prices (oil production is expected to increase to over two million barrels a day) and the growth of 7.7% of other non-oil sectors. The growth in GDP is also attributed to the start of the Angola Liquefied Natural Gas project that will cost US$9 billion. The economy has a huge structural dependence on oil.

While Angola still has high levels of inflation, it is slowly being brought down. From 11.5% inflation in January 2012, the government brought down the rate to 9% by December 2012. Despite the declining trend of inflation, the cost of living in Angola remains high compared to neighbouring countries. The Angolan economy has grown eightfold since the end of the war, but reducing poverty has been much slower. The government's own data (IBEP 2010) indicates that 38% of Angolans live in poverty. The Gini coefficient, a measure of inequality, stands at a high 58.6 for Angola.

Access to finance

The National Bank of Angola has made a concerted effort to increase the use of banking services in the last year. In the past, commercial banks were restricted to a privileged elite who could meet the high deposit requirement to open an account. The government's decision to pay civil service salaries only through commercial banks has forced employees to open accounts. In 2012, the National Bank of Angola launched the Bankita programme in an effort to improve access to banking services. This matched savings programme offers people the possibility to open a bank account with only Kz100 (about US$1).

As of 2013, there were 24 banks in Angola. There is, however, significant market concentration among a few of these: Banco de Fomento Angola (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 (BIC) capture 85% of the savings market.

In 2011, four banks – BFA, BIC, BAI and Banco Totta Caixa Geral Angola (BTCGA) – offered mortgages. In 2012, it was confirmed that BPC would also start offering housing loans, and by 2013 four more banks committed to start offering mortgages. This comes after the rise of new city centres that are being built in the country, and efforts by the government to increase the role that commercial banks can play in providing housing access. This year the government announced its intention to establish a Housing Development Fund, which will provide financial guarantees and subsidies to banks to entice them into the market at affordable rates. Some nine banks will be involved in this programme: BPC, BAI, BIC, BFA, Private Atlantico (BPA), International Business Bank (BNI), Trade and Industry (BCI), Sol and Keve. The fund enables lending at 80% of the loan to value, and by mid-2013 was offering loans for a select number of government sponsored housing projects in Luanda.

There is growing interest in the mortgage market. BAI, for example, is now offering terms of up to 20 years and financing up to 85% of the value of the property. Other banks 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. Only 7.6% of housing credit held by households came from banks in 2009, with the rest obtained from family and friends, savings and employers. In 2010, lending for housing picked up from Kz84 billion (US$900 million) in July to Kz189 billion (US$2 billion) in August of the same year. By mid-July 2013, according to the Governor of the National Bank, individual housing loans were still under 8% of the portfolio of Angolan banks. However 16% of overall investments from banks went into housing, the majority of which was for construction by commercial companies.

Until recently, lenders in Angola have not had access to a credit information system. The public registry covers less than 3% of adults. Lenders have also had to make do without a national identification system. The recent creation of credit bureaux has led to some improvement, but there is still little information available about businesses, and its quality is very poor. As a result, larger, older and foreign-owned firms located in Luanda enjoy significantly better access to credit than their smaller, younger, domestic counterparts based outside the capital. Collateral (liquid assets and personal guarantees) is required for nearly all loans, and a large share of loan applications is rejected. These conditions have negative implications for market competition and prices. Angola's economy is dominated by a handful of very large firms and a multitude of very small ones, demonstrating a 'missing middle' effect.

The microfinance sector has seen some growth, but the penetration rate of microfinance institutions (MFIs) remains low, with little more than 30 000 active clients. Only two MFIs – KixiCredito and NovoBanco Angola – report to MIX Market, an online source of microfinance performance data and analysis, which recorded US$13.2 million worth of loans disbursed in 2011. Most microfinanciers in Angola are financial banks; in 2007 BAI moved into microfinance by acquiring NovoBanco Angola. Other banks such as BFA and Banco Sol are diversifying into agricultural lending. KixiCredito is the largest non-bank microfinancier, launched by local non-governmental organisation (NGO) Development Workshop Angola. In 2012, KixiCredito had a gross loan portfolio of US$20 million, with loans to 15 000 borrowers. In addition to microfinance for small business, it also offers a housing microfinance product known as KixiCasa. This was developed on the realisation that more than 30% of business loans were being diverted for housing purposes. The product enables groups of between three and five people to access 36-month loans starting from US$1 000 and up to US$10 000.

The social security system in Angola covers less than 10% 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, and there is scope for harnessing these resources for housing, both through lending to pensioners as well as broader involvement in the residential development industry. Angola does not have a stock market, although there are great hopes for plans that have been announced to set one up.

Affordability

Angola has a reputation of having one of the world's most expensive real estate markets, and Luanda ranked first in Mercer's 2013 Cost of Living survey for expatriates (an indicator of the wider market). The focus of formal developers so far has been on the higher income category. A two-bedroom apartment rents on average for about US$7 000 a month, while a three-bedroom house in Luanda costs about US$250 000. According to the World Bank's Doing Business 2012 report, the minimum wage for a 19 year-old apprentice is US$126 a month. The supply of housing within an affordable price range for the 38% to 50% of the population living below the poverty line (as estimated by INE 2011) is very thin, and financing is not readily available. High interest rate spreads, which stood at 12.6% in 2011 before declining to 8% in 2012, have contributed to a moderately low ratio of private sector credit, and very limited affordability for housing.

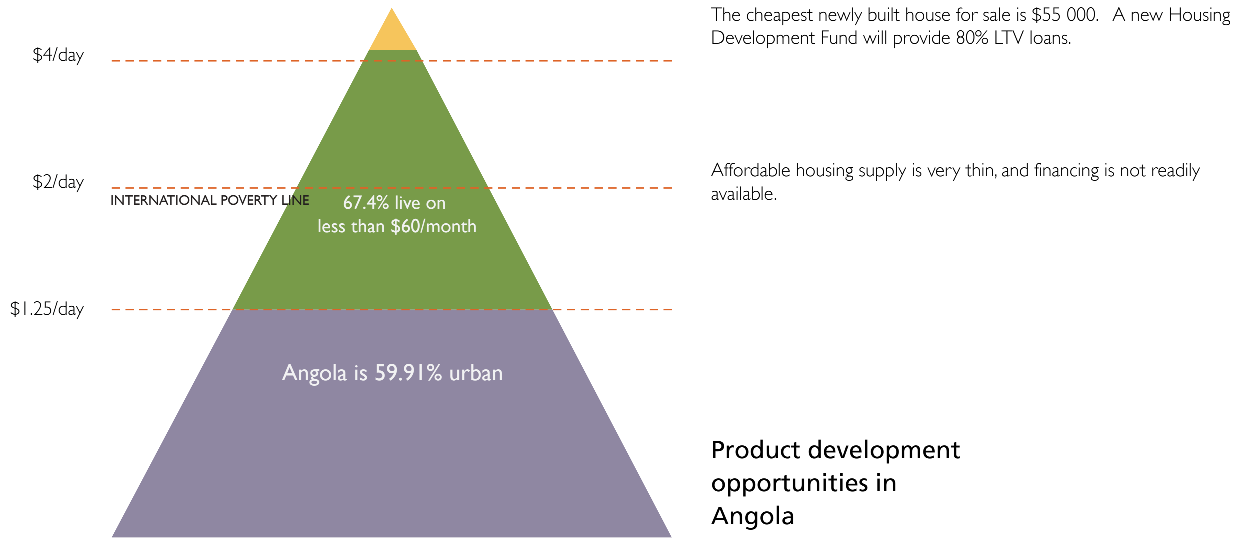
The Angolan economy has in the past been noted for its very low levels of investment, both public and private. At 13% of GDP, it is well below the average for Sub-Saharan Africa. Private investment represents just 3%. The 2013 state budget calls for a steep increase of 60% in capital expenditure, which will make Angola one of the countries with the highest social expenditure, as a percentage of GDP on the continent. A third of the 2013 state budget has been dedicated to the social sector, mainly directed to education, health and fuel subsidies. However, social housing, despite public pronouncements to the contrary, has not received the same attention. Historically, attempts at facilitating affordability for housing have been limited. In 1992, the government initiated a programme of selling housing confiscated from the departing colonisers. This opportunity was restricted, however, 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 for the general public, in two phases. The official average price at that time was about US$45 000 for an 85m² apartment, a bargain considering the dearth of supply for this segment of the market. The eligibility criteria for the project were not well defined, however, and the project has had little effect on demand.

The Angolan government has adopted four strategies that could significantly reduce poverty levels in the country: 'Water for All', which aims to bring adequate and affordable water supply to 80% of peri-urban and rural families by the end of 2012; 'My Dream, My Home', a programme to supply one million houses; decentralisation and fiscal deconcentration in which democratically elected municipal councils will be in place after 2012; and a commitment to halve poverty by 2015 in terms of the Millennium Development Goals (MDGs).

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. According to the director of the National Housing Institute (NHI), the estimated housing deficit is close to two million units. Some 30% of the population have no access to electricity and less than 45% have access to piped water. The rural areas are the most severely affected, and the government has launched a strategy to supply 80% of rural and peri-urban areas with water. Infrastructure limitations restrict housing development in urban areas, and where it does happen, such limitations make development expensive. This has led to a severe shortage of habitable housing in urban areas and widespread slum development. The country's urban areas also lack basic land tenure laws and regulations to deal with the highly urbanised, high density reality they face.

For most Angolans, *auto-construcao* or self-build is the predominant method of housing development. The concept of owner-managed building, a process that combines local tradespeople and family labour, is fundamental to the traditional way of building houses in Angola. There have been positive developments aimed at harnessing this self-build energy to create better settlements and prevent the development of slums. Apart from housing microfinance being



Product development opportunities in Angola

provided by KixiCredito, the government has recognised the potential of self-build, making it an important element in its 'one million houses' programme by providing serviced and legalised land to families who wish to self-build.

The 'one million houses' programme was announced in 2008 and was envisaged to be completed by the end of 2012. The NHI was to lead the project. President dos Santos announced that the cost of these houses should be no more than US$60 000 – although this was still out of reach for most people. The public and private sector are meant to deliver around 12% of these units and co-operatives around 8%, while the majority, more than 68%, are meant to be delivered through self-help initiatives. In this context, the state also announced a Social Housing Programme to provide various degrees of subsidy for housing, depending on income, including fully subsidised housing for citizens who earn an equivalent of about US$150 a month and less. The reservation of 100 000 hectares of land for housing purposes (of which 32 800 hectares will be in urban areas), distributed over Angola's 18 provinces, is also included as part of this ambitious delivery programme. However, critics argue that the housing programme is not delivering as expected, and that the homes that have been built often remain unoccupied and are poorly located, unaffordable, or include plots for directed self-construction which remain empty because of the high cost of labour. By 2013 a large number of middle class housing units subsidised by the state have been released onto the market, but even with subsidised mortgages, they will serve mainly better paid civil servants. The 'one million houses' programme has mainly fallen short in supporting the self-help housing sector, which was anticipated to provide more than two-thirds of the units. The state has failed to produce sufficient sites and serviced plots of land with secure tenure to meet the needs of a large segment of the population which cannot afford nor qualify for even subsidised mortgages.

Homeless International, a British NGO supported by UKAid, began working in Angola in 2011 in partnership with NGO Development Workshop Angola. The organisations aim to support poor communities in Luanda to work together – and to work with government – to improve living conditions and reduce poverty for even the poorest city residents living in informal ***musseques*** (slum setttlements). In 2012, Homeless International gave Development Workshop access to its CLIFF line of financing for a new social housing project in Huambo Province. End-user finance for incremental housing is being provided by the microfinance institution KixiCredito's housing finance arm, KixiCasa, aimed at providing housing loans to those who cannot afford bank mortgages.

The domestic construction sector in the country is underdeveloped, and the local construction material industry remains inadequate to meet all of the demand for mass housing. This means many 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 campaigns, including financial incentives, to encourage the development and establishment of local manufacturing capacity for cement, ceramics, ironware and timber. Still, many property developers in the country are foreign-owned or staffed. If access to domestic-level financing was more available, this sector could develop rapidly, provide many employment opportunities for Angolan youth and begin to substitute the large scale importation of building materials and skilled labour.

Chinese investment in Angola is significant, and has come under scrutiny in recent years. In 2012, BBC News reported on a 'ghost town' built in Kilamba by the China International Trust and Investment Corporation at a cost of US$3.5 billion. Financed with a Chinese credit line, which Angola is repaying in oil, the development is one of the largest new-build developments on the continent. However, less than 10% of the 22 000 unit development was sold by the end of 2012. At between US$120 000 and US$200 000 a unit, the housing was far from affordable for the vast majority of Angolans. The government has planned a total of almost 120 000 housing units for Luanda, including about 40 000 units that are to re-house residents of the inner-city ***bairros*** (areas) of Sambizanga, Cazenga and Rangel.

At the beginning of 2013 the Angolan government substantially reduced the selling price of apartments in several of its large scale housing projects in Luanda (notably Kilamba Kiaxi, Zango and Cacuaco) and set up a real estate company, SONIP, under the auspices of the state petroleum company Sonangol. Substantial subsidies were introduced and the price of a three-room apartment was brought down from US$120 000 to US$ 84 200, which could be purchased on a 3% mortgage over 15 years with a US$14 000 down-payment and US$390 monthly payments. This brought apartment ownership within the reach of middle-level civil servants earning over US$1 500 per month. It remains unclear whether this subsidy will be extended to the housing provided in other satellite towns in Angola, and whether it could be sustainably applied to the full, low-income population in Angola.

Property markets

Property prices in Luanda remain high but below their peak of 2008, when a fall in oil prices caused an economic crisis in Angola. A big part of the growth of Angola's banks can be ascribed to their financing of the real estate bubble. The demand for high-end, quality housing in secure developments, with the reliable provision of utilities, means rental and sale prices are among the most expensive in Africa and in the world. Development Workshop Angola, with the support of the World Bank, carried out the first comprehensive study of Luanda's urban land markets in 2011. It demonstrated that there was a thriving land market but that it operated mainly in the informal sector, with less than 10% of land parcels outside the urban core having legal titles.

A new set of laws for rentals and the transfer of housing has been adopted, replicating Portuguese legislation and making investment in rental housing more attractive to investors. A withholding tax of 15% on rental income has been introduced, while taxes on industrial rents have been lowered. Property transfer taxes have been reduced from 10% to 2%, and have been eliminated for low cost housing. Stamp duties have been reduced from 0.5% to 0.3% and the tax on housing credit has been reduced from 0.3% to 0.1%, while land registry fees have been reduced by half. Since 2005, Angola has made significant progress in reforming the administrative processes for starting a business and registering a property. The cost of transferring property was reduced from 11.5% of the property value in 2005 to 3.1% in 2013 (World Bank 2013 b). This can be attributed to Angola reducing property transfer taxes.

Policy and regulation

Angola has a Ministry of Urbanisation and Housing, a National Housing Institute, a Ministry of Public Works, and an Office of Special Work, all with land and housing-related mandates. Still, policy and legislation around land tenure are a major hindrance to the growth and development of Angola's housing market. The poor often obtain land through informal processes in urban areas, but there is always the threat of forced evictions. This has happened relatively frequently in recent years as urban renewal and infrastructure have been priorities. According to a study by Development Workshop Angola, only 20% of land has been accessed through formal means and has clear title. The government needs to provide greater security of tenure for poorer households, extend the coverage of the land registry, and introduce simplified and rapid procedures to allow acquisition of formal tenure rights. The many overlaps between the various state actors in granting property rights need to be clarified.

Obtaining the official permits and licences necessary to operate in Angola remains both costly and time-consuming. Construction permits take on average 348 days to obtain, and it costs 154% of Angola's annual per capita income to complete the 12 procedures needed to construct a warehouse—nearly a year longer and several hundred dollars more than in other countries in Sub-Saharan Africa. It is extremely difficult to enforce a contract (contracting is Angola's weakest area of business regulation). It takes 1 011 days to resolve a contract dispute, and the average cost of doing so is equal to 44% of the value of the claim. These regulations are intended to protect the public, but their costly, time-consuming and otherwise inefficient administration places excessive constraints on businesses, damaging the efficiency of the economy as a whole.

There have been some positive developments. Law number 3/07 of 2007, The Basis of Housing Development (De Bases do Fomento Habitacional) promotes the emergence of public and private finance for housing construction. It is the statutory basis for the Housing Investment Fund. The law 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. Also, the government in July 2009 approved an ordinance that grants duty-free imports of various materials for the construction of housing. But by 2013, by-laws regulating and simplifying the legalisation of land in the large informal settlements around Angola's major cities have not yet been published. Some local administrations, such as the Municipality of Huambo, have introduced innovative land management and house construction approval procedures that have by-passed the shortcomings of the law.

Opportunities

Angola has strong potential to receive inflows of foreign direct investment thanks to its natural resource wealth and related 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 challenge to sustain its economic growth in the long run as well as to create greater facility for other sectors, beyond extractive-related ones, to grow. Foreign direct investments have come mainly from China, and this country has come to play a major role in the economy of Angola. Around 40% of Angola's oil exports go to China, totalling over US$20 billion in 2011. China will continue to play a role in Angola's economy in the foreseeable future, especially within the construction sector. Angola draws from China its professional contractors to undertake most infrastructural projects in exchange for oil.

The real estate sector has historically been overly focussed on high-end housing developments because of the ready market created by oil companies and their employees, amid record prices and oil 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. There are opportunities both in financing and development. The ambitious government housing programme 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 Angola, and recognised significant demand for it.

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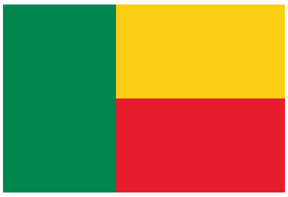
Benin



KEY FIGURES

Main Urban Centres	Porto-Novo (capital), Cotonou
Exchange Rate: 1 US$ =	491.17 West African Franc (CFA Franc)
Population ^	10 050 702
Population growth rate (%) ^	2.73
Urban population (% of total) ^	45.56
Urbanisation rate (%) ^	4.17
GDP per capita (US$) ^	751.92
GDP growth rate (%, real) ^	2.56
GNI per capita, Atlas method (current US$) ^	750
Population less than US$2 per day~	75.32
Population below national poverty line *	29.0
Gini co-efficient ~	38.62
HDI (Global Ranking)"	166
HDI (Country Index Score) "	0.436
Unemployment rate (%) *	
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	3.50
Credit % of GDP ^	19.71
Ease of Doing Business Ranking (out of 185 countries) !	175
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	9.10
What is the price of the cheapest, newly built house by a formal developer or contractor? #	17 800
What is the size of this house (in m²)? #	44
What is the minimum stand or plot size for residential property #	250

Sources:

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° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Benin is a small country in the West African Economic and Monetary Union (WAEMU). For a long time, agriculture has been the main driver of the Benin economy through cotton exports, which account for over 40% of export revenues. This has significantly changed over the last decade, with services taking the lead in terms of contribution to 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, down to 2.5% in 2010 from 5% in 2008. The economy is gradually recovering from this situation, with real GDP growth climbing to 2.5% for 2011 and 5.6% in 2012. In 2013, the World Bank Doing Business report ranked Benin 174th out of 185 economies on the 'ease of doing business' global index, moving up one rank from the 2012 edition. Inflation was estimated at 6.7% in 2012, up from 2.7% in 2011 mainly due to an increase in the black market petrol price resulting from changed subsidy policies in neighbouring Nigeria.

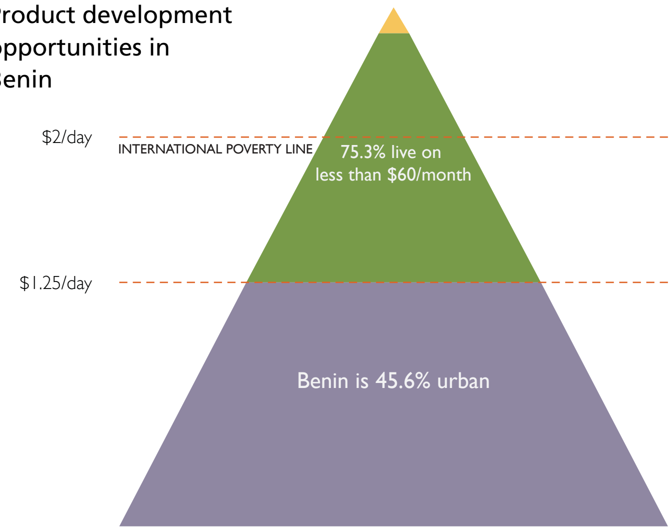
Access to finance

The country's financial sector is concentrated in commercial banks; other sectors are still in their infancy. At the end of 2012, there were a total of 13 commercial banks with about 140 branches. Deposits to these banks were estimated at CFA Francs 1 465 billion (US$2.9 million) in 2012, while loans disbursed were estimated at CFA Francs 924.4 billion. Most of the loans (51% in 2012) disbursed by the banks were short term, while 49% of the portfolio comprised medium – and long-term loans. Access to credit as measured by credit to the economy dropped to 20% of GDP in 2012, compared to 25% of GDP in 2011 and far below the 40% average of the WAEMU. With a relatively moderate lending rate, which ranges from 10% to 13%, and an average interest rate of 11.1% over the period 2010-2012 (against the 8.3% WAEMU average), most stakeholders have cited the lack of long-term financing as the main reason for the low provision of long-term credit. In 2012, other stakeholders in the financial system included two pension funds (serving 50 000 citizens in the country) and the insurance sector, with an insurance premium equivalent of 1.5% of the country's GDP.

Housing finance has been growing in the country, with banks as the main drivers. Some donors have also shown interest in the sector. Most housing loans in Benin are provided by banks in two forms: medium-term construction material loans, and group lending. The medium-term construction material loan products are granted to individuals at an interest rate of between 10.5% and 13%, and a repayment term that ranges between three and five years. The group lending products are usually granted to private organisations or to parastatals to distribute to their employees, where the organisation would be responsible for repayment of the loans. Products such as 'consumption loans' (with a two-year maximum term) or 'equipment loans' (with a five-year maximum term) are often used as housing finance, and often for home improvements.

In July 2010, the WAEMU created a regional mortgage refinance fund called Caisse Régionale de Refinancement Hypothécaire (CRRH), which is hosted at the West African Development Bank (BOAD). With an initial capital of CFA Francs 3 426 million 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 Bank is expected to increase its contribution to CRRH to CFA Francs 55 billion in the future. In July 2012, the CRRH launched its first bond on the regional WAEMU financial market to

Product development opportunities in Benin



The cheapest newly built house for sale is $17 800. With Bank of Africa Benin's 20 year loan at 6.5% interest, this would be affordable to a household earning $474/month, still less than 5% of the population.

Housing loans provided by Benin Housing Bank require a minimum of $22/month.

mobilise CFA Francs 10 billion (about US$20 million) for mortgage resources from its 30 plus shareholders (of which three are from Benin). In January 2013, the second wave of bonds was issued and yielded CFA Francs 19.15 billion (US$38.3million).

As a result, some banks 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. In 2012, Bank of Africa Benin launched the 'housing loan', a new product specifically targeted to those looking for long-term housing finance. The term of this loan can go up to 20 years, with an interest rate of as low as 6.5%. The housing loan was launched in partnership with the Benin Housing Bank and is secured by a mortgage on the house for which the loan is requested.

The Benin Housing Bank (BHB) 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. It is expected to provide 50% of its loans to affordable housing projects, although this target is not always achieved. Some specificities of this focus include that the maximum borrower's net monthly income should be CFA Francs 250 000 (US$500) and that the maximum value of the housing units or the improvements should be CFA Francs 150 000 per m^2, within an upper limit of CFA Francs 12 million (US$24 000) for a whole house. At the end of 2011, the total amount of outstanding loans was estimated to be CFA Francs 22 billion, 11% up from its 2010 level. BHB is reportedly the most important originator of housing loans in Benin.

In 2012, the BHB as part of its expansion and decentralisation plan created a new branch in the populous municipality of Abomey-Calavi on the northern side. Abomey-Calavi was strategically chosen given its "dormitory town" status, as many of those working in the capital city are resident of this town.

In 2010 the WAEMU Banking Law changed, requiring an increase in the level of bank capitalisation within the community. As a consequence, BHB increased its capital to the minimum of CFA Francs 5 billion (about US$10 million) required from all banking institutions within the WAEMU monetary space by the WAEMU Bank commission. This increased the available resources for the bank and should increase the number of housing loans and other medium – to long-term credits in the future. The Bank of Africa Group remains the main shareholder of BHB, with more than 64% of the shares in the bank.

While the Republic of Benin is known to be one of the most stable democracies and economies in West Africa over the past 20 years, lending rates offered by its banks are among the highest in the WAEMU. In 2012 the average interest rate was around 11%. However, the tendency of interest rates is downward (as low as 6.5% for long-term loans) as macroeconomic and political environment remain stable and competition increases in the banking sector.

The savings culture of the Beninese has driven the growth of microfinance in Benin, making it a significant player in the country's financial system. As of December 2012, there are about 56 registered microfinance institutions in the country of which the Fédération des Caisses d'Epargne et de Crédit Agricole Mutuel (FECECAM) is the biggest, as it gathers more than 80% of household deposits. The penetration rate of microfinance reached 80% in 2012, and more than 2.1 million clients are served by 694 service points around the country. At the end of December 2012, a total of CFA Francs 85 billion (US$170 million) represented the total outstanding debt of all of the 56 MFIs. A significant change in the microcredit sector is the joining of LITTO Finance as the second private corporate MFI with FINADEV, a branch of the ORABANK group.

Some of the MFIs offer housing finance products. For example, PADME offers loans of up to CFA Francs 10 million (US$20 000) over 60 months, at an interest rate of 1.5% to 2% a month. A critical challenge facing these housing MFIs 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 incomes are relatively low compared to housing unit prices. According to a 2011 survey on the living conditions of households, just under 55% of Benin's population were living below the international poverty line of US$1 a day, and less than 1% of the population belonged to the upper portion of the revenue distribution chart. At the same time, the cheapest properties cost about CFA Francs 8.9 million (US$17 800), or 270 times the median revenue.

Affordability of housing is impeded by rapid escalations in land prices, especially in newly urbanised areas. However, urban development is not the only driver of the land price. Speculation plays a big part, 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% in the last five years. The government of Benin explained that it wanted to align with prices in other countries of the region to avoid potential shortages that could be created by a higher incentive for producers to export their production for higher prices. However, the completion of a new cement plant in Massè in the Commune of Adja-Ouèrè (in the south-east), probably in 2014, will drive the price of a 50kg bag of cement down from its CFA Francs 4 550 (US$9.1) level.

Owning a property requires a minimum of CFA Francs 8.9 million (US$17 800) for a one-bedroom housing unit in the government's new '10 000 affordable housing units' programme, or CFA Francs 11 million and CFA Francs 12.8 million respectively for a two-bedroom and a three-bedroom house. The programme delivered some 2 100 housing units in 2012. This number adds to 240 high-end villas built between 2008 and 2010 and costing about CFA Francs 350 million. Properties in business or industrial estates cost as much as CFA Francs 144,261 per m^2. At the same time the average monthly salary is estimated at CFA Francs 32 800 or US$66. In other words, the cheapest housing unit costs 271 times the monthly average salary.

In the face of such challenges, people develop creative ideas to be able to save and self-build their housing. Some establish informal savings groups (known as in-kind tontines) to help them to acquire housing. This scheme is set up by members to access building materials, mostly cement. 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 put under strain.

Housing supply

There are four major contributors to the housing stock in the country – households, government agencies, public private partnerships and private developers. Despite various efforts, formal housing supply still lags behind the demand in the country. In 1978 the Benin government established the National Society for the Production of Housing (Societe Nationale de Gestion Immobiliere, or SONAGIM) as a strategy to increase low income households' access to affordable land and housing opportunities. At the same time, the former Benin Development Bank (BBD) and a number of other public companies were involved in the production of housing units until 1990. The most significant housing project plan by SONAGIM was the construction of 1 000 housing units in Cité Houéyiho, with government providing the required infrastructure., However, only 149 housing units were built. As a result of structural problems, the organisation was closed in 1998 and replaced by the Construction and Real Estate Management Company (Société de Construction et de Gestion Immobilière, or 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 '1 042 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 across the country in partnership with the Servax Group (although the latter 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 (US$4 million) contribution to the financial setup of the programme. This contribution has been complemented by a total commitment of more than CFA Francs 10 billion by the Benin Housing Bank.

In 2012, Shelter Afrique expressed interest in supporting the managing agency of the '10 000 affordable housing units' programme, the Land Housing Agency (Agence Foncière de l'Habitat), in developing high-rise apartment units along the bay of the Cotonou lagoon. This new programme is expected to add to the supply of housing units in the country.

In 2011, a project involving the delivery of 40 affordable housing units as part of an agreement between the Venezuela and Benin governments was completed, slightly increasing the available housing units.

In 2013 two new housing providers were established – the Executing Agency of Public Interest Works in Benin (Agence de Gestion des Travaux d'Intérêt Public, or AGETIP-Benin) and the international NGO Voûte Nubienne based in France. While AGETIP with its 'Villas de l'Atlantique' project focuses supply on urban areas in Cotonou and Abomey Calavi, the NGO Voûte Nubienne targets rural areas. AGETIP plans to develop three different types of villa in Fidjrossè, a residential neighbourhood in Cotonou and in Abomey-Calavi, for a total of 120 housing units. AGETIP is completing this project in partnership with local banks. Voûte Nubienne will contribute to the supply of rural housing units by training rural artisans in using local construction techniques. The concept of the Voûte Nubienne is to stimulate the owner-builder process in each village by relying on local resources, including local labour. For its first year, Voûte Nubienne will focus its work on four communes in the northern part of Benin.

Property markets

Land titling is still a major challenge in Benin. According to the 2013 World Bank Doing Business report, Benin ranked 111th out of 185 countries on the 'dealing with construction permit' indicator. This ranking is 9 points up from the 120th place it occupied in 2012. However, it currently still takes an average of 282 days and 11 procedures, and costs 167.4% of the per capita income to obtain a construction permit. Likewise, registering a property takes an average of 120 days and four procedures, and costs 11.6% of the property value, placing Benin 133rd out of 185 countries. Obviously this discourages a lot of people from getting a construction permit. Fortunately, with the enactment of the new Land Code, a new agency, the National Agency for Domains and Land (Agence Nationale du Domaine et du Foncière) will be created, which is mooted to be a 'one-stop window' for property titling. This is expected to streamline property titling procedures, reducing costs and burdens on titling requestors.

Currently property markets are dominated by the trade of empty plots. Trade of built housing units is very limited, with only a few high-end units (built in preparation for the Community of Sahelo-Saharan states [CEN-SAD] summit in 2008) on the market. The sale of the first units made available through the government's '10 000 affordable housing units' programme started in 2012; less than 500 units have been sold between 2012 and the first half of 2013.

Despite important progress made in securing property rights on land by the Millennium Challenge Account Benin programme of 2007 to 2011, trade of empty plots continues to be limited by the absence of a comprehensive cadastre and limits (the length and cost of the process) in establishing land titles on plots on the market. The new Land Code will create a cadastre, but in the meantime, urban land registries in a few of the big cities are the only mechanism available.

Policy and regulation

Benin's 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 housing policy are 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 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, it is doubtful whether municipalities comply with this process, as the specificities of their role 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 with the objectives of promoting land use planning and the rational management of resources, as well as of strengthening basic infrastructure at the local level. The success of this policy is yet to be seen, however, as it is not well known to prospective stakeholders like local governments.

In 2012, alerted by the citizens of several municipalities and communes of mismanagement of public and private land, the Minister of Decentralisation issued a hold on any new land subdivision and commissioned investigations of cases of non-transparent land subdivisions. In the same year, several workshops were held at the national level to deepen reflections on a new land policy for Benin. But an important advance in the regulatory environment in Benin was the vote early in 2013 by Parliament of the new Benin Land Code. This represents a serious advance, as it reorganises land property rights and puts to an end to the legal dualism inherited from the colonial era, creating a unified land tenure.

Opportunities

An important characteristic of Benin's people is the pride they take in owning their house. As such, the demand for housing is considered to be very high. A study launched in 2012 by the Land Housing Agency (Agence Foncière de l'Habitat) on the housing market in Benin, the first of its kind, will provide a lot of information on the characteristics of housing demand. The study is yet to be validated.. There is also a strong commitment by the Benin government to invest in the housing sector. The launch of the '10 000 affordable housing units' programme in 2008 illustrates this commitment.

A draft white book on land policy was developed in 2010 with the support of the Millennium Challenge Account Benin, but has not been enacted into formal policy yet. Consultations continued on the reform in 2012 and several workshops were held. Once enacted, the white book on land policy will provide the foundation for stronger property rights on land and offer better security for investment, including in housing. The objective of the white book is to help to secure access to land and land ownership, facilitate the access of public authorities to land, improve management by the state and decentralised communities of their respective jurisdictions, and regulate land transactions and land transfers.

With the intervention of the Millennium Challenge Account programme in Benin, which came to an end in 2011 after five years of implementation, an important number of issues relating to land title have been addressed, which together should better secure land property rights and thus remove, at least partially, a major constraint to the housing sector in Benin.

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Botswana

KEY FIGURES

Main Urban Centres	Gaborone (capital), Francistown
Exchange Rate: 1 US$ =	8.67 Botswana Pula (P)
Population ^	2 003 910
Population growth rate (%) ^	0.86
Urban population (% of total) ^	62.25
Urbanisation rate (%) ^	1.89
GDP per capita (US$) ^	7 191.44
GDP growth rate (%, real) ^	5.19
GNI per capita, Atlas method (current US$) ^	7720
Population less than US$2 per day~	49.4
Population below national poverty line *	30.3
Gini co-efficient ~	60.96
HDI (Global Ranking)"	119
HDI (Country Index Score) "	0.634
Unemployment rate (%) *	17.60
Bank branches per 100 000 ^	8.57
Lending Interest Rate ^	11.00
Deposit Interest Rate ^	3.61
Credit % of GDP ^	14.95
Ease of Doing Business Ranking (out of 185 countries) !	59
Average Mortgages % of GDP°	2.29%
Average Outstanding loan to purchase a home, older adults (% age 25+)	2%
What is the cost of standard 50kg bag of cement (in US$)? #	8.00
What is the price of the cheapest, newly built house by a formal developer or contractor? #	57 782
What is the size of this house (in m^2)? #	54
What is the minimum stand or plot size for residential property #	

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

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 (SADC), Botswana has been one of the fastest growing economies in the region. Following a dip in the demand for its resources, which reflected in poor GDP figures in 2008 and 2009 (-3.7%), the economy grew by 6.1% in 2011, and then by a more modest 3.7% in 2012. The lower growth rate was due to declines in the mining sector, which registered a negative growth of 8.1% in 2012, as well as the water and electricity sector, which declined by 41.9%.

At the end of December 2012, the overall fiscal balance was a surplus of P751.2 million (US$96.6 million), recovering from the September 2012 deficit of P696.61 million (US$ 89.6 million). The surplus reflects government's continued efforts to cut down on spending, particularly on the wage bill, in the face of declining revenues. This is also reflective of under-spending in development expenditure and more than anticipated revenue from the Southern African Customs Union (SACU). In the 2013 World Bank Ease of Doing Business report, Botswana was ranked 59th out of 185 countries, the third highest in SADC after Mauritius at 19 and South Africa at 39, and the fourth highest in Sub-Saharan Africa after Rwanda (52). Starting a business, protection of the investor and enforcement of contracts are the weak elements of the business environment. The Ibrahim Index of African Governance ranked Botswana third (with a 77.2% score) in terms of overall sustainable economic opportunity, an improvement on its 4th place finish in 2011.

Botswana's urbanisation rate is becoming increasingly visible as Gaborone grows in size. In 2012, the Minister of Lands and Housing announced government's intention to acquire 5 520 hectares of land from Kweneng District, which will be incorporated into Gaborone. This follows in addition to 3 100 hectares of land which had already been acquired, worth P60 million (US$7.86 million).

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 (based on purchasing price parity of US$16 800 in 2012). There are eight commercial banks in Botswana, and according to the Global Financial Inclusion Index, just less than one-third of the adult population over 15 years have access to a formal financial institution. The International Monetary Fund's (IMF's) 2011 Financial Access Survey suggests that there are 8.57 commercial bank branches and just over 27 automated teller machines (ATMs) per 100 000 adults. According to the second FinScope survey undertaken in Botswana in 2009, 67% of the population is financially served, using either formal and/or informal products, 41% of the population is formally banked and 33% is financially excluded. Credit to households is generally on the increase, and by the end of 2009, this was at 57.9%, up from 56.9% the previous year.

Unsecured lending dominates the retail credit sector. The size of the mortgage market is small, with mortgage debt to GDP at only 2%. According to the 2009 FinScope Botswana survey, only 1% of adults have a mortgage bond or a housing loan from a bank. Just over 11% 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% said they used the loan to start a business and 0.2% said they used it to purchase land. About 8% of adults say they invest in their homes.

Some of the eight commercial banks in Botswana provide mortgage finance, but the Botswana Building Society (BBS) is the market leader in mortgage lending. As of 2013, BBS held 5 540 mortgage loans, up from 5 488 loans in 2012. The society provides mortgages over five, 10 or 15 years, with a fixed rate. In 2012, the average loan size was about P425 000 (US$54 655). A variety of mortgage products are available. In 2010, BBS introduced a product which incentivises new home buyers to save towards their mortgage. It has also launched a fixed-rate mortgage for terms as high as 30 years, although borrowers can pay the loan back in advance. Interest rates charged are currently between 11.8% for the variable rate mortgage and 10.7% for the fixed rate mortgage.

Stanbic Bank also offers mortgage loans, with a maximum term of 20 years and a loan-to-value ratio of up to 90%. Stanbic also offers construction loans. Standard Chartered Bank in Botswana offers a variety of mortgage loan products, including direct home purchase, equity release and top-up loans, as well as refinancing options. Loan sizes range between P75 000 and P2.5 million (US$9 825 to US$327 500). First National Bank Botswana also offers a variety of mortgage loans, with loan-to-value ratios of up to 100%, as well as a 'Bond Plus' product which allows the borrower to borrow the full purchase price value plus an additional amount to cover professional fees and other costs. Monthly repayments are calculated to equal no more than 40% of gross income. Barclays Botswana offers mortgage loans with terms of up to 300 months.

According to the World Bank, commercial banks' outstanding property loans to households came to P3.928 billion (US$514.4 million) in June 2012, increasing from the 2011 level of P3.595 billion (US$470.9 million).

The financial institutions and government of Botswana have worked hard to ensure housing affordability in the development of relevant loan products. Government assists all Botswana citizens to purchase or develop properties by guaranteeing 25% of each loan delivered through the BBS. While financing a completed house is beyond the reach of most citizens (Standard Chartered Bank's minimum income requirement for a mortgage, for example, is P3 000 a month (US$393), small construction or housing micro loans offered by financiers can theoretically reach more people, who can then build incrementally. In this segment, the Ministry of Lands and Housing has introduced the Integrated Poverty Alleviation and Housing programme, which trains households to acquire productive skills in the construction industry so that they might address their own housing needs while also earning an income. An evaluation of the programme carried out at the end of 2011 found that while training in various construction skills had been successful, this has not translated into housing delivery.

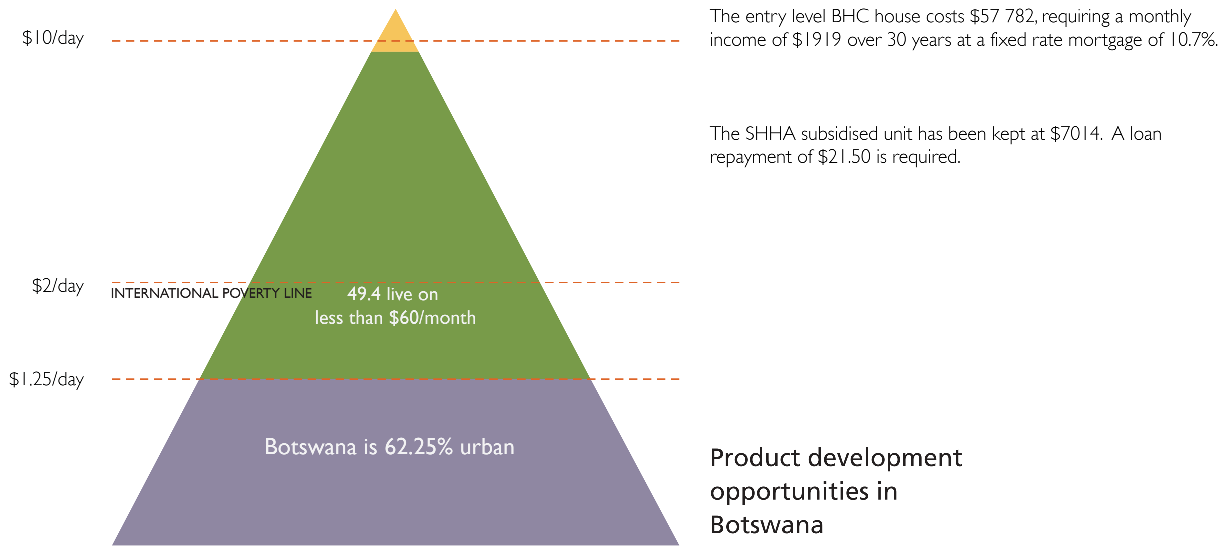
Other housing loan providers include the National Development Bank, a state entity, which has introduced a self-build loan, lending as little as P20 000 (US$2 954).

Botswana's microfinance industry has increased the reach of finance services generally. This form of lending has also been associated with consumer spending, as well as with having money available for education and emergencies. Housing microfinance remains unchartered territory in Botswana, although some lenders are moving into this space, notably Select Africa. The challenge is convincing the authorities of the appropriateness of this type of lending for housing purposes. The Non Banking Financial Institution Authority (NBFIRA) was recently reluctant to grant a microfinance institution accreditation to offer housing finance, given the high costs of microfinance.

Government policy offers low-moderate income households (those earning between P4 400 and P36 400) access to a house improvement loan through the Self Help Housing Agency (SHHA). A loan amount of up to P45 000 is available, payable over 20 years at P187.50 per month, interest free. Repayment on this loan has not been good, however.

Botswana has one of the more active credit information sharing sectors in the SADC region. The credit bureaus in the country cover about 59.6% of the country's adult population (World Bank 2011), scoring 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 total assets accounting for about 60% of the country's GDP. While pension-backed loans are legally permissible, the industry is rather conservative and does not provide members with housing loans or allow third party loans secured by pensions. Some argue that the regulatory framework is not clear enough in dealing with pensions and that this has undermined the growth of this product.



Product development opportunities in Botswana

Affordability

According to the 2009 FinScope Botswana survey, 27% 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%) there is only one income earner; in 28% of households there are two income earners, and in 15% there are three or more income earners. Some 8% of urban households and 13% of rural households have no income earners. About 14% of households across Botswana have an income of less than P500 (US$74) per month. Access to mortgages is constrained by household income.

The Botswana Housing Corporation (BHC) is a leading housing developer. BHC's lowest cost housing product is a $54m^2$ house on a $400m^2$ plot. This costs about P500 976 (US$55 564). BHC suggests that the minimum mortgage instalment for one of its houses is P4 000, which means that a household would have to earn at least P12 000 (about US$1 402) a month. Clearly the minority of citizens in Botswana fall within this category.

Housing supply

The supply of ready-built housing units in Botswana is low in all markets, and most people self-build for occupation. The BHC, the primary housing developer in Botswana, was established by an act of Parliament in 1971 to provide for the housing, office and other building needs of the Botswana government, local authorities and the general public. In April 2012, the BHC's mandate was expanded so that it might operate as government's single housing authority. As such, the BHC is now also responsible for the construction of housing units within the Self Help Housing Agency's (SHHA's) turnkey projects, as well as district housing.

The BHC has a large estate of flats and 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 one million houses a year across the country. In 2011, 1 424 housing units were completed and the development of another 2 400 units were initiated. In the 2012/2013 financial year, 378 housing units were delivered for sale, and a total of 858 units, including those built in previous years that had been available for rent, were sold. A total of 76 houses were allocated for rental during the 2012/2013 financial year, and as of end-March 2013, the BHC managed a total of 10 611 rental properties, the majority (50%) being in Gaborone. In terms of the National Development Plan 10, the construction of 29 000 houses is planned for the next seven years.

However, the 2009 FinScope Botswana survey found that 43% of households still live in inadequate accommodation – either overcrowding in formal dwellings or living in informal dwellings. Targeting this market, the Self Help Housing Agency was established in 1973 to allocate plots and provide finance for self-build to low income Batswana. The Agency has been offering two products – a P60 000 house available for purchase and delivered through a turnkey scheme, and a P45 000 home improvement loan. In both cases, the cost is financed by the Agency itself, at no interest, over a 20-year term. According to the 2009 FinScope Botswana survey, 40 588 adults occupy SHHA houses (the majority of them owners) and another 28 546 rent small houses on an SHHA plot. However, the Agency, implemented through local councils, faces capacity constraints which undermine its success. Since its establishment, the SHHA has been unable to meet demand, leaving a backlog of more than 15 years. It has also suffered from poor repayment rates.

To address these issues, a 2010 presidential directive called for the establishment of a Single Housing Agency (SiHA). This was an effort to separate housing provision from policy formulation, and the SiHA was given the mandate to ensure coordination of housing delivery across the housing sector. In his 2012 State of the Nation address, President Ian Khama announced that the BHC would act as the Single Housing Agency, and that in this capacity, the SHHA would be driven by the BHC. The approach sees the BHC acting as developer, sub-contracting to citizen-owned companies to build SHHA houses, which is expected to take three months and still cost P60 000 (US$7 014). Local authorities will continue to assess and approve SHHA loan applications, and monitor loan payments.

In 2013, P20 million was allocated for SHHA loans for 444 beneficiaries, adding to the 1 403 ongoing and 1 203 recently completed projects. New SHHA turnkey projects targeting 1 000 beneficiaries have been allocated an additional P60 million, on top of 1 060 ongoing projects. The BHC estimates, however, that these houses actually cost P90 000 (US$10 521) to build, and therefore is expecting to build 667 units with its 1 000 unit budget. These houses should be completed in the second quarter of the next financial year (2014/2015). In terms of the policy, beneficiaries will still be charged P60 000. The Botswana government has also funded and constructed 651 houses for the destitute in 2013, of which 222 are located in remote area settlements.

A Presidential Housing Appeal was initiated as a government effort to encourage private sector participation. Of 500 houses that had been pledged, 140 had been built and 60 were under construction in November 2012.

To assist public servants to access housing, especially those in remote and rural areas, government has been working on a proposal to encourage private citizens to provide housing with the support of government guaranteed loans.

There are some private developers; however, as nearly 71% of the total land area of Botswana is under tribal control, they have difficulty in finding areas to develop. Furthermore the few private developers target medium-high market costumers.

International NGO Habitat for Humanity had an office in Botswana until the second half of 2012 when it turned this over to the Botswana Council of Churches. While it was operating, Habitat for Humanity Botswana served 2 200 families. The Council will carry on the work of Habitat for Humanity Botswana under the name Oiko Livelihoods.

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 stock that can be mortgaged in primary markets. A useful indicator is the fact that only 18% 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 increase tenure security and support enhanced access to mortgage finance, the Ministry of Lands and Housing has undertaken a land registration system for properties not formally registered. According to the World Bank it takes about 16 days to register a property in Botswana in 2013 (versus 65 days for sub-Saharan Africa), and the process costs about 5.1% of the property value. Botswana is ranked 51st out of 185 countries globally in terms of this indicator, illustrating the relative efficiency of the country's registration process.

The Botswana Development Corporation is currently in the process of developing a property fund, which is hoped would result in a class of investible assets for the country's citizens and property managers. The 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.

While Botswana has a number of housing programmes under way (the SHHA, the Presidential Housing Appeal, the Housing Scheme for Poverty Eradication, the Botswana Housing Corporation, etc.) there is no underlying housing policy. In 2012/2013, a bill to revise the Town and Country Planning Act was introduced to decentralise town planning functions to the Districts. The bill was expected to reduce delays in the processing of planning applications. To progress towards this, it was expected that the Development Control Code would also be revised.

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. Housing microfinance 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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Burkina Faso

KEY FIGURES

Main Urban Centres	Ouagadougou
Exchange Rate: 1 US$ =	491.17 West African Franc (CFA Franc)
Population ^	16 460 141
Population growth rate (%) ^	2.86
Urban population (% of total) ^	27.35
Urbanisation rate (%) ^	5.99
GDP per capita (US$) ^	634.32
GDP growth rate (%, real) ^	6.93
GNI per capita, Atlas method (current US$) ^	670
Population less than US$2 per day~	72.56
Population below national poverty line *	46.4
Gini co-efficient ~	39.79
HDI (Global Ranking)"	183
HDI (Country Index Score) "	0.343
Unemployment rate (%) *	2.40
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	3.50
Credit % of GDP ^	19.80
Ease of Doing Business Ranking (out of 185 countries) !	153
Average Mortgages % of GDP°	0.29%
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	12.08 (2012)
What is the price of the cheapest, newly built house by a formal developer or contractor? #	18 375 (2012)
What is the size of this house (in m²)? #	28 (2012)
What is the minimum stand or plot size for residential property #	

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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Overview

Burkina Faso is a landlocked country in West Africa, and part of the West African Economic and Monetary Union. It has a population of about 16.6 million people and is one of the least urbanised countries in the world. Burkina Faso's cities are growing rapidly – at an estimated 5.3% – and the capital of Ouagadougou is projected to more than double in population size between 2005 and 2020. With a GDP per capita of US$447, Burkina Faso is classified as a low income country. GDP growth is substantial, however; from 2000 to 2012, GDP growth held at an average of 5.5% a year, due mainly to investment in the telecommunications sectors and in gold mining. The production of gold has grown six-fold in recent years, making gold the primary export product, ahead of cotton. This year, GDP is forecast at 6.7%.

The macroeconomics of the country has improved with good management, despite significant exogenous shocks, instability in the region and the degradation of the exchange rate. Inflation is low – in June 2013, the inflation rate was 1.1%, compared to 4.2% in June of the previous year. Poverty remains high at 46.4% in 2003 and 43.9% in 2009. In 2011, the government adopted a Strategy for Accelerated Growth and Sustainable Development, which is intended to contribute towards the eradication of poverty by setting a goal for double-digit GDP growth for the next five years.

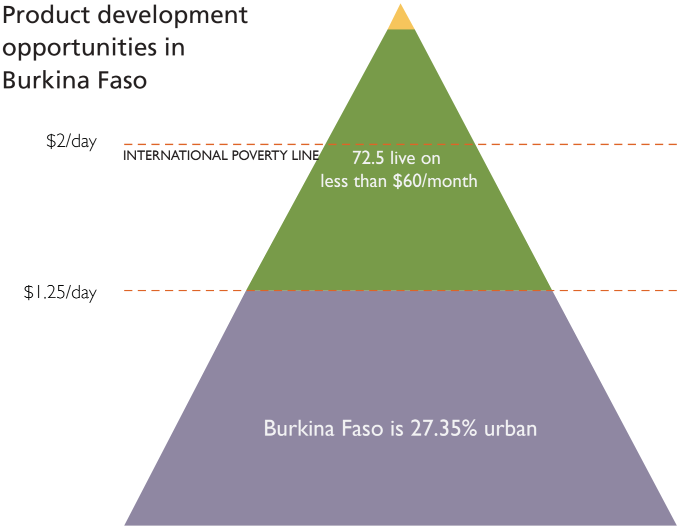
Access to finance

Burkina Faso is part of the Central Bank of West African States (BCEAO), which includes seven other countries (Benin, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo). As of 2013, the financial sector of Burkina Faso was dominated by 12 commercials banks, five credit institutions, 10 insurance companies, one postal financial services outlet, two social security institutions, 50 exchange offices, 122 offices of funds transfer, 13 national funds of financing and 81 microfinance institutions with 489 branches.

At December 2010, the 12 commercials banks active in Burkina Faso had collected more than CFA Francs 1.17 billion (US$2.4 million) and had given (in common with credit institutions) more than CFA Francs 844 437 million (US$1.7 million) as credit over the same period. The World Bank's 2007 review of the financial sector (based on 2005 data) highlighted the high proportion of medium-term loans in Burkina Faso (34%) compared to the rest of the West African Economic and Monetary Union (27.6%). Short-term loans represent 63.8% of the total in Burkina Faso, compared to 68.6% for WAEMU. The proportion of long-term loans is low in Burkina Faso (2.2%) compared to WAEMU (3.8%).

The Housing Bank of Burkina Faso (Banque de l'Habitat du Burkina Faso, or BHBF) was set up in 2006 to facilitate access to housing finance for low and middle income earning households. BHBF is funded by the government and its agencies, which contribute 30% international institutions that contribute 25.33% and other private institutions which contribute 44.67%. Earlier this year, they introduced a new product called CAP Lafia, which allows borrowers to purchase land and/or to build a home, provided that the borrower has a housing savings account or housing savings plan. The product is aimed at public, private and informal sector workers. To qualify, the borrower must be a client of BHBF. Borrowers are required to provide a 10% deposit, and the maximum loan term is seven years for land and 15 years for an 'affordable house'. The CAP Lafia provides housing construction and land acquisition loans at a subsidised interest rate of 5%. The bank also provides added services such as an architect to view the plans before a loan is approved.

Product development opportunities in Burkina Faso



At the minimum size of $10 000, the RCPB mortgage is affordable to a household earning $471/ month, if they can save $1500 for the deposit.

Some other commercial banks such as Bank of Africa, Banque Internationale pour le Commerce, l'Industire et l'Agriculture du Burkina (BICIA-B) and Societe Generale de Banque au Burkina (SGBB) have recently introduced mortgage finance in their portfolios, although access remains limited. The World Bank has just completed a Mortgage Market Development Project, which included capacity building and training for the sector.

At the end of December 2010, the microfinance sector comprised 81 institutions with 489 branches. At the time, just over half of the 1.1 million clients were men, another quarter were women, and groups or legal entities made up the remainder. There are 17 MFIs listed on the MIX Market (an online repository of microfinance performance data and analysis) – which is an increase of six from last year – with US$143.1 million worth of loans dispersed to 238 820 active borrowers. Réseau des Caisses Populaires du Burkina (RCPB) still dominates the market with a gross loan portfolio in 2013 of US$129.83 million and 151 231 active borrowers. In 2010, the RCPB book represented 63.47% of the customers, 81.76% of the sector deposits and 81.31% of the credit offered by the microfinance sector.

With the technical support of Développement international Desjardins (DID), a world leader in the microfinance sector, the RCPB developed a mortgage loan product in 2008. The minimum loan size is CFA Francs 5 million (US$10 000) with a mortgage on property. Borrowers are required to make a 15% deposit and the interest rate is fixed at 14% over 10 years for wage earners, and over five years for non-wage earners. By March 2010 the RCPB had granted 205 loans for an amount of about CFA Francs 770 million (US$1.6 million). The average loan was about CFA Francs 3.78 million (US$ 7 400). The product has grown rapidly, was fully integrated into RCPB's overall portfolio by August 2013 and is now offered in all RCPB branches. The housing loan portfolio as of August 2013 was CFA Francs 65 billion to CFA Francs 70 billion (US$132 million to US$142 million), representing 7% to 10% of RCPB's overall portfolio.

In July 2010, the WAEMU created a regional mortgage refinance fund called Caisse Régionale de Refinancement Hypothécaire (CRRH), which is hosted at the West African Development Bank. With an initial capital of CFA Francs 3.4 billion (US$6.9 million) 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 Bank is expected to increase its contribution to CRRH to CFA Francs 55 billion (about US$110.8 million) in the future. In July 2012, the CRRH launched its first bond on the regional WAEMU financial market to mobilise CFA Francs 10 billion (about US$20 million) for mortgage resources from its 30-plus shareholders (of which three are from Benin). In January 2013, the second wave of bonds was issued and yielded CFA Francs 19.15 billion (US$38.3 million).

Affordability

Burkina Faso is a poor country with 43.9% of households living under the threshold of poverty and earning CFA Francs 108 454 (US$200) or less a year. For the 14.5% of households representing the well-off population, which earn an income of more than CFA Francs 1.8 million (US$3 600) a year, access to property in the main cities is relatively straightforward, with most housing delivery and finance products designed for their needs. Lower income households struggle, however. Government subsidised housing, delivered at the minimum housing standard defined by ministerial decree as including residential space of at least 9m² and some sanitary provision, costs about CFA Francs 5 million (US$10 000), but even this is out of reach for most low income households.

In early 2013, the government reached an agreement with the Export-Impact Bank of India to finance the construction of 1 000 housing units in Ouagadougou. The terms of the loan agreement enabled affordable housing construction – the minimum sized unit was priced at between CFA Francs 5 million and CFA Francs 6 million (US$10 000 – US$12 000).

Housing supply

Informal settlements have been growing in Burkina Faso's main cities, illustrating an undersupply in housing, especially for lower income households. The government estimates that housing demand is growing by 8 000 units per year in Ouagadougou and 6 000 units per year in the country's second largest city, Bobo Dioulasso. An analysis from 2009/2010 shows that only 17% of the population live in cement or concrete structures. The majority (65.6%) live in earth brick dwellings, and a further 12.4% live in baked brick dwellings.

The government has been a key promoter of housing delivery for many decades. The public institution called Centre for the

Management of Cities (Le Centre de Gestion des Cités, or CEGECI) was originally established in 1987 with a mandate to implement the government's housing objectives. In 2000, this mandate was extended to include the actual delivery of housing. The Construction and Real Estate Management Company (Société de Construction et de Gestion Immobilière du Burkina, or SOCOGIB) was also established by government, but was privatised in 2001. SOCOGIB still carries on with its mission to develop land, construct housing, sell and let accommodation and manage properties, and provides technical advice on home improvements. Housing constructed by SOCOGIB comes with a 10-year warranty on the floor, walls and roof.

More recently, since 2008, the government has developed a multi-year, social housing programme. The delivery target is 10 000 subsidised houses and the programme involves experimentation with local building materials in an effort to improve affordability while maintaining quality. The programme is funded entirely by the state, with 75% of the total delivery cost funded by the Housing Bank and the remaining 25% funded by CEGECI. To be eligible, a household must not own a plot or a house, must have an account at the Housing Bank and must have worked for less than 15 years. Eligible households enter a raffle and names are drawn for the houses that are available. In July 2013, a draw was held for 1 500 houses delivered as part of the programme.

In August 2012, phase two of UN-Habitat's Participatory Slum Upgrading Programme in Burkina Faso was completed. The phase involved the profiling and mapping of three informal settlements (known in Burkina Faso as 'spontaneous zones', and the identification of development priorities. Projects to address these development priorities – now in evaluation stage – will form the basis for the third phase of the programme, which began in January 2013.

Cities Alliance, a global partnership for urban poverty reduction (together with various other partners), has set up an urban development programme over the next three years worth US$3 million. The programme aims to manage growth and improve access to services in Burkina Faso, in line with the National Housing and Urban Development Policy.

Property markets

According to the World Bank Doing Business 2013 report, Burkina Faso ranks relatively high. In the 'Dealing with Construction Permits' index, the country ranked 64th out of 183 countries (down from 163rd in 2012). It takes 98 days (compared to the Sub-Saharan average of 196) and 12 procedures at a high cost of 380.7% of income per capita to obtain a construction permit. In registering property, Burkina Faso was ranked 113th – a deterioration by four places from 109th in the previous year. It takes 59 days and four procedures, and costs 12.6% (just above the Sub-Saharan average of 9.4%) of the property value to register a property in Burkina Faso.

Policy and regulation

Burkina Faso's policy framework dates from the early 1990s, with the adoption of a new constitution in 1991 and a decentralisation policy in 1995. Some 49 urban and 350 rural administrative entities were created in this process. In 2009, a national policy on housing and urban development was enacted with a 10-year plan of action, to 2018. The policy puts an urbanisation strategy in the centre of its economic growth plans, and explicitly addresses the potential for real estate development to contribute towards growth. Part Three of the strategy aims to ensure access to comfortable housing for every citizen. The policy aims to raise awareness of the responsibilities of the private sector as well as to assist households in building their own housing.

Opportunities

The establishing of the department of housing and urbanisation, and consequently of the Housing Bank of Burkina Faso, demonstrates the commitment of government to promote the housing sector and to champion housing for low income earners. Demand for affordable housing is clear and practitioners can use this as an opportunity to develop innovative products that serve the needs of the Burkina population.

Despite its status as a heavily indebted country, Burkina Faso has enjoyed strong growth in the past few years, largely as a result of good macro-economic management and a diversifying economy. A US$50.7 million Competitiveness and Enterprise Development Project by the World Bank is focused on creating the conditions to improve business competitiveness and promote investment. This project will no doubt also have an important impact on Burkina Faso's residential real estate sector, creating opportunities for greater engagement by both local and international players. Regional interventions to support the growth of the housing sector will contribute towards Burkina's capacity to address its housing needs and mobilise its housing market.

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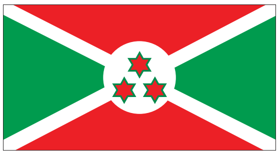
Burundi



KEY FIGURES

Main Urban Centres	Bujumbura
Exchange Rate: 1 US$ =	1 524.99 Burundian Franc (BIF)
Population ^	9 849 569
Population growth rate (%) ^	3.19
Urban population (% of total) ^	11.21
Urbanisation rate (%) ^	5.77
GDP per capita (US$) ^	250.97
GDP growth rate (%, real) ^	0.74
GNI per capita, Atlas method (current US$) ^	240
Population less than US$2 per day~	93.45
Population below national poverty line *	36.2
Gini co-efficient ~	33.27
HDI (Global Ranking)"	178
HDI (Country Index Score) "	0.355
Unemployment rate (%) *	0.47
Bank branches per 100 000 ^	2.40
Lending Interest Rate ^	14.32
Deposit Interest Rate ^	
Credit % of GDP ^	26.04
Ease of Doing Business Ranking (out of 185 countries) !	159
Average Mortgages % of GDP°	1.19%
Average Outstanding loan to purchase a home, older adults (% age 25+)	0%
What is the cost of standard 50kg bag of cement (in US$)? #	16
What is the price of the cheapest, newly built house by a formal developer or contractor? #	17 940
What is the size of this house (in m^2)? #	120
What is the minimum stand or plot size for residential property #	450

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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Overview

Over the last five years, Burundi's economy has shown modest growth and recovery, thanks to sound government efficiency and economic management reforms. Following a 13-year period of civil war, from 1993 to 2005, several reforms have been implemented to improve the management of public resources and to promote private sector development and job creation. Notable among these was the implementation of financial and economic programmes, supported by the International Monetary Fund's Extended Credit Facility, which kept inflation at a single digit (9% in 2012).

In 2013, Burundi was ranked among the top 10 most improved economies in the world. However, the macroeconomic environment remains fragile; real GDP growth rates are low by regional standards and there are concerns whether the growth rates will be able to meet the country's development requirements in the short to medium term. Real GDP has increased marginally from an annual average rate of 2.9% between the early 1990s and mid-2000s to 4% in 2011. In 2012, real GDP growth was estimated at 4.2%, a figure lower than the projected growth of 5.2%. The structure of the economy remains rural and agrarian, with over 90% of the population engaged mainly in agriculture. The urbanisation level was estimated at 13% in 2007, compared to an average of 37% in Sub-Saharan Africa.

Burundi's GDP per capita is among the lowest in the world, though improving. GDP per capita rose from US$130 in 2001 to US$279 in 2011. A major concern however, is the high annual population growth rate – 3% in 2011 – which is amongst the highest in Sub-Saharan Africa. In 2012, Burundi ranked 178 out of 187 in the Human Development Index Report's annual rankings of national achievement in health, education and income.

Access to finance

Burundi's financial sector is underdeveloped, though showing high prospects of growth, particularly with regard to the increasing penetration of foreign banks, which may potentially boost competition, financial innovation and access to finance. There are nine commercial banks – Commercial Bank of Burundi (BANCOBU), Bank Financing and Management (BGF), Burundi Bank of Commerce and Investment (BBCI), Finbank SA: Bank Financing and Leasing, Interbank Burundi, Ecobank, Bank Credit Bujumbura (BCB), Daimond Trust Bank Burundi, Kenya Commercial Bank Burundi – and two non-bank financial establishments – the Fund for the Promotion of Urban Housing (FPHU) and the National Bank for Economic Development (BNDE). Their total assets represent 54% of GDP. A further 22 microfinance institutions, a National Postal Authority and a range of savings and credit associations (ROSCAs), also referred to as *tontines, ikirimba* or usurers, make up the remainder of the financial sector.

In 2012, state ownership in the banking sector was estimated at 3.6% of the total capital of commercial banks. Still, the government has substantial influence in the banking sector through its public entities that own up to 31.6% of the capital of all banks combined. The government is also a majority shareholder in two important banks, the Commercial Bank of Burundi and Bank Credit Bujumbura, which dominate the banking sector and in 2008 accounted for 43% of deposits, 42% of total assets and 42% of credit allocated. The Burundi Bank of Commerce and Investment and the two non-bank financial institutions, the Fund for the Promotion of Urban Housing and the National Bank for Economic Development, offer housing finance products on a short-, medium – and long-term basis.

In spite of the financial institutional framework, Burundi has a woefully low bank penetration rate. Findings from a survey carried out by the Bank of the Republic of Burundi (BRB) in 2012 showed that only 12.5% of the adult population, or 4.3 million Burundians (18 years and above) had an account with one of the 33 licensed financial institutions. According to the BRB survey, major reasons for the limited access to finance include the high minimum deposit amounts (over BIF 50 000 or US$32) and monthly bank maintenance fees of BIF 3 000 (US$2). The majority of the population would find it hard to fulfil these requirements.

In addition, the BRB 2012 survey established that less than 0.5% of the population have accessed a bank loan. Loans are offered on short-term gains (less than 3% of the loans are medium or long term), and are subject to excessive political influence. Commercial banks grant a five-year term for ordinary loans and in the case of mortgages, the term is scaled up to between 10 and 20 years. Mortgages offered range between BIF 500 000 (US$324) and BIF 50 000 000 (US$32 362).

In the rural economy, the presence of banks is negligible, in spite of the fact that agriculture in rural areas represents Burundi's primary economic activity. By the end of 2008, only seven of the 73 bank branches, or 9.5%, were located in rural areas.

Microfinance Institutions, on the other hand, have played a major role in enhancing access to finance in Burundi, serving a larger share of the population than that served by banks, even though in volume terms, MFIs constitute only 2.2% of the total credit issued by financial institutions. About a quarter (26%) of the total population served by financial institutions save with MFIs.

The 22 licensed MFIs offer various products, including savings, deposits, and short – to medium-term credit. The minimum deposit required for opening an account with an MFI ranges between BIF 5 000 (US$3) and BIF 10 000 (US$7) which is clearly more affordable than the BIF 50 000 (US$32) required by commercial banks. By 2012, MFIs had issued 417 812 loans (compared to 117 812 in 2011 and 300 000 in 2010). However, these loans were unable to generate the sort of development oriented, stable loan portfolio that Burundi requires to sustain high growth.

Ordinary loans from MFIs range between BIF 10 000 ($7) and BIF 5 000 000 (US$3 225). MFIs usually grant three-year loan terms because of their limited long-term resources. Interest rates on loans issued by MFIs range between 6% and 48% per annum. According to the 2012 BRB survey, 44% of loans issued by MFIs were microfinance housing loans.

Burundi's housing finance sector has grown exponentially over the last five years. The mortgage portfolio has increased by over 150% from BIF 1.44 billion (US$1.17 million) in 2007 to BIF 4.36 billion (US$3.54 million) in 2010. In 2012, commercial banks issued BIF 57.7 billion (US$37.5 million) in housing or mortgage loans (about 17.5% of total commercial banks' loan portfolio). Interest rates on mortgages range between 16% and 19% per annum.

As a percentage of GDP, however, the housing finance sector is insignificant by regional standards – 0.02% of GDP in 2012, compared to Uganda's 4.6% of GDP in 2012 and Kenya's 2.6% of GDP in the same year.

In 2012, the average mortgage size was estimated at BIF 12.3 million (about US$10 000). The majority (90%) of mortgages were held by local residents, particularly employees of financial institutions that offered mortgage finance. The diaspora held about 10% of mortgages, acquired through the diaspora programme of home improvement. The diaspora has played a relatively commendable role in increasing the supply of housing – mainly rental units, and the development of the real estate market.

The largest housing finance provider is the Fund for the Promotion of Urban Housing, which accounts for nearly three-quarters of the market. Some of the Fund's products include the Home Savings Plan (ELP) and the Home Savings Account, which were launched in 2004. By March 2008, about 288 individuals had subscribed to these products, with a portfolio of about BIF 832.4 million (US$542 283). Terms for accessing housing finance products include (i) employment on a permanent basis for the period in which the borrower will pay the loan; (ii) the borrower should have a permanent residence (domiciliation); (iii) the borrower should have a land title (collateral); and (iv) spouses/s or partners should provide surety.

The other housing finance providers include the Burundi Bank of Commerce and Investment and the National Bank for Economic Development. In 2009, the latter issued 36 housing finance loans (valued at BIF 399 million, or US$324 000), comprising two short-term, six long-term and 28 medium-term loans. The housing loans include refinancing of mortgages, home building, home completion and home improvement.

Between 2011 and mid-2013, the total number of mortgages issued by the above three institutions were estimated between 750 and 1 000, targeting only the high income earners. As a result, the housing finance sector is characterised by unmet demand, particularly among middle income earners. High prices of between BIF 20 million (US$16 250) and BIF 25 million (US$20 313) for a modest house (which has two bedrooms and measures 120m^2) make housing unaffordable for the bulk of the population, while the deterioration of existing housing stock also play a role. The number of refugees that returned after the civil war in 2005, estimated at 500 000, has also contributed to rising demand for housing.

Medium-term mortgages (maturing in two to seven years) account for 63% of the total stock of loans granted by the institutions. Long-term mortgages (15 to 20 years) constitute the balance. Lending rates are very high even though they have declined over the last few years to reach 16% in 2010. MFIs are not authorised to grant mortgage loans, not are home improvement loans part of the products offered by MFIs, nonetheless, some of the business loans they have issued have indirectly gone towards home improvement.

A major challenge in the provision of mortgages is the lack of long-term funding schemes within the domestic banking system and the lack of a developed pensions and insurance industry, which are crucial in resource mobilisation and maturity transformation.

Also, the legal framework does not foster the creation of a viable housing sector and mortgage market. Of particular importance is the land tenure system. The formal land tenure system is weak. Most of the land in the country is undocumented and existing land records are outdated. By 2008, only 46 000 plots of land had been titled – slightly more than 1% of the country's surface area. Nonetheless, the government is introducing reforms to ease the process of registering and transferring property. In the World Bank's 2013 Doing Business report, Burundi ranked 159th out of 185 countries which is an improvement on the previous year's ranking of 172.

Affordability

Affordability of housing finance in Burundi is low. Only 5.3% of Burundians live on between US$2 and US$20 a day. The informal private sector is the principal provider of employment, with a share of more than 75%, followed by the civil service (10.3%) and public companies (7.5%).

The informal private sector constitutes mainly unskilled workers, whose monthly wage ranges between BIF 4 000 (US$3.3) and BIF 37 500 (US$30.6). This income is in most cases inconsistent and too low for banks to lend against. It is also not sufficient to provide a decent standard of living for unskilled workers and their families.

Civil servants have a guaranteed monthly salary, and are therefore eligible for housing finance. Their salaries, however, are too low for banks to lend against. Efforts have been made to revise civil servants' salaries, and in 2010 the government raised salaries of individuals in selected ministries, including justice, education and state inspection. But the increments are insufficient and leave the individuals ineligible for housing finance. In addition the increments cannot comfortably deal with the high cost of living.

Monthly salaries for teachers, the military and the police range between BIF 30 000 (US$24.7) and BIF 175 000 (US$142.1). These salaries are well below the minimum BIF 1 million) required by banks to offer mortgage finance. Judges earn between BIF 115 000 (US$93.5) and BIF 270 000 (US$219.20), which is also below the minimum required by banks for mortgage finance. The only government officials whose salaries are eligible for housing finance are ministers and members of parliament. These officials earn between BIF 1.5 million (US$1 236) and BIF 3 million (US$2 472).

To illustrate, a middle income married couple with university degrees, employed in the civil service, would each earn about BIF 100 000 (US$81). Housing construction costs in the middle income suburbs of Bujumbura are estimated at BIF 184 000 (US$150) per square metre. Therefore a house of 120m^2 will cost BIF 22 080 000 (US$17 940). To pay a 15-year mortgage, at an interest rate of 18%, and given that a standard monthly payment should not exceed 40% of a household's salary, the couple would have to make monthly payments of BIF 355 581 (US$289), well above their combined salary. Individuals who earn below US$163 constitute about 80% of the public sector. A house of BIF 22 080 000 (US$17 940) can only be afforded by ministers and members of parliament.

Housing supply

Most households in Burundi live in their own homes, particularly those in rural areas. Findings of the 2008 Household Survey showed that 96.2% of households (in both rural and urban areas) own homes and 3.8% rent homes. Of the 3.8% renting population, the majority live in urban areas. Some 10% of the urban population rents. Self-construction, building incrementally and using own savings is the main mode of delivery of housing in Burundi.

However, the quality of the housing is poor. According to the 2008 Household Survey, 70% of homes are built with adobe brick or wood walls, 30% of the houses are covered with tiles or sheets and nearly 70% of houses are covered with straw or other plant leaves.

Following the end of the civil war, the demand for affordable, high quality housing has been on the rise. It is estimated that the repatriation of about 500 000 refugees and the rise of a middle class have led to a housing shortage of 20 000 housing units annually, largely because the supply side of the housing market has not been able to keep pace with the demand. The pace of reconstructing houses that were destroyed during the civil unrest has been very slow. In a sample of seven towns, less than 50% of the houses that were destroyed had been reconstructed by 2006. Worse still, in that year, there was an additional huge demand for housing, more than twice the number of housing that had to be reconstructed in each of the seven towns. The demand for building land and housing is now projected above 855 hectares, and 20 000 units per year.

Since 2008, the government of Burundi has embarked on a number of initiatives to promote urban planning and housing development:

Expropriation of sites: this relates to the costs of compensation incurred to facilitate the development of new sites and services for housing development. This programme was rolled out in Kirama, Gasekebuye, Ruziba and Bwoga.

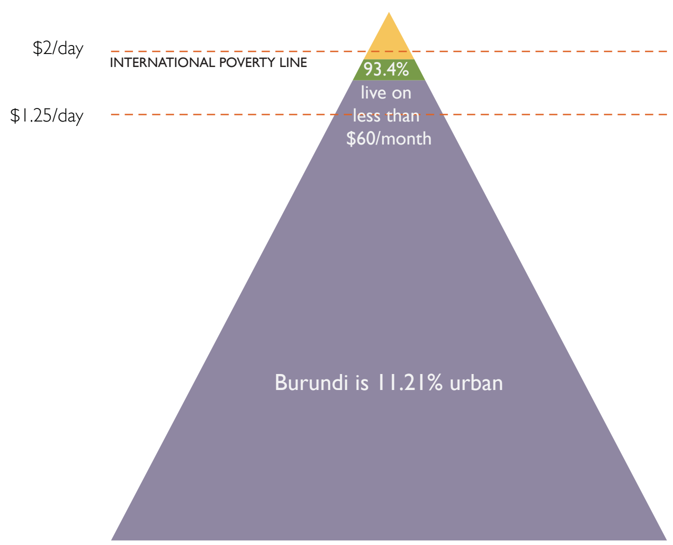
Development and preparation of plots of land for housing development: in this programme, 2 443 plots of land were developed in the city of Bujumbura (in the areas of Kinindo, Kinanira IV, SororezoII, Gasekebuye, West Kabondo and Bwiza) and in provincial centres like Gitega, Makamba, Muyinga, Bubanza, Mwaro and Bururi.

Creating new zones for housing development: this programme targeted low income earners, and aimed at enhancing access to registered and serviced plots.

Provincial projects: this project was rolled out in the provinces of Muyinga, Bubanza, Bururi and Mwaro, and involved the production of 2 000 plots, mainly for residential use.

There is no readily available information on private developers in Burundi. However, the East Africa Business News reports that in 2010, a Ugandan company, TAL Investments Ltd, had won a contract to construct 200 houses for civil servants on a 40 acre piece of land in Bujumbura, with TAL Investments working with a local bank to secure mortgages for civil servants to help them to pay for the houses.

In 2011, more than 300 brick houses were built under the government's programme of 'villagisation' in Gitega province. This programme aims to support the socioeconomic reintegration of rural villages by improving the living conditions of the population and their access to basic social services in a secure environment. Repatriated Burundian refugees are hosted in integrated rural villages set up by the government where they can start a new life.



The cheapest newly built house for sale is $17 940, affordable to less than 5% of Burundians.

Self build and incremental construction dominates

Product development opportunities in Burundi

Between 2012 and 2014, the government hopes to build 100 villages comprising 400 homes each. Site identification for the villages will be undertaken by municipalities through a participatory approach with their members. The development of village sites will be carried out by the Ministry of Water, Environment, Planning and Urbanisation. In each village, public infrastructure such as schools, health centres, churches, markets, parking areas and parks will also be built. The total cost of building a house in such a village is estimated at BIF 7 364 000 (US$13 100). The government has received support from the United Nations Development Programme (UNDP) in rolling out the villagisation project, in the form of 60 000 iron sheets and four brickmaking machines. The communities where the project will be undertaken have been trained in brickmaking and house construction.

A number of community self-help projects have been rolled out in various parts of the country. One such was undertaken by Guernsey Overseas Aid Commission (GOAC). In February 2010, the GOAC trained and provided construction material to 100 beneficiary families (at least 500 people) to fully build homes, and resettle and reintegrate them in their villages of origin in Ruyigi province.

Habitat for Humanity worked in Burundi but discontinued housing provision in 2008. In 1987 they provided 37 houses in Gitega, while they built 750 rural homes for 4 500 people over 12 months in the Mukungu Zone of Nyanza-Lac together with World Relief. The houses constructed are 40m^2 and made up of two bedrooms and a common room.

World Relief has been working in Burundi through various projects after the civil war. One of the organisation's projects, 'Rehabilitation', works with local communities to build homes and restore people's livelihoods. The organisation also provides microfinance loans to individuals, ranging between US$50 and US$75.

Property markets

The property markets in Burundi are still underdeveloped, with some activities like valuation contracted to real estate agencies in neighbouring countries. According to the 2010 International Property Markets Scorecard, consultancy Knight Frank's Uganda office lists valuation services in Burundi. There is no evidence of independent native firms offering valuation services.

It is envisaged that government's policy of encouraging local and foreign investors to invest in the housing sector will lead to the development of the property market. Presently, registering property in Burundi requires eight procedures, takes 64 days and costs 3.3% of the property value. The number of days it takes to transfer property has decreased by a third from 2012's 94 days to 64 days in 2013. This is attributed to the establishment of a statutory time limit for processing property transfer requests at the land registry.

Policy and regulation

Efforts are under way to streamline and update the policies and regulations governing the housing industry and housing finance sector. In 2006, the government sought the assistance of the UNDP and UN-Habitat to formulate a National Urban Planning and Housing Policy. In 2007, a comprehensive study was done to inform the formulation of the policy, which was launched in 2008.

The overall goal of the policy is to promote social development and allow all Burundians to have access to high quality housing and basic services. The target is to develop 855 hectares of land and construct 26 000 homes annually. Specific goals of the policy include strengthening the institutional framework of the sector to promote urban development and the gradual improvement of housing; ensuring a decent home for every segment of the population; preventing the deterioration of living conditions in urban areas; and establishing sustainable urban areas in the country.

Other government initiatives to improve the housing industry and the housing finance sector have not yet materialised. These include an update to the Urbanisation and Development Master Plan, and the drafting of an Urbanisation and Construction Code. A National Land Commission was established in 2008. The Commission will decentralise cadastre and land registration offices, and amend and modernise the 1988 Land Code. A new national land policy was developed in 2009 (the *Lettre de Politique Foncière*), while a revised land law was promulgated in 2011. At the beginning of 2012, 11 municipal land services were already functional (out of 129 municipalities).

Opportunities

A comprehensive study on the housing industry and the housing finance sector should be undertaken to devise appropriate proposals on how to enhance access to housing finance amongst middle and low income earners who constitute the majority of the population. Efforts should be made to develop the pension and insurance industries, which can mobilise long-term funds for housing. There is also a need for more competition in the banking industry. With more banks, more innovative products, including housing finance products, can be designed and offered on the market. Finally, there is a need to attract more organised real estate developers, both local and foreign, if the country is to address the housing shortage.

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** Access additional websites consulted for the Burundi Country Profile at www.housingfinanceafrica.org*

Cameroon

KEY FIGURES

Main Urban Centres	Yaoundé
Exchange Rate: 1 US$ =	491.17 Central African Franc (CFA Franc)
Population ^	21 699 631
Population growth rate (%) ^	2.54
Urban population (% of total) ^	52.66
Urbanisation rate (%) ^	3.63
GDP per capita (US$) ^	1 151.36
GDP growth rate (%, real) ^	2.08
GNI per capita, Atlas method (current US$) ^	1170
Population less than US$2 per day~	30.36
Population below national poverty line *	40.2
Gini co-efficient ~	38.91
HDI (Global Ranking)"	150
HDI (Country Index Score) "	0.495
Unemployment rate (%) *	7.50
Bank branches per 100 000 ^	1.66
Lending Interest Rate ^	
Deposit Interest Rate ^	3.25
Credit % of GDP ^	15.21
Ease of Doing Business Ranking (out of 185 countries) !	161
Average Mortgages % of GDP	0,5% (WB 2005)
Average Outstanding loan to purchase a home, older adults (% age 25+)	2%
What is the cost of standard 50kg bag of cement (in US$)? #	10
What is the price of the cheapest, newly built house by a formal developer or contractor? #	48 000
What is the size of this house (in m^2)? #	250
What is the minimum stand or plot size for residential property #	250

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Cameroon is a low to middle income Sub-Saharan African country with an estimated population of 20.5 million and an annual population growth rate of 2.04%. It is at the junction between West and Central Africa, and the gateway into Central Africa and the Gulf of Guinea, and shares borders with six countries – Nigeria, Chad, Gabon, Equatorial Guinea, Congo Republic and Central African Republic. Cameroon is the most important market in the Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale, or CEMAC), accounting for almost half of the regional GDP.

Cameroon has a stable macroeconomic environment. The country achieved a ranking of 161 in the World Bank's 2013 Doing Business report for ease of doing business, the same position it held in 2012. Its annual real GDP growth rate was 4.7% for 2012, up from 4% in 2011 – a recovery from a low of 3% in 2010. This was lower than the projected 5.3% for 2012, which was based mainly on the strength of internal demand, notably domestic consumption. Economic growth and a growing population, 60% of which is made up of young people below 25 years, have created a growing middle class with a strong demand for products and services, including housing.

Cameroon's primary sector accounts for 21% of GDP. Because of its oil resources and favourable agricultural conditions, Cameroon has one of the best-endowed primary commodity economies in Sub-Saharan Africa. Over the last five years, growth in the economy has been driven strongly by the oil and agriculture sectors, which account for 50% and 25% of exports respectively. The mining industry is experiencing a boom with the discovery of new mineral deposits. The secondary sector accounts for 33% of GDP, and has contracted in recent years, amongst other reasons, due to the saturation of electric energy supply capacity, the depletion of the main oil wells and the low competitiveness of agro-industries. The tertiary sector accounted for 49% of GDP in 2013, up from 46.4% in 2011 and 43.2% in 2010. It is the most dynamic sector of the Cameroon economy, and has grown at 6% on average since 2007. The growth is due to good performance in business and mobile telecommunications, but also the recovery of the construction and transport sectors, as well as retail trading.

Access to finance

Though Cameroon's financial system is the largest in the CEMAC region, it is still in its infancy. There are 11 commercial banks, 11 non-banking financial establishments, 652 microfinance institutions, an increasing number of foreign exchange bureaus and the Douala Stock Exchange, which was established in 2002 but only began trading in 2009. Government accounts for only 10% of the social capital of banks, while the private sector accounts for the other 90%. The banking sector is highly concentrated and dominated by foreign commercial banks; six out of the 11 largest commercial banks are foreign owned. The three largest banks hold more than 50% of the total assets in the financial system.

Access to financial services is limited. Only 5% of Cameroonians have access to a bank account. According to the International Monetary Fund's Financial Access Survey, there were only 1.66 bank branches for every 100 000 adults in 2011, which means the degree of bank penetration is extremely weak. According to the 2013 Doing Business report, Cameroon ranked 104th in terms of ease of getting credit. Mobile banking has been identified as one way of increasing financial accessibility – more than 75% of the population has access to a mobile phone – and the government is being encouraged to invest in it, following its success in countries like Kenya.

The Bank of Central African States (Banque des Etats d'Afrique Centrale, or BEAC) regulates the sector through the Central African Banking Commission

(COBAC), with authority to take disciplinary action. Both COBAC and the Cameroon Ministry of Finance and Budget must licence banks, and there are special regulations for small-scale credit co-operatives. The system is bank-centred, and the commercial banks in the country mainly fulfil traditional banking functions, with a tendency to prefer dealing with large, established companies. With a focus on short-term lending, the long-term credit market remains underdeveloped. The distribution of banks is heavily skewed towards urban centres. Some 80% of all bank branches are in the main cities of Douala and Yaounde, with a significant part of the country denied access to any formal banking facilities.

Access to housing finance is extremely low and available mainly to government employees through the government agency Crédit Foncier du Cameroun. About 2% of Cameroonians have access to mortgage finance from the formal banking system. The government is now trying to inject more funds into Crédit Foncier and to institute other reforms that will make it easier for middle income Cameroonians to access housing finance. Title deeds are attached to only a very small percentage of land in the country. This is because implementing the legal provisions of the 2005 institutional framework on land ownership has been impeded by jurisdictional disputes. In Yaounde, for example, title deeds are attached to less than 10% of the land. People who have title deeds to their land could use them as collateral to access finance. In 2012, the country made amendments to the Organisation for the Harmonisation of Business Law in Africa (OHADA) Uniform Act on Secured Transactions that broadened the range of assets that can be used as collateral. This will make it easier for people to access finance.

Despite excess liquidity in the banking system, the granting of credit by banks is far below the level required to satisfy the financial requirements of individuals and the private sector. The limited availability of credit stems from the narrowness of the market, the high proportion of bad debts, and the difficulties banks have experienced in realising guarantees and enforcing court decisions in litigation cases. Foreign banks have good solvency ratios. Domestic banks, however, are in a weaker position, with a capitalisation below the average of banks in the CEMAC region and profits of about 2% compared to 20% for foreign banks. This is partly explained by high levels of non-performing loans, which reached 12% in 2007. As a result, banks hold large amounts of excess reserves as a percentage of deposits with large unutilised liquidity. The World Bank's 2013 Doing Business report shows some improvement on the legal rights of borrowers/lenders, and in accessing credit.

Microfinance in Cameroon is mainly managed by associations, or savings and credit co-operatives (80%). According to the National Institute of Statistics, the microfinance sector has 438 establishments that are recognised by the Ministry of Finance, with a portfolio of about 1.5 million Cameroonians, total savings of US$800 million, and over 1 000 branches spread across the country. Of these, 187 are independent, while 178 belong to the largest network of MFIs, the Cameroon Cooperative Credit Union League (CAMCCUL). It has 55 962 active borrowers and a gross loan portfolio of US$156.9 million. CAMCCUL split in May 2013, however, and a new network of MFIs called Renaissance Cooperative Credit Unions (RECCU-CAM Ltd) was registered in the same month. Like commercial banks, most MFIs are concentrated in Douala, Yaounde, Bamenda and the western region. In 2000, MFIs granted only 4.3% of the total loans made by financial institutions. This figure has increased considerably by now, though accurate statistics are not available.

The microfinance sector has become increasingly important, but its development has been hampered by a loose regulatory and supervisory framework for MFIs. Recently the sector has seen some financial scandals relating to poor governance in some major institutions in Douala and Yaounde, as well as incidences of corruption and embezzlement, lack of resources and administrative incivility, all of which threaten the viability of the sector. Some 34 microfinance institutions were recently suspended by the Minister of Finance for operating without a valid licence.

Liquidity is a problem for the microlending sector, and many MFIs are only able to satisfy up to 5% of their customers at any time. To address this, the government is planning to establish a wholesale fund, financed by the African Development Bank (AfDB). The fund is worth CFA Francs 21 billion (US$40 million) and will go a long way to help usher financial reforms into the sector. A national strategy, which was adopted in May 2013 with the support of the UNDP, the International Fund for Agricultural Development (IFAD) and the United Nations Capital Development Fund (UNCDF, identified three main areas of intervention – improving the regulatory framework, improving professionalism and client protection.

The conditions to carry out microfinance activities are defined at the sub-regional level by CEMAC. There are three categories of MFIs: those that deal only with their members (associations and co-operatives), those that offer financial services to third parties (they must be a public limited company) and those that offer only credit. The most popular kind of credit institution in Cameroon is what is called *njangi* by the English speaking population, and *tontines* by the French speaking population. This type of rotating savings model is usually made up of people of the same social class who have almost the same income or who are engaged in similar activities, and has been in existence since the colonial period. Two types are commonly used for housing purposes, rotating funds, and savings and loans funds.

Rotating funds involve groups of individuals who come together with agreed fixed sums of money. At each meeting, the money is given to one of the group members in a lump sum. The member who receives the money is agreed in advance by consensus among the group, and the number of members determine the loan period. The money received is interest free. A slightly different rotating savings model, made up of individuals with different income brackets, is more flexible. The money collected is auctioned and those who have not yet received a loan may bid for it. The person with the highest bid gets the loan.

Savings and loans funds allow members to contribute more than the agreed regular sum of money into a savings fund that is then loaned to other members who are in need. Interest of 20% to 25% is charged on this loan. The saver may withdraw the money but only after sufficient notification has been given to the association. This money often earns interest for the saver.

Affordability

According to the Cameroon Household Survey (Enquête Camerounaise auprès des Ménages, or ECAM), poverty affected 39% of the population in 2007, having dropped by almost 13 points between 1996 and 2001, from 53% to 40%. The official unemployment rate is 30%, with 48% of the population below the poverty line. The national Gini-index for Cameroon stood at 0.390 in 2007, down from 0.416 in 1996 and 0.404 in 2001, suggesting relatively high, though improving, levels of inequality. The GDP per capita in 2012 was US$2 400. Most people are employed in the informal sector. Only a small percentage of urban adults are employed by the state and the formal private sector. Some 70% of the labour force is involved in mostly subsistence agriculture.

Building costs in Cameroon are fairly high. In this low middle income country with a conservative banking system and slow government reforms, it has been difficult to build houses at a cost accessible to most of the population. Government is trying to reduce housing production costs in an effort to make housing more affordable. It has established agencies to encourage the use of local materials and also to reduce the price of land and inputs such as cement and sand, and has stepped up funding for government agencies in this sector. The government has decided to roll out projects to construct affordable housing in all 10 regions of the country. The model is for individuals to provide 20% equity upfront and then take a loan for the remaining 80%, which government guarantees. Government regulation of the sector, the injection of funds and the crackdown on unlicensed MFIs will help to make the sector more accessible to lower to middle income earners in terms of acquiring housing finance.

Since 2006, Solidarity Actions of Support to Organisations Supporting Freedom, known by its French acronym ASSOAL, has been working with the National Network of Inhabitants of Cameroon (RNHC) to develop new ways to improve access to affordable housing and to advocate for their application. Housing co-operatives have been set up, providing credit to build affordable housing through a national revolving fund. The use of local materials and labour helps to lower costs and improve access to finance and affordable housing. Pilot projects are already under way, with three houses having been built in Yaounde. The objective is to roll out this plan countrywide and build up to 1 500 houses. The plan has the support of municipal and national government authorities. Discussions are also under way to use the model to build 10 000 social housing units.

Housing supply

With an annual population growth rate of 2.04%, and an annual urbanisation growth rate of 6.5%, Cameroon is 58% urbanised. An estimated 53% of households own their own homes, 30% are tenants and 11% are accommodated free of charge.

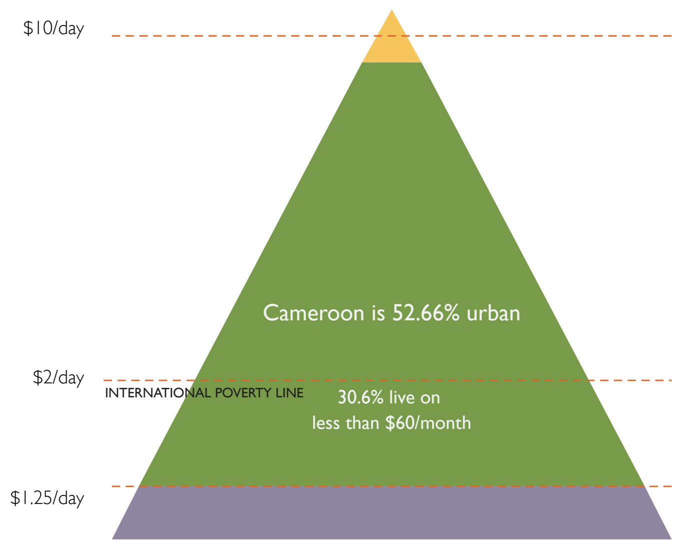
Cameroon's housing backlog is significant. The government is looking for ways to overcome the housing deficit of close to 100 000 units a year. Government estimates that up to one million homes need to be built in the next five to 10 years to adequately house the growing population. Of these, 300 000 are needed in Douala and Yaounde. Demand for housing increases by up to 10% annually, fed by decreasing family sizes at the bottom end, a growing middle class, and substantial demand from the diaspora at the top end. The current housing stock is supplied by households – mostly through self-build initiatives – by government agencies, private developers (still in their infancy) and public private partnerships. Government has used the public private partnership approach in its effort to build new social housing units countrywide.

Cameroon's housing market is not well developed, but has both public and private players. The main players include the state-owned Cameroon Real Estate Corporation (Société Immobilière du Cameroun, or SIC), founded in October 1952 as a centrally funded company responsible for solving the public housing problem. SIC is in charge of social housing and developing the real estate market for government. It also works in partnership with local and foreign private construction companies to handle large-scale projects and train the local workforce of engineers and technicians. SIC aims to build 100 000 homes in the next five to 10 years. Crédit Foncier du Cameroun, a building and loan association, is the top mortgage bank and provides funds for social housing in all cities in the country. It also provides funds to developers. The National Investment Corporation of Cameroon (Société Nationale d'Investissement du Cameroun) invests government funds in profitable projects in different sectors.

A government agency, Maetur, acquires and develops parcels of land to be used by other players in the value chain. These are transferred to them at affordable prices. Mipromalo, the local material promotion authority, develops local materials for use by construction companies. The number of private developers in the market is increasing. Private developpers build and sell houses to the upper middle income and high-end market. Private developers also partner with municipalities to build affordable housing for people in the municipal areas.

There are, however institutional problems. Although the country has developed catalytic real estate institutions in the areas of housing production, land management, housing finance and municipal public works financing, these state institutions are suffering from dwindling public finance, and new strategies are urgently needed for the effective functioning of these institutions. In Yaounde, for example, the land system is poorly regulated, title deeds are attached to only 10% of the land and there is a significant housing deficit.

To this end, government together with its partners (local councils, energy utility company AES-Sonel, the National Water Supply Company of Cameroon, or SNEC, SIC and Crédit Foncier), launched a project in Douala and Yaounde in December 2009 to provide 10 000 houses for low income earners in all major towns. The partnership is on track to provide 6 300 new low cost houses by the end of 2013. There has been large interest in this project from local residents and Cameroonians in the diaspora. The city council of Douala is also in charge of a project to deliver 2 500 social and affordable houses in the Bonamatoumbe area.



The cheapest newly built house for sale is $48 000; yet only 2% of Cameroonians have access to mortgage finance. Government is providing an 80% guarantee to improve this.

Annual housing deficit estimated at 100 000 units. Rental housing is in demand.

Product development opportunities in Cameroon

Government policy has placed exclusive emphasis on home ownership. However, there is a shortage of 400 000 to 600 000 rental units. This indicates that rental is increasingly becoming the norm, rather than ownership. The government must recognise both the benefits of regulating and supporting rental markets to complement ownership.

Three cement companies have set up in the country in the last two years – German firm G Power Cement, Nigeria's Dangote group and Moroccan house builder Addoha group. This will help to increase the supply of cement to the local market, which currently stands at one million tonnes per year, short of the required four million tonnes per year. It will also help to drive the current boom in affordable housing, as cement costs form a key component of the cost to build a house.

Property markets

The formal real estate market is concentrated in urban and peri-urban areas, and churn is concentrated in the higher value market. Because supply lags behind demand, which emanates from the growing middle class, Cameroonians in the diaspora, and local and foreign companies, there is a constant increase in house prices – both for ownership and rental. On average, it takes a month to find accommodation in Douala, Yaounde and other main cities – although it can take as much as four months – given the undersupply. It costs about CFA Francs 150 000 (US$294) a month to rent a standard two-bedroom house in Douala and Yaounde, and in the same cities may cost up to CFA Francs 15 million (US$29 411) to build a standard three-bedroom house, excluding the cost of land. The cost is less in the semi-urban areas.

Policy and regulation

Land tenure in Cameroon is characterised by the coexistence of a traditional or customary land tenure system, which is in a state of transition, and a modern land tenure system, which is written and was introduced during the colonial era to promote individual land ownership. Three different land tenure systems were introduced by each of Cameroon's colonial powers, France, Britain and Germany. With the unification of the country in 1972, a land reform programme was introduced in 1974 to unify the legal land systems used. Since then, Ordinance No. 74/1 and 74/2 of 6 July 1974 established rules governing land tenure and state lands respectively, and laws and decrees to amend and implement them. Law No. 85/09 of 4 July 1985 relates to expropriation for public purposes and conditions of compensation, and constitutes the regulatory framework for cadastral survey and land management in Cameroon. Decree No. 2005/178 of 27 May 2005 organises the Ministry of State Property and Land Tenure (MINDAF), while Decree 2005/481 of 16 December 2005 amends and supplements some provisions of Decree No. 76/165 of 27 April 1976, which lays down conditions for obtaining land certificates. These decrees constitute the institutional framework for the implementation of land legislation in force. However, implementing these legal provisions has been impeded by jurisdictional disputes within the administration which are yet to be resolved. The delay in implementation of this framework is the main reason for the chaotic nature of land reform and the fact that title deeds are attached to only a small percentage of land in the country.

Geodetic infrastructure is characterised by the absence of a reliable and single geodetic database. Land stakeholders suffer the consequences of the absence of a single referencing system in Cameroon. The physical description of real property as the object of a right is not reliable, which undermines the reliability of the entire land register. The intangibility of land certificates, and the irrevocability and finality of their issuance are no longer guaranteed.

To seek a lasting solution to this problem, the government continues to implement the recommendations and proposals of a study carried out by the AfDB in 2009. There is an urgent need to support the ongoing efforts and initiatives to modernise the sector.

Improving access to housing finance requires a multi-pronged approach. Key ingredients include sensible land use rules, efficient registration of property titles, legal frameworks for long-term mortgage markets, viable housing finance institutions, credit insurance systems for lenders and effective subsidy systems that reach the very poor.

Opportunities

Cameroon's housing sector is ripe for investment and there is a huge need for housing in all segments of the market – the lower, middle and upper segments. The government should continue with land reforms as recommended by the AfDB. Better regulation will make it easier for people to get title deeds for their land, thereby enhancing security of tenure and additional investment. Also, financial market reforms should be continuously and speedily implemented. These should help to solve the problems related to lack of serviceable land, delays in issuing construction permits and property registration, undeveloped capital markets and an unresponsive banking sector. Government should also continue with reforms in the MFI sector, including building standards, product innovation and financial stability to help realise the potential of the sector and enable it to play a more significant role in the housing finance and housing development market.

With economic growth, a huge housing backlog, a growing middle class and capital inflows from Cameroonians in the diaspora and other investors, the housing market is destined for sustainable growth. Despite the demand for up-market housing and the current focus of developers on the high-end housing market as a result of affordability and easier access to finance, the focus should shift to the middle class and lower income groups, as this segment presents the biggest opportunity for development and financing in future.

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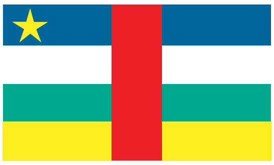
Central African Republic



KEY FIGURES

Main Urban Centres	Bangui
Exchange Rate: 1 US$ =	491.17 Central African Franc (CFA Franc)
Population ^	4 525 209
Population growth rate (%) ^	1.99
Urban population (% of total) ^	39.35
Urbanisation rate (%) ^	2.63
GDP per capita (US$) ^	472.68
GDP growth rate (%, real) ^	2.05
GNI per capita, Atlas method (current US$) ^	490
Population less than US$2 per day~	80.09
Population below national poverty line *	50.2
Gini co-efficient ~	56.3
HDI (Global Ranking)"	180
HDI (Country Index Score) "	0.352
Unemployment rate (%) *	
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	3.25
Credit % of GDP ^	26.82
Ease of Doing Business Ranking (out of 185 countries) !	185
Average Mortgages % of GDP	0,07% (WB 2005)
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	20
What is the price of the cheapest, newly built house by a formal developer or contractor? #	24 000
What is the size of this house (in m^2)? #	50
What is the minimum stand or plot size for residential property #	150

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
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Overview

The Central African Republic (CAR) is a landlocked country at the heart of the African continent. With a size close to that of France, the country had less than five million inhabitants in 2011, growing at an annual rate of 1.93%. Politically, the CAR is considered a fragile state, which was slowly recovering from a brutal 10-year civil war that ended with the signature of an Inclusive Political Agreement in 2008. Unfortunately, an upsurge in rebellion, which started in December 2012, worsened the already fragile situation of the country. A new peace and political agreement was signed in Libreville in January 2013 but was not sufficient to end the violence cycle in the country. On 24 March 2013 a rebel coalition, the so-called Seleka, took over the capital city of Bangui. The security situation in the country and especially in Bangui has seriously deteriorated during the first half of 2013. This worsened the situation of the CAR, which is one of the poorest countries in the world with a Human Development Index of only 0.352 in 2012, ranking 180th out of 187 countries.

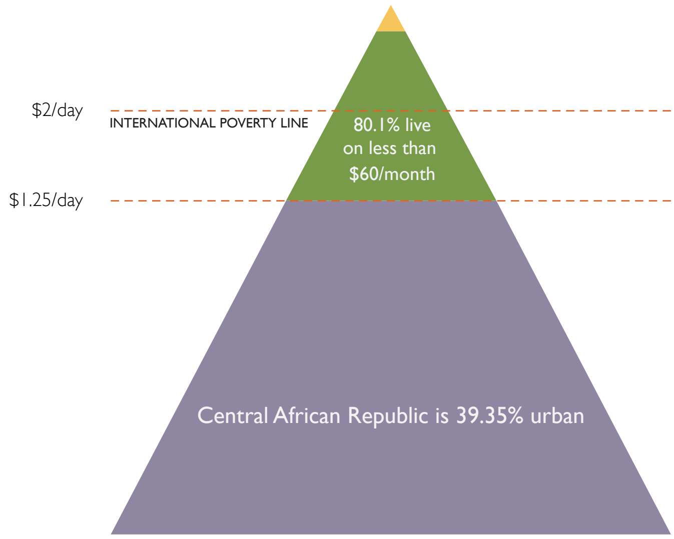
As a fragile state, the country is struggling with several social and economic challenges. Access to basic services is very limited. Only 25% of the urban population and 35% of the rural population have access to clean water. This unusual balance of more people in rural areas having access to water is explained by the focus of humanitarian organisations that provide water services. These organisations tend to concentrate their activities in the rural areas, and no significant investment has been made in the urban water network and infrastructure, which has been deteriorating over the past few decades. Sanitation figures are even worse. It is estimated that less than 3% of Central Africans have access to electricity, with an unreliable service. This has worsened over the past five years, despite an agreement between the World Bank and the Chinese government to support the energy sector here with important projects.

Economic growth continues to suffer because of the international economic and financial crisis, with real GDP growth reaching its lowest level of the past five years (1.7%) in 2009 but increasing to 3.1% in 2011. In 2012, GDP growth was 3.1%, lower than the forecast 4.2%, and the outlook for 2013 and 2014 has deteriorated and become highly uncertain. Poverty is widespread, with more than 75% of the population living below the international US$2 a day poverty line in 2008. Using the national poverty line of about CFA Francs 710 (US$1.42), about 62% of CAR inhabitants are poor.

A major development in the housing sector in 2012 was the completion of the only cement manufacturing plant in the country, realised with Indian investment. It was expected that the price of a standard 50kg bag of cement bag would drop to CFA Francs 7 500 (US$15). However, the CAR's energy problems will have to be solved first, and given the recent political crisis, it is not clear when this plant will start operation.

Access to finance

Central African Republic has made progress in providing access to finance until the last political crisis again disrupted efforts. The number of banks in the country increased from four in 2006 to six in 2012. The country hosts a national office of the regional central bank, the Bank of Central African States (Banque des Etats d'Afrique Centrale), in Bangui and a regional office in Berberati in the southwest. The country made an impressive jump of 41 positions in 2012 on the Getting Credit indicator of the World Bank's Doing



At $24 000, the cheapest newly built house for sale is affordable to less than 1% of the population. High interest rates further constrain the market.

Product development opportunities in Central African Republic

Business report, from 139th in 2011 to 98th in 2012. However, the consequences of instability and the political crisis jeopardised this progress, resulting in a decline in the country's rank to 104th place in the 2013 Doing Business report. Coverage of banking services as measured by the number of branches per 100 000 adults was only 0.88% in 2011. In other words, there were fewer than 30 bank branches in the country in 2013. There were only 58 adult borrowers from commercial banks per 100 000 in 2009, and only 2.55 adults in 1 000 deposited their money in a commercial bank the same year. Outstanding deposits with commercial banks as a percentage of GDP reached 12.9% in 2011, while outstanding loans from commercial banks amounted to 12.6% of GDP. Ecobank Centrafrique is the most extended banking company, with branches in each of the main urban centres. Ecobank has 12 branches all over the country, but most of its banking services are concentrated in Bangui.

A pension fund called the National Social Security Fund (Caisse Nationale de Sécurité Sociale) exists, but has the same structural problems as other public agencies in the country. Besides this there are only two insurance companies for the whole country, with a presence almost only in Bangui.

The CAR has adopted a national strategy for inclusive finance for the period 2010 to 2014. The aim of the strategy is to create, by 2014, a microfinance environment that is stable, viable and articulated within the financial system and national policies, and that offers diversified and adapted microfinance services to the poor. This is expected to contribute to reducing poverty by providing means for those excluded from the formal banking sector to invest in small, productive, revenue generating activities. Meanwhile, access to microfinance is still low. At the beginning of 2010 there were only five licensed microfinance institutions comprising 31 branches and 32 000 clients. Crédit Mutuel de Centrafrique (CMCA) is the most important MFI network in the CAR, with a gross loan portfolio of US$3.6 million shared by 2 772 borrowers, and deposits amounting to US$9.3 million in 2011.

There is almost no housing finance instrument available in the country. The housing finance landscape is still underdeveloped, offering many opportunities for developing this sub-sector. A few banks, such as Ecobank Centrafrique and the Sahelo-Saharan Bank for Investment and Commerce, offer housing credit (over a maximum five-year term) and credit for equipment (for a maximum of three years) to individuals at between 12% and 17% interest rate a year, plus value-added tax (VAT), for up to CFA Francs 50 million (US$100 000). These loans are secured by first order mortgages on the concerned properties.

The main constraint in the housing and housing finance sector is the high interest rate of between 12% and 17% offered by the formal banking sector, which is related to the fragility of the state. The country is still struggling to maintain safety all over the territory, while also maintaining a stable macroeconomic environment. Although the latter is improving, as acknowledged by the International Monetary Fund and the World Bank, which have provided important financial resources (US$52 million and US$125 million respectively in 2012), security issues remain a major problem, as shown by the recent outbreak of violence.

In 2011 and 2012, government officials from the Ministry of Urban Development and Housing undertook several exchange visits to Senegal and Morocco to learn from these countries about creating a housing bank. Plans to create a housing bank, the Central African Housing Bank (Banque de l'Habitat de la Centrafrique), and a housing promotion agency, the Central African Housing Promotion Agency (Agence Centrafricaine de Promotion de l'Habitat) were launched and the housing promotion agency was created and staffed. However, the creation of the Housing Bank never passed the stage of signing into law. All these plans are now compromised with the outbreak of violence that followed the March 2013 coup d'état.

Affordability

Affordability is a key issue in the CAE housing sector. Besides the interest rate, the high price of building materials is another major constraint. When the high cost of building materials and the low incomes of Central Africans are combined, affordability for housing becomes a mere dream. Prices have been pushed up as almost all building materials are imported from nearby Cameroon. It is hoped that this situation will improve with the completion of the cement factory this year.

In 2013, a standard 50kg bag of cement cost as much as CFA Francs 10 000 (US$20). Other building materials such as a standard iron bar and a sheet of corrugated iron cost between CFA Francs 2 000 (US$4) and CFA Francs 8 500 (US$17), and CFA francs 5 000 (US$20) and CFA francs 20 000 (US$40), respectively. A simple one-bedroom housing unit with a modern toilet costs on average CFA Francs 12 million (US$24 000). Compared to the average monthly income of only CFA Francs 19 500 (US$39), the cost of a one-bedroom house represent 615 times the monthly revenue. It is obvious that only a tiny proportion of the Central African population can access formal housing.

Housing supply

Traditional housing and self-construction, with mud bricks and wood in urban areas, and tree branches and leaves in rural areas, characterise the housing found across the CAR. Such housing has become more prevalent since the dismantling of the main actor in the sector, the Société Centrafricaine de l'Habitat, in 1983. Since then Central Africans have built their houses by themselves in conditions barely acceptable. Indeed, with this mode of construction, Bangui was declared to consist of 94% slum sprawl on the north side of the city. To discourage self-construction, the government instituted a CFA Francs 50 000 (US$100) fine for anyone constructing a house without authorisation from the Ministry of Urban Development and Housing.

However, in its housing strategy of 2008 the government shifted its perspective slightly, to offer technical assistance to households planning to build housing units through self-construction. To this end the fine was suppressed for those seeking government assistance for self-construction. The government also plans to provide prototype cheap housing units that are able to resist the recurring floods during the June to October rainy season, especially in Bangui. A component of the World Bank-financed Emergency Urban Infrastructure Rehabilitation and Maintenance Project planned to fund a few pilot units through the Flood Response Programme sub-component of the project in 2013. However, the current political crisis pushed the World Bank, like many other international organisations, to pull out of the country, and the project was halted in March 2013 before this sub-component really started.

In the past, Habitat for Humanity International invested significant resources through technical assistance and by promoting local building materials and affordable building techniques. Unfortunately the organisation left the country in 2005, after having built more than 500 housing units. In recent years the US-based International Rescue Committee has launched a new housing programme to rebuild or rehabilitate over 2 500 housing units in the northern region where there was massive displacement of people fleeing unrest, for those who have decided to return home. Given recent events in the country, however, there is a lot of uncertainty around the future of this project.

The Chinese government recently started to show interest in the sector, and a 200 housing unit pilot project has been completed on the edge of the city of Bangui. Several similar projects were announced for 2011 to 2012. These included an experimental 60-unit project to promote the use of local materials for building affordable housing, 19 kilometres north of Bangui, and the provision of 1 000 serviced plots for housing, 17 kilometres north of Bangui. All of these projects were envisaged to be supervised by the Central African Housing Promotion Agency, but none of them were completed before the upsurge in rebellion in early December 2012, which led to the March 2013 coup d'état.

In September 2011, a private real estate firm based in France, Prodia-Centrafrique, showed interest in supplying affordable housing units. The firm planned to invest CFA Francs 36 billion (US$72 million) in the sector, mainly for housing units for the northwest side of the city of Bimbo, a suburb of Bangui. However, no significant moves have been seen from the investor's side since then and the recent political crisis has certainly put all of these plans at risk.

Property markets

The real estate market in the Central African Republic is almost non-existent, as there are no real estate operators in the country. As most houses are self-built, when owners want to sell, they advertise in the newspapers or announce their intention informally within their social networks. However, according to the Land Conservation Division of the Directorate General of Taxes and Domains, a total of 321 land titles were issued in 2010 and 370 in 2011. The World Bank's 2013 Doing Business report ranks the country 137th out of 185 on the 'Dealing with Construction Permits' indicator, a negative performance compared to its 133rd ranking in 2012, following no reforms in 2011 to 2012 towards this indicator. On the 'Registering Property' indicator, the country ranked 132nd out of 185 countries in 2013, a decline from its 132nd out of 183 ranking in 2012. The most significant reform over the past years has been the halving of the cost of registering a property in 2012 compared to 2011. According to the 2013 Doing Business report, it takes 75 days and five procedures, and cost on average 11% of the property value to register a property.

Policy and regulation

CAR's housing policy statement and housing strategy were adopted in 2008. Since then two important decisions have been made: the signing into law of the creation of the Central African Housing Bank and the creation of the Central African Housing Promotion Agency. The law creating the Central African Housing Bank was voted for in July 2010. These two organisations, along with the Urban Development Fund (Fonds d'Amenagement et d'Equipement Urbain, or FAEU), are the government's main instruments for implementing its housing policy. The Housing Promotion Agency and the FAEU already exist physically but lack the resources (less than CFA Francs 50 million or US$100 000 a year) to undertake any serious initiative toward the housing sector besides providing a few plots of serviced land each year. Similarly, although the Housing Bank was formally signed into law, it still does not exist (and is unlikely to come into existence any time soon), also due to limited government resources.

The determination and willingness of the government to solve its population's housing problems was spelt out in its poverty reduction and growth strategy 2011-2015. Over this period the government aims to undertake the following housing interventions: create decent housing for the population, provide the population with marked-out building plots and implement city planning systems. On this last objective, the country has received strong support from the African Development Bank, which will support Bangui's city development strategy (CDS). The CDS was not, however, yet drafted before the crisis engendered by the March 2013 coup d'état, and as a result, the current political situation is very likely to delay the achievement of these goals.

Opportunities

The Central African Republic was under reconstruction after President Francois Bozizé came into power in 2003, and could have offered many opportunities for business in the infrastructure sector. Indeed, the already poor infrastructure prior to the 1993 to 2003 civil war had suffered much degradation because of the neglect of maintenance. Many donors were coming back to support the reconstruction of the country in several sectors. Among those were the World Bank, the European Union, the French Development Agency and several UN agencies. In 2012, the African Development

Bank even opened a country office in Bangui. With these organisations increasing their portfolios in the country, housing demand, especially rental housing was increasing. Interventions from several international and donor organisations would have been accompanied by improvements of basic infrastructure, which has been one of the main constraints in the housing sector. All of these opportunities have been jeopardised by the new political and military crisis arising from the March 2013 coup d'état. Many donors have pulled out, at least until the security conditions in the country improve. Only humanitarian organisations stayed in the country after the coup.

In the housing finance sub-sector, much still needs to be done to open up opportunities for investment. As most of the housing units available in the country, especially outside of Bangui, are traditional housing units, investments to renew such housing is expected to create many job opportunities. At the same time, with the completion of the new cement plant, which is expected to lower the price of cement, the effective demand for housing should increase over the coming decade, while affordability will grow too. The conjunction of these events comes with many opportunities to invest in the housing sector, both for businesses and households. However, any new investment in the country at this time is risky. Central African and international investors will have to wait until security conditions and political stability improve.

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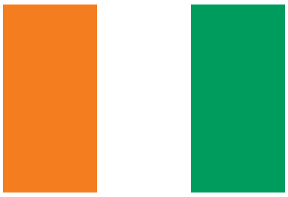

KEY FIGURES

Main Urban Centres	Yamoussoukro
Exchange Rate: 1 US$ =	491.17 West African Franc (CFA Franc)
Population ^	19 839 750
Population growth rate (%) ^	2.29
Urban population (% of total) ^	52.00
Urbanisation rate (%) ^	3.69
GDP per capita (US$) ^	1 243.99
GDP growth rate (%, real) ^	7.01
GNI per capita, Atlas method (current US$) ^	1220
Population less than US$2 per day~	46.34
Population below national poverty line *	38.4
Gini co-efficient ~	41.5
HDI (Global Ranking)"	168
HDI (Country Index Score) "	0.432
Unemployment rate (%) *	4.10
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	3.50
Credit % of GDP ^	27.30
Ease of Doing Business Ranking (out of 185 countries) !	177
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	
What is the cost of standard 50kg bag of cement (in US$)? #	
What is the price of the cheapest, newly built house by a formal developer or contractor? #	
What is the size of this house (in m²)? #	
What is the minimum stand or plot size for residential property #	

Sources:
= www.coinmill.com on 26 August 2013
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Overview

The Republic of Côte d'Ivoire is in West Africa and bordered by Liberia, Guinea, Mali, Burkina Faso, Ghana and the Atlantic Ocean. The country has a population of 19.8 million, and is the world's largest cocoa producer. The country's GDP growth hit an all-time low in 2011, mainly due to the 2011 post-election violence when former President Laurent Gbagbo was forced out of office after he refused to concede the presidency following his 2010 election defeat. Legislative elections were held in December 2011 and were won by Alassane Dramane Ouattara who continues as president today. The economy recovered in 2012, with an 8.6% GDP growth rate, driven by public investment and growth in consumption. For 2013, GDP growth is forecast at 8.9%, and 9.8% in 2014, due to oil and gas production and an expected rise in investments. The inflation rate was recorded at 2.4% in July of 2013. The control of price levels can be credited to tight monetary policies.

Côte d'Ivoire is the largest economy in the West African Economic and Monetary Union (WAEMU/UEMOA) and accounted for 40% of the region's total GDP in 2009. As it implements its 2012-2015 National Development Plan (NDP), the country is busy developing its plans for the next phase, post-2015, with the help of various stakeholders and the African Development Bank Group.

Access to finance

According to the Central Bank, Côte d'Ivoire has 23 banks, 31 insurance companies, 80 microfinance structures and one financial institution. The sector has seen positive growth, with total commercial bank assets increasing from CFA Francs 2.867 billion in 2008 (about US$5.7 million today) to CFAF 3.914 billion in 2011 (about US$7.8 million today), following the re-opening of financial institutions in April 2011 and the lifting of the European Union embargo. A total of 1 847 837 bank accounts were opened in 2011, an increase of 110% since 2008. Still, the year was a difficult one, and at the end of 2011, six out of the 23 commercial banks (including four out of the five public banks) were not respecting the regional minimum capital adequacy standards. A plan to restructure the public banks was agreed in 2012. This will have an important impact on financial sector stability.

In 2013, there were 27 MFIs registered on Mix Market, with US$76.6 million worth of loans dispersed to 62 189 borrowers. UNACOOPEC-CI, the savings and credit co-operative network of Côte d'Ivoire, is the largest MFI, with 39 024 borrowers and just under US$44 million in loans dispersed. They offer a product called 'Prêt Habitat' which enables borrowers to buy land, build or to purchase a house. The MFI also has a product called 'Coopec Diaspora' targeted at Ivorians in the diaspora. Clients pay a 10% deposit and then make arrangements to pay either directly in instalments, or over 15 years via a co-operating bank. UNACOOPEC-CI has entered into a partnership arrangement with The Central Real Estate company, which builds the houses that the Coopec Diaspora clients then buy on specification.

Broadly, four institutions are involved in the financing of housing. These are the Caisse Autonome d'Amortissement, which later became the national investment bank, BNI; the Support Fund for Housing (Fonds de Soutien à l'Habitat, FSH); the Urban Land Account (Compte des Terrains Urbains) and the Housing Mobilisation Account (Compte de Mobilisation pour l'Habitat, CDMH). The Compte de Mobilisation de l'Habitat was created to give financial assistance and tax incentives to stimulate the delivery of affordable housing for low income buyers.

The Housing Bank, BHCI, was created in 1994 with a mission to finance social housing and real estate activities. The bank may lend to homebuyers as well as developers and SMEs working in the real estate sector, and offers a range of small loans. The bank offers interest rates, subsidised by the Social Fund for Housing, at 5.5%, to individuals, businesses and Ivorians in the diaspora. Its reach down market, however, has been poor.

A regional mortgage institution, the Caisse Regional de Refinancement Hypothecaire-UEMOA was created in 2012, with headquarters in Lomé, Togo. The mission of the new institution is to promote easy access to long-term financing to its member banks to enable them to finance housing loans. The total capital of the CRRH-UEMOA is CFA Francs 3 426 million (US$7 million), 60% of which belongs to financial institutions of the region, 15% to Shelter Afrique and 25% to the BOAD. It is expected that CRRH activities will reinforce the capacity of commercial banks, unleash construction activities and foster housing development. This will generate investments and employment and contribute to rising incomes, which will increase affordability for housing.

Providing decent, affordable housing has become a key legislative component of the government of Côte d'Ivoire, especially the need to strengthen the financing options for homebuyers and real estate developers. The government has prioritised housing development through supporting housing projects. It is reported that housing loans made up 0.7% of total loans in 2012. In 2007, residential mortgage debt as a percentage of GDP was measured at 0.34%. The government also provides a mortgage insurance product for mortgage loans provided through banks.

The World Bank's Doing Business indicator survey in 2013 ranks Côte d'Ivoire in 129th place out of 185 countries in terms of access to credit, a decrease of two places since 2012. While the strength of legal rights is relatively strong, scoring six out of a possible 10, the lack of credit information (only 2.9% of the population is listed on the public credit registry) undermines the country's rating.

Affordability

The current National Development Plan (2012-2015) is focused on poverty alleviation. The goal is to decrease the incidence of poverty from 48.9% of the population in 2008 to 33.6% in 2013, and to 16% in 2015. African Economic Outlook notes that pro-poor spending (covering development-related investments such as education and health, water, sanitation and electricity, infrastructure and other factors) rose from 7.8% of GDP in 2010 to 10% in 2011, coming down to 7.9% in 2012. There is no official safety net and only government employees benefit from limited social protection.

Housing supply

Côte d'Ivoire has a housing deficit of over 600 000 units, with the need being most prevalent in cities. Habitat for Humanity estimates the annual housing deficit in Abidjan to be 12 000. The lack of a formal, established Master Plan in cities such as Abidjan undermines planned development and contributes to urban sprawl. All public housing stock was sold to private individuals.

Côte d'Ivoire is currently in the middle of its Public Investment Programme, which runs from 2012 to 2014. Public investment in 2012 is estimated at 5.3% of GDP, an increase on the 3.3% per annum in the 12 years previous. An explicit focus of government's efforts is to use its resources to entice private sector participation. The framework is expected to generate private sector support for investment in a number of projects, including housing. The new National Development Plan (2012-2015) envisions the construction of between 10 000 and 30 000 housing units per year over the next three years.

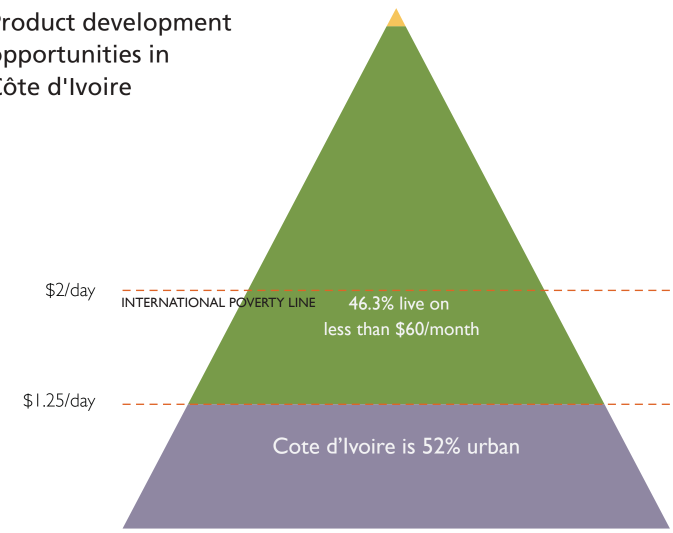
The current Ministry of Housing was established with the new government in 2011, and the promotion of affordable housing construction is one of its 10 priorities. In 2011, the housing budget was CFA Francs 126.8 billion (US$258 million). In early 2013, the government announced its support for the development of 60 000 units over three years. Already by then a waiting list of 57 000 applicants had been compiled.

Even though the government has intentions to provide slum infrastructure upgrading programmes for cities, a programme has not been put in place yet. Côte d'Ivoire's only infrastructure upgrading programme – 'PUIUR' (Programme d'Urgence d'Infrastructures Urbaines) – has been initiated and is financed by the World Bank.

Property markets

Residential property market data is difficult to come by. According to a 2013 report by real estate consultancy Frank Knight, a four-bedroom executive house in a prime location rents for about US$5 500 per month. Knight Frank goes on to report that rental for the industrial sector dominates the property market, with prime rental rates of US$6 per square metre per month in Abidjan. The office and retail market have prime rates of US$22 per square metre per month and US$46 per square metre per month respectively.

Product development opportunities in Côte d'Ivoire



A 4-bedroom house rents for $5500 per month.

Surprisingly, there is little recognised housing microfinance: with over half the population earning between $2-$10 per day, this could be a significant market.

Although there is a land registry in place, it covers only a small proportion of all property. This is due mainly to the conveyancing process, which can cost anywhere between 16% and 17% of the property value. It is a lengthy process which is unaffordable to the majority of the people. According to the World Bank's 2013 Doing Business report, Côte d'Ivoire ranks a poor 159th out of 185 countries in terms of ease of registering property. It takes 62 days to complete the seven procedures involved in registering property, costing an estimated 13.9% of the property value. The rental market is therefore an important component of city housing markets.

Policy and regulation

Before 1998, women in Côte d'Ivoire were not allowed to own land nor inherit it. Law No. 98-750 permits women to own land; however, this tends to be less so in rural areas where men are still the main beneficiaries of land. Government agencies are responsible for land registration. According to Habitat for Humanity International, 70% of properties in the greater municipality have title deeds, and the deeds registry is updated when property is transferred.

The most recent municipal land regulation and building code was drawn up in 1996. The minimum house size that can be being built in Abidjan is 100m^2 and the maximum height is four storeys; however, in some municipalities this can be more.

Côte d'Ivoire has improved the strength of its legal rights through amendments in 2012 to the OHADA Uniform Act on Secured Transactions, which broaden the range of assets that can be used as collateral (including future assets), extend the security interest to the proceeds of the original asset and introduce the possibility of out-of-court enforcement.

Opportunities

Côte d'Ivoire has come through a difficult period which has undermined the urban infrastructure and threatened the social fabric. Its progress since the election in 2011, however, has been impressive, and with a stabilising governance framework, opportunities to engage are becoming clear. In 2010 the World Bank launched an infrastructure project which aimed to increase access to, and improve the quality of, urban infrastructure facilities and services in Abidjan, Bouake and other selected cities. The total cost of the project was US$50 million. In June 2012 an Emergency Infrastructure Renewal Project was approved to improve access to basic infrastructure in targeted urban and rural areas. These initiatives, together with the National Development Plan and its expected successor, should improve the investment environment.

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Democratic Republic of Congo

Overview

The Democratic Republic of Congo (DRC) is situated within central Africa, but has a short coastline on the South Atlantic ocean (complemented by an inland river course way navigable to ocean-going ships on the Congo river). It is the third largest country in Africa by area after Sudan and Algeria, and with almost 70 million inhabitants, it is the most populous country in Central Africa. Since independence in 1960, the DRC has been ravaged by years of political instability, civil unrest and war. After a few years of peace, violence erupted again in 2012, as rebels tried to overthrow the government. Ethnic tensions and inequitable access to land led to violence in the eastern parts of the country. As a result, more than 2.2 million people were displaced within the DRC, and an estimated further 700 000 crossed the border into neighbouring Rwanda and Uganda. Still, the economy grew by 7.2% in 2012, largely due to mining, trade, agriculture and construction, and maintained a growth trend spanning most of the past 11 years. The GDP growth forecast for 2013 is 8.2%, while the economy is expected to grow by 9.4% in 2014.

Agriculture is the main economic activity in the DRC, employing close to 70% of the population and contributing about 40% of GDP. Extractive industries accounted for 12% of GDP in 2012, and 88% of export earnings. Foreign direct investment increased to US$1.62 billion from US$1.596 billion, investing in extractive industries, basic infrastructure and private housing.

At the end of the 2012 financial year, the central bank cut interest rates from 21% to 6% in an effort to improve credit in the economy. Annual inflation, in the same year, fell to 6.4% from 15.4%, and is expected to decrease further in 2013 to 5.9%.

KEY FIGURES

Main Urban Centres	Kinshasa
Exchange Rate: 1 US$ =	921.42 Franc Congolaise (MFI)
Population ^	65 705 093
Population growth rate (%) ^	2.74
Urban population (% of total) ^	34.83
Urbanisation rate (%) ^	4.33
GDP per capita (US$) ^	271.97
GDP growth rate (%, real) ^	4.26
GNI per capita, Atlas method (current US$) ^	220
Population less than US$2 per day~	95.15
Population below national poverty line *	71.3
Gini co-efficient ~	44.43
HDI (Global Ranking)"	186
HDI (Country Index Score) "	0.304
Unemployment rate (%) *	
Bank branches per 100 000 ^	0.66
Lending Interest Rate ^	28.45
Deposit Interest Rate ^	7.72
Credit % of GDP ^	9.51
Ease of Doing Business Ranking (out of 185 countries) !	181
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	20 000
What is the price of the cheapest, newly built house by a formal developer or contractor? #	220 000 (2012)
What is the size of this house (in m²)? #	120 (2012)
What is the minimum stand or plot size for residential property #	192

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Access to finance

The financial system in the DRC is fragile and many areas require critical attention. The informal economy dominates most economic activity, and this is exacerbated in areas where there is social unrest. It is therefore difficult to measure total market output because goods and services traded within the informal sector are unreported.

The banking sector has grown tremendously in the past few years, and 2012 appears to be somewhat of a watershed with the rapid spread of mobile money operations and expansive growth of ATM facilities putting more cash into the economy. In May 2013, about 66 000 civil servants in the DRC received their salaries via Airtel Money.

There are 26 financial institutions and an estimated 100 microfinance institutions. In 2013, banks' balance sheet totalled about US$3.473 billion, with deposits of US$2.43 billion and credit to the economy of about US$1.418 billion. The financial sector is, however, still largely undeveloped, with only about 600 000 bank accounts in 2013 – an increase from 450 000 in 2010 – suggesting financial inclusion of about 1% to 2%. Most banks are concentrated in the capital city of Kinshasa and in Lubumbashi, the centre of the large-scale mining industry. Trust Merchant Bank is the largest bank in the DRC.

Short-term credit makes up about 60% of all lending, and of this, just under half are overdrafts. Long-term credit comprises only 4.6% of total lending, and 95% of all lending is in foreign currency.

Microfinance institutions are rapidly growing, and government has encouraged these institutions by developing a national microfinance fund (FNM) to strengthen their regulatory framework in 2011. The central bank is still in negotiations over setting up a central credit register for the microfinance sector. In 2013, there were 23 MFIs listed on MIX Market (an online source of microfinance performance data and analysis), with a total of 121 966 active borrowers and US$76.8 million worth of loans dispersed. ProCredit Bank Congo is the largest MFI with 5 597 active borrowers and a gross loan portfolio of US$57.3 million. The MFI FINCA DRC has 77 419 active borrowers and a gross loan portfolio of US$19 million.

FINCA DRC was established in 2007 as a non-banking financial institution with a mandate to provide financial services to low income earners. FINCA offers an individual and a group lending product, as well as savings options. This year FINCA has partnered with the International Finance Corporation (IFC) and The MasterCard Foundation in an effort to make finance available to low income earners. The IFC will provide advisory services for three years to assist FINCA DRC develop branchless banking channels and new products. The project is part of the Partnership for Financial Inclusion, a US$37.4 million initiative between the IFC and the MasterCard Foundation to bring financial services to an estimated 5.3 million previously unbanked people in Sub-Saharan Africa in five years.

In 2011 the Alliance for Financial Inclusion and the Central Bank of Congo (Banque Central du Congo) worked together to promote banking among the poor through mobile banks. Ecobank has also launched a new mobile banking service which will allow current clients to assess their bank accounts, transfer money, pay bills and make purchases on their cell phones.

The Central Bank of Congo, the Congolese Association of Banks and the German Reconstruction Loan Corporation KfW implemented an initiative that led to the opening of 9 000 new savings accounts. The campaign targeted the youth and raised issues of savings, building capital to fund potential projects and reducing the need to keep money at home.

In 2012, the World Bank launched the Global Financial Inclusion Database (Global Findex) to explore levels of financial inclusion around the world. According to Global Findex, only 2.3% of rural and 10.6% of urban Congolese over 15 years of age had an account with a formal financial institution. While almost 30% of Congolese over the age of 25 reported that they had saved in the past year, this activity appears to be largely informal: only 2% had saved at a financial institution and 9.5% through a savings club. Credit is not widely used. Only 8.6% of adults over 25 years of age reported having a loan from a private lender, while 4.3% said they had a loan from an employer in the past year. Very few Congolese had an outstanding loan to purchase a home: 0.5% of the top 60% of income earners and 0.3% of the bottom 40% of income earners. Loans for home construction were slightly more prevalent, however, with 2.9% of the top 60% of income earners and 0.5% of the bottom 40% of income earners having home construction loans currently outstanding.

With no public or private credit bureaus, the DRC scored zero out of a possible six for depth of credit information in the World Bank's 2013 Doing Business report, ranking it 176th out of 185 countries in the 'getting access to credit' category. On the 'strength of legal rights' index, the DRC scored three out of 10. There is no collateral registry in operation in the DRC.

Affordability

The DRC holds the last place (186th) in the UN Human Development Index. Poverty is pervasive, and despite the significance of agriculture to the DRC's economy, three-quarters of the population do not have enough to eat. African Economic Outlook reports that the country will not achieve its Millennium Development Goals by the 2015 deadline. Access to the labour market is constrained for a number of reasons, and has been made worse by the violence of the past year. Half of the Congolese population is unemployed; amongst the youth (those under 25), this figure is 30%. Two-thirds of the population live below the international poverty line of US$2 a day.

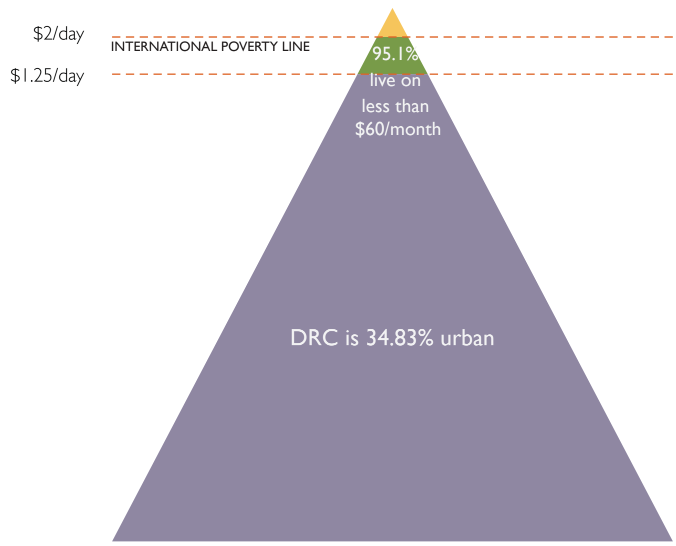
Most banks in the DRC do not provide financing for low income earners, catering primarily for the middle and high income earning population. Even so, long-term capital is scarce, and most housing is financed through an instalment sale arrangement facilitated by the developer. Typical is a 50% upfront payment with the remaining debt paid in instalments over 24 months from the date of delivery. Commercial banks provide services to mostly medium to large corporations, and have a strong client base in mining, the import sector, government accounts and a small group of elites who earn exorbitant amounts. Large deposit amounts of US$1 000 to US$25 000 are required to open an account with some of these banks. Commercial banks' lending rates are extremely high (at an estimate of 43.15% for the year 2008). This means that the great majority of the population cannot afford to access finance. Microfinance banks offer microloans of an average amount of US$2 200. However, housing microfinance is not explicitly highlighted in any reports on the DRC's financial sector.

Housing supply

Affordable housing supply within the DRC is extremely limited as there are very few developers. With a population of more than 70 million people and with a staggering 71% of those people living below the poverty line, formal housing supply is limited to the minority elites. As is the case across the continent, the majority use locally sourced materials to build houses for themselves. Basic infrastructure is poor, but over the past three years there has been substantial investment, for example in road-building projects financed by international donors and China. The water sector is also receiving international aid. China has become one of the most active partners of the DRC government and has undertaken to help in a number of sectors (education, health, water supply, electricity and rural development). The DRC also receives substantial support from the World Bank, the European Union (EU) and many bilateral donors.

Land and access to land remain highly contested topics in the country. In addition, a dispute for land is the key driver of conflict in the eastern DRC. In 2012, UN-Habitat identified 1 690 land conflicts and resolved 641 of them. UN-Habitat's land programme is expected to last until 2014, and is applying US$2.5 million to address land disputes in the eastern provinces.

There are some private sector developments under way, spurred on primarily by the growth in mining areas. In 2009, a Chinese company, China Machinery and Equipment Import and Export Corporation, announced a plan to build 2.5 million social houses. The project is expected to start in 2015, will be undertaken in four phases and will be affordable to all income levels. In 2011, it was reported that an Italian company, Schnell House, was planning an affordable housing



The only formally developed housing is for the luxury market. Long term finance is scarce and most housing is financed through instalment sale arranged by the developer.
A few affordable housing developments have been funded with Chinese investment.

Product development opportunities in Democratic Republic of the Congo

project in the province of North Kivu, using a building technology that cut the cost of construction by 30% to 40%.

An ambitious, 400-hectare development in Kinshasa, La Cite du Fleuve, involves the reclamation of land in the Congo River, creating a new island. In making 'new' land, the development gets round the challenge of contested title deeds, a common problem in the DRC. Marketed as a lifestyle development with public space, and social and economic amenities, the development is being undertaken by Harkwood Properties, a specialist fund manager. Harkwood's majority shareholder, Mukwa Investment, is an African specialised investment fund based in Lusaka, Zambia and run by a group of international managers. From August 2013, the project has offered 18 150m^2 apartments for sale, at a price of US$195 000 each.

In 2012, it was reported that Renaissance Capital was also involved in housing development, with a 6 400-acre city planned outside Lubumbashi. This is expected to be more than double the size of the site in the company's flagship project, Tatu City, in Nairobi, Kenya. Shelter Afrique and ELOLO SPRL, a construction, wholesale trade and import-export company, signed a US$4 million facility agreement to co-finance the development of a 10-storey building in Kinshasa. The total cost of the project is estimated at US$7 million and it should be completed by the end of 2013. Shelter Afrique has a number of projects in the DRC, seven of which are active projects and five of which involve the construction of apartment buildings in Kinshasa.

The construction and public works sector grew by 10% in 2011, contributing 0.9% to GDP growth in that year. This was achieved despite a 19.6% decrease in cement production. The supply of cement in the DRC has never been sufficient and much is imported. To support the construction sector, government has lifted taxes on cement imports.

Property markets

Property prices are high and generally aimed at the high end of the market. According to real estate agent Knight Frank, the industrial property market has surpassed the retail property market in prime yields compared to 2012 figures. The industrial property yields made up 14% at US$8 per m^2 per month, followed by retail, which made up 12% at US$40 per m^2 per month and office space at 11% with a prime rate of US$35 per m^2 per month. The residential market yields were at 9%, down from 10% in 2012, with rentals of US$8 000 per month for a four-bedroom executive house in a prime area.

It takes 47 days to undertake the six procedures required to register property in the DRC, and costs 6.7% of the property value. The DRC has been ranked 106th out of 185 countries in the 'registering property' category, which is an improvement from last year's rank of 109.

Beyond the limited, high-end market, however, a clash between statutory and customary land laws undermines property market developments and achieving legal title. Land administration systems are lacking. As a result, where land titling does exist, the price is high (US$800 to US$1 000 per hectare). In Kinshasa, land values are even higher – an estimated US$100 000 per hectare in well-serviced residential areas.

Policy and regulation

Historically, the DRC's banking system has struggled with financial and organisational imbalances. There are solutions in place, however, that the central bank is working towards. Since President Joseph Kabila came to power, the central bank has been restructured as an independent body, setting interest rates, implementing the country's monetary policy to ensure that the price level is stabilised and performing all central banking tasks. A special ministry created in 2000 is dedicated to microfinance, which was seen as being important for post-conflict reconstruction. Progress has been made to strengthen the legal framework for the financial sector such as monetary improvement, financial sector improvement and central bank restructuring. In 2002, the government passed new laws on the central bank's independence and to improve its role as regulatory and supervisory authority.

Opportunities

In the World Bank's 2013 Doing Business report, the DRC ranked 181st out of 185 countries in terms of overall rating, a deterioration from 180th place in 2012. In dealing with construction permits, the DRC ranked 81st out of 185.

The DRC has many rich sources of natural minerals, and mining attracts many international companies. Mining remains one of the biggest areas of economic activity. In 2009 the biggest deal in Africa was made between the DRC and China, in which China agreed to invest US$9 billion in extensive construction and other rehabilitation projects over a period of about 10 years in return for mining and timber concessions. In addition to Kinshasa, important cities offering opportunities include the mining centre of Lubumbashi, Matadi (on the banks of the Congo River) and the eastern city of Goma. New roads and transport initiatives in Kinshasa are making access easier. The affordable housing sector is still relatively undeveloped and offers significant potential for growth.

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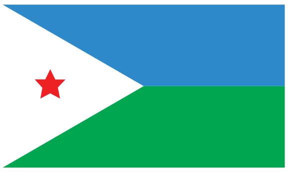
Djibouti



KEY FIGURES

Main Urban Centres	Djibouti-ville
Exchange Rate: 1 US$ =	179,.70 Djiboutian Franc (DJF)
Population ^	859 652
Population growth rate (%) ^	1.52
Urban population (% of total) ^	77.20
Urbanisation rate (%) ^	1.63
GDP per capita (US$) ^	1 464.00
GDP growth rate (%, real) ^	4.80
GNI per capita, Atlas method (current US$) ^	2784
Population less than US$2 per day~	
Population below national poverty line *	42.0
Gini co-efficient ~	39.96
HDI (Global Ranking)"	164
HDI (Country Index Score) "	0.445
Unemployment rate (%) *	59.50
Bank branches per 100 000 ^	
Lending Interest Rate ^	10.60
Deposit Interest Rate ^	2.50
Credit % of GDP ^	
Ease of Doing Business Ranking (out of 185 countries) !	171
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	
What is the cost of standard 50kg bag of cement (in US$)? #	8
What is the price of the cheapest, newly built house by a formal developer or contractor? #	30 000 – 40 000
What is the size of this house (in m²)? #	60
What is the minimum stand or plot size for residential property #	no data

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Djibouti is small city-state with slightly less than one million inhabitats, located on the horn of Africa, between Somalia, Eritrea and landlocked Ethiopia. The country is 77.2% urbanised, with most of the urban living in Djibouti-ville. This country gained independence from France in 1977 and has recently welcomed a series of economic and strategic opportunities, driven by Ethiopia's recent strong growth, and strategic military activity in the region.

Djibouti's economy is dominated by services, which make up approximately 80% of GDP. The country acts as the major port and rail entrance to Ethiopia. Ethiopia's recent trade boom has had positive impacts on Djibouti and prompted expansion of the port facilities, including a US$400 million container terminal overseen by Dubai Ports World. This strong interdependency on Ethiopia occasionally results in tension over costs and taxation, but has largely been positive.

Meanwhile, Djibouti has become the focal point for military activities, hosting the United States of America's (USA's) only permanent military base in Sub-Saharan Africa, the Africa Command (AFRICOM) at Camp Lemonnier. This base acts as the main hub for US and allied operations in East Africa and the Arabian peninsula. Djibouti also hosts 2 000 French military personnel, and there is an expanding Japanese and Chinese presence.

Despite the growth, there has been little spillover to political reform or social improvement for Djiboutians. Politics is still heavily personalised and patronage-based. Civil servants constitute a small urban elite who are relatively well educated and well paid. The rest of the population is extremely poor, living precariously in the informal sector, with high levels of unemployment. Over two-thirds of Djiboutians are plagued by food insecurity and poor living conditions, as the price for electricity, imported food and other goods is high.

Access to finance

Djibouti remains a country with one of the lowest levels of financial intermediation and banking penetration on the continent. In 2010, only 50 000 to 60 000 people (or between 6.55 and 8% of the population) had access to the formal financial system. The number of borrowers from commercial banks is low, estimated at 29.13 per 1 000 adults, or only 2.91% of the population.

Until 2006, there were only two active financial institutions in the market, Banque pour le Commerce et l'Industrie – Mer Rouge (BCIMR) and Banque Indosuez Mer Rouge (BIMR). BIMR was subsequently bought by Credit Agricole, and then sold to Bank of Africa in 2010. These two institutions still account for 85% of the country's total assets. The past few years have seen the arrival of new banks, bringing the total number of financial institutions to 11. Systemic risks are considered low, with banks generally being very liquid, and having a low proportion of bad debt, with non-performing loans in the order of 6% in 2011.

Housing finance is not well developed. Interest rates are generally between 9% and 12%% per annum. Loan applications can take months to process, due to the lack of complete information, automated processing and systemised scoring techniques. This results in loan decisions that are manual, often presided over by a board, and can be very discriminatory.

Obtaining credit in Djibouti in general is difficult. Djibouti is ranked 180th globally in this section of the World Bank's 2013 Doing

Business report. The indices for the strength of legal rights and depth of credit information both ranked one out of 10. A public registry covers only 0.2% of adults, and there are no private credit bureaus. Currently the Central Bank of Djibouti is evaluating the feasibility of fostering advanced credit reporting in the country.

The arrival of Islamic Banking has been another avenue to increase the access to finance, with the key institutions Saba Bank and Salaam Bank offering sharia-compliant housing finance products and experiencing strong growth since their entrance in 2006.

A microfinance industry has recently emerged but is still quite small, without any participation from NGOs or commercial banks. Microfinance is regulated by a law which ensures supervision by the Central Bank, and monthly reporting requirements.

There are two savings and loans co-operative institutions currently operating in Djibouti – CNEC (Caisse Nationale d'Epargne et de Crédit de Djibouti) and CPEC (Caisse Populaire d'Epargne et de Crédit) – which in 2011 had a portfolio of around 5 700 savings customers and 3 050 loan customers. CPEC started operations in 2009, and has experienced strong growth of 200% per year. Loans for microfinance are available from US$168 to US$559 (DJF 30 000 to DJF 100 000), with the average being US$295 (DJF 52 700), at an interest rate of around 2% per month and a maximum tenure of 18 months. These loans are mostly used for microprojects and commercial activities, yet are likely also diverted for housing purposes. One particularity of the Djibouti microfinance operations is that cash collaterals are required in these savings and loans co-operatives, usually up to 25% of the amount of the loan.

Affordability

Affordability of housing is clearly low, in a country where the cost of construction is high, income is low and there is very little access to credit. The cost to rent a three-bedroom villa in the city centre is US$600 to US$900 per month, which is reasonable in international terms but far beyond the ,means of the vast majority of Djiboutians.

Poverty is pervasive. A new national proverty survey in 2012 showed that poverty affected 79% of the population (worsening from 74.4% in 2002), with 42.2% living in extreme poverty. There are extremely high rates of unemployment, at 48% of the total workforce in 2012 and up to 70% among youth. This results in a very low purchasing power of housing, and exclusion from the access to credit required to afford housing, particularly for the lowest income households.

Beyond accessibility to land and services, construction costs for housing are high because of the reliance on imported materials. The construction of permanent dwellings is estimated at six times the average annual income of households and 2.5 times for those homes built with lightweight materials.

According to 2002 data, 50% of households own the housing they occupy, and for rental tenants, payments represent about 40% of household spending. The condition of these units were not recorded in the survey. Housing is generally only affordable to the small elite who have permanent employment as civil servants or the small number of entrepreneurs who benefit from the foreign trade.

Housing supply

Demand for new housing is estimated at 2 500 to 3 500 units per year. This demand is rising due to the growth in the economy, urbanisation of 3% per annum, and an openness for migration from neighbouring countres.

The vast majority of existing housing is self-built, informal and precarious. Only 34% of housing in Djibouti is classified as permanent, and there is a very limited resale market. Quality of housing and poverty are very closely interrelated. In a pocket of Balbala, one of the older neighbourhoods of Djibouti-ville, over 85% of housing is made of corrugated iron, wooden planks or metal panels retrieved from various sources. New supply of informal housing is built rapidly, particularly in the peri-urban areas of Djibouti-ville, with very low access to basic urban services.

Only very little of the construction is formal and regulated. On average, 100 to 200 building permits are processed a year, which is less than 5% of the total estimated construction. The process to obtain permits is cumbersome and expensive. The World Bank's 2013 Doing Business report estimates that the construction permit for a warehouse would take 172 days and 15 procedures, and would cost almost US$30 000, which is 2 024% of the per capita income of US$1 464. Most formal production is for lease-to-own programmes or direct sale.

The government has been investing between 2% and 3% of the national budget, or around US$15 million annually, between 2003 and 2012, in the National Housing Fund, as well as contributed public land, to support the construction of several subsidised housing estates and new urban development projects. Supply is predominantly of lease-to-own units for middle and low income households. The public real estate developer, Société Immobilière de Djibouti (SID), has built nearly 2 000 social and affordable units with the assistance of the National Housing Fund, most notably in the district of Hodane. Households must pay rent for 10 to 15 years and provide a 10% downpayment on a house valued at about US$30 000 to SID before getting ownership. SID has not been too successful in recovering costs from consumers, yet there is continued government interest in turnkey housing development projects.

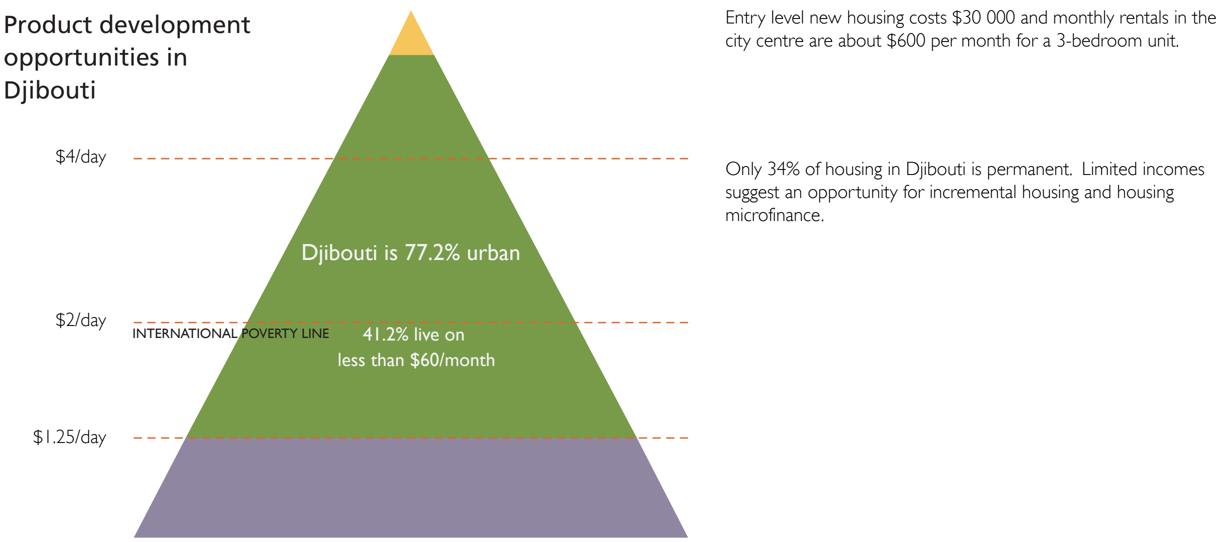
The government has also undertaken sites and services projects, such as the housing pilot in Barwaqo for guided incremental building. Government figures estimate than more than 6 000 plots have been serviced since 2000.

Property market

For years the property market has been essentially stagnant. The Central Bank reported in 2012 that the average house price had decreased by 28% since 2008. Yet, new opportunities in Djibouti brought about by the extension of the military base, an electricity connection project with Ethiopia and an increase in port activities have attracted a growing interest in the property market from foreigners, beyond the government's own investment. Proximity to the Arabian Gulf has also been a factor in investor interest.

In 2009, the National Real Estate Company (NREC) of Kuwait started to explore investment into a port city project that would include mid-range hotels, clinics and shopping malls on more than 385 hectares, 12 kilometres from the airport. Subsequently the NREC has been engaged by the government to build 1 600 social housing units in an area called PK-12, where construction of a first phase began in 2012.

Even with these initiatives, there remains an extreme shortage of construction materials, skilled labour and infrastructure locally, which is limiting progress. Possession of formal land title is also a constraint. Only an estimated 30% of urban households in Djibouti-ville have land title, and around 25% have Permits of Provisionnal



Occupation. Bureaucracy also stalls progress and makes formal transactions prohibitively expensive. For example, registering a property takes seven procedures and 180 days, and costs 7 776.5% of the average per capita income.

Policy and regulation

Housing has gained a lot of political attention in the past years, as it is considered an effective means to reduce poverty and improve the living conditions of the population. Created in 2011, the State Secretariat for Housing, responsible for planning, coordinating and implementing government policy in the housing sector, is assertively pursuing progressive policies. These include investigations into revision of the land policy, an increase in the construction of social housing and redevelopment of existing neighbourhoods via a prospective 'Djibouti, Zero Slums' programme, and seeking to reduce the cost of building through the promotion of locally produced, self-aided construction materials.

Other policy priorities include better management of urban development and improving basic services in the city. A number of actions have been taken, including the reorganisaton of the Ministry of Housing, Urban Planning and Territorial Development, and the preparation of a strategic document, Vision 2035, and of a master plan for the furture urban development of Djibouti City.

The government is working with international support agencies providing technical support to prepare a plan of action to boost the housing sector and to fulfil the Djiboutian policy of housing access to all population groups. On the supply side, the government is eager to support more housing production, and have recently advertised for construction companies and investors who are willing to build up to 2 000 units over three years for rent or sale.

The government is also searching for ways to stimulate the housing finance sector, and has been exploring the potential to set up a national housing bank and guarantee fund to increase access to housing finance.

Opportunities

Djibouti is at the crossroads of key shipping routes and has the potential to become a hub for commercial, logistical and financial services for the Gulf of Aden. A US$4.3 billion investment programme promises to bring sustained development to Djibouti and complement the extension of port activities, major infrastructure projects such as desalination, geothermal generation and water treatment plants, and the planned US$1.4 billion expansion of the US military base of 500 acres and 3 200 personnel.

Yet, even with investment programmes and private sector participation, high unemployment and the low earning capacity of the population are the primary issues to tackle, but also provide opportunities for Djibouti. Projects that utilise labour intensive construction methods and support the expansion of local industry and enterprises are starting to be prioritised by government, as they better capitalise on local resources and spur sustainable development.

In housing, the government is offering tax and import duty concessions, as well as fast-tracking permit permissions for foreign firms willing to invest in housing development. There is also strong interest from government to attract financial institutions that are able to specialise in making housing finance accessible to low income groups. Beyond this, a number of policies are in the pipeline, and the investment into careful policy formation should start to become apparent in innovation in Djibouti's housing sector.

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Egypt

KEY FIGURES

Main Urban Centres	Cairo (capital)
Exchange Rate: 1 US$ =	6.99 Egyptian Pound (LE)
Population ^	80 721 874
Population growth rate (%) ^	1.66
Urban population (% of total) ^	43.70
Urbanisation rate (%) ^	2.04
GDP per capita (US$) ^	3 187.31
GDP growth rate (%, real) ^	0.53
GNI per capita, Atlas method (current US$) ^	3000
Population less than US$2 per day~	15.43
Population below national poverty line *	16.7
Gini co-efficient ~	30.77
HDI (Global Ranking)"	112
HDI (Country Index Score) "	0.662
Unemployment rate (%) *	8.71
Bank branches per 100 000 ^	
Lending Interest Rate ^	12.00
Deposit Interest Rate ^	7.64
Credit % of GDP ^	79.33
Ease of Doing Business Ranking (out of 185 countries) !	109
Average Mortgages % of GDP	1% (Hofinet)
Average Outstanding loan to purchase a home, older adults (% age 25+)	2%
What is the cost of standard 50kg bag of cement (in US$)? #	4.50
What is the price of the cheapest, newly built house by a formal developer or contractor? #	13 300
What is the size of this house (in m^2)? #	50
What is the minimum stand or plot size for residential property #	

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

While Egypt's financial sector weathered the global financial crisis of 2009 well, economic growth slowed down and unemployment increased, particularly amongst youth. Since the Egyptian Revolution of 25 January 2011, economic growth slowed even further and unemployment reached a historic high of 13.2% in the first quarter of 2013, the majority of unemployed being youth between the ages of 20 and 24. As many as 40% of the population live on less than US$2 a day. Fiscal and primary deficits have widened, leading to a rapid increase in Gross Public Debt as a percentage of GDP (87% at the end of 2012). As of March 2013, public debt had reached 77.4% of GDP.

The political situation has worsened in the past year. Mohammed Morsi, democratically elected in June 2012, was ousted from the presidency on 3 July 2013. The political climate faces many challenges in the coming months. According to the Ministry of Finance, GDP in the first quarter of 2013 has grown by 2.2%; however, with the political climate uncertain some sources predict that GDP will decrease in future months.

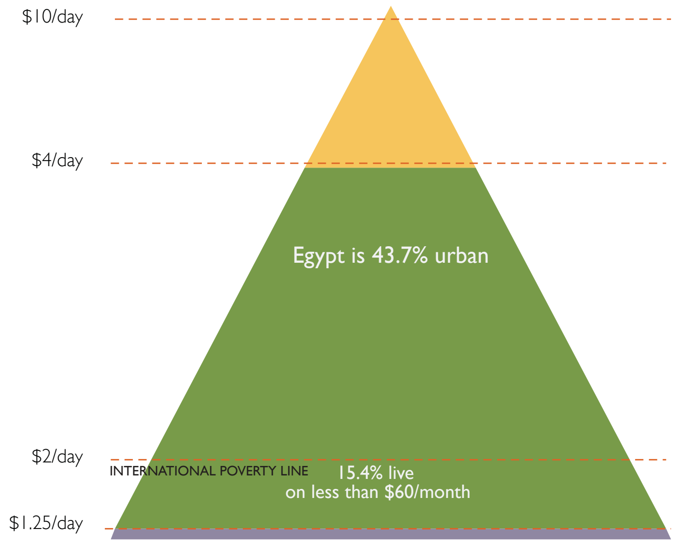
Access to finance

The banking sector in Egypt is well established, has a long track record and enjoys high levels of liquidity. 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. At the end of September 2012 the loan-to-deposit ratio was 49.8% compared to 50% the previous year. Non-performing loans made up 9.9% of all loans at end-June 2012.

Egypt is moving towards becoming the biggest financial centre in the North African region. Non-bank finance remains moderately developed, as financial institutions face obstacles that include the lack of a well-functioning and efficient means of registering potential clients and borrowers because of limited information. Credit information and market information systems remain weak; only 10.3% of the population is registered with a private credit bureau, while about 2.3% are registered with the public registry.

Egypt's mortgage market stems from the Mortgage Finance Law, number 140, which was issued in August 2001. The Egyptian Financial Supervisory Authority (EFSA) was then assigned to supervise mortgage finance activities in terms of the law. The Mortgage Finance Fund (MFF) was established in 2003 by presidential decree, with a mandate to expand housing affordability to low and middle income households. The MFF has three main functions: i) to channel subsidies to eligible lower income groups; ii) to provide short-term insurance covering up to three monthly mortgage payments for borrowers who experience hardship; and iii) to develop subsidised, affordable housing for a low income target market. The Egyptian Guarantee and Subsidy Fund was established in 2004, and works to expand housing affordability for moderate and low income Egyptian households. In terms of the fund, low income earners can access a subsidy of up to 15% of the value of a residence when taking advantage of this finance.

In 2006, the Egyptian Mortgage Refinance Company (EMRC) was established to address further constraints in the mortgage finance market. EMRC is one of a number of liquidity facilities on the continent established with support from the World Bank (another has been established in Tanzania and plans for one in Nigeria are close to finalisation), and its role is to finance primary mortgage lenders. EMRC's shareholders are government (the Central Bank of



Only 10% of supply is built by professional developers. Although the cheapest house is $13 300, and the mortgage finance fund provides subsidised loan finance for people earning below $90 per month, there is insufficient supply.

Microfinance is still underdeveloped relative to the large potential market. Market studies suggest a supply gap of 90%.

Product development opportunities in Egypt

Egypt, the National Finance Guarantee and Subsidy Fund and the National Bank of Egypt), the International Finance Company and other lending institutions. The Egyptian mortgage market has grown very rapidly since the establishment of the EMRC. Online Housing Finance Information Network (Hofinet) reports that in 2007, there were only 3 109 mortgages in Egypt. This more than doubled in 2008 (reaching 7 197 mortgages), doubled again by 2009 (reaching 14 230 mortgages) and almost doubled again in 2010 (reaching 26 597 mortgages). By the end of 2011, there were 29 631 mortgages in the country, comprising 1% of GDP.

In 2012, the mortgage market experienced only a modest increase in new mortgages. The overall size of the mortgage market increased by 7.2% in 2012 and reached LE 4 732 million (about US$677 million) by the end of December 2012. Mortgage companies' portfolios grew faster than those of banks during the year – at 12.3% and 2.7% respectively – and banks and mortgage companies ended 2012 with roughly the same size of mortgage portfolio – LE 2 360 million (US$337.5 million) for banks and LE 2 372 million (US$339.3 million) for mortgage companies. The EMRC refinanced 15% of total outstanding mortgages, or LE 550 million (US$78.6 million) by the end of December 2012, all linked to subsidy programmes. Approximately 50% of the refinanced loans are from banks and 50% from mortgage finance companies (MFCs).

The EMRC's main clients are the National Bank of Egypt, the Housing Development Bank and Egypt Arab Land Bank, as well as MFCs Taamir, Egyptian Housing Finance Company (EHFC) and Tamweel, which account for more than 80% of the total market. The lack of standardisation of underwriting systems hampers EMRC's growth. The default rate of EMRC's portfolio (calculated as the number of delinquent mortgages divided by the number of mortgages remaining at year end) was 4.25% in 2012.

Microfinance in Egypt is still underdeveloped relative to the large potential market. According to the EFSA, more than 400 institutions offer microcredit, with the vast majority of these being NGOs. Yet market studies suggest a supply gap of 90%. Some 16 microlenders reported to the MixMarket, an online source of microfinance performance data and analysis, in 2013, with 901 610 active borrowers and US$215.6 million worth of loans dispersed. The largest MFI is ASBA, which has 225 289 active borrowers and a gross loan portfolio worth US$61.9 million. Its average loan size is US$274.60. Microlenders generally offer individual and group loans. Individual loans are generally for small and medium-sized enterprise (SME) purposes; group loans are similarly for income earning purposes but in the informal sector. Microfinance for housing as a specified product is limited, although it is believed that a significant proportion of borrowers use their loans for home improvement.

Affordability

Housing affordability is limited in Egypt, despite government policy efforts to address this. According to the World Bank, just over one-fifth of Egyptians have incomes lower than US$2 per person; in rural areas this figure is about 44%. Northern Egypt is the most impoverished: although the region only accounts for 40% of the population, it is home to 60% of the country's impoverished and 80% of the extreme poor.

Egypt has a fairly extensive subsidy system, and in 2011/12 spent 9% of GDP on social safety nets. Energy and food subsidies dominate, but housing-related subsidies are also important. The government's investment in housing in the 2012/2013 financial year was set at about US$5.1 billion, a 38% increase on the 2011/2012 financial year.

The Guarantee and Subsidy Fund (GSF) was established in 2004 to expand housing affordability to low income earning citizens. The fund was an important step made by government towards transparency; however, it was through the EMRC that financial institutions could enter the low to middle income mortgage lending space. Subsequently, the Affordable Mortgage Finance Programme was implemented by the Mortgage Finance Fund, which allowed for an even more transparent and efficient demand-side subsidy system that channelled the subsidies directly to the beneficiary instead of to the developer, thus enabling affordability. The Mortgage Finance Fund subsidised about 10 000 housing units in 2010, and will subsidise about 65 000 units by 2012. It is targeted at people that earn US$90 a month and can afford monthly payments of US$23 (or 25% of their net salary). However, even with subsidies in place, house prices still remain unaffordable and most developers do not supply any houses to this income group.

Mortgage demand, particularly for the lower middle income segment, has been limited by increasing interest rates and the low legal limit of the payment-to-income ratio (PTI) of 25%, set in the 2001 Real Estate Finance Law 148. Amendments to Law 148 have been stuck in the current uncertain political process.

Housing supply

About 90% of Egypt'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, and Habitat for Humanity suggests that 20 million Egyptians live in sub-standard accommodation. The uneven nature of the economy has put most 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. 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 recent macroeconomic and political uncertainty has had major consequences for the housing construction sector. There has been a persistent gap in Egypt between incomes and the cost of new housing, even for the middle class. This is mainly due to high planning and subdivision standards for new housing, and the lack of a resale market for existing housing. At the same time, household formation is high because of high urban growth rates and decreasing household size. The Ministry of Housing, Utilities and Urban Development estimates that around 175 000 to 200 000 new housing units are needed annually to keep pace with household formation (other estimates put the demand as high as 600 000 units annually), but only the top 10% to 20% of the income distribution can afford to acquire a formal sector house. Subsidy programmes seldom reach even the middle income groups. The current economic and political situation has made matters worse. After the Revolution, new construction initially decreased, since developers had to negotiate new land contracts with the new government. Supply picked up when the devaluation of the currency and increasing inflation caused an inflow of private funds into the residential real estate sector, including from other middle-eastern countries.

More recently, in August 2013, one of Egypt's biggest property developers, SODIC, raised the issue of land availability by saying that it was running out of land for new developments. SODIC apparently has enough land to plan developments for the next two to three years. It was waiting for government to hand out new tracts – a process that has stalled in the period of instability. SODIC has shifted its strategy in recent years from large-scale multi-use developments to smaller residential projects. In part, this has been a response to a growing effective demand for housing, which higher income Egyptians are using as a hedge against inflation.

The government has been the main developer of affordable housing and has a plan to build one million units in 22 cities in five years. In October 2012, it was reported that the Supreme Council of the armed Forces had put LE 2 billion (US$327 million) towards social housing. Whether or how these plans will continue in the current environment is uncertain.

Habitat for Humanity International has been working in Egypt since 1989, and has provided finance for the construction or major renovation of more than 16 000 houses. In the 2011 financial year it financed the construction of 2 210 houses, which has a repayment rate of 97%. An initiative promoted by Ashoka, known as El Dawar, or Housing For All Egypt, seeks to facilitate the construction of 18 355 houses by 2015, targeted at very low income earners. It uses the hybrid value chain model, which encourages partnerships along the value chain, and partners with housing microlenders, building material suppliers and other stakeholders to drive the delivery of incremental housing.

Property market

There is an inconsistent approach to property valuations and a lack of valuation information in Egypt, making the effective use of financing difficult, as lenders have little idea of the true value of a property that they will recover in the case of default. It is estimated that over 90% 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 in small businesses, limiting economic growth. The lack of formal titles also limits infrastructure development.

The persistent inefficiencies in property registration and the unfettered competition from developer finance further hamper the development of the mortgage market and therefore the down-market affordability of houses. According to the World Bank's Doing Business Indicators for Egypt, registering property requires seven procedures, takes 72 days and costs 0.7% of the property value. While the registration fee ranges from U$75 to US$300, the Global Property Guide suggests that the full costs of a transaction can be anywhere between 10.85% to 12.3% of the property value, of which about a third is paid by the buyer and two thirds by the seller. It is against the law for a property to be formally traded within five years of the date of purchase. To get around this, property buyers often use a 'signature validity court verdict' method, which allows resales whenever necessary and without approvals.

Other factors that hinder the advancement of the housing sector are the high vacancy rates, rent control and informality. Indeed, almost 3.7 million urban housing units are either vacant or closed, an estimated 42% of the housing stock in Greater Cairo is frozen under rent control and some 45% of new urban housing over the past decade was produced by the informal sector.

Policy and regulation

Egypt's housing policy framework has been assertive in addressing the challenges of supply and affordability, but given the enormity of the challenge, its efforts have been criticised as insignificant. The political and social instability of recent years has further undermined these efforts and highlighted the need for a new approach. A shift from supply-side housing subsidies to mechanisms stimulating private sector involvement in the mortgage market promised to promote the rapid growth of Egypt's housing sector, stimulating broader economic growth in turn. But with 1 221 urban slum areas, housing between 12 million 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 sewerage removal to slum areas. However, the focus on utility provision has left other factors that affect slum growth unaddressed. The Egyptian government announced in July 2013 that 600 000 plots of between 250m^2 and 300m^2 would be sold through public lottery.

All efforts now hang in the balance as decisions regarding reforms await a resolution of the political crisis and a more stable macroeconomic, social and political environment.

Opportunities

Promoting real estate ownership rights for the public, and for the poor in particular, through registering their properties is a major challenge that could change the map of poverty in Egypt. Reducing costs and improving technological systems are needed to improve the situation. There is a need for faster approval procedures by government departments and for the central bank to encourage banks to extend credit facilities to MFIs based on the quality of these institutions' loan portfolios, and to benefit from their outreach and experience in microfinance. Due to the perception of the high cost of the service compared to the value of microloans, MFIs are not participating in the credit bureau system, which creates an information gap. . The support of funding organisations is needed to assist MFIs with practical arrangements with the credit bureau over pricing issues.

In recent years, successful NGO MFIs 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 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 microfinance is the interest rate cap of 7% on all civil and commercial transactions, with banks being the only entities exempt from this rule. Some credit guarantee initiatives have been launched to serve the microfinance industry. Examples include the Credit Guarantee Company for Small and Medium Scale Enterprises and the Cooperative Insurance Society for Small Enterprises. Neither organisation has yet achieved significant success in encouraging banks to finance MFIs. In addition, some donor agencies such as the German Reconstruction Loan Corporation (KfW), USAID and the French Development Agency have launched or are considering launching credit guarantee programmes.

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Ethiopia

Overview

Africa's oldest independent country (existing since about 800 B.C.) has been undergoing a successful restructuring of its economy from the beginning of the 1990s, after the fall of the Marxist Derg regime. The country has sustained some of the highest economic growth rates on the continent over the past decade, with double-digit growth in most of those years. The global economic recession did affect growth, causing a minor slow down, but in 2011, GDP growth was relatively high, at 8%. In 2012, with a growth rate of 6.9%, Ethiopia was the 12th fastest growing economy in the world, according to World Bank data. Real GDP growth has been projected at 6.6% for 2013, and 4.3% for 2014.

Ethiopia has battled with high inflation rates. In 2008/09, inflation averaged 36%, mainly driven by food prices. Although inflation has since come down significantly, it remains high at 10.3% during the first quarter of 2013. It is expected to come down to 8.7% in 2014. This has threatened the country's economic and social gains over the years, and has affected lending activities of banks, with a general downward decline in new loan disbursements, as the National Bank of Ethiopia (NBE) imposed quantitative lending ceilings on private banks. The cost of living across Ethiopia, and especially in its capital, Addis Ababa, is high, and many people struggle to afford the basic necessities.

In September 2010, the central bank devalued the Ethiopian Birr by 20%. This was intended to boost the competitiveness of Ethiopia's exports. It had a positive effect on remittances, but on the flipside made the price of imported building materials more expensive. A threat to devalue the currency again at the end of 2011 did not come about.

KEY FIGURES

Main Urban Centres	Addis Ababa (capital)
Exchange Rate: 1 US$ =	18 85 Ethiopian Birr (Birr)
Population ^	91 728 849
Population growth rate (%) ^	2.58
Urban population (% of total) ^	17.28
Urbanisation rate (%) ^	4.10
GDP per capita (US$) ^	470.22
GDP growth rate (%, real) ^	5.74
GNI per capita, Atlas method (current US$) ^	410
Population less than US$2 per day~	66
Population below national poverty line *	44.2
Gini co-efficient ~	33.6
HDI (Global Ranking)"	173
HDI (Country Index Score) "	0.396
Unemployment rate (%) *	16.70
Bank branches per 100 000 ^	1.97
Lending Interest Rate ^	
Deposit Interest Rate ^	
Credit % of GDP ^	
Ease of Doing Business Ranking (out of 185 countries) !	127
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	
What is the cost of standard 50kg bag of cement (in US$)? #	8.14
What is the price of the cheapest, newly built house by a formal developer or contractor? #	68 783
What is the size of this house (in m^2)? #	120
What is the minimum stand or plot size for residential property #	70

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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Access to finance

Traditionally the banking sector has been dominated by the state. Comparative statistics such as the number of bank branches per number of individuals show the sector performing poorly, even by Sub-Saharan country standards. Nevertheless Ethiopia's banks are highly profitable, and have managed to pay dividends of more than 30% on share prices. The National Bank of Ethiopia reports that at the end of September 2012, there were 18 banks, of which 15 were privately owned. Of the 15 insurance companies, 14 were privately owned. The largest is the government-owned Commercial Bank of Ethiopia (CBE), which accounts for 37.5% of the total capital of the banking system and has over 695 branches, as of July 2013. The bank has expanded rapidly: over the past three years CBE opened 150 branches, and in the current financial year they opened 148 branches. The Development Bank of Ethiopia and the Construction Bank of Ethiopia together account for 15.6% of the total capital of the banking system. In 2013, Ethiopia rose 48 places on the World Bank's Doing Business indicator for 'ease of getting credit', from 152nd to 104th place out of 185 countries.

The banking sector performed well during the 2011/12 financial year. Deposits from the banking sector increased by 29% to Birr 199.7 billion (US$11 billion). Loan collection increased by 16.4% to Birr 17.1 billion (US$900 million) during 2012/13. At the close of the 2011/12 financial year, banks' return of capital stood at 55.69% and their return of assets at 3.9%. Loans disbursed by the banking sector made up a total of Birr 18.4 billion (US$985 million) during the 2012/13 year. The Construction Bank of Ethiopia's share in total disbursements reached 41%, while loans to public enterprises were 25.4% and to the private sector were 74.6%.

Historically, lending for 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 the Savings and Mortgage Corporation of Ethiopia. For about 20 years, 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 Construction and Business Bank (CBB), a wholly government owned public enterprise which has the additional mandate of universal banking. Since its establishment, the former HSB and now the CBB has extended mortgage loans for the construction of just more than 30 000 residential units. For the 2011/12 financial year, 73.4% of CBB lending went to business loans, and 26.6% went to the construction of residential and commercial properties. CBB offers a variety of products: working capital loans; residential loans for non-resident Ethiopians, salaried workers and businesses; and business construction loans. Mortgage loans offered by CBB require a 30% deposit and borrowers must be formally employed.

The other major mortgage lender in the country, the CBE, disbursed 1 022 mortgage loans in 2010/11, down by 19% on the previous year. For the 2010/11 financial year, CBE had Birr 3 481.6 million loans outstanding for building and construction.

Mobilised 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. UN-Habitat (2011) argues that investment in the housing sector is limited due to the low level of domestic savings and a shortage of external resources. 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 low, with less than 1% of coverage of the adult population through the public credit registry. In August 2011, a credit bureau and credit information system was launched, paving the way for improved financial infrastructure. By the publication of the World Bank's 2013 Doing Business indicators, almost 25 000 individuals and 6 413 firms were recorded on the public credit registry, representing 0.1% of the population.

Microfinance is an important source of financing, and there are 31 registered microfinance institutions in Ethiopia, serving an estimated 2.7 million low income individuals. In 2013, some 25 MFIs were listed on the Mix Market, an online source of microfinance performance data and analysis, with a total of 881 113 active borrowers and US$182.8 million worth of loans distributed. ACSI is the largest MFI in terms of its gross loan portfolio, which stands at US$169.7 million and has 775 399 active borrowers. The average loan is US$218. ACSI offers credit, savings and microinsurance, but no housing-specific loan products.

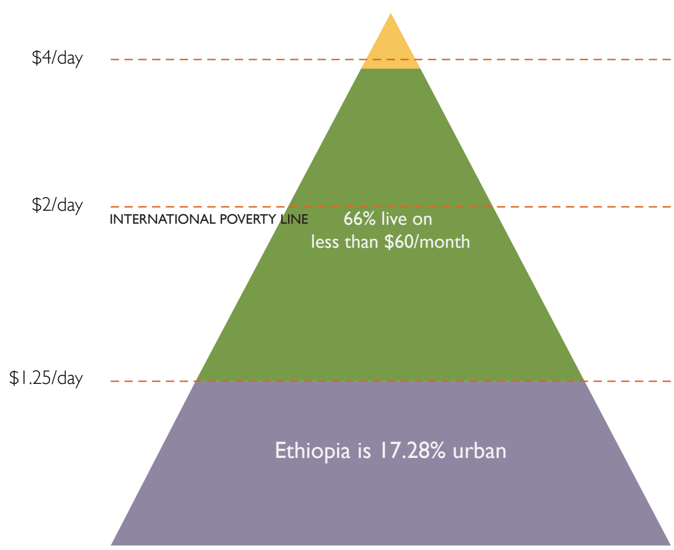
In an effort to increase financial inclusion in the country, Kifiya, a leading information and communications technology company in Ethiopia, has partnered with the Ministry of Communication and Information Technology to develop a mobile financial services platform, which will deliver mobile money and enable branchless banking, thus placing financial services within reach of the majority of the population.

Affordability

Just under a third of the population in Ethiopia live below the poverty line, and the government has committed itself to reducing poverty to 22.2% by 2015. Spending on initiatives to address poverty rose by 70% in 2011/12.

A key challenge to housing affordability is the absence of a diversified and flexible housing finance sector. Further, a high percentage of households depend on informal incomes, making them ineligible for formal finance. As a result, it is only the upper income groups and members of the diaspora who can afford newly constructed housing built by the private sector 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% is made upfront. Loan terms are short – generally five years.

Rising building material costs have negatively affected affordability. The development of the Derba Cement Factory has, however, reduced the cost of cement by more than half of the prices charged during the cement shortage. Derba announced that it would offer three months of credit to contractors who made a 50% payment and provided a bank guarantee. Bulk orders at the reduced price are placed through the Commercial Bank of Ethiopia and Dashen Bank, given their extensive branch network, as a way to avoid middlemen and protect affordability. Cement production was given a further boost with investments by South Africa's Industrial Development Corporation and Pretoria Portland Cement (PPC) into the Habesha Cement Share Company. The cement plant is planned for completion during the first half of 2014.



The cost of a newly built house is $68 783. A buyer would have to deposit 20% of this amount ($6 878). To afford a mortgage for the difference at 9.5% interest over 20 years, the buyer would have to earn $2 061 per month.

A 100m² house delivered as part of the governments Integrated Housing Development Programme is about $16 600. The programme has a target of 400 000 units nationally.

Product development opportunities in Ethiopia

Housing supply

According to a UN-Habitat report, Ethiopia's housing deficit is between 900 000 and one million units in urban areas, and an estimated 225 000 housing units a year are required to meet the Millennium Development Goals by the 2015 deadline. The relative youth of Ethiopia's population, with more than 50% under the age of 18, coupled with a population growth rate that could see Ethiopia's population reach 100 million by 2020, are putting considerable pressure on the demand for housing. It is estimated that only 30% of Ethiopia's total housing stock is in fair condition, while the remaining 70% is in need of total replacement. A 2007 survey noted that in Addis Ababa alone, the demand was for between 35 000 and 45 000 housing units to be supplied annually for 10 years to replace the existing dilapidated stock as well as cater for new household formation. At the current rate of supply, even with the progress of government housing programmes, this is unlikely to be met, especially at the middle to lower income bands.

A key constraint to affordable housing delivery is the inability to access land owned by the state. In the absence of a vibrant private sector, housing co-operatives have become the primary mode of housing construction in urban areas, making up over half of Addis Ababa's total formal sector housing stock up until 2005. During the Derg regime, and then under the new government up until the elections of 2005, co-operatives were allocated land to develop for their members. Since then, however, no land has been given to co-operatives. There are also very few private real estate developers in the country, and the ones that exist concentrate on the middle to high income consumers.

In June 2013, Chinese Geo-Engineering Corporation started construction of a real estate complex which would include 21 high-rise buildings of between 12 and 15 storeys. The target market for this development has not yet been disclosed, but the entire investment is estimated at Birr 3 billion (almost US$160 million). While this level of supply is interesting, other ambitious plans have seen delays. The Tedros Abebe Construction company was planning to develop 83 895 condominiums by the end of 2011. As of February 2013, however, only 20 000 units had been completed.

The Ethiopian government has been implementing an Integrated Housing Development Programme (IHDP) since 2005, targeted at low and middle income households. This has had a substantial impact on housing affordability for this target market. Within Addis Ababa, the programme delivers housing at a cost of about Birr 3 000 (US$166) per square meter, versus Birr 5 500 (US$305) per square metre in the private sector. A 100m² house delivered as part of the IHDP would therefore cost in the region of Birr 30 000 (US$1 660). The IHDP, implemented in 56 municipalities across the country, delivers condominium housing – multi-storeyed housing units for several households, where communal areas are jointly owned and managed. The mandate of the IHDP is to reduce slum areas in the city by 50%, and the programme has a target of building 400 000 housing units nationally. Government has spent more than Birr 15.4 billion through the IHDP. The Cities Alliance, a global partnership for urban poverty reduction, reports that the IHDP has delivered 208 000 housing units to date, about half of which are concentrated in Addis Ababa, accommodating an estimated 25% of Ethiopia's urban population. The programme uses a labour-intensive delivery method and has created an estimated 176 000 jobs.

The government has developed three housing sub-programmes under the new urban housing policy and strategy framework. The programmes include the delivery of affordable housing, the purchase of which is then financed at subsidised interest rates. The first is known as the '40/60' programme. Targeted at middle to higher income earning households, the programme requires 40% savings upfront or over five years, realising a 5.5% interest on savings. Households then get a loan for the remaining 60% of the purchase price, which they repay over 17 years at a rate of 7.5%. The second is targeted at low income earners, primarily civil servants, earning a monthly income below Birr 1 000 (US$54), and is known as the '10/90' programme. This requires households to save 10% of the purchase price for two years, realising 5% interest on their savings. The remaining 90% of the purchase price is then paid back over 25 years at a rate of 9.5%. The total cost of the house is set at Birr 76 615 (US$ 4 166), for a one-room, 29m² apartment. The third programme, '20/80', requires households to provide a 20% deposit, and then a 20-year loan is provided for the remaining 80% of the purchase price at a rate of 9.5%. The Commercial Bank of Ethiopia has seen a total of 862 216 Addis Ababa residents open special saving accounts for the 10/90 and 20/80 housing schemes. The bank will finance between 80% and 90% of the total cost of the houses while the rest is covered by residents in the form of a down payment.

In Addis Ababa there have been three phases of the programme: infill, expansion and urban renewal. During the first two phases, condominium sites were developed on vacant plots – in the first phase, in the city, and in the second phase, on the urban periphery. In the third phase, the emphasis of the programme has shifted to urban renewal, and is being used to clear inner-city slum areas and develop these for condominium housing, private sector developments, social infrastructure and other land uses. In August 2012 alone, the Addis Ababa City Administration transferred 7 300 condominium housing units to beneficiaries. More than 72 000 condominium houses have been built and transferred to beneficiaries since the start of the project in 2005. In the coming three years, the City has plans to construct over 170 000 housing units.

The Addis Ababa Land Development & Urban Renewal Agency was established in 2001 to renew Addis Ababa through developing old parts of the city. Their mandate was to help establish an effective land provision system by 2012. The Agency has transferred 453 hectares of land for micro and small enterprises, condominium construction and the 40/60 housing scheme since September 2012.

The IHDP programme is facing a number of challenges, however. While delivery has been substantial, it has been neither sufficient nor has it met the needs of the lowest income earners. Affordability for the housing units delivered through the programme has been limited to lower middle and middle income earners, primarily because of the limitations created by the deposit requirements – an amount that exceeds the savings capacity of low income households. Also, households that are informally employed, with erratic incomes, cannot manage to meet the monthly loan requirements. A second challenge relates to the long-term sustainability of the programme's financing approach, especially if non-payment increases. Lastly, the urban renewal approach of recent years has been criticised for failing to engage appropriately with the transitional implications as residents wait for their housing to be built. A series of project-specific issues have also been raised, relating to the location of housing and the overall quality of the built environment. An evaluation of the IHDP, undertaken by the Ministry in 2010, has recognised these and other issues.

Government also provides what it calls real estate development support for housing delivered by the private sector. In this case, the buyer is required to pay a 30% deposit. The remaining 70% of the purchase price is financed with a five-year loan at 9.5%. Such support is targeted at middle and high income households.

Property markets

There is some 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 Ethiopia. CBB reports that in 2011/12, 73.4% of long-term loans were disbursed towards the construction of residential and commercial buildings.

In the World Bank's 2013 Doing Business report, Ethiopia ranks 127th out of 185 countries overall, a slight decrease from 125th place in 2012. Registering a property in Ethiopia requires 10 procedures, takes 41 days and costs 2.1% of the property value – for this, Ethiopia ranks 112th. With more procedures, Ethiopia's property registration process is still faster than the Sub-Saharan African average, by 24 days. It is also cheaper at just over a fifth of what it costs in the rest of the region.

All land in Ethiopia is owned by the state, and rights to land are granted through a lease system, from 99 years for residential housing to 15 years for urban agriculture in urban centres. Implementing the land lease has not been without problems, and it is often considered an obstacle to the development of the real estate market. Many consider the lease prices 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 are said to have limited confidence in the lease system for the collateralisation of land.

According to a report by real estate consultancy Knight Frank, the property market in Ethiopia has witnessed some activity, with office construction in Addis Ababa experiencing growth. The residential market is described as being strong, especially in the hospitality sector. Apartments can be rented out for as much as US$6 000 per month, while houses can go for between US$3 000 and US$4 500 per month.

Policy and regulation

An urban housing policy and strategy has been developed and is awaiting approval. Housing is included under the Ministry of Urban Development and Construction, and falls under the Land and Housing Development Coordinating Bureau. The Bureau's mandate is to implement housing policy, strategy and programmes, and specifically the IHDP. The draft policy includes eight specific approaches to address the housing shortage in urban areas. These include the IHDP, the various savings and mortgage schemes, the construction of rental housing for low income households and accommodation for university professors, and infill housing in industrial areas.

In June 2013 it was reported that a bill to regulate the rental sector was under consideration. Of the estimated 600 000 families living in rental accommodation, 373 000 rent from the government. Some 70% of government rental housing is made from mud and wood. The new bill would regulate housing standards as well as rental relationships. Two other pieces of legislation are also under consideration: a real estate law and a law that penalises those who unlawfully register or take a house. It was expected that these would all three go before parliament in the next financial year.

The Ethiopian judiciary has benefited from recent reforms. The World Bank funded Justice System Reform Programme, part of the Public Sector Capacity Building Programme, has been able to enhance transparency and accountability through increased access to justice information. It has established more than 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 website. Ethiopia has a public credit registry but no private credit bureau.

Opportunities

Ethiopia clearly has a great need for affordable housing delivery – and this promises to continue well into the future as its young population becomes of house-seeking age. To create even greater opportunities in the formal housing sector, Ethiopia needs to continue with ongoing reforms to modernise its finance and land markets. These reforms should resolve the problems of an inadequately responsive banking sector, undeveloped capital markets and the high inflationary environment that has discouraged lending, as well as those facing the system of land registration. Complemented by the high economic growth of the past, as well as increased funding inflows, housing finance markets are destined for growth at virtually all income levels, but particularly within the lower to middle income ranges. A further asset is Ethiopia's microfinance industry – one of the largest on the continent. Given relative tenure security, this creates enormous potential for the development of housing microfinance products which are more appropriate for low income earners. 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

Main Urban Centres	Banjul (capital), Serekunda
Exchange Rate: 1 US$ =	32.67 Gambian Dalasi (GMD)
Population ^	1 791 225
Population growth rate (%) ^	3.19
Urban population (% of total) ^	57.76
Urbanisation rate (%) ^	4.15
GDP per capita (US$) ^	512.10
GDP growth rate (%, real) ^	2.68
GNI per capita, Atlas method (current US$) ^	510
Population less than US$2 per day~	55.93
Population below national poverty line *	61.3
Gini co-efficient ~	47.28
HDI (Global Ranking)"	165
HDI (Country Index Score) "	0.439
Unemployment rate (%) *	
Bank branches per 100 000 ^	8.88
Lending Interest Rate ^	28.00
Deposit Interest Rate ^	11.50
Credit % of GDP ^	43.88
Ease of Doing Business Ranking (out of 185 countries) !	147
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	
What is the cost of standard 50kg bag of cement (in US$)? #	6.34
What is the price of the cheapest, newly built house by a formal developer or contractor? #	100 000
What is the size of this house (in m^2)? #	220
What is the minimum stand or plot size for residential property #	375

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

With a total area of only 11 000 km^2 and a total population of just over 1.3 million people, 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 few years the country has experienced strong growth rates – above 5% in 2009 and 2010 – but in 2011, an agriculture harvest failure led to a contraction of the economy by 4.4%. GDP growth in 2012 was marginal, at 1%. It is expected that the economy will rebound in 2013 and 2014, growing by 4.3% and 5.1% respectively, due to a recovery in agriculture and growth in the tourism sector. The Gambia has managed to keep a hold on inflation despite the difficulties of 2011. At 4.2% in 2012, it is expected to rise to 5% in 2013, and 5.1% in 2014 due to the introduction of a value-added tax in January 2013.

Comprising 32% of GDP in 2011, agriculture is the dominant sector in the economy. This is followed closely by the wholesale and retail trade, hotels and restaurants sector, at 27.8% of GDP in 2011. Construction only makes up 3.6% of GDP, and finance, real estate and business services contribute 13.8% of GDP.

As of 2010, Gambia's population was 58% urban, and the population density across the country was estimated at 172.84 persons per km^2, one of the highest in Africa. Poverty is high: an estimated 57.2% of the population in urban areas and 63.3% of the population in rural areas fall below the poverty line. An estimated 36% of the population live on less than US$1 a day. A three-year poverty reduction strategy was implemented in 2012. Known as the Programme for Accelerated Growth and Employment (PAGE), it seeks to address unemployment and to promote pro-poor growth through a range of programmes, including investment in infrastructure.

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. According to the World Bank's 2013 Doing Business report, Gambia lost four places in its overall ranking for doing business since 2012 – it now sits at 147th out of 185 countries overall.

Access to finance

The country's financial system, however small, is quite efficient. There has been an influx of foreign banks over the years, which has increased the penetration of financial services in the country. There are 13 commercial banks in the Gambia, as well as one Islamic Bank. A locally incorporated subsidiary of Standard Chartered Bank has a 25% market share of the total customer base.

In 2009, commercial banks' credit increased to GMD 5.26 billion (US$161.4 million) and the construction sector increased by GMD 513.42 million (US$15.76 million). In January 2012, loans and advances to the building and construction sector comprised 12% of all landing. There are 8.88 commercial bank branches per 100 000 adults, and outstanding loans from commercial banks as a percentage of GDP is at 24.5%. In 2011, there were 360 deposit accounts with commercial banks per 1 000 adults, and 37 loan accounts per 1 000 adults.

In the past decade, non-performing loans ranged between 12% and 14%, which is relatively moderate compared to neighbouring countries' financial data. In 2012, non-performing loans were at 12%. The country scores a modest five out of 10 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 amongst Gambians is limited, with only 45% of the population being secure – in some cities the number is even lower. All these factors limit accessibility to mortgage financing, and dampen the incentive to self-build through housing microfinance.

The Home Finance Company of the Gambia Limited (HFC) offers a mortgage product that finances 70% of the value of a property payable over a maximum of 15 years. The company was incorporated in 2001 with technical assistance from HFC Ghana. The HFC has two shareholders: Social Security and Housing Finance Corporation (SSHFC) which owns 90% of the shares and Trust Bank Limited which owns 10%. The HFC's House Purchase Mortgage product has a maximum tenure of 15 years for resident Gambians and 10 years for non-resident Gambians. The loan may not exceed 70% of the property value. Equity release mortgages are also available (the HFC will lend up to 80% of the equity vested in the property), as well as home improvement loans. In May 2012, HFC's mortgage book size stood at GMD 35 764 528 (about US$1.2 million). To accommodate the needs of the overseas market, a few real estate and mortgage brokers have established offices in Europe and the US as well as in the Gambia.

Gambia has an environment conducive to microfinance lending, including specialised microfinance regulations and a number of savings and credit associations. This has led to greater availability of financial services through MFIs. Two MFIs have registered on the Mix Market (an online source of microfinance performance data and analysis) – Reliance and the Gambia Women's Finance Association, or GAWFA. By 2012, they reported a gross loan portfolio of US$132.1 million (GMD 4.3 billion) to about 6 605 active borrowers. Reliance targets SMMEs and micro enterprises, and also offers individual loan products. GAWFA is the largest MFI in Gambia, offering group and individual loans nationwide. About 90% of GAWFA's clients are women and 80% are in rural areas. In 2011 GAWFA had 48 000 depositors with assets of US$662.5 million (GMD 21.6 billion).

The country has a high per capita savings rate compared to other countries. This is a good platform for housing microfinance going forward. Gambia also has a pension industry that actively supports housing expansion. The SSHFC administers a housing fund linked to the various pensions and provident funds it administers, and invests in affordable residential housing development. Financing for mortgages is also 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.

In 2013, the Gambia lost one place against the World Bank's Doing Business report indicator for ease of getting credit, moving from 158th in 2012 to 159th, out of a total of 185 countries. This follows a 20-place drop between 2011 and 2012. Gambia does not have a credit bureau, undermining the opportunity for long-term lending to individuals.

Affordability

While the Gambia has a relatively high GDP growth rate, 56.7% of its population live on less than US$2 a day, and 36% on less than US$1 a day. Data from 2003 suggests that just over 60% live below the national poverty line. Remittances are a significant component of national income, measuring 18% of GDP in 2007.

One of the largest private developers in the country, TAF, is involved in housing development, requiring monthly payments of at least US$1 042 (GMD 31 056), depending on the housing product. Such mortgage products are all above the financial ability of the vast majority of Gambians, and are in fact targeted at the Gambian diaspora market. The SSHFC, which has a mandate to provide affordable housing for the poor, has been criticised for providing products that are unaffordable for most Gambians.

Most housing built by private developers is far out of reach of the majority of Gambians. The price of a three-bedroom house (220m^2) is about US$100 000 (GMD 2.98 million), while a two-bedroom house might be found for US$50 000 (GMD 1.49 million). As a result, most Gambians self-build their housing to match their personal affordability criteria. Gambian developer Sky High Limited also offers plots for sale, although its website suggests that this is targeted at a foreign market – an entry-level 400m^2 plot costs US$4 275 (GMD 127 411).

Housing supply

Gambia's urbanisation rate is estimated at 4.13% (a 2000-2010 estimate), and 58% of the population live in urban areas. UN-Habitat estimates that one third of the population lacks access to potable water, and over 50% of the population has inadequate access to sanitation facilities. About 52% of houses are built with semi-permanent materials, and only 40% of houses are built with permanent materials. The housing shortage is not explicitly calculated, though the Bureau of Statistics estimated that between 1976 and 1995, the backlog was over 29 000 units.

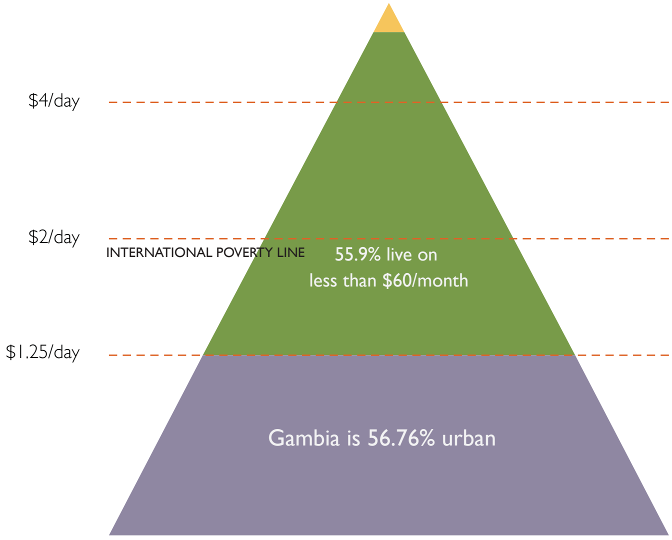
UN-Habitat has implemented its Participatory Slum Upgrading Programme in the Gambia. A 36-month programme with an estimated cost of US$5 million, it will seek to meet the housing needs of both low and middle income earners in the cities of Banjul, KMC and Brikama. Suitable land for a low cost housing scheme will be found and an estimated 2 000 housing units will be constructed across the three cities. In addition, it is expected that 200 commercial shops, mosques, three chapels, community centres, recreation facilities and parks will be constructed in the three sites. Water and sanitation, waste collection and telecommunication services will also be provided. The SSHFC will take the lead role in implementing the project, together with the local municipalities. The project is part of a wider collection of urban upgrading projects that address urban infrastructure, governance, health, environmental issues, local economic development, urban safety and urban disaster management, all being driven with the support of UN-Habitat.

The SSHFC provides serviced plots of land with or without small construction loans for low and middle income groups. They also develop complete housing units for purchase by middle income households. The SSHFC is involved in a number of housing projects and has implemented two such projects to date. Houses are financed at 75% loan-to-value over a period of 15 years.

The Sky High Group offers construction, real estate and end-to-end services, from land purchase, servicing, road works and building materials supply through construction, sales and leasing, and property management. Prospective buyers can choose from a series of house plans. Recently a new foam panel house model was introduced. Buyers are required to put down a 50% deposit and pay the balance over a period of up to 10 years.

Real estate company TAF provides developments, sales and letting services. The company offers a 60-month payment plan for its properties, and advertises no down-payment and no interest.

Diamond Properties Gambia is a real estate development company offering property sales, construction, rentals and leasings, property



Housing development is targeted at the high income market: large, expensive houses, starting at $50 000 for 2 bedrooms.

Most Gambians self-build their housing. Sky High Limited offers plots for sale – a 400m² plot costs $4 275.

Product development opportunities in The Gambia

evaluations and advice. Established in 2008, the company offers 500m² plots in laid out developments, and then a sample of house plans from which to choose. The company offers mortgage finance arrangements over one to five years. In what the company calls its 'Buy for Future' project, buyers first purchase the land and then follow with the development of a top structure.

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, a joint venture with a private developer in Makumbaya worth GMD 400 million (US$14 million) and consisting of 3 000 serviced plots.

Property markets

Property prices have risen steadily over the past few years, in some areas by as much as 30%, spurred on in part by the booming tourism industry and the property interests of Gambians in the diaspora. Secondary property markets are limited by the shortage of mortgageable stock in primary markets. A useful indicator is the fact that only 18% of the buildings in the country are built 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.

The Gambia scores low – 120th out of 185 countries – on the 'registering property' indicator of the World Bank's 2013 Doing Business report. That said, its performance is comparable to Sub-Saharan Africa: it takes 66 days to complete the five procedures involved in registering property, while the costs of registration constitute 7.6% of the total property value. This is less than the average for the region. A UN-Habitat report suggests a rather more dismal picture, however, saying it takes an average of three years to secure a title deed and the cost involved is exorbitant: GMD 4 000 (US$122.83) in transfer tax to the municipality and GMD 40 000 (US$1 228.30) in capital gains tax per transaction.

According to UN-Habitat, tenure security is highest in rural areas, at between 70% and 89%. In some areas as few as 27% of inhabitants have secure tenure.

There are a number of property websites for the Gambia, publicising houses for sale, often in British pounds or US dollars. The Gambia Property Shop reports that apartments start at £25 000 (US$38 215), and a detached three-bedroomed property 'built to European standards' starts at £45 000 (US$68 787). Property appreciation is estimated at 20% per year and rising, while rental returns of 10% per annum are predicted.

Policy and regulation

The Ministry of Local Government and Lands is responsible for housing and land in the country. The State Lands Act of 1991 designated all land in the Greater Banjul Area and in Kombo Central, North and South as state land. In principle, this intervention was designed to ease access to land by low income groups, and it is from this time that the entire land legal framework originates. Together with the State Lands Act 1991, the Physical Planning and Development Control Act 1991, the Land Acquisition and Compensation Act of 1991 and the Survey Act 1991 empower the minister of local government and lands to establish a National Planning Board and Divisional Planning Authorities for physical planning and housing.

The Gambian financial system has gone through a number of changes: most interest rates are freely determined, direct controls have been eliminated, exchange controls have been abolished and monetary policy has been liberalised. The Banking Act of 2009 sets the regulatory framework.

Laws effectively dis-establishing the SSHFC and creating distinct entities to deal with social security (the Social Security Corporation Bill) and housing funding (the Housing Finance Corporation Bill) were introduced in April 2010; however these have not yet been promulgated and the SSHFC continues with its mandate. Fortunately, the intent of the latter Bill remains to retain a fund for affordable housing in the country. To encourage 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 the creation of a conducive investment climate.

Opportunities

The Gambian market offers potential in the areas of high income and tourism housing development, and in the past year has seen improvements in electrification and in dealing with construction permits. The Gambia has a strong road infrastructure. Like many African countries, the affordable housing market is inadequately served, a fact acknowledged by the government. More recent interventions by UN-Habitat may shift the investment focus of the private sector and open up opportunities for interventions that better target lower income earners. 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 housing microfinance, which can be supported by what has proved to be a relatively well developed pensions industry.

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Ghana

KEY FIGURES

Main Urban Centres	Accra (capital), Kumasi
Exchange Rate: 1 US$ =	2.15 Ghanaian Cedi (GH¢)
Population ^	25 366 462
Population growth rate (%) ^	2.17
Urban population (% of total) ^	52.52
Urbanisation rate (%) ^	3.43
GDP per capita (US$) ^	1 604.89
GDP growth rate (%, real) ^	5.59
GNI per capita, Atlas method (current US$) ^	1550
Population less than US$2 per day~	51.84
Population below national poverty line *	28.5
Gini co-efficient ~	42.76
HDI (Global Ranking)"	135
HDI (Country Index Score) "	0.558
Unemployment rate (%) *	10.10
Bank branches per 100 000 ^	5.46
Lending Interest Rate ^	
Deposit Interest Rate ^	10.05
Credit % of GDP ^	27.75 (2011)
Ease of Doing Business Ranking (out of 185 countries) !	64
Average Mortgages % of GDP°	0.45%
Average Outstanding loan to purchase a home, older adults (% age 25+)	3%
What is the cost of standard 50kg bag of cement (in US$)? #	8.5
What is the price of the cheapest, newly built house by a formal developer or contractor? #	25 000
What is the size of this house (in m²)? #	66
What is the minimum stand or plot size for residential property #	167

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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Overview

The Ghanaian economy is characterised by a stable political climate, outstanding growth performance and effective macroeconomic policies. Following dramatic GDP growth of 14.4% in 2011, GDP growth slowed to a still strong 7.1% in 2012 and to 6.7% in the first quarter of 2013, as oil production plateaued. This slowdown is expected to affect other sectors of the economy. Still, business and consumer confidence improved in the year. Ghana's annual inflation rate peaked at 9.4% in July 2012, and eased to 8.8% in December 2012 as a result of lower food price increases and tight monetary policy measures. The Central Bank predicted that inflation would remain broadly stable between 7% and 11% by the end of 2013, and in February 2013 kept the Policy Rate at 15%. At the end of 2012, Ghana faced a higher budget deficit than anticipated, largely as a result of an increased public sector wage bill and an increase in fuel subsidies. Ghana's construction industry continues to grow steadily. The industry comprised 9.2% of GDP in 2011, ahead even of mining. Finance, real estate and business services comprised 9.1% of GDP in 2011.

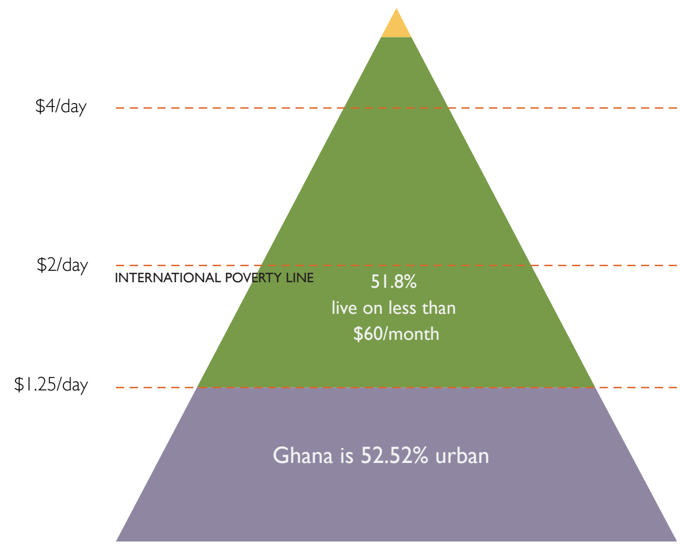
Access to finance

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. The financial sector has 24 banks, seven of which are listed on the Ghana Stock Exchange. In 2012, the top five banks accounted for 45.5% of market share. Banking assets represented 39% of GDP in both 2011 and 2012, and total credit provided by the banking sector represented 19% of GDP in 2012, an increase of 3% on the previous year. According to the World Bank's 2013 Doing Business Report, in the 'ease of getting credit' category, Ghana was ranked 23rd out of 185 countries in 2013, an improvement from its 38th position in 2012. In 2011 Ghana strengthened access to credit by establishing a centralised collateral registry. Loan performance has improved: in 2012, 13.2% of loans were non-performing, an improvement from the 14.1% non-performing loan ratio of 2011. According to the International Monetary Fund's Financial Access Survey, there are 5.46 commercial bank branches per 100 000 adults and 2.72 ATMs per 1 000 km². HFC Bank estimates that four out of five Ghanaians operate entirely outside of the formal financial sector.

In 2012, Ecobank Ghana merged with The Trust Bank, becoming the largest bank in the country with 12.8% of banking sector assets. State-owned Ghana Commercial Bank follows with 11.3% of total banking assets. The country has an efficient stock market, with 36 companies listed in 2013. Banks have used the stock exchange to raise funds for 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. Ghana's pension industry is small with only 9% of the labour force contributing.

In December 2012, the Bank of Ghana increased the minimum capital that all financial institutions have to hold on their balance sheets. As a result the entire banking sector had to increase stated capital: commercial banks to GH¢60 million, or US$28 million (from GH¢20 million, or US$9.36 million in 2010), and savings and loans institutions to GH¢7 million, or US$3.275 million (from GH¢3 million, or US$1.4 million in 2010). Rural banks' required minimum capital remained unchanged at GH¢150 000, or US$70 000. Following this, the industry's average capital adequacy ratio improved to 18.6% from 17.4% in the previous year.

Ghana has some way to go to create the necessary systems to support mortgage lending, although it is registering some progress. There are five major players within the Ghanaian mortgage market: HFC Bank, Ghana Home Loans (GHL),



The cheapest newly built house for sale is $25 000. A buyer would have to put down a $2500 deposit and earn $970/month to afford a 20 year mortgage (US dollar denominated) at 13.5%

About 90% of Ghana's housing stock has been produced through self-build. A sizeable middle class suggests opportunities for microfinance. These are being explored by Habitat for Humanity International with its MicroBuild Fund.

Product development opportunities in Ghana

Fidelity Bank, CalBank (CalMortgage) and Stanbic Bank. These banks offer a variety of mortgage products, including mortgages for home purchase, improvement or completion, as well as home equity mortgages. In 2012, HFC Bank increased its home loan portfolio by 33% to GH¢ 93 million (US$43.5 million). Total disbursements for the year amounted to GH¢ 14.9 million (US$6.97 million) to 217 customers. This was up from GH¢ 8.8 million (US4.1 million) in 2011. Of its total mortgage disbursements in 2012, 69% were in foreign currency loans. The average loan size was US$63 990 (GH¢136 777) for foreign currency loans, and GH¢ 34 295 (US$16 044) for local currency loans. For the portfolio outstanding, the average loan amount was GH¢ 59 937 (US$.28 040). HFC Bank has a special scheme targeted at public sector employees. Although interest rates are capped at 15%, the volumes have been growing slowly: 56 loans were disbursed in 2012 and 39 in the previous year. The portfolio outstanding for this product stood at GH¢ 8.8 million (US$4.1 million) for a total of 325 clients.

Growth in the housing sector has put pressure on mortgage lenders who have struggled to raise the funding to meet the demand. Ghana's first mortgage backed security was approved by the Securities and Exchange Commission (SEC) in 2013. Ghana Home Loans has developed the bond, and the first issue is expected to be made in the first quarter of 2014 and raise US$20 million (GH¢42.75 million) with an estimated yield of 7% per annum. A minimum investment of US$500 000 (GH¢1.068 million) will be required to participate in the issue. In 2011, GHL disbursed US$20 million in new mortgage loans. With a portfolio of about US$65 million (GH¢138.9 million), GHL has about 1 000 mortgages. In January 2012, Shelter Afrique signed a US$5 million (GH¢10.687 million) facility with GHL to provide mortgages for at least 200 individuals in the middle income bracket.

Mortgage debt to GDP remains small, however. Recorded at 0.37% in 2007, it fell to 0.32% in 2008, 0.3% in 2009, and 0.25% in 2010. In part, this was due to the global financial crisis and the prevalence of borrowers from the diaspora in Ghana's mortgage book. The two key constraints to mortgage market growth are high interest rates and limited affordable housing supply.

In 2012, Ghana Union Assurance launched the first collateral policy to provide cover to finance houses on construction. The collateral replacement indemnity (CRI) targets borrowers in the lower to middle income mortgage market (with incomes below GH¢4 400, or US$2 058) who do not have the deposit required by mortgage lenders, but who have the capacity to pay if the debt is spread over a period of time. Working with the support of Home Finance Guarantors Africa Reinsurance Limited, the CRI enables borrowers to access a 100% loan.

Ghana has a dynamic and well developed microlending sector, with 79 microfinance institutions reporting to the Mix Market (an online source of microfinance performance data and analysis) in 2013. With an estimated 301 338 borrowers, the gross loan portfolio is US$225.1 million. The largest MFI is ProCredit with a gross loan portfolio of US$34 million (GH¢72.675 million), followed closely by OISL, Sinapi Aba Trust, Ezi Savings and Loan, and Unicredit S&L. Among these lenders, housing microfinance is offered, although the scale has decreased in the past year. HFC Bank offers housing loans in collaboration with the Cooperative Housing Foundation International (CHF) through Boafo Microfinance Services. Boafo has scaled back considerably, however. ProCredit launched a housing improvement loan in 2006, but has recently changed its strategy and shifted its focus to the SME sector. The reasons given for discontinuing its housing finance products were poor collections and funds being diverted to other sources. With the end of USAID funding, Habitat for Humanity Ghana and the Sinapi Aba Trust have also scaled back on a project in Kumasi. Like commercial banking, microfinance suffers from the lack of long-term funding – funding lines of three to five years are too short for housing microfinance, which would do better on seven to 10 year terms.

In late 2012, the MasterCard Foundation and Habitat for Humanity International jointly launched a five-year pilot project in Ghana to promote the growth of the housing microfinance and incremental housing construction sectors. The US$2.2 million initiative is engaging with three microfinance companies in Ghana, providing technical support in the development of housing microloan products, which should lead to the disbursement of over 20 000 housing microloans to low income earners, mostly in rural areas.

As indicated earlier, the World Bank's 2013 Doing Business report placed Ghana 23rd out of 185 countries against the 'ease of access to credit' indicator, an improvement by by 15 places over the previous year. Although the private credit bureau registry covers only 5.7% of the adult population, this is almost double its coverage for the previous year. Ghana's first credit bureau started operating in 2010, with data collection beginning in earnest in 2011. Rapid growth is expected in future years. Three credit bureau licences have been granted, to XDS Data, Hudson Price, and Dunn and Bradstreet.

A national identification exercise is also under way. In preparation for the 2012 elections, the Electoral Commission launched a voter registration process using biometrics; this is expected to serve as the basis for a future national identification document (ID) system. The database will be accessible to the financial sector in 2013, using biometric ID, which could improve risk management. These measures will facilitate lending by banks and non-bank financial institutions.

In 2012, the World Bank launched the Global Financial Inclusion Database (Global Findex) to explore levels of financial inclusion around the world. According to Global Findex, 26.2% of rural, and 52.5% of urban Ghanaians over 15 years of age have an account with a formal financial institution. The use of credit is fairly common – 39.2% of adults over 25 years of age report that they had a loan in the year to 2011. However, the majority of these loans were from family or friends. Only 7.5% of adults had a loan from a financial institution and only 3.8% had a loan from a private lender. Very few Ghanaians have an outstanding loan to purchase a home: 1.9% of the top 60% of income earners and 3.1% of the bottom 40% of income earners. Loans for home construction are more prevalent: 8.9% of the top 60% of income earners had one, and 5.2% of the bottom 40% of income earners.

Affordability

The cost of borrowing has come down in Ghana, though this is dependent on the denomination of the loan. Local currency loans are among the most expensive in Africa, and suffer from the insecure macroeconomic and inflation environment. HFC Bank offers US dollar-denominated mortgages at 13.5%, while mortgages in Ghanaian Cedi are offered at a high 28%. Only about 3% of households can afford the cheapest formal sector dwelling on the market. Loan to values (LTVs) vary but none of them are exceptional; HFC Bank lends with an LTV of 80%, while GHL requires a 75% LTV. 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 beyond the affordability level of the majority of the population and even of the middle class. Blue Rose Limited is a wholly owned Ghanaian company and is known as the most affordable developer in Africa, having won an award from the African Real Estate and Housing Finance (AREHF) Academy, a leading resource centre for the development of real estate and housing finance in the African region. However, a 66m^2 house on a 167m^2 plot of land costs about US$25 000 (GH¢53 473), which is still too expensive for even the formally employed in Ghana. The monthly mortgage payment will be about US$250 (GH¢534), and requires that the prospective mortgagor be earning about US$750 (GH¢1 603) a month to qualify. Of those formally employed, salaries range from US$200 (GH¢428) to U$2 000 (GH¢4 275) a month, with the average salary at about US$485 (GH¢1 036) a month, which is still well below the US$750 required to purchase an entry-level house. In Greater Accra, in 2010, the average annual household income (for all households, not only those employed) was GH¢1 402 (US$655) a month. A recent report by the World Bank suggests that Accra is the 75th most expensive city in the world, comparable to Houston, Texas, but with a population that lacks the income to afford living there.

In urban areas, renting is the most common form of accommodation. However, constraints in supply have led to exploitative practices, and it is common for tenants to have to pay two to three years of rental in advance. As a result, households who cannot afford these high upfront payments end up overcrowding: according to the census, almost one third of Ghanaians do not own a dwelling or pay rent of any kind.

Housing supply

A recent study by UN-Habitat reports that Ghana's housing need is expected to hit 5.7 million rooms by 2020. The analysis highlights that housing in the country has never been a significant component of national economic planning, but has been seen rather as part of its welfare sector. As much as 90% of Ghana's housing stock has been produced through self-build, and in the cities, overcrowding has become intolerable and many end up sleeping outside. An estimated 53% of households in Accra occupy a single room. A CHF study undertaken in Accra in 2010 found over 3 000 people sleeping outside in an area less than one fifth of a square kilometre. A parliamentary debate in July 2013 estimated the current housing deficit in Ghana to be 1.6 million houses. The annual housing demand of about 100 000 units is not being met, with only about 40 000 housing units currently being delivered per annum.

According to the Ghana Real Estate Developers Association, the slow pace of residential property construction is now changing, though only at the top end of the market. 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. In 2012, activity declined somewhat as cement production slowed due to a temporary shutdown of the West African Cement production plant following a lightning storm. The price of a standard 50kg bag of cement increased by 85%, from GH¢14 (US$6.55) to GH¢25 (US$11.70) in 2012, and more recently by 35%. This has negatively affected the entire construction industry.

There is some delivery of housing by the government. Players include the Social Security and National Insurance Trust and the State Housing Company (SHC). Housing developments driven by the state which primarily target the public service, have, however, been unable to make any significant dent in the demand. Over the 10-year period 1991 to 2000, state housing institutions produced less than 40 000 mortgageable units. In 2012, the SHC won the 'Developer of the Year' (Community & Social Housing) award as an acknowledgement of its housing construction and urban regeneration work, and its efforts to establish and manage a National Housing Register. Homebuyers can buy housing from SHC in cash or with an instalment sale scheme managed by the company, or with a mortgage from HFC Bank, GHL or First Ghana Building Society.

Despite the enormous demand for housing, a recent debate in parliament noted that unfinished developments are visibly evident in urban areas. In 2012, a high profile development being driven by Korean construction firm STX, and which promised the delivery of 200 000 units, fell through due to difficulties in contracting arrangements. Other initiatives targeted at the affordable housing market also ran into difficulties, including capital constraints. More recently, a Brazilian firm announced the intention to construct 5 000 affordable houses. The Housing Minister estimates that about US$117.5 million is needed to complete the existing affordable housing projects across Ghana. Development in the upper income market remains vibrant, as developers scale up on the need for high end expatriate accommodation. Companies such as Taysec and Clifton Homes offer housing in the US$100 000 to US$600 000 and above price range – this covers two-bedroom apartments to four – to five-bedroom homes.

Shack/Slum Dwellers International (SDI) has partnered with the Ghana Homeless People's Federation to find solutions towards improving human settlements and shelter conditions. The federation has two programmes under way: the Amui Dzor Housing project and the Citywide slum upgrading project. The Amui Dzor Housing project is a collaboration with UN-Habitat's Slum Upgrading Facility, while the Citywide slum upgrading project is a collaboration with SDI and the municipality. Working with People's Dialogue on Human Settlements, the first project will develop 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. The Tema Ashaiman Municipal Slum Upgrading Fund 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 US$400 000 capital enhancement grant is expected.

Homeless International has been working in Ghana since 2003, and has partnered with the Peoples' Dialogue on Human Settlements to support Ghana's urban poor to advocate for their rights to adequate housing, safe settlements, secure tenure and affordable infrastructure.

Property markets

With the growth of the oil and gas industry in Ghana, private sector development of upmarket homes is rampant and almost all selling off-plan; their prices range from between US$300 000 to more than US$1 million. Property rentals in the middle to upper sector range between US$2 500 and US$8 000 a month.

Both HFC Bank and GHL have established subsidiaries to capitalise upon and facilitate the growing residential property market. HFC Realty is wholly owned by HFC Bank Ghana, and began operations in 2006 with a mission to hold, develop and manage real estate in the country. It operates as a developer, property manager, valuer and real estate broker in the industry. GHL established the online Ghana Home Loans Online Realty, an online database of properties available in the Ghanaian market. In 2013, GHL initiated a mortgage road show to stimulate demand for mortgage lending. This was part of a wider marketing effort that includes weekly mortgage clinics, annual housing fairs, a video on mortgage borrower education, the establishment of real estate clubs on university campuses and a short message service (SMS) subscription facility.

Policy and regulation

Ghana's housing policy has been in draft form for the past seven years – an issue raised in a recent parliamentary debate on the state of housing in the country. The Housing Minister has committed himself to finalising the policy.

According to the World Bank's 2013 Doing Business report, registering property in Ghana requires five procedures, takes 34 days and costs 1.2% of the property value. Ghana was ranked 45th of 185 countries for this indicator in 2013, a significant decline from the previous year's 37th place. The capacity to register a property remains limited to major centres – Accra, Kumasi and a few smaller towns – and the process through the Lands Commission remains quite manual and is fraught with administrative limitations. Most of the country's land is held in either local custom hands ('stools') or by government, and the land administration framework is characterised by the coexistence of overlapping systems – 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, which explains why banks in Ghana often shy away from lending, or do so at a premium. At the same time, buyers too feel that the formal title registration system is cumbersome and unhelpful. Reforms to the land administration system have been ongoing although their results are yet to be felt.

In 2012, the Ghana Housing Finance Association announced that it was working with stakeholders to draft a Condominium Property Bill to enable the development of units for ownership, constructed in buildings rather than free standing on plots. Similar to sectional title legislation in other countries, the regulations would set out the requirements for management of common areas and the title definitions for ownership in this context.

Opportunities

The housing sector prospects in Ghana look positive, although special focus on improved access for the majority of low income earners who cannot afford privately delivered housing is needed. A growing, relatively stable, well managed economy provides prospects in terms of the growing demand for housing in the middle and upper income segments. Although Ghana's overall Doing Business score deteriorated by one point in 2013, access to credit improved by 15 places, showing significant transformation in the financial sector. 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

Main Urban Centres	Nairobi (capital), Mombasa,
Exchange Rate: 1 US$ =	87.54 Kenyan Shilling (KSh)
Population ^	43 178 141
Population growth rate (%) ^	2.70
Urban population (% of total) ^	24.40
Urbanisation rate (%) ^	4.41
GDP per capita (US$) ^	862.23
GDP growth rate (%, real) ^	1.52
GNI per capita, Atlas method (current US$) ^	840
Population less than US$2 per day~	67.21
Population below national poverty line *	45.9
Gini co-efficient ~	47.68
HDI (Global Ranking)"	145
HDI (Country Index Score) "	0.519
Unemployment rate (%) *	9.80
Bank branches per 100 000 ^	5.17
Lending Interest Rate ^	19.72
Deposit Interest Rate ^	11.57
Credit % of GDP ^	52.47
Ease of Doing Business Ranking (out of 185 countries) !	121
Average Mortgages % of GDP°	1.88%
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	8.50
What is the price of the cheapest, newly built house by a formal developer or contractor? #	15 300
What is the size of this house (in m^2)? #	50
What is the minimum stand or plot size for residential property #	162

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Kenya is the most developed economy in East Africa, with a vibrant housing finance sector and a booming property market. Over the years, macroeconomic reform has led to greater economic stability, and this, together with a focus on infrastructural development and trade, has made the country a prime investment destination in the region. Despite claims of election rigging and an eventual challenge through the Supreme Court, the elections held in March 2013 went smoothly, a new government was sworn in, and the country is back on a solid growth path. In 2011, Kenya faced particular challenges as the global economic crisis and increases in the cost of food and fuel led to a weakening of the Kenyan shilling by 25% against the US dollar, triggering rampant inflation (measured at 19.7% in November 2011). Interest rates consequently surged, and have remained high ever since. As a reactionary measure to high inflation and the volatile foreign currency exchange rate, the Central Bank of Kenya issued a sudden 11% increase to the central bank rate in November 2011, bringing it to 18% for about seven months until July 2012. By May 2013, the central bank rate was reduced to 8.5%. Annual inflation has decreased substantially, down to 6.02% by July 2013. With stabilising food and fuel prices, growth was 4.4% in 2011, and 4.2% in 2012. A 4.5% GDP growth rate is expected in 2013 and 5.2% is expected for 2014. In line with the Basel Risk Management Frameworks, the Central Bank of Kenya has consistently been implementing Basel guidelines since the mid-2000s. Currently all commercial banks are actively regulated on the Basel II Framework, which ensures greater stability, capital adequacy, liquidity management and loans management, and enhances banks' resilience to macroeconomic shocks.

Access to finance

Kenya's financial sector is highly developed, comprising a strong commercial banking sector, non-bank financial institutions, microfinance institutions and building societies, all regulated by the Central Bank of Kenya. Savings and credit cooperatives are regulated by the Commissioner of Cooperatives. Some 43 commercial banks and one mortgage finance company are registered with the Central Bank. Of these, 31 are locally owned and 13 are foreign owned. The locally owned institutions comprise 30 commercial banks of which three have a significant state shareholding and one mortgage finance institution with insignificant state ownership. In terms of real estate finance, a total of 33 financial institutions offer mortgage finance, which comprises 22.6% of total credit to the private sector. Credit to building and construction comprised 13.4% of total credit.

Kenya has a dynamic mortgage industry, which is growing rapidly and becoming increasingly competitive. While all banks offer mortgages to their staff, only 30 offered mortgage loans to customers. About 71% of mortgage lending is offered by five institutions: Kenya Commercial Bank (KCB), Housing Finance, Standard Chartered Bank, CFC Stanbic Ltd and the Cooperative Bank of Kenya. KCB is the market leader with about 30% of the market share, followed by Housing Finance, which held 19% of the market share in 2012 and issued a total of 5 235 mortgages in that year. Critically, the Central Bank of Kenya has begun monitoring the sector on an annual basis. As at 31 December 2012, the total mortgage book was Ksh122.2 billion (about US$1.4 billion) – showing growth of 35.2% on the previous year. This represented 19 177 mortgage loans, up from 16 029 from the previous year, which is an increase of about 19% and suggests a greater growth in loan size. Indeed, the average mortgage loan size increased to KSh6.4 million (US$73 143) in December 2012, up from KSh5.6 million (US$64 000) in the previous year. The Central Bank suggests that this may be partly attributed to an increase in property prices. Nevertheless, whereas general non-performing loans for banks fell, non-performing loans on mortgage lending doubled in value in the year from December 2011 to December 2012, from Ksh3.6 billion (US$41 million), comprising 764 accounts, to KSh6.9 billion (US$78.86 million) over 969 accounts.

By December 2012, the average mortgage interest rate offered by Kenyan banks was 19%, ranging between a high of 25% and a low of 11%. A press report at this time noted that Barclays Bank had the most affordable mortgage at 15.5%, followed by Standard Chartered Bank at 16.9%. Equity Bank had a higher rate at 21%, followed by Chase Bank and the National Bank of Kenya, which at 22% were the most expensive lenders in the mortgage market. Fixed interest rate products were becoming somewhat more popular: 85.6% of loans were on variable interest rates, compared to 90% in 2011. The Central Bank suggests that the predominance of variable rate lending is constraining the growth of Kenya's mortgage market.

Nevertheless, mortgage lending is still accessible to only a tiny minority of the population – mortgage lending as a percentage of GDP stood at 3.7% in December 2012. New entrants and aggressive marketing has resulted in some newer products. For example, fixed rate mortgages have been made available for between 10-year and 20-year terms. Some banks have recently introduced 100% financing for the full value of a house. One lender has also introduced mortgage insurance against the risk of a loss of income, and another has introduced a rent-to-buy arrangement for those not able to access mortgage finance. The Retirement Benefits Authority in 2009 allowed that pension contributions of up to 60% 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. Pension fund administrators are still reticent, however. In 2013, mortgage financier Housing Finance introduced a pension-backed loan product, but only 11 loans have been extended so far. Housing Finance is also exploring collateral risk insurance, green building finance and housing microfinance.

A Central Bank survey asked mortgage lenders to rank the obstacles to market growth. The primary obstacle raised, with 34 lenders citing this, was access to long-term funds. Facing this challenge head-on, Housing Finance raised KSh5.2 billion (US$61.07 million) on the sale of a second tranche of a seven-year bond to fund its expansion. Other constraints highlighted by mortgage lenders included high interest rates (31 citations), low borrower incomes (29 citations), credit risk (28 citations) and lack of financial literacy with respect to mortgage lending (27 citations). Financial regulatory burdens, the risk of foreclosure and difficulties with land titling received 19, 17 and 15 citations respectively, while lack of new housing supply was mentioned by 18 lenders. Lack of capacity and skills in the banking sector to develop products and underwrite effectively was mentioned by 14 lenders, and only 10 lenders suggested that HIV/Aids was an inhibitor to long-term lending.

Kenya has a strong microfinance sector, with eight deposit taking microfinance institutions. In 2013, 41 MFIs reported to the Mix Market (an online source of microfinance performance data and analysis), representing 1.4 million active borrowers and a gross loan portfolio of US$4.2 billion. The sector also recorded 8.7 million depositors and US$2.5 billion in deposits. Within this, Kenya also has an emerging housing microfinance sector. A number of MFIs, such as Jamii Bora Bank (with US$9.5 million in loans) and Makao Mashinani (with US$412 335 in loans) explicitly offer housing microfinance. Rooftops Canada, together with Homeless International, the Cooperative Housing Federation of Norway, We Effect and other partners, is involved in a programme with the National Cooperative Housing Union (NACHU) to provide technical and financial support to scale up NACHU's housing microfinance and housing support services. A crucial component of this work involves identifying appropriate and sustainable finance for NACHU to be able to extend housing credit to its members.

In 2012, the World Bank launched the Global Financial Inclusion Database (Global Findex) to explore levels of financial inclusion around the world. According to Global Findex, 37.9% of rural and 76% of urban Kenyans over 15 years of age have an account with a formal financial institution. Use of credit is fairly common: 66.3% of adults over 25 years of age report that they had a loan in the year to 2011. Surprisingly, given the level of financial inclusion, only 0.9% of Kenyans have an outstanding loan to purchase a home. At 3.6% of Kenyans, loans for home construction are more prevalent.

In 2010, a credit information sharing mechanism was introduced, improving Kenya's credit information framework. By 2013, about 4.9% of the population (981 924 individuals and 128 024 firms) were already covered by a private credit bureau. According to the World Bank's 2013 Doing Business report, Kenya ranks high globally in terms of ease of getting credit: 12th out of 185 countries, although this represents a decline of three positions since 2012. This is mainly due to its high score on the strength of legal rights index, ahead of both Sub-Saharan Africa and OECD countries. The country's judicial system also allows for non-judicial foreclosure, often considered the most conducive for mortgage lending.

Affordability

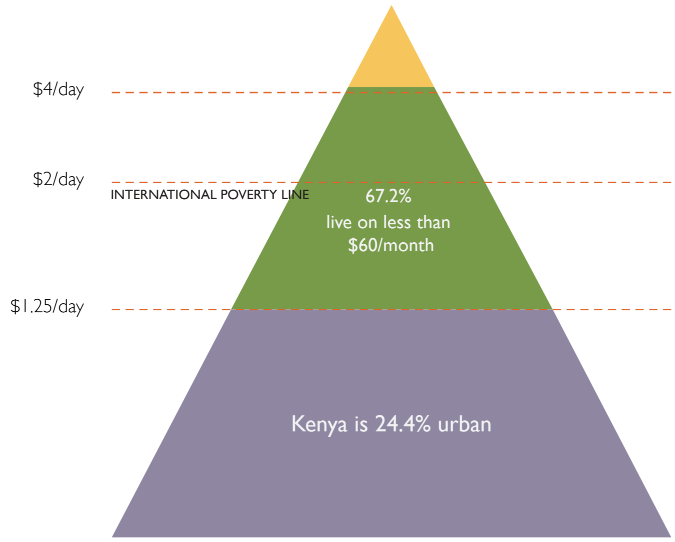
The World Bank estimates that only about 11% of Kenyans earn enough to support a mortgage. This means that most middle income earners cannot afford an average mortgage necessary to buy an entry level house. The Kenya National Bureau of Statistics defines middle income households as those whose monthly incomes fall between Ksh23 671 (US$260) and Ksh112 717 (US$1 330). This is far too little for the average loan size of Ksh6.4 million (about US$73 000), as reported by the Central Bank, where a 16.9% loan over 20 years would require a monthly payment of about US$1 067, and therefore an monthly salary of at least US$3 200.

A highly speculative property market and high demand for housing has driven Kenya's residential property price inflation up steadily over the last 12 years, especially, more recently in the rental market. According to HassConsult's Quarterly Property Index, property prices have increased 3.46 times since 2000, and have gone up by 9.9% in the past year. Rentals have also risen rapidly – 10 times the rate of the last two years, as landlords have sought to manage rising costs and deal with increasing demand.

Poverty statistics show high numbers of people living on less than Ksh2 913 (US$34) a person per month in urban areas and Ksh1 562 (US$18.41) in rural areas. Even in Nairobi, 22% of the population falls below this income, and in the city of Kisii, 54.5% fall below this line.

Housing supply

Kenya's urban population is growing at a rate of 4.2% a year, putting pressure on its cities to provide housing for this growth. An estimated 50 000 units were produced in 2012, up from previous years but still not enough to meet the estimated annual demand of about 150 000 units. This shortage of supply has been a major contributing factor to the rise in property prices, although more recently an unbalanced supply across market segments has



High interest rates undermine affordability even for modestly priced housing. A $13 000 house would still require a monthly income of $677, with a 10% deposit on a 20 year mortgage at 19%.

NACHU is the leading housing developer in Kenya in this market, demonstrating affordability for savings and incremental housing construction.

Product development opportunities in Kenya

been observed, with broad supply to the upper middle income and high end market, but insufficient supply to the low and lower middle income segments. African Economic Outlook reports that the building and construction sector has been a key driver of economic growth in recent years, with state investment in affordable housing being a key component. The City Council of Nairobi is said to approve an average of 12 000 residential and non-residential building plans each month. Into this mix, the Pan-African Housing Fund (PAHF) announced in January 2013 that it had up to US$24 million in investments lined up, supporting the development of affordable housing.

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. The high profile Tatu City, which promised housing for 62 000 residents, also faced challenges in 2013, with shareholder wrangles, the lay-off of more than half of its staff and the resignation of its CEO.

Most of the population cannot afford housing built by formal developers, and as a result, the majority address their housing needs independently and often informally. This contributes to a growth in slum dwellings and poor quality housing. The housing backlog is estimated to be two million units. Research by a slum dwellers umbrella body, Muungano Wa Wanavijiji, found that 70% of Nairobi's housing stock comprises single $10m^2$ shacks made of wood, mud, tin galvanised sheets, or wattle. Recreational spaces in Nairobi have a bigger total landmass than the slum settlements.

In a move to meet the demand for housing, the government has continued to explore a variety of strategies. Initiatives under way include the Appropriate Building Technology Programme, the Kenya Slum Upgrading Programme (KENSUP), Civil Servants' Housing Scheme, Housing Infrastructure and Government Estate Management.

The National Housing Corporation (NHC) is a government institution mandated to deliver affordable housing targeted at low income earners. The NHC has been at the forefront of promoting alternative building technology using Expanded Polystyrene (EPS). An EPS production factory was established in May 2012 at a cost of around KSh1 billion (US$11.4 million), and the NHC expects that the new construction materials will cut the cost of housing construction by between 30% and 50%. A few private sector players have also been active in the provision of building technologies that make housing more affordable.

NGOs also play an important role in housing delivery, often with the support of international bodies. Homeless International is working with the Pamoja Trust to enable more than 4 000 households to obtain land and/or secure tenure, 172 households to upgrade their homes, and in partnership with the World Bank, relocate 20 000 railway dwelling families to sustainable accommodation. In September 2012, Jamii Bora Makao initiated its second phase of a Ksh5 billion low cost housing project that will deliver 2 200 houses. The first phase of 950 houses has been completed and low cost, two-bedroom units are being sold for US$18 000 (Khs1.58 million) – still out of reach for many. The second phase of 1 250 houses, now initiated, will include housing that costs between US$30 000 and US$65 000. The project is 55km from Nairobi and 20km from a planned city known as Konza City. Habitat for Humanity also works in Kenya, and in 2012 offered loans and construction technical assistance to 968 families.

Property markets

The residential property market in Kenya has been incredibly strong for the past few years, although the interest rate rise during 2011 led to a slowdown for the year. Real estate consultancy Knight Frank reports a drop in sales values, particularly for the middle market, although housing sales in the high-end market appeared to be unaffected. As a proportion of mortgages, the resale mortgage market constitutes as much as 60% of transactions. It is nevertheless also restricted by the limited supply of good housing stock, given that as much as 50% 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 the last few years, the government has invested heavily in the development and expansion of infrastructure countrywide, and this has incentivised many investors in real estate who will require financing for various real estate projects.

CAHF

The recently gazetted Reits Regulations 2013 set the stage for the creation of Real Estate Investment Trusts (Reits) schemes, which will be listed at the Nairobi Securities Exchange. Reits will help developers to access capital markets and boost liquidity for larger projects. They will reduce financing costs by enabling developers to raise more equity and rely less on debt, which can be expensive, as developers experienced in 2012.

Policy and regulation

Housing is recognised as a basic right in the Constitution. The introduction of the Housing Bill will see the creation of the Kenya Housing Authority which will be mandated to monitor and evaluate the housing sector, conduct research on housing and also drive certain aspects of social housing in Kenya. Through the Housing Bill, the government will be more involved in housing by allocating 5% of the annual budget to housing and infrastructure development. A National Housing Development Fund will also be created with an allocation of about Ksh10 billion (US$114 million) annually. It will also raise funds from the capital markets through housing bonds. The Bill will provide for a Guaranteed Mortgage Scheme that will protect lenders against risks in housing and make lending more attractive. The Bill also recognises the new building technologies which are cheaper and therefore more affordable to a larger proportion of the population. From a lender's perspective, the panels which are mainly used to construct such houses can be taken as chattels mortgages, hence making securitisation easier.

The adoption of a national land policy in 2009 was a positive step towards resolving the protracted question of the reliability, accuracy and legitimacy of the land administration system in the country. With the introduction of the Land Registration Act and the Land Act, the land laws have been simplified and harmonised, and have introduced transparency and accountability to land transactions. The laws have also seen the introduction of equitable mortgages and revolving charges which have made lending easier and reduced the conveyancing process. To create greater affordability, the stamp duty on property purchases was cut from 25% to 5% of the principal amount, and the tax on mortgages was reduced to 0.1% from 0.2%. To encourage greater supply, developments of more than 20 low-cost units are exempt from VAT.

Amendments to the Banking Act have allowed mortgage finance companies to operate current accounts as a way of attracting low cost consumer deposits to expand their lending capacity. As a result of this intervention, Housing Finance Kenya launched its current account offering in March 2012.

Housing is explicitly addressed in the 2013 election manifesto of the Jubilee Coalition, which rose to power after the March 2013 elections. Special attention is given to affordability for first time home buyers, with a special consideration for youth, women and persons with disabilities, and the manifesto promises that the party will pursue the lowering of mortgage rates. The Coalition also still sees itself as having a role in housing construction. The manifesto requires that five-year housing plans are formulated at county level, where housing construction will be done, funded by the state. The manifesto advocates the continuation of slum upgrading programmes. The most innovative, however, is a commitment to provide microfinancing loans for new home construction to low income Kenyans. Further, the manifesto commits government to encouraging the establishment of local housing co-operatives and savings unions to give all Kenyans better access to credit.

In 2013, the World Bank's Doing Business Report ranked Kenya 161st out of 185 countries on the 'ease of registering a property' indicator, a decline of four places since 2012. In 2013, it takes about 73 days and costs about 4.6% of the total property value to go through the nine procedures involved in registering a property.

Opportunities

According to the World Bank's 2013 Doing Business report, Kenya ranks 121st out of 185 countries for ease of doing business, down four places from 2012. Major declines in this past year are related to dealing with construction permits (down 14 places) enforcing contracts (down 19 places) and registering property (down four places). Kenya's rapid urbanisation, demographics and the under-supply of housing point to a consistent need for middle and low cost housing in the range of US$10 000 to US$40 000, where demand is highest and supply least. Research published in 2012 by the World Bank estimates the potential size of the mortgage market to be about Ksh800 billion (about US$9.9 billion) – that is about 13 times its current size. The report identifies a number of obstacles to growth in 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.

Still, housing markets are growing. With government's plan to make Nairobi a regional financial hub, it is expected that more foreign banks will set up branches in Nairobi, and the trend shows that a number of West African and South African banks have strategised on how to enter the market, leveraging their financial strength. As they set up operations, they will do well to take note of housing microfinance as a critical niche, given the housing finance needs of lower and informal income groups, which make up the majority of the population.

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Lesotho

KEY FIGURES

Main Urban Centres	Maseru
Exchange Rate: 1 US$ =	10.25 Lesotho Loti (M)
Population ^	2 051 545
Population growth rate (%) ^	1.08
Urban population (% of total) ^	28.30
Urbanisation rate (%) ^	3.68
GDP per capita (US$) ^	1 193.04
GDP growth rate (%, real) ^	2.85
GNI per capita, Atlas method (current US$) ^	1380
Population less than US$2 per day~	62.25
Population below national poverty line *	56.6
Gini co-efficient ~	52.5
HDI (Global Ranking)"	158
HDI (Country Index Score) "	0.461
Unemployment rate (%) *	27.26
Bank branches per 100 000 ^	3.24
Lending Interest Rate ^	10.12
Deposit Interest Rate ^	2.85
Credit % of GDP ^	3.13
Ease of Doing Business Ranking (out of 185 countries) !	136
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	8.20 – 9.46
What is the price of the cheapest, newly built house by a formal developer or contractor? #	9 928
What is the size of this house (in m^2)? #	
What is the minimum stand or plot size for residential property #	

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Lesotho is a small, least developed country, bordered completely by the Republic of South Africa, with a population of 1.8 million people. In 2012, the country's GDP growth remained modest at 3.8%, as drought reduced agricultural production by 70%. Major contributors to the reported growth were the doubling of investments in the diamond mining industry as well as increased activities in the built environment (construction). In 2012/13, through the medium term, Lesotho's macroeconomic prospects remain challenging, with growth expected at an average of 3.4%. However, construction activities related to the Metolong Dam, the Millennium Challenge Compact and Phase 11 of the Lesotho Highlands Water Project, coupled with other government investments in infrastructure development, are expected to contribute to growth in GDP through the medium term.

Access to finance

The banking sector in Lesotho is small, dominated by three commercial banks and one Post Bank. These banks have a total of 40 branches, of which 27 are outside Maseru. Standard Lesotho Bank has the largest branch network with 16 branches (spread across all 10 districts), followed by Lesotho Post Bank with 13 branches. South African banks Nedbank and First National Bank (FNB) have seven and three branches respectively. The target clientele of Standard Lesotho Bank, Nedbank and FNB is the formal sector, mainly medium and large corporate enterprises and salaried employees in urban and peri-urban areas. Commercial banks have concentrated their operations in urban areas and have no immediate plans to extend their network to rural areas, providing neither mobile banking services nor specialist financial products to rural areas. Although credit has normally been granted only to high net worth clients, or to those who have long business relationships with the banks, Nedbank and Standard Lesotho Bank have recently shown a keen interest in financing micro, small and medium enterprises by establishing a dedicated department to handle small and medium enterprise financing.

Commercial banks are the primary source of housing finance, with mortgage loans increasing by over M294 million (US$29.19 million), or more than 149%, during the last two years, to a level of M492 million (about US$48.8 million) as of 31 March 2013, primarily because of a programme of land titling, which makes mortgage lending more attractive. The banks anticipate fairly rapid further expansion of mortgages during the next several years, in response to ongoing systemic land regularisation and improvement of the rural leasehold process. This will enable a large number of medium and higher income households to offer land as collateral to obtain a mortgage.

In October 2011, the Lesotho government passed a Credit Reporting Bill, which will ultimately set up a credit bureau to be used by credit providers and the Central Bank of Lesotho. This bill will make provision for the licensing of private credit bureau operators and technical bureau services, which will assist financial institutions in lending out money by establishing a credit information point on borrowers.

Select Management Services Lesotho has been one of the housing finance services providers, offering non-mortgage housing microloans. It was established in 2007, and has its main branch in Maseru. Two further branches and an administration office were created in 2008. Dependent on salary deductions as its collection methodology, Select had to curtail its lending operations in October 2010 due to the government's suspension of deductions against government employees' salaries for the repayment of loans. Select had by then disbursed close to US$16 million to almost 7 700 clients. In December 2010, one of Select's subsidiary companies, Lesana Lesotho Limited, was granted a credit-only institution's licence by the Central Bank of Lesotho, which would enable Select to continue operating in Lesotho as a regulated institution. Select is currently in the process of re-establishing an office in Maseru under the Lesana Lesotho banner, where it will continue to focus on housing microfinance loans to the people of Lesotho.

Access to credit is limited in Lesotho, and the country ranks 154th out of 185 countries according to the World Bank's 2013 Doing Business indicators. In 2012, the World Bank launched the Global Financial Inclusion Database (Global Findex) to explore levels of financial inclusion around the world. According to Global Findex, 14.5% of rural and 36.2% of urban Basotho over 15 years of age have an account with a formal financial institution. The use of credit is common; 57.4% of adults over 25 years of age report that they had a loan in the year to 2011. However, the vast majority of these loans were from family or friends. Only 3.5% of adults had a loan from a financial institution and only 6.1% had a loan from a private lender. Very few Basotho have an outstanding loan to purchase a home: 0.8% of the top 60% of income earners and 1.2% of the bottom 40% of income earners. Loans for home construction are slightly more common but still very scarce: 2.1% of the top 60% of income earners had one, and 0.8% of the bottom 40% of income earners.

Affordability

Nearly 70% of Basotho households earn less than M1 000 (about US$99) a month and cannot easily afford to purchase formally developed houses. While banks may provide incremental financing for homeowners, generally to finance the cost of adding a room, such loans are not relevant for the house purchase market where prices are, on average, upwards of M300 000 (US$29 784). Only 9.8% of households in Lesotho purchased their houses – and half of these were financed with savings or with work-related loan guarantee schemes. The remainder of the population build their houses independently, on an incremental basis using a combination of savings and credit to match their affordability.

Housing supply

A significant proportion of housing is owner-constructed and owner-financed. Some 23% of households live in homes they built themselves, and 19.7% inherited their houses. The majority of people still depend on family networks and/or inheritance to acquire housing. The higher end market segment comprises housing units with prices ranging upwards from M500 000 (US$49 640) per unit, while the middle segment comprises houses ranging between M100 000 (US$9 928) and M500 000 (US$49 640). In urban areas, and to some extent in rural areas, owners typically collect materials over time and eventually build their 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 required 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.

Although the formal real estate market is poorly developed, private sector developers are discouraged from playing a role in housing provision because of difficulties experienced in obtaining land. More recently, a strong demand for property expressed by the expatriate and high income community has resulted in the emergence of a few high density, enclosed real estate developments. One player in this evolution is the locally owned Matekane Group of Companies. Having established Matekane Property to manage the real estate needs of its various subsidiaries, the company then contemplated diversification into residential real estate. It has developed Mpilo Estate, which involved the construction of 20 luxury three-bedroom units, while Hilton Estate, with 15 units to be built to order, is in the planning phase.

The Lesotho Housing and Land Development Corporation (LHLDC) is a state-owned developer, which was established following the National Housing Policy of 1987. It is a product of the merger of the Lesotho Housing Corporation and the Lower Income Housing Company. The LHLDC has three broad mandates: to develop serviced sites, to provide rental accommodation and to provide home ownership. As of 2010/2011, the LHLDC had delivered 9 519 serviced sites in various urban centres, although primarily in the capital Maseru. Although the Corporation has improved on its delivery record in recent years, it is still challenged with adequately addressing the needs of low income groups. For this income category, the primary approach involves the construction of malaene (rows of single or double interconnecting rooms popularly constructed for renting). The government also undertakes limited housing development, and issues tenders for time to time for the construction of residential buildings.

Another player in the housing services space is Habitat for Humanity Lesotho, which provides shelter for low income families and vulnerable groups by building simple, decent and affordable houses, in addition to raising awareness about legal issues around housing, property ownership and inheritance rights. Habitat for Humanity started a project in 2010 that targeted to assist 1 200 orphaned and vulnerable children within a period of two to three years. The goal of the project was to provide these disadvantaged children with safer living environments and access to resources to improve their lives. The aim was to construct two – to three-roomed houses in conjunction with ventilated pit latrines.

Property markets

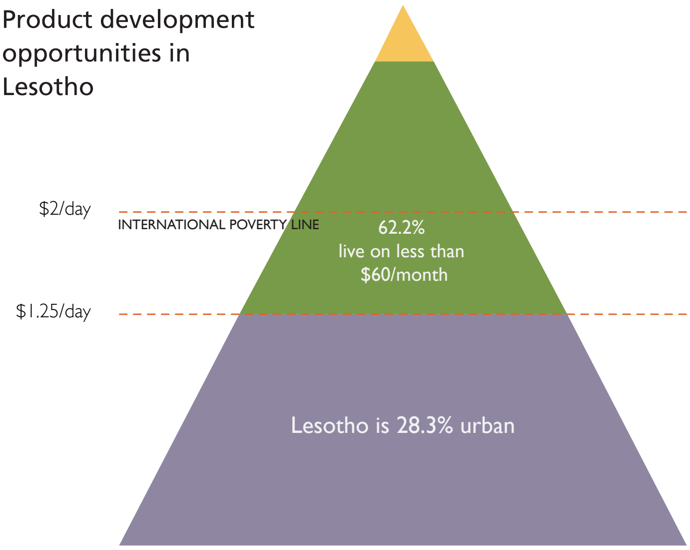
The International Monetary Fund estimates that real estate accounts for 9% of GDP, with an annual growth of just above 1%. Still, REMAX Casa Blanca Realty, which recently opened offices in Maseru, reports an active property market with exponential growth recorded in some areas over the past few years. Foreign NGOs, expatriates and diplomatic missions have fuelled the economy in these areas, increasing the demand for property and putting pressure on prices. As a result, the buy-to-let market has experienced considerable growth, with mid to high level income earners seeking investment returns.

For the majority, however, the property market is not a ready source of wealth. Aside from supply problems, especially around affordability, transactions in the property market are cumbersome and undermine market performance. Registering a property in Lesotho in 2013 requires six procedures, takes 101 days and costs 7.9% of the property value. On this basis, the World Bank's 2013 Doing Business report ranks Lesotho 157th out of 185 countries in terms of registering property.

Policy and regulation

Lesotho does not have a housing policy. In the late 1980s, the government received support from the World Bank and the Canadian Housing Foundation towards the drafting of a National Housing Policy, but this was never adopted. Certain aspects of this housing policy were still pursued, notably the formation of the

Product development opportunities in Lesotho



Entry level housing starts at $9 928. The mortgage market has grown by 149% in the past two years, largely due to the titling programme.

Most housing is self-built. Housing microfinance is also available.

LHLDC. In 2005, it was noted that Lesotho had a draft National Shelter Policy. According to UN-Habitat, the draft policy included a market driven shelter delivery approach, and advocated for transparent, efficient and consistent delivery systems. The draft policy also set out the development of an effective regulatory framework towards equitable access to the shelter delivery market. Further, the draft policy sought to recognise, support and integrate all sectors of the economy, including the informal sector, into shelter delivery, and to localise housing solutions. In 2011, the draft National Shelter Policy was still not approved.

A National Strategic Development Plan for Lesotho, published by the IMF in March 2012, also recognises the importance of housing in a section on 'shelter and property development'. The Plan asserts that government will strengthen land administration and physical planning, facilitate the provision of basic infrastructure to improve quality of shelter, improve the quality and safety standards of housing and ensure their enforcement, encourage the local production of construction outputs, promote densification and regularise property markets (residential and commercial) to improve safety and achieve the desired physical layout, develop housing finance and land markets as well as property development capacity, and identify appropriate housing solutions which especially target low income households and industrial workers.

Land administration reform is part of the private sector development component of the Millennium Challenge Account (MCA) 'compact' between the US and the Lesotho government. This component aims to achieve improvement in the land laws and policies, in people`s awareness of land rights, especially women's, and in the efficiency of issuing of land leases to people in urban areas, starting with Maseru. It also aims to support the establishment of a Land Administration Authority to enhance land administration and land administration services.

Significant legislative and institutional reforms have taken place to date. These include the Land Administration Act and, the Land Act, both of 2010, the Land Regulations and Land Court regulations of 2011 and the Draft Sectional Titles Bill of 2011. In the main these reforms are feasible and significant, particularly regarding increased efficiencies in the processing of title deeds. The main challenge that remains to be tackled is access to land, one obstacle that continues to negatively affect poor people in Lesotho.

Opportunities

The demand for property, particularly for the middle to higher income groups, presents an opportunity for investment in the Lesotho property market. Housing solutions for the bottom end of the property market are also critically needed, especially given rapid urbanisation. The ongoing legislative and policy reforms and the fact that the current developments have so far concentrated in Maseru alone leaves other districts open for investments in the housing sector. There are also opportunities for microfinance institutions to provide innovative housing finance options targeted at lower income earners, and to grow this sector from its current almost non-existent position. In the World Bank's 2013 Doing Business report, Lesotho ranked 136th out of 185 countries, a significant improvement from the previous year's 153rd ranking. The country is committed to improving its investment climate, and the current investor roadmap, developed with the help of USAID Trade Hub is, implementing reforms to further improve in these areas.

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Libya

KEY FIGURES

Main Urban Centres	Tripoli (capital), Benghazi
Exchange Rate: 1 US$ =	1.27 Libyan Dinar (LD)
Population ^	6 154 623
Population growth rate (%) ^	1.06
Urban population (% of total) ^	77.90
Urbanisation rate (%) ^	1.06
GDP per capita (US$) ^	10 456.00
GDP growth rate (%, real) ^	95.50
GNI per capita, Atlas method (current US$) ^	17 665
Population less than US$2 per day~	
Population below national poverty line *	30.0
Gini co-efficient ~	no data
HDI (Global Ranking)"	64
HDI (Country Index Score) "	0.769
Unemployment rate (%) *	19.50
Bank branches per 100 000 ^	
Lending Interest Rate ^	6.00
Deposit Interest Rate ^	2.50
Credit % of GDP ^	
Ease of Doing Business Ranking (out of 185 countries) !	no data
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	
What is the cost of standard 50kg bag of cement (in US$)? #	5.00 – 13.00
What is the price of the cheapest, newly built house by a formal developer or contractor? #	50 000 – 100 000
What is the size of this house (in m²)? #	100
What is the minimum stand or plot size for residential property #	

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* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
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Overview

Libya is an upper middle-income country located in the north of Africa. At almost 1.8 million km2 and 6.5 million people, Libya is one of the biggest and most sparsely populated nations on the continent. After decades of authoritarian rule by Muammar Gaddafi, unrest in 2011 resulted in a bloody revolution, which led to a change in regime and civil war. An interim government was put in place in November 2011 and replaced in July 2012 by the General National Congress (GNC), which marked the first peaceful elections in the modern history of Libya. In spite of the uncertain political future, GDP has grown by 95% in 2012 against a contraction of 59.7% in 2011, and estimated growth in 2013 is expected to be between 15% and 20%.

These results are mostly due to the restoration of Libya's petroleum industry, which reached pre-revolution production levels by September 2012. Similarly, an increase in public expenditure has boosted household incomes and supported the revival of some business activities outside of the hydrocarbon sector. Yet reestablishment of political order and determination of the policy direction have been slow, leaving Libya in limbo. There also remains a lot of work to be done on fundamental economic and social issues.

In 2012, the Heritage Foundation's Index of Economic Freedom, a rank of trade, business and investment freedom and property rights, ranked Libya 176th out of 185 countries. Key challenges that Libya faces include reducing the dependency on the petroleum industry, putting in place a functional political democracy, establishing long-term development strategies for the country and building up the human and technical capacity required to implement these strategies.

Access to finance

For years, the banking sector in Libya has been very isolated. Early in 1970 when Gaddafi came to power, all the banks were nationalised, and international sanctions through the 1990s limited foreign investment in Libya.

A process of privatisation and banking reform commenced in 2007 when BNP Paribas acquired 19% of Libya's Sahara Bank. By 2009, however, Libya's banking sector was still dominated by four public banks, which constituted around 90% of local banking assets. These banks were owned entirely, or with a majority of shares, by the Central Bank of Libya. As part of the banking reform programme, joint ventures between foreigners and local investors were legalised for the first time in February 2010. This led to a lot of international attention in the Libyan financial sector as European and Arab banks sought new licences. Currently there are 15 commercial banks operating in Libya and four credit institutions devoted to specific banking services such as microcredit and real estate.

Credit to the private sector has increased in nominal terms, from US$2.1 billion (LD 2.7 billion) in 1990 to US$7 billion (LD 8.8 billion) at the end of 2010, yet decreased as a share of GDP, from 31.5% in 1990 to 9.5% by the end of 2010. Banking credit to the private sector was negative directly before the revolution, at – 65.9%, which was caused by increased petroleum profits and high liquidity in the banking system that had not been transferred to investment. Non-performing loans are very high, reaching a peak of 35.5% in 2004, and have been reported at 20.2% at the end of 2010.

Due to Gaddafi's policy on the right of homeownership, every Libyan citizen had the right to a soft interest-free loan financed by the Central Bank to purchase public housing. This loan is heavily subsidised, given that the commercial rate of lending is around 6% to 7%. The Savings and Real Estate Investment Bank is the main financial institution specialised in this type of housing finance. Loans are long term, up to 30 years, and repayment is not usually enforced. Many loans are waived without clear consistency to achieve political goals.

Retail construction and mortgage finance does exist, yet coverage is low, as applicants must usually provide high collateral and have clear land title, and also because many loans are simply made on the basis of personal relations. The housing finance to GDP ratio is less than 1%, and it is particularly difficult for low income borrowers to access finance for housing unless they benefit from the government housing loan scheme.

According to the 2012–13 Global Competitiveness Index (GCI), Libya ranked in 140th and 143rd position in terms of the affordability and accessibility of financial services, out of 144 countries. Corruption and inefficient bureaucracy were evaluated as the most problematic factors. Because of the state-led banking system in Libya there have been few market incentives for the banks to respond to competition and enhance the portfolio of their services.

The process of privatising the banking sector in Libya was stopped during the period of revolution, but now that a certain degree of political stability has returned, there have been renewed efforts to attract foreign investment. The Central Bank reported that loans and advances increased by 17% in the first nine months of 2012, with a loan-to-deposit ratio at 25%. According to the International Monetary Fund, the banking sector is currently well capitalised, but it may become vulnerable to asset quality deterioration and the introduction of new legislation.

In 2013, the government passed a law that will ban interest in financial transactions by 2015. Libya will be the third Middle Eastern country, after Iran and Sudan, to ban non-Sharia compliant banking. This will essentially preclude conventional banks from lending, and poses serious risks to the resilience of the financial sector, as well as undermining efforts to diversify the economy. Many commercial banks have already stopped offering loans as they seek alternatives to traditional lending, effectively paralysing the banking sector.

Affordability

Although per capita income in Libya was estimated at US$11 239 (LD 14 450) in January 2011, one of the highest in Africa, the wealth in the country is not distributed equally among the population. Median income is around US$600 (LD 771) a month; meanwhile, rent in a one-bedroom apartment in central Tripoli can exceed US$2 000 (LD 2 2571) a month, and on average costs US$858 (LD 1 103) a month, or US$526 (LD 676) a month on the city's outskirts, well beyond the affordability limits of the average household. The house price to income ratio is in the order of 6.45 for home purchase in Tripoli.

In 2007, a minimum wage was established at US$200 (LD 257) a month, yet the enforcement of this minimum is not clear, and unemployment rates were measured at 26% before 2011. The revolution had a further negative effect on employment and on the purchasing power of the lowest income and least resilient households in Libya.

Housing is very difficult to access on the private market due to the small amount of private land available for purchase and limited investment in development. There is a very small secondary market in housing resale. As a result, the majority of households opt to sit on waiting lists until they are able to purchase a house from the Libyan government.

Public spending on state subsidies is very high and applied inconsistently. Before the revolution, public sector workers received a monthly housing allowance that ranged from 12% to 25% of their salary. Many benefits are captured by higher income groups, so that subsidies rarely reach the most needy. Even with substantial resources, the government is unable to respond to all the demand, leaving a large section of the population unserviced. UN-Habitat estimated in 2001 that 35% of the urban population in Libya were living in slums, figures that have been confirmed by various relief agencies working in the country.

Housing supply

Housing supply in Libya is seen mainly as the responsibility of the government. Public housing is exclusively built for ownership, which is the dominant tenure type that makes up approximately 93% of the housing stock. Following the military coup in 1969, housing was made a priority and the Libyan government spent heavily on building housing to give freely to Libyan citizens. An estimated 382 450 modern apartment units were built and delivered to Libyans between 1976 and 1996. In the late 1980s and 1990s, public spending on housing reduced, as low oil prices and international sanctions imposed after the Lockerbie bombing had an effect on the economy. The government introduced a system of loans with subsidised interest rates for the construction and purchase of houses. As a result, public supply has not kept up with demand. The housing shortage reached 240 000 units in 2000, and has been estimated at 350 000 today, with another 150 000 units needed before 2020.

In the mid-2000s, the Libyan government re-exerted its role in housing supply by committing US$2.4 billion (LD 3 billion) to the banking sector for soft housing loans. The Housing and Infrastructure Board (HIB) of the Ministry of Housing and Utilities (MHU) is now responsible for the implementation of public works contracts, including execution of the state's residential projects on a turnkey basis, contracting with both national and multinational firms. The government provides free land for these projects, and allocates to households who are able to purchase units via the low-interest government loans. Eligible households are determined by the local authorities and must not own a property nor have benefitted from the programme previously.

Since its creation in 2007, the HIB has been tasked with building 200 000 units. Official figures of the MHU indicate that 134 341 housing units are under construction, 94 500 are still in their bidding phase and 11 121 have been completed. The programme was put on hold in 2011 with an estimated US$11 billion worth of housing projects under construction. Many foreign and local investors involved in housing construction in Libya were forced to abandon their work, and efforts to re-start have been disrupted by arguments over compensation, delays in payment, and increased costs in the intervening period. The HIB is now working hard to relaunch the programme, particularly projects that were stalled before completion.

Progress was made in May 2013 when the minister of housing and utilities, Ali Hussein Sherief, announced that one of the largest projects, a US$6 billion contract for 25 000 units in a Benghazi new town project, would resume after agreement was reached between the Libyan government and Beijing-based China State Construction Engineering Corporation (CSCEC). Other agreements worth US$34.6 billion have been announced that will see projects of 18 000 units being continued with local companies.

Despite these efforts, the housing backlog will probably not be resolved in the near future. High government expenditure has resulted in the completion of flagship projects, yet the record of public residential projects has not always been positive, with many construction projects being abandoned before completion, or never connected to public infrastructure and still vacant. Failure to deliver residential projects led to riots in 2011 in Benghazi and Bani Walid, with the occupation of 600 and 800 vacant units respectively in each of these cities. Many households are on waiting lists and must live informally in the mean time, which is the cause of a lot of social tension.

Property market

The property market in Libya has been heavily influenced by decades of Gaddafi's rule, which has had a serious impact on land availability and property ownership, and made private investment in real estate a risky commercial endeavour.

Large plots of land of about 38 000 hectares in total, previously owned by Italian farmers, were confiscated and redistributed among Libyan citizens after the coup d'etat in 1969, in accordance with what was considered acceptable to fulfill their needs. These plots have been further fragmented over time due to the traditional inheritance system guaranteeing each son a part of their father's land, and today it is very difficult to determine ownership.

Libya prevented ownership of a second home until a change in law in 2004, which enabled purchase for investment with special permissions. Foreign investment in real estate was also forbidden until Decree 21 in 2006, which allowed the HIB to contract private and foreign developers for property development. Although foreigners can now buy real estate, a lack of clarity on the laws have prevented much uptake, and efforts to open the property and real estate markets were significantly set back during the revolution, which increased political and economic instability, and anxiety amongst potential investors. The Libyan government is struggling to regain trust and negotiate the compensation required to attract international companies back to the country.

Libya still remains one of the most challenging countries in terms of corruption and ease of doing business. Transparency International's 2012 Corruption Perceptions Index rated Libya as the most corrupt in North Africa, and 160th in the world.

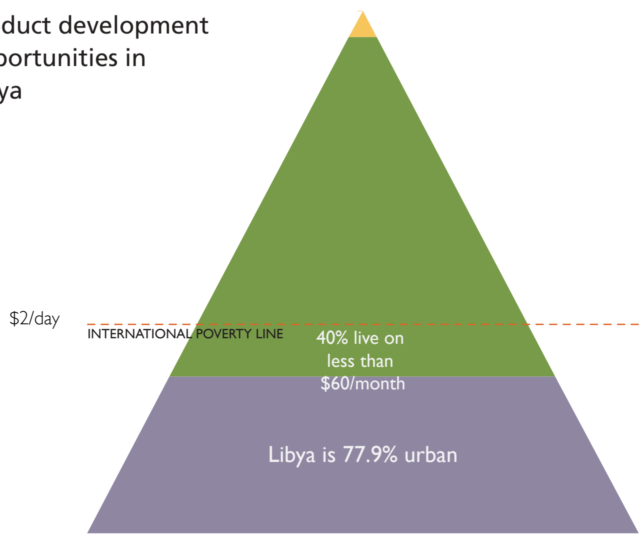
Policy and regulations

Housing policy has been heavily influenced by Gaddafi's ideology, of which the right to homeownership was a key component. Gaddafi's manifesto, published in 1975 and known as the Green Book, declared that private property ownership was in the public interest as long as it was not 'exploitative'. Law 4 assured each Libyan citizen of the right to own one house, beyond which property ownership was prohibited. Rental housing was considered unlawful, as Gaddafi declared that 'living in another's house, whether paying rent or not, compromises freedom'. As a result, rental tenants were given ownership of the house in which they resided. This was intended as a means of redistribution, but has resulted in a lot of corruption through the process of confiscation of private property, and reallocation and compensation that was promised but rarely honoured.

As part of Libya's 'opening up' policy, Gaddafi's son Saif al-Islam established a property compensation committee in 2007. Yet many former property owners have long since fled Libya, in the early 1970s, and the subsequent exchange of property, along with Gaddafi's orders to destroy the land registry in 1982, makes it very difficult to verify ownership claims. There have been few applicants, and the legitimacy of this attempt at reconciliation has been questioned. A property owners' advocacy committee of 400 members have kept the issue on the political agenda. Recently, the new Ministry of Justice convened another committee to review Law 4, yet there is still little progress.

Due to the regime's ideology, Libya's policies have been characterised by large-scale direct and indirect subsidies to families. These subsidies have been directed toward housing, healthcare, and education, among other sectors, but have been used in a haphazard

Product development opportunities in Libya



A one-bedroom apartment in Tripoli rents for about $858/month, above the median income. At $50 000 for the cheapest newly built house, the house price to income ratio is about 6.45.

More than a third of the urban population in Libya lives in slums and inconsistent way to further political goals. The subsidy system is not transparent, which makes it difficult to determine either the effectiveness or cost of the state provision of housing.

Public expenditure on housing has increased in the last decade. In 2007, it reached as much as 30% of overall public investment. Yet, overwhelmingly, subsidies seem to have been misallocated and used for political reasons. In 2011, the government started the distribution of a monthly allowance of US$400 per household (a total of US$480 million), in an attempt to calm the protests in the country.

The post-revolutionary policy direction on housing is still in a state of formation and uncertainty. It is likely that the government's strategy will continue to rely heavily on state housing subsidies to stimulate the reconstruction and development that is required, and to continue to attract foreign investors. There is also new interest to partner with international development agencies and consultancies to access the expertise to support and advise the government in the development of affordable housing policies.

Opportunities

Addressing the chronic housing shortage is considered a post-revolution priority by the government and population, and once the treasury resumes normal functions, the Libyan government can be expected to direct substantial resources toward the real estate sector.

Libya is working hard to relaunch its large-scale and ambitious housing construction programme, which has been speculated to be worth more than US$100 billion over the next decade. The need for foreign expertise in the reform of housing delivery and housing finance policy, as well as in the architectural, engineering and construction management experience required in the actual production of housing will likely create a lot of opportunity in Libya in the immediate future.

American consultants Aecom are currently working with the HIB to revise the tender contracts and determine a strategy to divide and decentralise the work, so tenders for turnkey residential projects can be issued and managed on the regional scale. They hope that the programme will be launched in the next months. Bureaucratic challenges remain, however, particularly for foreigners attempting to obtain visas to enter and work in Libya, which will be important to overcome in order to encourage back the 80 000 personnel involved in the construction sector before the revolution.

The financial sector is in a state of uncertainty, and interest-free loans will continue to be subsidised by the government, but the low repayment rate means it is not a very commercially viable or sustainable model for the future.

New trade relations that are being established, most recently with Morocco and Egypt, may bring new opportunities for trade and cooperation. Initiatives such as a conference called 'The Future Vision for Supporting the Private Sector in Limiting the Housing Problem' are also a positive sign.

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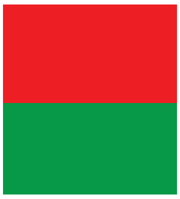
Madagascar



KEY FIGURES

Main Urban Centres	Antananarivo (capital)
Exchange Rate: 1 US$ =	2 201.91 Malagasy Ariary (AR)
Population ^	22 293 914
Population growth rate (%) ^	2.80
Urban population (% of total) ^	33.21
Urbanisation rate (%) ^	4.74
GDP per capita (US$) ^	447.44
GDP growth rate (%, real) ^	0.26
GNI per capita, Atlas method (current US$) ^	430
Population less than US$2 per day~	92.62
Population below national poverty line *	68.7
Gini co-efficient ~	44.11
HDI (Global Ranking)"	151
HDI (Country Index Score) "	0.483
Unemployment rate (%) *	2.80
Bank branches per 100 000 ^	1.43
Lending Interest Rate ^	60.00
Deposit Interest Rate ^	10.50
Credit % of GDP ^	12.92
Ease of Doing Business Ranking (out of 185 countries) !	142
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	
What is the price of the cheapest, newly built house by a formal developer or contractor? #	
What is the size of this house (in m²)? #	
What is the minimum stand or plot size for residential property #	

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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Overview

Madagascar is an island country off the coast of Mozambique. The economy is driven by its extractive industries, tourism and agricultural sectors. In 2008 the country experienced a negative growth rate (-3.7%) as a result of the global financial crisis and local political instability, and in 2009 the government was overthrown. The economy has been recovering slowly and in 2012, GDP was at 1.9% and projected to increase by 3% in 2013 and 4% in 2014. Inflation was 6.4% in 2012, and is expected to rise above 10% in 2013, coming back down to about 8.9% in 2014. Plans for an election in July 2013 were postponed, and this continuing instability, now in its fourth year, has led to a deterioration in the economic climate. Living conditions have also worsened significantly. Although the country has significant national resources, it is estimated that more than 77% of its inhabitants live below the poverty line.

Agriculture is the dominant sector in the economy, contributing 26.4% of GDP in 2007 (more recent figures are not available). In that same year, construction comprised 4% of GDP, and finance, real estate and business services comprised 16.7% of GDP. In 2013, Madagascar faced its worst locust plague since the 1950s, and by June a quarter of Madagascar's food production had already been destroyed.

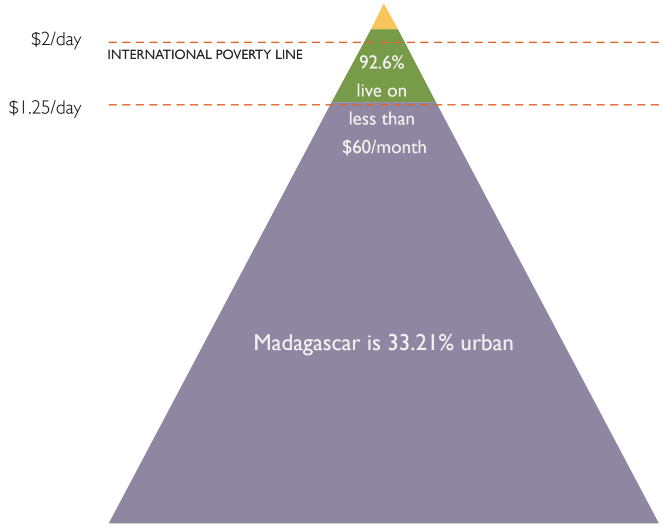
Access to finance

Madagascar's financial sector is managed tightly by the Central Bank, and the country has a comprehensive national finance strategy for 2013-2017. The Central Bank lending rate has been held at a steady 9.5% since August 2009, allowing a sense of stability in an otherwise uncertain economy. According to the Central Bank of Madagascar, there are 11 banks, seven non-bank financial institutions (pension funds and insurance companies) and 31 microfinance institutions.

The financial sector is dominated by commercial banks, which hold about 84% of the total system's assets, while non-bank financial institutions and microlenders account for the remaining 16% of assets.

Credit to the private sector stands at around 10% 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% in 2009, while the deposit rate was 2.5%. As a result of the high interest rates, only a select clientele can afford to obtain credit from the banks.

The microfinance sector has been growing rapidly. From a value of about AR 22.7 billion (US$10 million) in 2002, it had grown to about AR 244.4 billion (US$110.85 million) in 2011. The sector has about 31 players, including state, foreign investor and donor-supported initiatives. The Central Bank regulates the sector. Some 15 MFIs reported to the Mix Market (an online source of microfinance performance data and analysis) in 2012, recording a gross loan portfolio of US$170.6 million, disbursed to 147 656 active borrowers. Just over half a million depositors saved US$80.9 million in deposits. The largest of these is MicroCred Madagascar, with 17 584 active borrowers in 2011 and a gross loan book of US$20 million. In 2012, Orange Madagascar collaborated with MFS Africa to launch an online money transfer service so that its customers could receive international remittances directly to their Orange Money accounts. The intention was to lower the costs of sending money, both for the receivers and the senders.



About 86.5% of housing is self-built with traditional materials and in urban areas 93% of the population lives in slums with limited or no services. The current housing backlog is estimated at 2 million.

Product development opportunities in Madagascar

Still, access to financial services is extremely low. According to the International Monetary Fund's Financial Access Survey, only six in every 1 000 households had a loan with a commercial bank in 2011, and only 26 in every 1 000 households had a savings account with a commercial bank. Outstanding loans from commercial banks in 2011 amounted to 8.26% of GDP, and deposits amounted to 15.99% of GDP. In 2011, Madagascar had only 1.5 ATMs per 100 000 adults, and 1.43 bank branches per 100 000 adults. There were only 0.29 commercial bank branches per 1 000km^2 in 2011.

In 2012, the World Bank launched the Global Financial Inclusion Database (Global Findex) to explore levels of financial inclusion around the world. According to Global Findex, 4.3% of rural and 9.7% of urban Madagascans over 15 years of age have an account with a formal financial institution. Very few Madagascans have an outstanding loan to purchase a home: 1.2% of the top 60% of income earners and 0.4% of the bottom 40% of income earners. Loans for home construction are slightly more common but still scarce: 3% of the top 60% of income earners had one, and 1.4% of the bottom 40% of income earners. Poverty is widespread in Madagascar. About 49.1% of the population earns less than US$1 a day, thus basic needs such as food, education and housing for this group of people is largely unsatisfied.

Enforcement of prudential standards is weak, as insufficient funds have been available for supervision since the Central Bank ran into financial difficulties in 2004. Madagascar has no credit bureaus or referencing systems. According to the World Bank's 2013 Doing Business report, the country scores very low on the 'strength of legal rights' index – two out of 10 – and ranks 180th globally (out of 185 countries) in terms of access to credit,.

Affordability

GDP per capita in Madagascar is estimated at US$449 (AR 1 02 million), down 4.2% from 2011. In 2010, the average annual wage was estimated at US$700 (AR 1.59 million), but much lower in the agricultural sector, at about US$340 (AR 771 800).

Household affordability is further affected by droughts, flooding and cyclones, the three most common disasters that affect more than half of all households. It is not unusual for a household to suffer a loss equivalent to a full month's income. Some 72% of households say that recovering from such a shock can take over a year.

Housing supply

According to the Periodic Household Survey of 2010, about 86.5% of the country's households live in self-built, traditional housing. These houses are usually temporary structures made with compacted mud and poorly attached thatched roofs which provide very little protection from diseases and the environment, and little security from crime. Considering urban areas alone, an estimated 93% of the urban population live in informal settlements with limited or no services. The average house in the rural areas is about 26m^2. 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%.

Madagascar's property development sector, to the extent that one exists, is geared towards very high income earners, expatriates and tourists. No formal housing is developed for lower, or even middle income earners.

Habitat for Humanity Madagascar has been working in the country since the year 2000, and has serviced about 3 830 families. The organisation builds new houses, develops water and sanitation services, and promotes urban renewal. Habitat Madagascar has been active in building houses in the east, central highland, west, south highland and northwest regions of Madagascar. Houses range between 15m^2 and 40m^2 for one bedroom, a living room, a kitchen and a bathroom. House foundations are made of stone or fired clay bricks and then covered with concrete floors, while the walls are made of clay brick and mortar. Clay tiles or thatch are used for the roofs, and windows and doors are made of eucalyptus wood. These materials are locally produced and come from renewable sources.

A joint government, UNDP and UN-Habitat initiative took place in March 2013, the country's first National Urban Forum. Under the theme 'building together the future of our cities', the Forum adopted a declaration that made the urban sector a national priority. A key aspect of the commitments involved strengthening the private sector in the development and management of urban infrastructure.

While the overall business climate has deteriorated in Madagascar in the past four years, the most significant decline has been in terms of obtaining construction permits. In 2013, the 16 procedures involved in acquiring a construction permit take 172 days and cost 1 117%

of income per capita. For this reason, Madagascar ranks 148th for this indicator out of 185 countries in the World Bank's 2013 Doing Business report.

Property markets

Originally, Madagascar prohibited 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 individualised, many believe that land must be titled or recorded in some fashion before an individual can claim perpetual ownership rights to the plot. In 2004, legislation that allowed foreigners to own land was passed. In order to acquire land, however, foreigners must invest up to US$500 000 in the real estate, banking or tourism sectors.

Most urban land is held under customary tenure, and residents do not have title recognised under formal law. In 2006, the Madagascar Action Plan was drafted, setting out development goals within the time frame of 2007 to 2012. One of these goals was to increase the number of households with land title from 10% to 75%. Progress on these goals is yet to be reported.

Madagascar ranks low on the World Bank's 'registering property' index, at 147th globally, and behind the Sub-Saharan Africa average. In 2013, it took 6 procedures over 74 days to register property. The process cost 10.5% of the total property value.

Opportunities

Madagascar's most immediate challenge is to create a stable governance environment in which the society and economy can again begin to flourish. Many hopes are pinned on a successful presidential election, expected within the second half of 2013, but this has already been twice postponed. If an election does proceed smoothly, the country may receive economic reconstruction support, and this might pave the way for greater growth and development. With the growing presence of microfinance in the country, there are opportunities for MFIs to diversify their product range to cater for the housing needs of low income earners. Energy efficient products should also be in high demand. 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 lower income earners.

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Malawi

KEY FIGURES

Main Urban Centres	Lilongwe (capital), Blantyre
Exchange Rate: 1 US$ =	335.00 Malawian Kwacha (MK)
Population ^	15 906 483
Population growth rate (%) ^	2.86
Urban population (% of total) ^	15.85
Urbanisation rate (%) ^	3.83
GDP per capita (US$) ^	268.05
GDP growth rate (%, real) ^	-0.99
GNI per capita, Atlas method (current US$) ^	320
Population less than US$2 per day~	82.31
Population below national poverty line *	45.0
Gini co-efficient ~	43.91
HDI (Global Ranking)"	170
HDI (Country Index Score) "	0.418
Unemployment rate (%) *	7.80
Bank branches per 100 000 ^	1.09
Lending Interest Rate ^	32.33
Deposit Interest Rate ^	11.08
Credit % of GDP ^	35.58
Ease of Doing Business Ranking (out of 185 countries) !	157
Average Mortgages % of GDP°	0.51%
Average Outstanding loan to purchase a home, older adults (% age 25+)	6%
What is the cost of standard 50kg bag of cement (in US$)? #	20.31
What is the price of the cheapest, newly built house by a formal developer or contractor? #	60 000
What is the size of this house (in m^2)? #	87.9
What is the minimum stand or plot size for residential property #	450

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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Overview

Malawi is a small country in Southern Africa, with a population projected at 15.3 million in 2013. Although household income is low – gross national income (GNI) per capita is estimated at US$340 (about MK 113 800 in 2013) – conditions have been improving, and between 1980 and 2012, Malawi's Human Development Index (HDI) value increased from 0.272 to 0.418, an increase of 54%, or average annual increase of about 1.4%. The urban areas, including the cities of Blantyre and Lilongwe, account for 15% of the population. Agriculture is the dominant activity in the rural areas.

Malawi's economy has faced significant challenges in the past few years, and is this year emerging from the experience. In mid-2011, the International Monetary Fund's Enhanced Credit Facility (ECF) went off track due to policy slippages, which triggered a suspension in donor budget support. Growth in 2012 slowed to 1.8% due to a decline in outputs for tobacco and maize, compounded by spells of foreign exchange and fuel shortages. This led to a growing stock of international payments arrears, which then led to loss of external credit lines. However, bold reforms implemented after April 2012, including the devaluation and floatation of the Malawi currency and a tight fiscal stance, have put the economy on track to recovery.

The economy is still highly dependent on donor support for development financing but in the medium term Malawi is poised to experience buoyant transformation owing to the mining and quarrying sector which is experiencing tremendous growth, reported at 14.6% in 2012, and the discovery of oil which may revolutionise the economy in the near future. Growth in 2013 and 2014 is projected to rebound to 5.5% and 6.1%, respectively.

Access to finance

Limited access to finance has been a major constraint for both individuals and small and medium enterprises in Malawi. According to two FinScope studies conducted in 2008 and 2012, 55% of the adult population and 59% of SMMEs are financially excluded. There are 12 commercial banks and two non-bank financial institutions registered with the Central Bank. 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. In 2012, there were 1.09 commercial bank branches and 1.9 ATMs per 100 000 adults.

In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database to explore levels of financial inclusion around the world. According to Global Findex, 16.2% of rural and 30.45% of urban Malawians over 15 years of age have an account with a formal financial institution. Use of credit is fairly common; 52.1% of adults over 25 years of age report that they had a loan in the year to 2011. Only 5.3% of Malawians have an outstanding loan to purchase a home, and 6.6% have loans for home construction. According to the Central Bank, 5% of all loans extended by the banking sector in 2010 were to real estate, while a further 3% were to construction. Mortgage loans accounted for about 12% of credit in 2012.

Before 1989, only the New Building Society (which converted later to NBS Bank) could offer mortgage finance. The mortgage market has since broadened, and new players include the National Bank, Standard Bank, Indebank, Ecobank and Malawi Savings Bank; however, NBS still holds 70% market share. Strict eligibility criteria, including a minimum 10% cash deposit, a minimum of six months history with a bank and three months of payslips, restrict access to mortgage finance. NBS's maximum term is 15 years with a maximum loan-to-value rate of 80% to 90%. The base lending rate in Malawi in 2012 was 19.75% and is currently around 40%. NBS has pegged its base rate at 42% while the National Bank of Malawi offer mortgages at the base rate of 35%. In 2012, the Reserve Bank reported that in the six months to June 2012, demand for mortgage loans had declined, and the situation is unlikely to have improved in 2013.

Malawi has higher lending spreads than other Sub-Saharan Africa countries, as high as 16% compared to the SSA average of 7%. It has been argued that higher bank overhead costs and relatively low productivity compared to peers have 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 – NBS Bank, the biggest mortgage lender, is partially listed on the Malawi Stock Exchange and has raised money through the capital markets. The International Finance Corporation and the African Capitalisation Fund (ACF) in August 2011 announced that they planned to invest US$10 million (now about MK 3.35 billion) in equity in NBS Bank to support its capital base and increase its lending operations.

The practice of microfinance in the country has been fast growing. Some 10 MFIs reported to the Mix Market (an online source of microfinance performance data and analysis) in 2012, with a gross loan portfolio of US$46.7 million compared to US$27.7 million in 2011 across an increased number of borrowers, from 123 324 active borrowers in 2011 to 438 085 in 2012. However, microlenders struggle with environmental constraints, including irregular income streams for most microenterprises in the informal markets and poor loan repayment attitudes. Further, MFIs who work within the housing sector report that government fails to understand the unique potential of housing microfinance, seeing it rather as consumer finance.

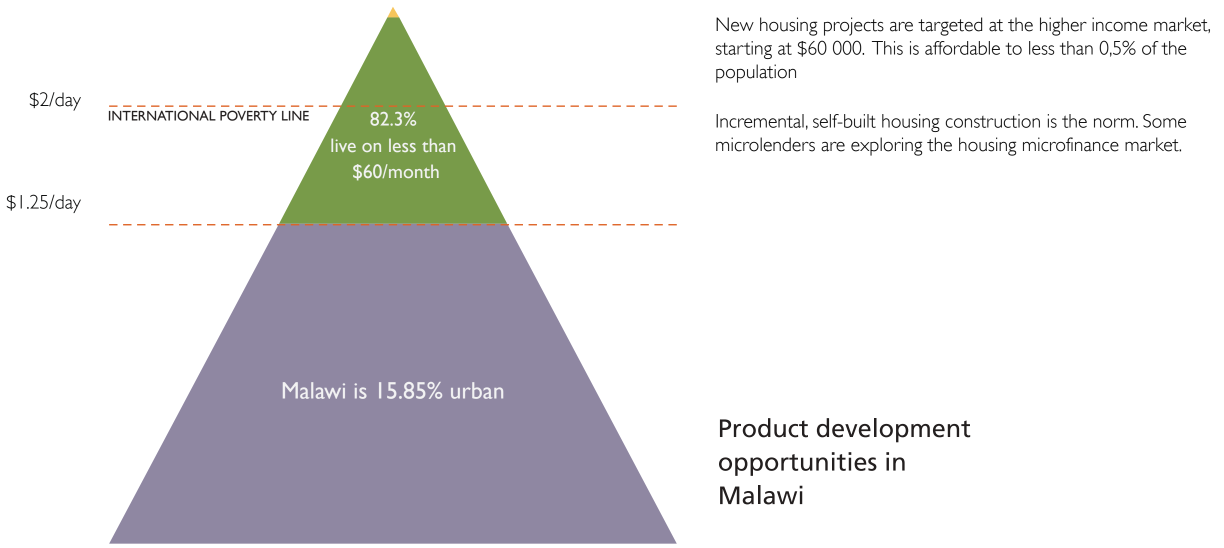
An innovative programme involves the partnership of Habitat for Humanity Malawi with two lenders of housing microfinance, in which Habitat provides construction technical assistance (CTA) and other support services to borrowers. Habitat's partners in this initiative are Opportunity International Bank of Malawi (OIBM), a non-profit organisation, and Select Financial Services, a for-profit group with social investment principles operating in southern and eastern African countries. OIBM is working in the districts of Mangochi and Mchinji, and the Select partnership has been working in Lilongwe and Blantyre. The programme has been under way for two years, and Habitat Malawi has served more than 3 000 families, with the lending programme reaching over 10 782 clients by April 2013. OIBM's clients are served directly at their homes by the Habitat CTA officers, and the loans are primarily used for incremental building. Select's clients meet the CTA officers at the bank branch where they are given advice about their home improvement loans. Select has a smaller number of incremental building loan clients.

The Mchenga Fund, in conjunction with the Centre for Community Organisation and Development (CCODE), has a housing microfinance product targeting the poor. Generally, however, there is a lack of funding for the small housing microfinance lenders.

Malawi's modest pensions industry is mainly invested in equities, Treasury 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. The National Registration Bill was formulated in 2005, and a National Civil Registration and Vital Statistics system is currently under development at the National Registration Bureau. 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 Treasury bills (there are no bonds).

The legal framework for credit information sharing was established following the enactment of the Credit Reference Bureau (CRB) Act in 2010, together with overarching financial sector legislation, the Financial Services Act of the same year (Section 21 deals with the licensing and registration of financial institutions). As a result, two credit reference bureaus were established and licensed, although they are not yet operational due to legal technicalities in information sharing, amongst other issues.

Property plays an important role in access to finance. According to the World Bank's 2013 Doing Business report, Malawi ranks 157th out of 185 countries overall, and 97th in terms of ease of registering property. In 2013, government passed the Personal Properties Security Bill that enables borrowers to use, and lending institutions to accept, moveable assets as collateral or security as one way of easing access to finance. The effect of the new law on improving access to finance for SMEs and individuals is yet to be established,



Product development opportunities in Malawi as supporting systems such as property registers are yet to be established.

Affordability

The FinScope Malawi study of 2008 reported that 56% of Malawians earn less than MK 5 000 (currently, about US$ 15) per month. Some 47% of urban adults receive wages or a salary, and another 41% earn their income from their own business. These figures constrain access to and affordability for mortgage finance significantly. Less than 1% of Malawians qualify for a mortgage. Mortgage rates reduced from 21% in 2007 to 19% by June 2010, but in 2013 is reported at 40%, trending with the base rate. As a result, the opportunity for housing microfinance is significant. Microlender Select has said that they would disburse as much as US$ 100 million (MK 33.5 billion) if the environment allowed, because of the enormous demand for housing loans.

In 2010, NBS Bank provided a small mortgage of MK 500 000 (today about US$1 500), although typically the least expensive, entry-level house costs around MK 2 million (about US$6 000). Given that only 30% of income is allowed towards servicing of loans or mortgage payments, the total monthly income that a borrower would have to earn to pay for this house would be MK 107 200 (US$320). This means that access to the very cheapest house is available only to the highest income earners, who make up less than 1% of the population. It is possible, however, for the smaller NBS Bank loan to be used for home improvements, or even incremental housing construction.

Housing supply

Individual builders dominate the housing construction landscape, with 90% of houses being self-built. According to the 2008 FinScope Malawi report, 66% of households live in traditional housing with a thatched roof and mud walls or reed/straw walls; 15% live in semi-permanent housing, built using more durable materials than traditional housing; and 18% live in permanent housing built using durable materials such as 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.

Currently the construction sector contributes nearly 3% of GDP. The sector contracted by 2.4% in 2011 but grew by 4.2% in 2012. According to the Reserve Bank, the construction sector accounts for an average of 4% of the loans extended by the financial sector.

Malawi Housing Corporation (MHC) and a few private sector players are the principal housing deliverers. The MHC was established in 1964 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. A plan to build 4 200 houses and develop 5 800 plots between 2007 and 2011 had also not reached fruition, with only 481 houses completed. Realising that the huge demand for houses can only be satisfied by a mix of programme delivery options, the MHC is considering public private partnership initiatives. The Housing Corporation is in the final stages of negotiating with Standard Bank to build houses for its staff members in Lilongwe. The Corporation also has plans to build hostels for Mzuzu University in the northern region. In 2013, the MHC teamed up with the Chinese Henan Guoji Development Company to develop an integrated estate in Lilongwe covering an area of 780 000m². The project seeks to deliver high quality houses that will be sold from US$60 000 (MK 20 million) for a two-bedroom house to US$115 000 (about MK 38.5 million) for a four-bedroom house.

The MHC faces structural challenges on its rental account. Historically, rentals for most of the residential properties have not kept pace with increases in costs. Recent adjustments, including a 10% increase in October 2011 and a 25% notch in November 2012, aimed to cover the costs of renovation and mitigate the effects of devaluation. These adjustments have helped to improve performance for the Corporation but have resulted in stiff resistance from tenants who argue that the increases are unreasonable because the MHC does not fully meet its maintenance obligations.

Housing and urban development NGOs also play a role in Malawi's housing supply. CCODE and the Malawi Homeless People's Federation (with 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. The partnership also advocates for changes in policy and practice by actively engaging local and national government. Since its inception in 2003, the collaboration has successfully negotiated for more than 2 000 plots of land, and has 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. With greenfield land provided by government, there are over 500 plots available, and the first phase of the project will help 100 families to build homes in Machinjiri in Blantyre.

The Cities Alliance, a global partnership for urban poverty reduction, has initiated a slum upgrading programme in January 2011 in partnership with UN-Habitat, the World Bank and governmental organisations. The aim of the project is to formulate city development strategies and a slum upgrading programme covering the four cities of Blantyre, Lilongwe, Mzuzu and Zomba.

In a developer role, Habitat for Humanity in Malawi has been operational since 1986, providing housing solutions to the low income segment of the population throughout the country by facilitating the construction of new houses, repairs and rehabilitations, including homes for orphans and vulnerable children. Habitat Malawi reported that by December 2012, it had assisted over 8 000 households. In 2005, Habitat Malawi launched the 'building in stages' programme, an incremental building programme which allows low income families to improve their living conditions over time, based on the availability of their resources. By December 2012, 250 homes were completed in Lilongwe's Area 49 , helping to secure simple, decent housing for over 700 people previously living in the city's Mgona, Mtsiriza and Ntadile slums.

Property markets

According to property consultants Knight Frank, the residential market in Malawi has suffered from the effects of the chaotic economic situation following the devaluation and floatation of the national currency in May 2012. Demand has fallen in both the rental and sales markets, particularly in Blantyre. However, in the capital city of Lilongwe, the market continues to benefit from the existence of government-related operations and a large expatriate community, which has traditionally influenced the linking of rents to the US dollar. Recently, there has been considerable activity in the upgrading and modernising of older buildings in good locations to meet expatriate demand for high quality residential properties.

Nevertheless, there is a real constraint in the supply of housing, and this has caused rapid property price rises. The supply constraint also acutely manifests itself in the resale market, with limited mortgageable housing stock.

Policy and regulation

There are several instruments that govern land administration and management in Malawi, and government has recognised the need to update some of the land laws and policies. In 2013 it presented a new Land Bill, aimed at addressing land administration and management issues. The Bill has not yet been enacted, pending clarifications of issues relating to the role of chiefs and women, and the level of consultations. With support from NGOs and cooperating partners, government is also in the process of developing the National Urban Policy Malawi framework, aimed at shifting national development from being predominately rural focused to underline urban growth in the light of the country's rapid urbanisation trends. The National Housing Policy, originally drafted in 2007 and still under review, advocates for broad access to housing for all, decentralisation, improving urban land markets, upgrading informal settlements and improving the quality of rural settlements. Resolution with respect to both policies is expected soon.

The land administration system in Malawi needs reform in a number of key areas. First, it is estimated that as much as 90% of land is customary land. However, to date there have been 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 69 days to register a property, a considerably long and complex process that slows down the mortgage system. Thirdly, the formal mortgageable tenure system covers only 8% of the land, and almost all of such land is located in urban areas. Enforceability of collateral should be improved, as banks have expressed a lack of confidence in the legal system. This has resulted in tighter eligibility criteria, which limits access.

Government policy does not engage sufficiently with the issue of housing finance markets: although the Malawi Growth and Development Strategy states that the availability of housing finance is a key barrier to increasing home ownership and improving the quality of shelter, it does so 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 in 2013, this is yet to move beyond paper. UN-Habitat has been providing the Malawian government with support in drafting its housing policy.

Opportunities

Population growth and the rapid rate of urbanisation in Malawi provide both challenges and opportunities in the form of increased demand for housing. At a rate of 5.22%, Malawi has the fourth highest urbanisation rate in Africa. The United Nations Centre for Human Settlements (UNCHS) predicts that in less than 40 years, Malawi will transform into an urban society, and has called upon Malawian authorities to take the necessary steps to ensure that social services move with population growth.

Government is committed to implementing both economic and structural reforms with the aim of creating an enabling environment. According to the World Bank's Doing Business 2013 report, Malawi ranks 157th out of 185 countries on the overall score. In terms of protecting investors, however, Malawi is in a much stronger position, at 79th globally. Given the predominant self-build housing provision 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.

A World Bank Financial Sector Technical Assistance Project was initiated in 2011 to increase access to finance for the currently unbanked population in Malawi. The project interventions are also expected to contribute towards a more enabling environment for the housing finance sector.

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Mali

KEY FIGURES

Main Urban Centres	Bamako
Exchange Rate: 1 US$ =	491.17 West African Franc (CFA Frank)
Population ^	14 853 572
Population growth rate (%) ^	2.99
Urban population (% of total) ^	35.57
Urbanisation rate (%) ^	4.83
GDP per capita (US$) ^	693.98
GDP growth rate (%, real) ^	-4.09
GNI per capita, Atlas method (current US$) ^	660
Population less than US$2 per day~	78.66
Population below national poverty line *	47.5
Gini co-efficient ~	33.02
HDI (Global Ranking)"	182
HDI (Country Index Score) "	0.344
Unemployment rate (%) *	8.80
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	3.50
Credit % of GDP ^	19.86
Ease of Doing Business Ranking (out of 185 countries) !	151
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	9,2 – 9,8
What is the price of the cheapest, newly built house by a formal developer or contractor? #	5 800 (excl. land)
What is the size of this house (in m²)? #	32
What is the minimum stand or plot size for residential property #	200

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

The Republic of Mali is one of the largest countries in West Africa. In 2011, Mali's population was estimated at 14.85 million, growing at an annual rate of 3%. This population is projected to double by 2030, while the urban population will triple from the current level of 38.6%. The country covers a total of 1 248 574 km².

Mali is one of the poorest countries in the world. According to the UNDP's Human Development Index, Mali ranked 182nd out of 187 countries in 2012, and even though ascending, at 0.344 still ranks below Sub-Saharan Africa at 0.475. However, life expectancy at birth is estimated at 65 years – one of the highest in Africa. Gross national income (in purchasing power parity) was US$853 per capita in 2012, again among the lowest in the world. In 2012, 42.7% of Malians were living below the national poverty line.

Mali's agriculture production declined sharply in 2011 due to irregular rainfall, and coupled with the economic crisis in Europe, created unfavourable conditions. The average economic growth rate, at 4.5% in 2009 and 5.8% in 2010, was high, driven by three main sectors – commerce, transportation and telecommunication. Inflation has been kept below 5% over the past 15 years. However, recent turmoil resulting from the 22 March 2012 coup d'état seriously undermined growth, which had already slowed to 2.7% in 2011. In 2012, Mali was officially in recession, with a negative GDP growth rate of – 1.5%, against an initial GDP growth forecast of 5.4%. Since February 2013, the political situation has somewhat stabilised, and at the time of writing the country was preparing for elections in July 2013. Still, the situation remains fragile, with fighting in the north of the country.

Despite a challenging transition agreement between the then Prime Minister Modibo Diarra's government and the military leadership of the March 2012 coup d'état, a roadmap is under way which includes clear objectives assigned to the Ministry of Equipment and Transport (to ensure internal and external opening up of the country) and the Ministry of Housing, Land Issues and Urban Planning (to improve land management, facilitate access of low income populations to adequate housing and promote the modernisation of secondary cities) over the transition period 2012 to 2013.

Access to finance

The financial sector in Mali consists of 13 banks, including an agricultural bank and a housing bank (the Banque de l'Habitat du Mali, or BHM), two financial institutions, two pension funds – a social security fund for private sector employees (the National Institute of Social Welfare, or INPS) and a pension fund for public sector employees (the Retirement Fund of Mali, or CRM) – and six insurance companies. The banking financial sector is dominated by commercial banks. Other financial institutions include the Mali Branch of Alios Finance (a Cote d'Ivoire-based private financial group) and the Mali Mortgage Guarantee Fund (Fonds de Garantie Hypothecaire du Mali, or FGHM), which was created in 2000 through cooperation between the Mali government and its Canadian counterpart. Together the BHM and the Mali Mortgage Guarantee Fund dominate mortgage lending in Mali. In 2009, the BHM issued 57.5% of the 2 497 mortgages provided by the financial sector, while the FGHM offered 2 228 mortgage guarantees for a total of more than CFA Francs 4 billion (US$8.163 million), or 0.02% of the country's GDP..

Despite the number of financial institutions in Mali, access to finance as measured by credit-to-GDP ratio was estimated at only 21.5% in 2012, according to the 2013 African Economic Outlook. In 2010 there were only 67 bank branches for the whole population, most of which were concentrated in urban areas.

General lending rates in Mali decreased significantly over the past years, and are between 8% and 9% on average for long-term loans. At the same time, interest rates on deposits have remained almost constant at around 3.5%. Interest rates applied by the BHM range from 4% to 11% on 15-year mortgages (depending on income and whether the applicant is eligible for interest rate subsidies.) To be eligible for subsidised interest rates, an individual must be a member of a housing co-operative (***cooperatives d'habitat***) and have a monthly income of less than CFA Francs 100 000 (US$200). The duration of mortgages may also be extended to 20 years for members of housing co-operatives. Some of the other commercial banks provide housing finance products such as equipment loans for housing enhancement as well as housing loans or mortgages. Bank of Africa Mali offers mortgages of up to 15 years with subsidised interest rates (for those who qualify) ranging from 6% to 7% a year.

The microfinance sector has soared in Mali since the end of the 1990s. According to statistics from the Central Bank of West African States (Banque Centrale des États de l' Afrique de l'Ouest, or BCEAO), a total of 125 microfinance institutions were listed in Mali in 2012, the same as in 2011. With a total outstanding credit of more than CFA Francs 67.8 billion (about US$138.4 million), the penetration of microfinance services was estimated at more than 50% of the population. In the same year the total number of microfinance clients was about 1.7 million people, up from 1.6 million in 2011.

Only one microfinance network, Nyesigiso, offers housing microfinance in Mali. Nyesigiso has three types of housing microfinance products available to individuals, one for housing completion, enhancement or enlargement, one for land acquisition or construction of the foundation of a housing unit, and one for the overall construction of a housing unit. The total available loan amount for two of these products is CFA Francs 6 million (US$12 000), payable over a 60-month period while CFA Francs 10 million (US$20 000) payable over a 120-month period is available in terms of the third product. Beside these products, Nyesigiso in partnership with FGHM also offers mortgage loans for the acquisition of housing units on serviced sites (the maximum amount of these mortgages is CFA Francs 20 million, or US$40 000, over five, 10 or 15 years) and construction loans for financing the construction of new housing units, for up to CFA Francs 3 million (US$6 000), payable over a maximum of 36 months. In 2009, Nyesigiso issued 132 or 5% of all mortgage loans in Mali.

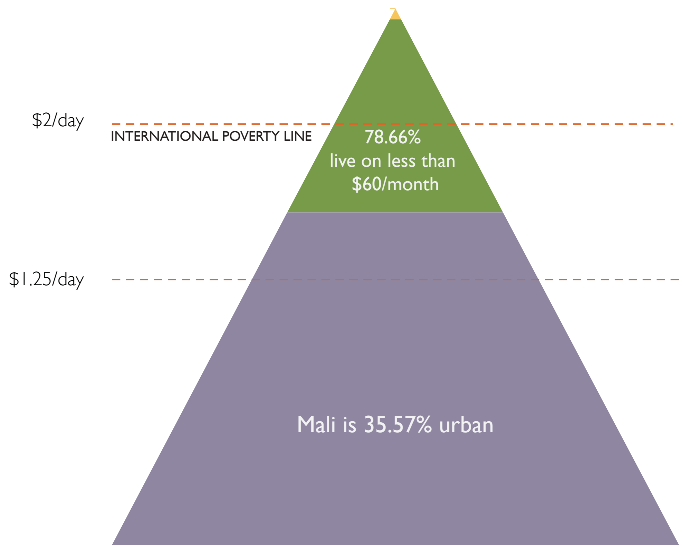
The FGHM was created in 2000 to cover losses incurred by financial institutions in the case of default by the mortgagees, and also to sustain home ownership for households. This is a unique housing finance product in the WAEMU region, as it allows the institution to meet the dual demand of covering the risks of default and enhancing the quality of the portfolio. The FGHM offers eligible Malians (mainly members of housing co-operatives) the opportunity to access mortgage terms of 25 years to purchase housing, housing land or for commercial building construction.

The landscape of housing finance in Mali was enhanced in 2010 by the creation and full operation of the WAEMU Regional Mortgage Refinance Bank (Caisse Régionale de Refinancement Hypothécaire, or CRRH) of which BHM, FGHM and a number of commercial Malian banks are shareholders. In January 2013 the CRRH raised more than CFA Francs 19 billion (US$38 million) on the WAEMU bond market.

Affordability

While land and housing in Mali is not expensive by international standards, very low incomes among Malians mean that formal housing is still unaffordable to a large proportion of the population. Prices for serviced plots in Mali range from CFA Francs 500 000 (US$1 000) to CFA francs 2 million (U$4 000) and above, depending on the location. Prices in the capital city of Bamako are higher. However, in the provision of serviced plots, the focus is on plots costing between CFA Francs 1.5 million and CFA Francs 2 million (between US$3 000 and US$4 000). A standard galvanised iron sheet, often used in self-build initiatives, costs between CFA Francs 3 000 (US$6) for a 4kg sheet and CFA Francs 6 000 (US$12) for a 7kg sheet. The minimum acceptable size land plot in Mali is around 200m², and it costs between CFA Francs 90 000 (U$180) and CFA Francs 105 000 (US$210) per square metre to build a house with iron roofing and slab roofing, respectively. This means that the minimum price for a standard housing unit is between CFA Francs 2.9 million (US$5 800) and CFA Francs 3.3 million (US$6 571), not including the price of the land.

In 2012, with the completion of the Dio cement plant (in the Kati Cercle, or regional district) and the Diamou cement plant (in the Bafoulabé Cercle), there was a drop in the price of cement, from CFA Francs 112 000 (about US$206) per ton to between CFA Francs 4 500 and CFA Francs 4 800 (between US$9.20 and US$9.80) for a 50kg bag of cement, depending on the area where it is bought.



The cheapest newly built house is $5 800, plus another $1 000–$4 000 for the land, depending on the location. Still, this far beyond the affordability of the majority.

Very rapid growth in the microfinance market suggests an opportunity for incremental housing construction financing. Governmet has a generous subsidy system in place but this does not reach the majority.

Product development opportunities in Mali

At the same time, incomes in Mali are very low. The average monthly salary is around CFA Francs 25 580 (US$51) and the average annual salary around CFA Francs 307 000 (US$614). The price of the cheapest housing unit, as mentioned earlier, is therefore 137 times the average monthly salary in Mali. This justifies the Malian government's emphasis on affordable housing and subsidy programmes to support its citizens in their effort to acquire housing.

Housing supply

Housing supply in Mali is mainly a government and household business. Between 1996, after the adoption of the National Housing Strategy, and 2010, government constructed some 7 273 housing units, either on its own or as public private partnership projects. Over the same period, the private sector (real estate developers) supplied about 1 500 housing units. A number of real estate developers also provide serviced land, such as the Agence de Cession Immobilière (ACI) and Immobiliere-SA. ACI has supplied about 7 200 plots at prices ranging between CFA Francs 500 000 (US$1 000) and CFA Francs 2 million (US$4 000), depending on the location.

In line with its National Housing Strategy, the government has put in place a generous subsidy programme to support the acquisition of affordable housing by eligible households. Households earning between CFA Francs 57 000 (US$115) and CFA Francs 150 000 (US$300) a month are eligible to apply for a two-bedroom housing unit, and those earning between CFA Francs 150 001 (US$300) and CFA Francs 250 000 (US$500) a month can apply for a three-bedroom housing unit. These include a direct subsidy of up to 45%, including the land, of the cost of a housing unit.

For 2013, CFA Francs 12.8 billion (US$ 25.6 million) was budgeted by the government through the Malian Housing Agency (Office Malien de l'Habitat, or OMH) for direct support to housing supply, including direct participation into at least two housing projects. This budget is down from the CFA Francs 16 billion planned for 2012, which was cut to CFA Francs 9.4 billion due to the political crisis that arose from the March 2012 coup d'état.

Self-construction remains important. This involves two approaches: simple self-construction and assisted self-construction. While a 2011 Shelter Afrique study on the real estate sector in Mali estimated that almost 75% of the housing supply in the country constituted self-constructed units, there is no data to confirm the number of units that are self-built every year. Assisted self-construction offers people the opportunity to create a housing co-operative, in which a number of housing applicants gather under the leadership of a board. After collecting individual savings over a certain period, the board plays the role of developer, enhancing access to credit (primarily mortgages) from the Mali Housing Bank and other financial institutions to fund the projects of individual members,. Sometimes the housing co-operatives also lobby for their members to access government affordable housing programmes. In 2013, there were a total of 207 housing co-operatives registered with the National Federation of Malian Housing Co-operatives.

In recent years, a number of important foreign investors have entered the housing market. For example, Foras International Investment Company, a Saudi Arabia-based investor, launched a 20 000 housing unit programme in 2009 (expandable to 60 000), with an initial investment of US$500 million. A first phase of 3 500 units was launched in 2009 with the goal to deliver all the units by 2010. This goal was not reached, however, and it is not clear how many units have been completed so far. Another developer is the US-based Great Nations Inc. with which the government has been negotiating a partnership for the funding of another 20 000 housing unit project. These massive developments seem overambitious in the current context.

The Islamic Development Bank (IDB) has also showed interest in funding housing programmes in Mali. In 2012 the government of Mali signed two financing agreements with the IDB, amounting to CFA Francs 7.4 billion (US$14.9 million) and representing half of the resources needed to support the construction of 1 000 housing units in Bamako. This is part of several government housing delivery projects planned for the transition period 2012to 2013, comprising a total of about 4 622 units across the country, 2 700 of which are to be developed through public private partnerships with the IDB and private operators. The tendering process was launched in June 2013.

2012 also saw the signing of a partnership between Ecobank Mali and the Mining Sector Housing Cooperative for the provision of housing units to the cooperative's 388 members. This CFA Francs 4 billion (US$8 million) partnership, signed under the auspices of the Malian Ministry of Housing and Urban Development, will increase the supply of housing by a number of units in 2013.

Real estate developers such as Mali Univers, Wahode and SEMA are also active in supplying and selling housing units in partnership with BHM, in addition to the serviced plots supplied by ACI and Immobiliere-SA.

In total, the demand for housing in the agglomeration of Bamako is about 240 000 units, or more than half of the total national demand, by 2015. While data on housing demand is scarce, illustrative is that the government received 45 352 applications for the 5 108 housing units built between 2003 and 2008, representing almost 10 times the supply.

Property markets

To secure the property market, the government is progressively putting in place a national cadastre, focusing first on urban areas and regional capitals. A cadastre unit supported by the World Bank and the German Society for International Cooperation (GiZ) has been in place in Mali in 2005 to create the cadastre of the Bamako district and its surrounding communes. However, to date this main output of the cadastre unit is not finished.

Despite the absence of a solid property registry system, property markets still function in Mali, with BHM and a few private real estate developers as main actors. In 2012, a total of 164 housing units were advertised for sale on the BHM website. Prices range between CFA Francs 28.4 million (about US$57 000) and CFA Francs 49.6 million (about US$100 000) for a four-bedroom unit. Three-bedroom units sell for about CFA Francs 23.9 million (US$48 000), while duplexes sell for about CFA Francs 57.1 million (US$114 000). For each type of unit, a down payment of 30% of the purchase price is required by the BHM, which then finances the remaining 70% with a mortgage.

Difficulties remain that hinder the efficient functioning of Mali's property markets. According to the World Bank's 2013 Doing Business report, access to construction permits in Mali involves 11 procedures, takes 179 days and costs 418.6% of the per capita income. This places Mali in 99th place out of 185 countries, six places down from its 2012 ranking. On the 'registering property' indicator, Mali ranked 91st out of 185 countries in 2013. Despite the attempt to create the Bamako district cadastre, there has not been any significant policy effort in Mali to improve this indicator. According to the 2013 Doing Business report, it takes five procedures and 29 days, and costs 12% of the property value to register a property in Mali.

Policy and regulation

Mali adopted its National Housing Strategy in 1995, and this continues to be the main framework under which all housing interventions are pursued. The goal assigned to the strategy is to improve the living conditions throughout the country by promoting access to decent housing for populations with low and intermediate incomes. In line with this goal, the government created a number of institutions to facilitate access to housing. The Mali Housing Agency was created in 1996 to promote access to decent housing. The agency is the main facilitator of relationships between different actors in the housing sector, and is also active in supplying serviced land for housing, promoting the use of local building materials, participating in financial operations (which includes having a shareholding in the BHM and the FGHM) and subsidising the interest rate on loans for eligible mortgage applicants, mostly members of housing co-operatives.

Members of housing co-operatives benefit from a subsidised interest rate ranging from 7% to 11% depending on the level of monthly income of the eligible applicant. Besides this, individual housing co-operative members with monthly incomes lower than CFA Francs 75 000 (US$150) and CFA Francs 100 000 (US$200) benefit from an extra subsidy comprising a three-point and two point reduction, respectively, on their mortgage interest rates for the first five years of the mortgage. The Malian government's housing subsidy programme is implemented through the Mali Housing Agency.

The BHM was created as a specialised institution dedicated to offering housing finance services. The government has also taken a number of other measures to facilitate housing supply. The regulatory framework for the housing sector in Mali is one of the most comprehensive in the WAEMU, including a law on condominiums, a law governing property development and a law on housing finance. The effect of these measures has increased the number of local real estate developers operating in the housing market over recent years. The increase in the number of housing co-operatives is also the result of these measures.

Opportunities

The Mali government has estimated a housing demand of 440 000 units by 2015. Demand for housing emanates from several layers of the Mali population: employees from the public and semi-public sectors, from the private sector, from NGOs and international organisations, and from housing co-operatives. The Malian diaspora represents more than half of this demand, according to the Ministry of Housing, Land Issues and Urban Planning, which also estimated that an overwhelming majority (95%) of the Bamako population had expressed interest in acquiring a housing unit. Affordable housing is a steady segment of this demand, with more than 93% of housing co-operatives interested in both affordable housing units and serviced housing land. Some 71% and 66% of employees of the public sector and international organisations, respectively, also expressed interest in acquiring a housing unit. These are good indicators of the untapped potential of the housing sector in Mali. Several investors, especially the Islamic Development Bank and the government of Canada, as well as many private operators have shown interest in the sector.

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Mauritius

KEY FIGURES

Main Urban Centres	Port Louis (capital)
Exchange Rate: 1 US$ =	30.70 Mauritian Rupee (Rs)
Population ^	1 291 456
Population growth rate (%) ^	0.42
Urban population (% of total) ^	41.82
Urbanisation rate (%) ^	0.46
GDP per capita (US$) ^	8 124.17
GDP growth rate (%, real) ^	2.73
GNI per capita, Atlas method (current US$) ^	8570
Population less than US$2 per day~	
Population below national poverty line *	
Gini co-efficient ~	
HDI (Global Ranking)"	80
HDI (Country Index Score) "	0.737
Unemployment rate (%) *	7.25
Bank branches per 100 000 ^	21.29
Lending Interest Rate ^	8.67
Deposit Interest Rate ^	6.23
Credit % of GDP ^	113.63
Ease of Doing Business Ranking (out of 185 countries) !	19
Average Mortgages % of GDP	12,99% (Hofinet 2011)
Average Outstanding loan to purchase a home, older adults (% age 25+)	6%
What is the cost of standard 50kg bag of cement (in US$)? #	7,20 urban / 7,52 rural
What is the price of the cheapest, newly built house by a formal developer or contractor? #	27 200
What is the size of this house (in m²)? #	80
What is the minimum stand or plot size for residential property #	200

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Mauritius is a small island country in the Indian Ocean of only 2 000 km^2, with a population of about 1.28 million people, or 341 000 households. The Mauritian economy is well run, with sound political and economic management practices. In 2013, for the fifth year in a row, Mauritius was ranked as the easiest place to do business in Sub-Saharan Africa, and 19th overall out of 185 countries, according to the World Bank's Doing Business report. Despite the country's exposure to external shocks in the world economy, its GDP growth rate was only moderately down to 3.3% in 2012 from 3.8% in 2011. The economy is expected to grow at around 3.5% in 2013. The finance, real estate and business services sector delivered 11% of GDP in 2013, and construction delivered 6.2%. Inflation declined from 6.5% in 2011 to 4.1% in 2012, and the Central Bank set the key repo rate at 4.9% in March 2012, reflecting a rate cut of 50 basis points. A further cut was applied in July 2013, bringing the rate to 4.65%.

The government is working towards diversifying beyond the five major sectors that drive the economy. To this end, real estate and seafood have become increasingly significant. This strategy is expected to help the country to increase its competitiveness and reduce the impact of exogenous shocks. A key challenge is the demand for land and housing access by the lower income, less economically productive proportion of the population.

At 89%, household ownership in Mauritius is quite high, largely due to various incentives and facilities introduced by government.

Access to finance

The Mauritius Bank Association reports that there are 21 banks in Mauritius, six of which are local, 10 which are foreign owned, four which are branches of foreign owned banks and one which is a joint venture. Deposits are the main source of funding for the banking sector, and 67.8% of banking sector liabilities came from deposits from customers – residents and non-residents – as of September 2012. In 2012, loans and advances accounted for 65% of total bank assets, and credit to the private sector stood at 49.1%, a 10% increase on 2011 figures. Household credit stood at 19.4% of GDP, of which housing loans comprised almost 60%. The ratio of total non-performing loans to total credit stood at 3.1% at end-September 2012.

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 four of the major banks accounting for 85% of the whole banking system's assets and 70% of the country's financial sector. Despite the tough operating environment through 2009 to 2011, banks remained strong, liquid and profitable. In 2012, the financial sector represented about 10.2% of GDP and grew by 5.5%. 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 that were experienced.

Penetration of financial services is generally good, with 80% of Mauritians having bank accounts. Loans and advances by the banking industry to the private sector have increased significantly, but much more notable was growth in mortgages, by an average of 18.5% per annum in the five years to 2012. In 2013, Mauritius' ranking in terms of ease of getting credit improved by 27 points, bringing it to 53rd place out of 185 countries in the World Bank's Doing Business indicators. Over half of the population (56.3%) is included in the public credit registry. According to the International Monetary Fund, there are about 105 commercial bank branches and 210 ATMs per 1 000km². Outstanding loans from commercial banks amounted to 77.82% in 2011. Outstanding deposits with commercial banks were at 170.7% of GDP.

Some 15 banks offer mortgage finance, and the use of mortgage finance is generally high by African standards, although it has declined recently. Mortgage debt to GDP is 12.2%. According to the Mauritius Housing Census, just over 12% of houses were mortgaged in 2011, versus 16% in 2000.

A key mortgage lender targeting low income earners is the Mauritius Housing Company (MHC), which emanates from the former Mauritius Housing Corporation, a parastatal body set up in 1963. The MHC was incorporated in 1989 to address the housing finance requirements of low income households. The MHC celebrates its 50th anniversary in 2013, and boasts having enabled more than 100 000 families, in one way or another, Mauritians as well as Rodriguans, become home owners. As of June 2013, the MHC had an outstanding book of 26 112 mortgage loans, valued at Rs 6.236 billion (US$201.487 million). A total of 1 748 mortgage loans were issued in 2012, just down from 2011's 1 794 mortgages, but considerably up on previous years. In 2012, the MHC held a 5% to 10% market share. The MHC offers a diverse range of products, and the average interest rate for mortgage loans it offers is currently at a low of 6.8%, down from 11.42% in June 2008.

There are constraints to the growth of the Mauritian mortgage market. Affordability constraints as well as informal incomes undermine access to mortgages, and lenders feel that the cost and time of foreclosing on a property creates risk. The Borrowers' Protection Act of 2007 aims to ensure responsible borrowing and lending, and provides for a Commissioner to examine and have a say in cases of foreclosure.

Mauritius has a relatively large pension industry, and 51.4% of the labour force are contributors. The national pension fund is also involved in the housing sector and, for example, lends money to the MHC. There are no private credit bureaus; however, credit information has deepened, as the public bureau's coverage has grown from 37% of the adult population in 2009 to 49.8% in 2011. Some 40 financial sector institutions participate in the public credit bureau, including 16 banks and a range of other companies, as well as the MHC and the National Housing Development Corporation (NHDC).

Affordability

Mauritius has a relatively comprehensive social security system that includes a range of government subsidies for housing. The government uses state owned companies such as the MHC to improve affordability for housing. Through the MHC, a subsidised Government Sponsored Loan (GSL) is provided to lower income earners. The MHC continuously reviews its interest rates across all its products to cope with increasing competition from banks. For example, the interest rate for the 'Home Loan Extra' product (with an LTV of up to 90%) was reduced to 6.8%, while the 'Home Loan Plus' product (with an LTV of up to 75%) was reduced from 8.25% to 7.25%. For the GSL, a maximum loan of Rs 325 000 (US$10 585) is provided. Up to 20% of the loan amount can be drawn as a government grant. Terms of 25 years apply, and a house can be constructed on land belonging to the client or on land leased from the government. To be eligible, borrowers need to establish a regular savings track record, making monthly deposits in a savings account over a 12-month period. For a term of 25 years, the monthly payment required for the maximum loan amount will peak at Rs 2 487 (US$81) a month, which means a monthly income of more than US$265 is needed to qualify (most institutions specify that monthly home loan repayments should not be higher than 30% of monthly income). 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. This parastatal body was set up in March 1991 to serve low income Mauritians. It offers both fully developed units and site-and-service options at subsidised rates. The NHDC site-and-service scheme provides applicants a portion of state land through a lease. There is an income criterion, requiring a monthly income of between Rs 7 500 (US$244) and Rs 16 000 (US$521) to qualify for the land. To put this in perspective, the average monthly earnings in the lowest paid sectors (the textile and construction sectors) were Rs 8 274 (US$270) and Rs 6 870 (US$223), respectively. This means that while the products cover the majority of the population, a small minority of the working population, 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 2012, Mauritius had an unemployment rate of around 8%, or over 40 000 people. According to the Central Statistics Office, about 1.5% of people earn below US$2 a day. Neither the NHDC nor the MHC programmes serve this market, and part of this population has been turning to squatting. According to the 2011 Housing and Population Census, 600 households in 2011 were without a toilet, 1 400 were without piped water on the premises and 1 700 were without electricity. According to UN-Habitat, there are some incidences of squatting as a result of unemployment and the decline of solidarity networks that previously supported vulnerable households. The government's National Empowerment Foundation (NEF) is now looking after this category of the population. As from 2011, the NEF has constructed more than 300 core housing units of 32m² each. It is projected to build 200 to 250 such units yearly. These houses are meant for households earning up to Rs 6 200 (US$200) a month. Repayment comes to Rs 500 (US$16) a month for the first seven years and is reviewed thereafter.

Housing supply

The 2011 Housing and Population Census reports that there are 356 900 housing units in Mauritius and Rodrigues. Living conditions have improved since the previous census in 2000, with 88.9% of households owning their own home, 99.4% with access to electricity and 94.2% with water inside their home. The census also found that 4.8% of the population live in iron/tin walled houses.

The MHC is a property developer as well as a housing finance provider. In 2013, the MHC was offering well located, three-bedroom apartments in a 48-unit development for sale at prices from Rs 2 619 182 (US$84 000).

In the 21 years since its establishment, by 2012, the NHDC had built more than 12 000 units, and a further 10 000 units were in the pipeline. The NHDC produces about 500 units a year, which is insufficient and has created a waiting list of about 20 000 units. An innovative subsidy scheme offered by government through the NHDC promotes self-build approaches. Households with a monthly income of between Rs 7 000 (US$226) and Rs 16 000 (US$517) and who have neither received a grant previously nor already own a property are entitled to apply for land that is periodically made available. The land is made available on a lease arrangement and the beneficiary is required to pay the fee. The construction of a housing unit on the land must begin within six months following the signing of the lease agreement, and be completed within 18 months. Beneficiaries can apply to the MHC to finance the construction and can use prototype building plans provided for free by the Department of Housing and Lands. Architectural services can also be accessed from the MHC for Rs 2 (US$0.06) per square foot.

The government grants up to Rs 65 000 (US$2 100) for casting a roof slab of up to 210m² to first time homeowners earning up to Rs 10 000 (US$323) a month, or a Rs 60 000 (US$1 904) grant for casting a slab for a second housing unit for another member of the same family. The programme is managed by the NHDC. The government also grants up to Rs 55 000 (US$1 800) to households earning not more than Rs 5 000 (US$161) a month to buy building materials. The grant applies to a maximum area of 100m². For a house of 50m², the grant is Rs 40 000 on a pro-rata basis. For the 2012 to 2014 period, the government has budgeted for subsidised housing plans for the provision of 8 700 housing units for low income groups and 24 000 serviced plots for the lower and middle income groups over the next 10 years. Although the NHDC programmes target low income earners, the requirement of a minimum financial contribution means that some households are still unable to participate.

There is also an incentive for developers to develop residential units. Requirements are that the land for development must be non-agricultural and have access to main infrastructure lines and amenities. In addition, developers should provide all basic infrastructure and 25% of the development must be for low income households, for which the sale price is determined by the government.

In 2012, the government initiated a reform of its subsidy programmes through the 2012 National Budget. A Social Housing Development Fund was established, capitalised with Rs. 1.5 billion (about US$51 million) to encourage the creation of not-for-profit Housing Development Trusts.

Property markets

The global economic problems have to some extent affected the higher end property market in Mauritius, but this seems to be recovering, and government expects the real estate sector to be a primary growth driver in 2013. The market segment is closely tied to the economic fortunes of Europe and the US because of the deliberate efforts by government to encourage greater foreign ownership. The Permanent Residence Scheme, the Integrated Resort Scheme and the Scheme to Attract Professionals for Emerging Sectors all encourage foreign investment and settlement. Recently, new tax laws in France have created more demand for property in Mauritius amongst French buyers. After this, South African property buyers are also significant.

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% of the dwellings are durable. The Housing and Population Census of 2011 found that 90.5% of residential dwellings were used as a principle residence, 1.7% as secondary dwellings and 7.8% were vacant. The number of hotels, guest houses and tourist residences has almost tripled since the last census, from 400 in 2000 to 1 100 in 2011. Higher density housing seems to be increasing – semi-detached houses and blocks of flats went up to 16.6% of total stock, from 11.5% in 2000.

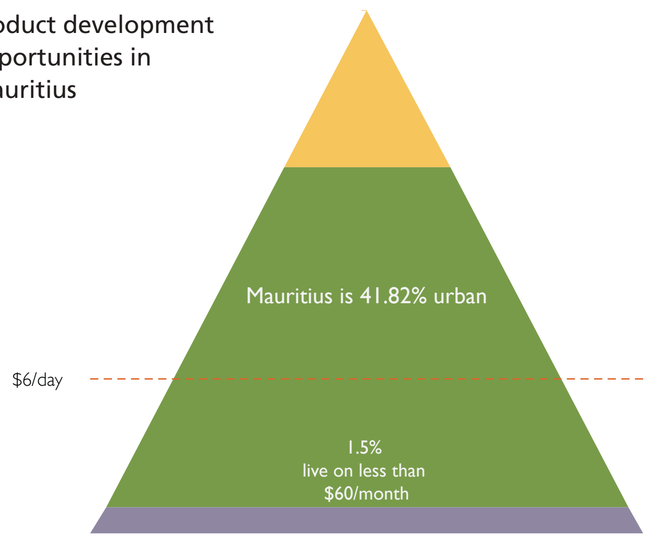
According to the World Bank Doing Business Survey, in 2013 it takes 15 days and four procedures on average to register property (which ranks Mauritius as best on the continent and 60th globally). The registration process costs on average 10.6% of the value of the property. Spatial data for land use management and planning is facilitated by the Land Administration Valuation and Information Management System.

Policy and regulation

The planning and management of housing and land in Mauritius is the responsibility of the Ministry of Housing and Lands, and this department has set up a fairly comprehensive array of supports and initiatives to address housing needs. Subsidy programmes target both new build construction and self-help housing, and government has made an explicit effort to deal with those with no affordability at all. Government's approach also draws in the wider business sector into its commitment for a decent home for all. An interesting aspect of the Finance Act of 2009 requires companies, as part of their corporate social responsibility, to pay 2% of their book profit after tax into a Corporate Social Responsibility Fund. This Fund can be used on approved projects, amongst which social or subsidised housing is a high priority.

Mauritius generally has investor friendly policies and regulations. This has been borne out of deliberate government action to make the country a competitive investment destination. The tax regime is also especially attractive, intended to turn the country into a global financial centre.

Product development opportunities in Mauritius



The cheapest newly built house for sale is $27 200. For lower income earners, a government subsidised loan is available to a maximum of $10 585. The monthly repayment is limited to $81/month over 25 years.

An unemployment rate of 8% has resulted in some slum living. Government has targeted this population with the construction of about 200 core housing units of 32m². Rental is charged at $16/month.

Opportunities

Mauritius has been emerging as an international financial centre since the early 1990s, and is the easiest place to do business in Africa, for the fifth year running. Internationally, it ranks 19th in the overall score for doing business, up five places from 24th in 2012. 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, SADC, the Common Market for Eastern and Southern Africa, or COMESA and the Indian Ocean Rim Association for Regional Co-operation, or IOR-ARC), pointing to its strategic location. State investment in educating its population should see the country 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 increase in Mauritius.

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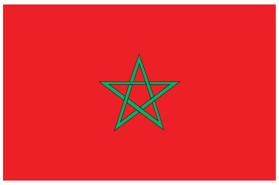
Morocco



KEY FIGURES

Main Urban Centres	Rabat (capital), Casablanca
Exchange Rate: 1 US$ =	8.35 Moroccan Dirham (MAD)
Population ^	32 521 143
Population growth rate (%) ^	1.43
Urban population (% of total) ^	57.41
Urbanisation rate (%) ^	2.07
GDP per capita (US$) ^	2 924.94
GDP growth rate (%, real) ^	1.22
GNI per capita, Atlas method (current US$) ^	2940
Population less than US$2 per day~	14.03
Population below national poverty line *	19.0
Gini co-efficient ~	40.88
HDI (Global Ranking)"	130
HDI (Country Index Score) "	0.591
Unemployment rate (%) *	9.64
Bank branches per 100 000 ^	
Lending Interest Rate ^	11.50
Deposit Interest Rate ^	3.83
Credit % of GDP ^	114.47
Ease of Doing Business Ranking (out of 185 countries) !	97
Average Mortgages % of GDP°	13.85%
Average Outstanding loan to purchase a home, older adults (% age 25+)	6%
What is the cost of standard 50kg bag of cement (in US$)? #	6 – 7.50
What is the price of the cheapest, newly built house by a formal developer or contractor? #	16 600
What is the size of this house (in m^2)? #	50
What is the minimum stand or plot size for residential property #	60

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Morocco is a constitutional monarchy in the north-western corner of Africa. Assertive social and economic development policies in the past decade have stimulated continued growth, averaging 5.9% from 1999 until 2013, and enabled Morocco to showcase one of the most diversified and developed economies on the continent.

In 2012, Europe's budget crisis caused economic slowdown in Morocco. Real GDP growth reduced to 2.9%, compared to 4.6% in 2011 and a peak of 14.2% in March 2008. The economy is recovering in 2013, with an estimated 4.8% growth in the first quarter, which is helped by low inflation, estimated at 1.4%. With a strong regulatory framework and open market oriented policies, the outlook for Morocco is positive. The economy is now 50% service based, and construction, manufacturing and mining account for another 25%, Morocco being home to 85% of the world's phosphate reserves. There are also aims to build renewable energy capacity to up to 40% of national resources by 2020, which will reduce the heavy burden of fuel subsidies on treasury resources. Subsidies consumed US$6.35 billion (MAD 53.36 billion) of public resources, equal to 6.4% of GDP, in 2012.

Politically, progress on constitutional reforms have been slow, and conflict within the government has blurred the political direction. The coalition government collapsed at the end June 2013, with five cabinet ministers of the junior party, Istiqlal, resigning. A new ruling majority will now need to be negotiated so that these posts can be refilled.

Despite consistent growth, 15% of the population still fall below the poverty line, and 44.6% of the labour force work in agriculture. The unemployment rate has remained stable, at 9.4% in the first quarter of 2013, with a 10-year average of 10.75%.

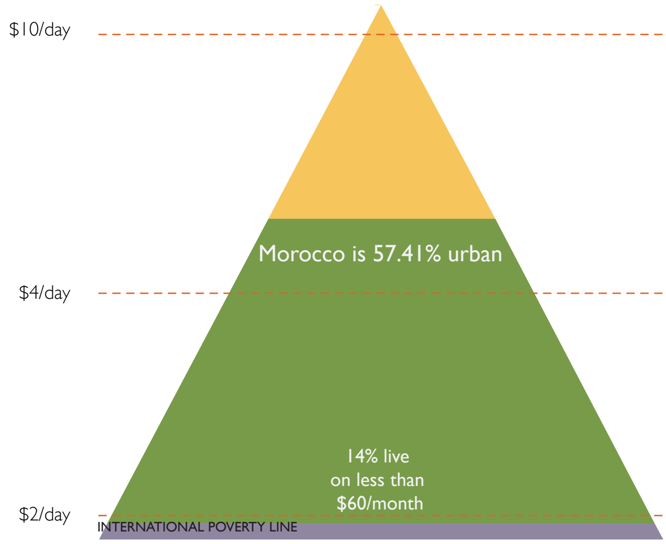
Access to finance

Morocco has an expanding yet concentrated financial sector. There were 19 commercial banks in the country, according to the June 2012 bank supervision report of the Central Bank of Morocco, Bank Al-Maghrib. In addition, 16 microfinance institutions and 36 non-bank financial institutions, such as credit financing, leasing, mortgage, factoring, money transfer and guarantee companies, comprise the financial sector. In 2012, total assets of the banking sector were at 130% of GDP, lending was 85% of GDP and banks had a medium solvency ratio of 12.3% (with core equity at 9.7%).

There has been a significant reduction in the level of non-performing loans, reducing from levels as high as 15% to 20% until 2005 to less than 5% for the past two years.

Morocco has the most advanced housing finance market in the region. There is a range of sources of mortgage lending, with mortgage loans to households making up 17% of GDP, and another 13.3% of GDP going toward real estate development loans. Lending for housing to individuals has been increasing at 11% per annum. Loans can be up to 100% loan-to-value, and tend to be of longer maturity, up to 25 years, with 39% of new loans in 2012 having a maturity of beyond 20 years. Interest rates are generally fixed, and low. Two-thirds of new loans were in the range of 4% to 6% per annum, compared to only 45% in that range in 2009.

CAHF



Government subsidies support the middle-income market and promote the delivery of housing costing $31 000. With the Fogarim mortgage guarantee fund, this is affordable to a sizeable proportion of the population.

The cheapest newly built house is $16 600. A buyer would have to earn about $425/month to afford a 20 year mortgage at a 6% fixed interest rate. Demand for housing microfinance should be high.

Product development opportunities in Morocco

Morocco maintains promising capital markets for housing finance, with a diversity of financial institutions beyond banking. The Casablanca Stock Exchange is well developed and capitalised at approximately 66% of GDP as of July 2013. The insurance sector is also growing, with the volume of assets managed by insurance companies around 17% of GDP, equivalent to the size of the housing finance market. Moroccan pension funds are also signficant, accumulating savings that amount to 20% of GDP.

Morocco was the first country in the region to pass securitisation legislation in 2002. This tool has scarcely been used, however, with a total issuance of US$500 million (MAD 4 billion) in only a few transactions. Morocco also began planning for the introduction of covered bonds in 2010, as part of the World Bank's Financial Sector Development Support Programme. Covered bonds are considered a more secure financial instrument to overcome maturity mismatches and provide alternative funding sources for the rapidly expanding mortgage market. The eligible assets would be primary mortgage loans with an LTV of less than 80% for residential loans and 60% for commercial loans. The draft law was submitted in late June 2012 to the formal approval process, which includes adoption by government and parliament, and the Ministry of Finance is optimistic that the law will be implemented by late 2013.

Growth in the microfinance sector has been rapid. The Microfinance Act was passed in 1999, and now Morocco accounts for half of all clients in the Middle East. The two largest microfinance institutions, Zakoura and Al Amana, control 73% of the market and focus on women, who represent almost 80% of microborrowers in Morocco. Loans are given not only for the development of income generating enterprises but also for home improvement and connections to basic utilities. However, loans are capped at MAD 50 000 (US$5 950), which limits their application for new construction. In June 2013, Al Amana had 316 394 active loans, and a total portfolio of over MAD 2 billion (US$238 million). Al Amana offers a specialised housing product for amounts between MAD 1 000 (US$119) and MAD 48 000 (US$5 712); and for loan periods from six months to five years. In 2013, the sector launched a price transparency initiative to improve consumer protection.

The Moroccan Postal Service also plays a key role as a provider of depository, payments and other retail banking services for small savers via Al Barid Bank. With more than 1 800 branches, the postal service serves about 13% of the population, though it represents only 2% of total financial sector assets.

Affordability

Moroccan housing policy sets tiers of affordability and creates support incentives for each bracket, which have been regularly updated. Most recently, the 2013 Finance Law reset the affordability price ceilings and quality standards for housing.

The price for middle income housing can reach up to MAD 6 000 (US$714) per m^2, including VAT, for a house area ranging from 80m^2 to 120m^2. Middle income housing is open to people with a monthly net income that does not exceed MAD 20 000 (about US$2 380). A government-subsidised housing unit is sold for ownership at less than MAD 250 000 (about US$31 000) with an area that must be less than 80m2 (reduced from 100m^2), and targets households earning between 1.5 and 2.5 times the minimum wage. A very low income house has an area of 50m^2 to 80m^2, cannot cost more than MAD 140 000 (about US$16 600) and are open to households that earn less than 1.5 times the minimum wage a month.

The developer must build and sell the units below the set price to quality for tax breaks such as exemption from VAT and other duties. Participation in this programme also enable access to subsidised state land. The lowest cost units do not require obligatory registration at the land registry before start of construction, in order not to disrupt delivery. This process can be completed in parallel at a later date. Households of both units are not allowed to resell until five years after purchase.

These programmes have been very successful in spurring production of the MAD 250 000 units, as the tax breaks are strong incentives for developers. However, most of these units are bought by the middle class, and the programme has created a homogeniety on the market. Developers are not willing to build units of a slightly higher cost, as the tax obligations (which could be up to 30% of the final purchase price) do not make it an attractive investment. Developers are not eager to build the lowest cost units either, as the profit margins are not great enough. Households that cannot access the programme will usually build themselves in informal settlements, while many may move into slums to qualify for the 'Villes Sans Bidonvilles' ('cities without slums') programme which provides subsidies for land plots.

Partnerships between banks and the government have made lending more accessible to middle and low income families, for example through the 'Fogarim' mortgage guarantee fund for households with small and irregular incomes and a MAD 40 000 (US$4 500) subsidy.

Housing supply

In early 2013, the housing shortage in Morocco was estimated at 800 000 units, with demand growing by about 150 000 units a year. Most of this shortage is in the low income market segment, with overall stock of affordable houses estimated at 2.8 million for the 3.4 million low income households, leaving many to live in informal housing. New supply of affordable housing tends to be apartments of typically three to five levels, in large scale residential projects.

There is widespread use of public private partnerships to facilitate housing production. Al Omrane is the Moroccan government's counterpart for these activities. Morocco has been assertive in providing tax breaks and guarantee funds to attract the private sector into affordable housing development. To qualify for these benefits, developers must commit to at least 150 social houses over five years. This number has recently been reduced from 500 units to enable small developers to also benefit from government incentives, and to stimulate a diversified supply of low income housing. Since 2011, agreements have been signed with developers for the production of almost one million social units.

One company benefiting from these government measures is Addoha, one of Morocco's largest real estate developers and the first to be listed on the Casablanca Stock Exchange. Addoha accounts for almost half of the low cost housing being constructed in Morocco, has a land bank of 6 000 hectares and has achieved consistently strong financial returns. Addoha sold 25 600 homes in 2012, of which 94% were classified as social housing, for about US$1.12 billion (MAD 9.42 billion). Profits increased by 3% to US$233 million (MAD 1.96 billion) at the end of 2012. Addoha's business model has a strong focus on affordable housing, which has allowed them to enjoy 10 years of exemption from capital gains tax. The company is now putting in place its 2012-2015 strategy, which will see Addoha continuing its current activities in Morocco and extending into foreign markets, for example, investing in a cement factory in Burkina Faso.

A few very large real estate developers have become very powerful and dominate the market, having a disproportionate influence on policy. The challenge for Al Omrane is to support emerging contractors and small developers to keep the market competitive and diversify the housing stock. Other challenges in housing supply are meeting the growing demand, balancing cheaper land sites in remote locations and high infrastructure costs, and keeping units affordable when the cost of building materials and other inputs increase.

Property market

The slowing of the economy impacted the Moroccan property market, which experienced stagnation in the past year. In the last quarter of 2012, prices of residential property declined by 1.2%, caused by a 0.3% decrease in the price of apartments and by a drop of 4.6% in house prices. This is in contrast to the last quarter of 2011, when house prices increased by 0.4%, urban land prices increased by 3.2% and commercial space increased in price by 0.7%.

Residential properties make up around 68% of all real estate sales, dominated by apartments (62%), while urban land represents around 25.5% of transactions, with 7% of these commercial property sales. Demand for residential property is still high despite major obstacles, such as access to land, titling and affordability. The rate of urbanisation, at 2% in 2012, is the main driver for local demand, yet formal housing production has not been able to keep up, so unregistered informal settlements continue to develop.

In the absence of reliable indicators for Moroccan properties prices, the Central Bank of Morocco and the Land Registry Office began a long process of constructing a quarterly real estate price index (REPI) in 2010, based on the Land Registry Office's databases, which contain detailed information on all property transactions registered at the national level. This quarterly index had a base value of 100 in 2006, and is one of the first price index undertakings for the African continent. It aims to improve the transparency and effective functioning of the property market, to refine the analysis of inflationary risks and to monitor real estate risk in the banking system.

A new measure in the 2013 Finance Law is to stimulate middle income housing (between MAD 250 000 and MAD 800 000) to address under-supply in the 'gap' market.

Policy and regulation

Since 2004, the Moroccan government has injected US$8.3 billion to support low income housing production, with a goal of facilitating the construction of 170 000 units annually. Production of affordable units has radically increased since 2004 toward this target. In 2012, Al Omrane had 143 000 units in construction, and developers had signed commitments to build about 900 000 additional units for the period to 2020.

On the supply side, the government has designed a package of incentives to increase the production of low cost housing. These initiatives have been very successful in increasing the participation of the private sector through offering tax breaks and subsidised land. A number of these incentives were set up as part of the 'Villes Sans Bidonvilles' programme, which assisted with in-situ upgrading or resettlement, either into new residential developments or by providing the lowest income households with plots of land for development.

On the demand side, Morocco's housing policy is concentrated on stimulating the financial sector to provide housing finance and lend downmarket, using regulation, financial guarantees and communication to address market inefficiencies. 'Fogarim', a mortgage guarantee fund for households with small and irregular incomes, is the main tool used. Launched in 2004, Fogarim will offer a guarantee of up to 70% of the amounts due, and up to 80% for 'Villes Sans Bidonvilles' programme participants. Loans can extend to up to 100% loan-to-value, and premiums charged are between 0.33% (for LTVs of less than 50%) and 0.65% (for LTVs above 90%). The Fund will guarantee up to MAD 400 000, the limit which has replaced the initial price ceiling of MAD 800 000. Fogarim has been extended to over 75 000 borrowers since its creation, and it now covers 26% of all new loans originated.

The end of the 'Villes Sans Bidonvilles' programme marks an opportunity to evaluate the efficiency of public resources invested in the programme, and how beneficiaries are targeted. A replacement programme is yet to be defined by the government.

Opportunities

Morocco has continued to encourage foreign investment via sound macroeconomic policies, trade liberalisation and structural reforms. A Free Trade Agreement with the US and an Association Agreement with the EU have led Morocco to reduce its tariffs on imports from these economies. There has also been a quadrilateral Free Trade Agreement with Tunisia, Egypt and Jordan, and a bilateral Free Trade Agreement with Turkey. In terms of exports, France remains the largest export partner (19.7%), closely followed by Spain (18.2%), and with new markets emerging in Brazil (5.4%) and India (4.9%).

Despite progressive legal and financial frameworks, foreign investor presence remains marginal in both primary and secondary markets, yet there is much to gain from the investor incentives provisioned under the 2005 Investment Law, including a five-year corporate tax holiday, waivers on import duties and streamlined investment processes.

With the anticipated promulation of the covered bond legislation at the end of this year, covered bonds are expected to be a significant innovation for Morocco in 2014, opening the market for longer and more affordable housing finance. The government is also exploring better targeted incentives to support smaller property developers, while the 'Villes Sans Bidonvilles' programme, scheduled to end in 2012, will be evaluated towards reformulation and implementation of a potentially improved programme..

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Mozambique

KEY FIGURES

Main Urban Centres	Maputo (capital), Beira Matola, Nampula
Exchange Rate: 1 US$ =	30.03 New Mozambican Metical (MZN)
Population ^	25 203 395
Population growth rate (%) ^	2.50
Urban population (% of total) ^	31.47
Urbanisation rate (%) ^	3.32
GDP per capita (US$) ^	578.80
GDP growth rate (%, real) ^	4.75
GNI per capita, Atlas method (current US$) ^	510
Population less than US$2 per day~	81.77
Population below national poverty line *	54.1
Gini co-efficient ~	45.66
HDI (Global Ranking)"	185
HDI (Country Index Score) "	0.327
Unemployment rate (%) *	2.24
Bank branches per 100 000 ^	3.63
Lending Interest Rate ^	16.81
Deposit Interest Rate ^	11.43
Credit % of GDP ^	28.08
Ease of Doing Business Ranking (out of 185 countries) !	146
Average Mortgages % of GDP	0,14% (Hofinet 2008)
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	8.50
What is the price of the cheapest, newly built house by a formal developer or contractor? #	35 000
What is the size of this house (in m²)? #	40
What is the minimum stand or plot size for residential property #	180

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Mozambique has experienced rapid economic growth in the past few years. In 2011, the GDP growth rate was at 7.2%, rising to 7.87% by 2013. A large part of this growth has to do with Mozambique's natural resource base and increasing mining activity, which grew by 54% in 2012. The recent natural gas discovery off the Mozambican coast has prompted further exploration for oil, and there are also plans for the expansion of coal production. Analysts expect that the development of these mineral resources could bring Mozambique's GDP to the level of Angola's.

After mining, the main economic activity is agriculture, which grew by 7.6% in 2012. While the construction sector grew by 3.9% in the same year, real estate and rental activities did not experience any change. The financial services sector, transport and communications all performed well in 2011. The inflation rate has been volatile, declining from 12.7% in 2010 to less than 3% in 2012. For 2013, inflation is forecast at 6.5%, largely due to the impact of the global economy and uncertainty related to factors in Mozambique's natural resource exploitation. The International Monetary Fund'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 has developed considerably over the last decade, with credit to the economy growing almost eight times between 2001 and 2012. In 2012, total credit to the economy represented 27.7% of GDP. Of the 18 banks in Mozambique, the four largest (including International Bank of Mozambique, Standard Bank and Commercial and Investment Bank) account for over 85% of the domestic banking sector's total assets. The Central Bank has been working hard to bring interest rates down, reducing its Treasury Bill rates by 78% and its reference rates by over 40% in the past few years. Although declining by 20% in the past two years, the prime lending rate remains high, in part due to uncertainty regarding Mozambique's volatile inflation. In December 2012, prime was at 15.13%. The incidence of non-performing loans has come down considerably from a 17% high in 2003. In 2010, non-performing loans stood at 1.9%, and rose to 3.5% in 2012.

Most of Mozambique's 18 commercial banks offer a mortgage product, and the mortgage loan to GDP ratio is 0.6%. Analysis by UN-Habitat on the extent of housing lending in Mozambique suggests that banks' mortgage portfolios represent 8.3% of total loans to individuals and 2.24% of total outstanding loans. The total housing loan book was around US$76.5 million in December 2012. Among smaller lenders, housing may represent up to 15% of their loan portfolios. In 2012, while some banks experienced a decline in their housing lending, Barclays reported considerable growth in its mortgage book.

The main cause of portfolio delinquency is reportedly fraud, especially fake property documentation; however, lenders agree that mortgage loans perform no worse than other loan types. The average annual effective interest rate is 19%, repayable over 20 years. Most mortgage products expect an 80% LTV, and restrict the instalment to 33% of income. The minimum loan amount is MZN 250 000 (US$8 290).

To address limited access to mortgage finance, some institutions have recently started offering property leasing or rent-to-buy schemes in which the property is made available on a rental basis to a tenant who has an option to buy the property at the end of the lease term. Banco Unico and BCI are both offering this type of housing finance, linked to specific developments in Maputo.

Some lenders also offer construction and renovation loans. These are typically loans with shorter terms, sometimes three to five years, made available as unsecured loans and therefore at a higher interest rate of about 22.5%. In some cases, the lender requires a guarantee or other form of collateral.

There is a vibrant microfinance industry in Mozambique, and the country has specialised microfinance laws. There are eight microbanks, seven credit co-operatives and 166 microfinance institutions registered with the Central Bank. In 2012, 11 MFIs were registered on the Mix Market (an online source of microfinance performance data and analysis), with loans worth US$74.1 million disbursed to about 69 834 borrowers. NovoBanco and Socremo have the largest loan portfolios of US$28.8 million and US$22.4 million respectively. A nascent housing microfinance sector is also emerging; a survey undertaken in 2012 found that five microlenders offered a specific housing product. Procredit and Socremo, for example, both grant housing loans for home improvements and rehabilitation. Tchuma Bank has recently launched a housing microfinance product to respond to the demand of clients who were already using loans for housing purposes. International Commercial Bank Mozambique (ICB) has noted that short maturity loans are more popular for housing purposes than long tenure loans. The law in Mozambique provides a high degree of security of land tenure, which provides ideal conditions for incremental self-build methods.

Developer finance is limited and expensive, with rates reportedly up to 23%. According to the Central Bank, 9% of total credit in 2012 went to construction and public works – this is more than double the 2001 figure of 4%. The legal framework in Mozambique is a significant constraint to access to developer finance in that undeveloped land cannot be mortgaged. As a result, developer credit is treated as unsecured, and developers have to seek guarantees to support their borrowing.

In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database to explore levels of financial inclusion around the world. According to Global Findex, 40.1% of rural and 39.3% of urban Mozambicans over 15 years of age have an account with a formal financial institution. Use of credit is fairly common; 45.8% of adults over 25 years of age report that they had a loan in the year to 2011. The vast majority of these loans were from family or friends, however. Only 8% of adults had a loan from a financial institution and only 2.6% had a loan from a private lender. Almost no Mozambicans are reported as having an outstanding loan to purchase a home. Loans for home construction are much more prevalent: 7.3% of the top 60% of income earners had one, and 2.4% of the bottom 40% of income earners.

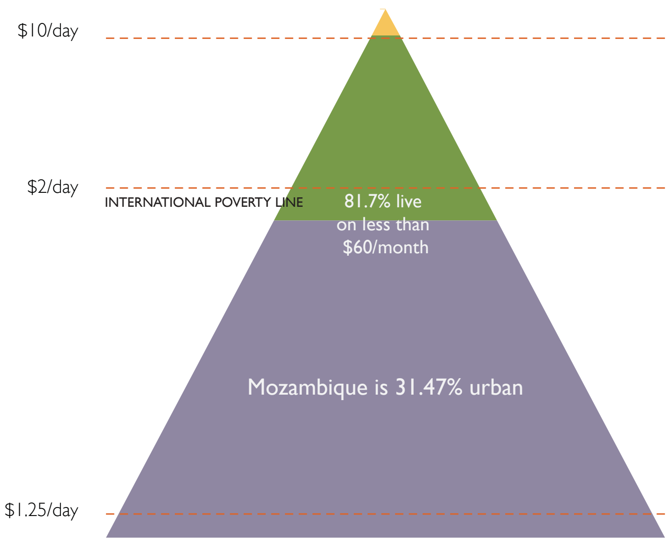
Affordability

Supply constraints and growing demand have meant that house prices are beyond the reach of middle and low income Mozambicans. A forthcoming analysis by UN-Habitat suggests that a net income of MZN 46 500 (about US$1 565) is typical for a middle high income family – high level public servants or middle management in a financial institution or company. At that income, the maximum mortgage that could be achieved (assuming an 80% loan-to-value ratio over 20 years at 19% interest) is about MZN 1.1 million (US$40 000). Housing at this price is very limited; most housing delivered in Mozambique is much more expensive. To effect the transaction, the family would need to save a further third of the purchase price to cover the deposit requirements as well as registration costs and taxers, and valuation and origination fees. Banks offering mortgages generally have a minimum loan amount of MZN 300 000 (about US$10 000), which is far out of reach of the vast majority of Mozambicans.

Affordability is also impacted upon by the price of materials. In late 2012, the government's National Economic Activities Inspectorate investigated a 66% mark-up in the price of a 50kg bag of cement, in Nampula. This mark-up contradicted a government decree issued the previous year, which fixed the maximum profit margin at 12% for wholesalers and 25% for retailers. Cement sellers argued that these thresholds were unrealistic, given high transport costs involved in moving cement from the plant in Nacala to Nampula province. The limited capacity of the Nacala plant also came under the spotlight, as trucks sometimes have to wait as many as seven days before they are loaded. In February of this year, PPC announced that it was building a new cement factory in Zimbabwe to service the Zimbabwean and northern Mozambique markets.

Housing supply

Housing quality varies widely across Mozambique. In the capital of Maputo, a 2008/09 survey found that 79% of households lived in dwellings with durable walls, and almost all (99%) lived under durable roofing. Housing quality is considerably lower outside of Maputo, however. In other urban areas, durable walls are found in 20% to 40% of all households' homes, and durable roofing among 60% to 70%. The national average suggests that in 2008/09, only 17.9% of households lived in homes with durable walls and 30.2% lived in



The maximum mortgage that a typical middle-high income family could achieve is about $40 000, yet the majority of delivery is above this amount. The cheapest housing available is in Matola, costing $24 500.

Government has a strategy to build 100 000 houses by the end of 2014. Most housing is self built. UN Habitat suggest the average household invests about $15 000 in their housing over time.

Product development opportunities in Mozambique homes with durable roofing. Electricity is also not widespread. In Maputo, only 57% of households had electric lighting in 2008/09, and 60.9% of households had a toilet or latrine. Nationally, 65% of households live in housing that is neither durable nor has electricity or sanitation.

There are few private sector developments – this is due, in part, to the limited availability of end user finance, and the very small size of the construction sector. Some 84% of Mozambican construction companies are small and medium-sized enterprises. Constraints to land development include a severe shortage of serviced land and lengthy land registration procedures. Mozambique ranks very low on the World Bank's Doing Business Indicator for registering property: 155th out of 183 countries in 2013. It takes an estimated 42 days to complete the eight procedures involved in registering property. This is on par with the figures for Sub-Saharan Africa. The process costs an estimated 8% of the property value. This unmet demand for land suitable for housing often results in downward raiding by higher income earners of plots occupied by low income groups.

Casa Jovem is a 36 hectare affordable housing project under development on the ouskirts of Maputo. The project comprises 1 680 flats in four to eight storey walk-ups, and 300 houses. Flats are priced between US$35 000 and US$120 000, while houses cost between US$90 000 and US$150 000. To date, 505 flats have been sold, of which 100 have been delivered. The remaining flats are to be delivered throug 2013 and into early 2014. By the end of December 2013, 63 houses will have been delivered.

A state sponsored parastatal, the Housing Promotion Fund (Fundo de Fomento de Habitação, or FFH) was founded initially to direct proceeds from the sale of nationalised housing units into affordable housing programmes. Working in 35 districts and 14 municipalities, it would develop serviced sites for sale to low middle income households. Demand for these plots has been much higher than supply. The Fund also provided low interest loans for modest amounts, repayable over periods of five to 20 years; however, it experienced a high default rate, reported at 30% in 2011. The Housing Promotion Fund also built a limited number of houses. From 1996 to 2004, the Fund laid out 7 488 plots and funded 1 021 new houses across the country.

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 3 000 water supply points over the past year. It is expected that the country's capacity will increase in the coming year. The houses are planned for delivery to young people and public servants who can afford to pay for a mortgage.

In 2010, the Housing Promotion Fund shifted its approach in favour of public private partnerships, which include a range of financial approaches. In September 2011, the Fund initiated a project to build 5 000 houses in the southern city of Matola, with the support of a Chinese construction company. Unit prices are expected to be between US$24 500 and US$133 500. An agreement with the Chinese government promised a further 5 000 houses in other cities across the country. A partnership with a Spanish construction group will see the development of 4 500 houses in three provinces, with prices starting at US$30 000. While the pricing of these units make them affordable only to middle higher income earners and civil servants, they are still meeting an otherwise unmet demand.

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. The acquisition also includes the CINAC cement factory in northern Mozambique. An African Development Bank consultation in Mozambique in April 2012 confirmed that the bank should play a greater role in housing development in the country. Other developments include a US$217 million facility provided through three credit lines by the Indian government in 2013 to fund public works and housing projects.. The projects will include the construction of 1 200 houses in Tete, Zambezia and Cabo Delgado provinces.

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. A UN-Habitat paper suggests that the average household investment in housing is US$15 000, and that Mozambican families have invested at least US$3 billion in informal housing in Maputo alone.

Property markets

In Mozambique, all land is owned by the state and the right to use land is acquired through a long-term title known as a DUAT. Land cannot be mortgaged, but construction and assets on the land can be mortgaged. According to the Global Housing Indicators, 20% of properties are registered.

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 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%, live in less formal areas. Because overall housing quality and access to public services remain poor for the majority of citizens, there is little mortgageable stock. 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, that the title may be questioned). Some rented housing stock converted to private ownership is emerging from 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.

Investment spurred by the increasing mining activity in Mozambique has led to the rapid growth of cities beyond Maputo and Matola. Rapidly growing cities such as Nampula, Beira, Nacala and Tete have been struggling to cope with the pressure, and this has resulted in the rise of unplanned (and untitled) settlements, lacking adequate infrastructure. In an effort to engage with these urban pressures more effectively, the government created 10 new municipalities in May 2013, bringing the total to 53 across the country.

Policy and regulation

Mozambique's first housing policy and strategy was approved in 2011, integrated within the five-year Government Plan (2010-2014). Included within the policy was a commitment by government to build 100 000 houses and service 300 000 plots of land by 2014. Through the 'Housing Action Plan for the Young, Civil Servants, and Old Combatants', these broad delivery plans get more detail: 20% of the planned housing delivery is to be by government, 30% by the private sector and 50% by residents themselves through self-construction. Only 5% of houses are to be fully subsidised.

The 2012 Economic and Social Plan and the Slum Upgrading Strategy both add emphasis to housing and urban infrastructure upgrading.

These developments notwithstanding, 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 10%, mainly in the cement town area. This limits the amount 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 takes 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.

A new Finance Sector Strategy for 2012-2020 includes a specific section on housing finance market development.

Opportunities

Mozambique has had healthy economic growth and foreign investment in the last few years. Analysts suggest that the development of the natural gas and coal reserves in Mozambique should have a dramatic impact on GDP, bringing Mozambique's figures close to those of Angola or Qatar. While this has, and will continue to support a boom in the higher end property market, the need for greater supply of affordable housing is increasingly 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 a country where all land is owned by the state and the need for state consent is onerous. There is enormous need and potential for housing microfinance; a pre-existing microfinance industry, self-build being an accepted building method, provision of starter plots by the Housing Promotion Fund and secure tenure among urban dwellers.

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Namibia

KEY FIGURES

Main Urban Centres	Windhoek (capital), Walvis Bay, Swarkopmund
Exchange Rate: 1 US$ =	10.19 Namibian Dollar (N$)
Population ^	2 259 393
Population growth rate (%) ^	1.87
Urban population (% of total) ^	38.96
Urbanisation rate (%) ^	3.35
GDP per capita (US$) ^	5 668.39
GDP growth rate (%, real) ^	3.04
GNI per capita, Atlas method (current US$) ^	5670
Population less than US$2 per day~	51.1
Population below national poverty line *	...
Gini co-efficient ~	63.9
HDI (Global Ranking)"	128
HDI (Country Index Score) "	0.608
Unemployment rate (%) *	21.90
Bank branches per 100 000 ^	7.10
Lending Interest Rate ^	8.65
Deposit Interest Rate ^	4.21
Credit % of GDP ^	50.56
Ease of Doing Business Ranking (out of 185 countries) !	87
Average Mortgages % of GDP	18.21% (Hofinet 2011)
Average Outstanding loan to purchase a home, older adults (% age 25+)	
What is the cost of standard 50kg bag of cement (in US$)? #	7.00
What is the price of the cheapest, newly built house by a formal developer or contractor? #	14 337 (excl. land)
What is the size of this house (in m^2)? #	
What is the minimum stand or plot size for residential property #	300

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Namibia is a middle income country in Southern Africa, with a GDP per capita in 2010 of US$5 330. GDP growth rates have hovered just below 6% since 2007, with a drop to – 0.7% in 2009, but up again to 4.6% in 2012. According to the Bank of Namibia, GDP grew at an estimated 4.8% in the first half of 2013. The main growth driver is the mining sector, especially diamond and uranium mining activities. The construction sector has grown significantly (estimated at 8%), in part due to Namibia's Targeted Intervention Programme for Employment and Economic Growth (TIPEEG), but also as a result of property developments. The programme was launched by government in March 2011 in an effort to reduce Namibia's high unemployment rate (51.2%) by creating and retaining 104 000 job opportunities. Inflation has declined significantly, from 8.7% in 2009 to 4.5% in 2010 – this was due to a drop in demand for agricultural outputs as well as a strong currency. The inflation rate averaged 6.5% during 2012, up from 5% in 2011. In August 2012, the Bank of Namibia brought the repo rate down to 5.5% after a slight increase earlier in the year. The discovery of oil off the coast of Namibia in July 2011 promises to change the country's fortunes dramatically. In February of this year, EnerGulf Resources suggested the discovery involved an estimated 3.16 billion barrels of potentially recoverable oil. Namibia is one of the least equal nations in the world. With a Gini coefficient of 0.58, there is a significant gap between the rich and the poor.

Access to finance

Namibia's financial banking system, with strong links to South African financial institutions, is mature and efficient. There are four commercial banks, one savings bank (Nampost), 10 insurance companies and 348 microlenders. Banks account for 40% of the financial market share. Traditionally, lending to households and corporations has been a significant part of bank credit and has been increasing, with about 52.8% of these loans being in the form of mortgages in 2012. This means Namibia's mortgage market is relatively large by continental standards and second only to South Africa's. Mortgage lending grew by 13.1% in 2012, reaching N$27.4 billion (US$2.8 billion), compared to 11.1% in 2011. By February 2013, mortgage advances grew by 14.3% year on year, due largely to higher value properties that dominated the activity. The Bank of Namibia has expressed concern about the heavy concentration in long-term mortgage bonds on bank balance sheets, and has responded to this by imposing a 50% risk weight to residential mortgage loans. Banks also manage the risk of default. End-user mortgage loan eligibility criteria are generally stringent and have become more so in recent times. Limited collateral hampers the use of these loans by low income consumers.

To promote enhanced access to financial services, Namibia launched a Financial Sector Charter (FSC) in May 2009, which will be in effect 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 regarding lending to formerly disadvantaged members of the population, which should encourage even greater lending by the financial sector. The FSC was followed by a Financial Sector Strategy 2011-2021.

FinScope Namibia 2011 reports that the number of people who are unbanked has decreased from 50% in 2007 to 31% in 2012, with usage of insurance doubling over the period. Transaction banking and savings also increased by about 30%. Use of credit and loans went up by 5%, from 15% in 2007 to 20% in 2011. The FSC targets anticipate that 74% of Namibians will have access to financial service by 2019. In 2012, the FSC developed new legislation to establish a regulatory framework for tier II banks, which will serve as microfinance oriented banks with a special focus on serving the low income segment of society. There are 7.10 commercial bank branches per 100 000 adults and 0.84 ATMs per 1 000 km^2 in Namibia. According to the International Monetary Fund's Financial Access Survey, outstanding loans from commercial banks make up 48.35% of GDP.

The infrastructure to facilitate mortgage lending is fairly well developed. In terms of the World Bank's 2013 Doing Business report, Namibia scores four out of a possible six on the 'depth of credit information' index, as the country has three private credit bureaus that include data on about 63.9% 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 country's judicial system scores eight out of a possible 11 on the World Bank's 'strength of legal rights' index. What is lacking is a collateral registry system unified geographically and by asset type. Namibia scores high in terms of 'ease of getting credit', in 40th place out of 185 countries, although down two places from the previous year.

Namibia has a small microfinance sector with only two microfinance institutions (FIDES Bank Namibia and Koshi Yomuti) reporting to the Mix Market (an online source of microfinance performance data and analysis) in 2011 (and none since then). These two MFIs have a gross loan portfolio of US$3.2 million (N$31.3 million) and serve over 2 731 borrowers. Some microlending for housing purposes is starting to take place, for example by the Shack Dwellers Federation of Namibia (SDFN). The SDFN provides its members with loans ranging from a minimum of N$8 000 (US$818) to N$26 000 (about US$2 600), with the main determining factor of the loan value being the ability to repay the loan. The loans are repayable within a period of 11 years at an interest rate of 0.5% per month. The government's Financial Sector 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

A recent Bank of Namibia publication indicates that the housing backlog was 80 000 housing units in 2007, and is growing by 3 000 units every year, thus it is estimated that the housing backlog now stands at 95 000 units.

According to the February 2013 First National Bank (FNB) House Price Index, a small housing unit costs N$283,172 (about US$28 770) in the central area of Namibia, which includes Windhoek. Over a term of 20 years at 11% interest, this will cost US$287 a month and be affordable to a household earning at least N$7 836 (US$939) per month. As 93% of the population earn less that N$7 000 a month, this house is not available to the vast majority of people. A significant component of this cost – over half – is land and services: the average price per square metre for construction of a house by a contractor is about N$3 200. This translates to 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 low price segment: total properties registered were down 15% month-on-month since January 2011. The average price of a house financed by FNB costs US$80 000 (about N$781 000). FNB reports that the lower priced property segments grew fastest, while the higher priced properties' growth rate fell.

There are varied efforts to address housing affordability. Early in the year, a mobile, low cost housing brick plant was opened in Otjomuise, producing a brick that minimised the use of cement. It was estimated that houses built with such bricks would cost between N$130 000 (US$14 337) and N150 000 (US$16 543) and take 12 days to construct. For its part, the Namibian government has reduced stamp duties and transfer cost thresholds, also to improve housing affordability.

Housing supply

With the national housing backlog estimated at just under 100 000 units and growing, informal settlements are visible in all of the urban centres in the country, as households struggle to access housing they can afford. At the same time, the Namibian construction sector is enjoying rapid growth – 18.8% in 2012, up from 16.2% in 2011 – although this is still insufficient to meet the demand. The real value of buildings completed rose by 10.8% in 2012, driven by construction in the residential and commercial property sectors in Windhoek, Walvis Bay and Swakopmund. The real value of building plans approved grew by 33.7% in 2012, suggesting increasing growth in this sector. Still, the focus of this activity is on the higher value markets, and the FNB House Price Index for Namibia argues that the market is undersupplied by 80%.

According to FinScope Namibia 2011, the majority of Namibians claim they own their housing, although the majority cannot prove this with a title deed. Only 24.3% say they bought their home; the majority (62.4%) say they built it themselves. A further 11.8% inherited their homes. Some 38% funded the ownership (purchase or construction) of their housing themselves. An additional 36% said that their housing did not cost anything, as they had used found materials to construct the dwelling. This suggests a high level of informal housing, which is supported by data on servicing levels: while 80% have access to water within their yard, only 52% of Namibians have access to some form of toilet. Only 9% said they had used bank financing to acquire their housing. Some 10% owe money on their housing.

The government has stipulated clear objectives related to housing provision in its Vision 2030 development strategy, in the National Development Plan III and in the TIPEEG. Its main implementing agent is the National Housing Enterprise (NHE), which targets low income formal housing. Established in 1993 by an Act of Parliament, the NHE acts as developer, provides loans for the purchase of its own developments and lets out units that have not been sold. Since 2003, the NHE has built about 450 houses per year for its target market: households earning between N$5 000 (US$511) and N$20 000 (US$2 044) per month. Apart from constructing houses, the NHE has also been involved in servicing land in a number of local authority areas, resulting in a total investment in service infrastructure of about N$145 million (about US$15 million). Houses cost on average N$275 000 (about US$28 000), inclusive of land. NHE loans are offered at a maximum of prime minus 1%.

The total investment requirements for the NHE under TIPEEG for the three years from 2011 to 2014 will amount to just over N$1 billion. The amount to be spent on land servicing will be N$131.4 million, while money to be spent on the construction of houses will be N$898 million. It is envisaged that successful implementation of these programmes will create some 44 337 direct and indirect job opportunities in the medium term. Since these programmes are constructed around already existing projects, the net new job opportunities to be created will be around 31 000 direct and indirect jobs opportunities. The employment and growth programme is also expected to result in 3 980 new serviced plots, 4 521 new low cost houses and about 13 000 new ventilated pit latrines. The programme was expected to stimulate housing and land delivery by as much as 63% in 2012, aimed at the middle priced segment. It is hoped that this will also reduce house price inflation.

In 2013, a National Housing Technical Committee was established to develop a mass housing development strategy. Spanning a number of government departments, the committee submitted its proposal to the Ministry of Regional and Local Government, Housing and Rural Development in March 2013. A member of the group, the NHE highlighted limited access to affordable, serviced land, the inflexibility in the current land tenure system, legislative and policy constraints that slow delivery, and a rapidly appreciating property market as some of the challenges. The proposed plan sets out a differentiated funding model to cater for different economic and social segments of the Namibian population, drawing on government, private sector and household financial resources, and is expected to be launched this year. A N$1.9 billion (US$204 million) budget was allocated to the Ministry of Regional, Local Government, Housing and Rural Development to cater for the servicing of land and improved sanitary standards in urban, peri-urban and rural areas. The programme will also be funded through pension funds, other institutional investors and funds from community savings schemes.

The private sector is beginning to engage with the demand for affordable housing. In September 2012, FNB announced that it was looking for partnerships with low income housing providers in Namibia. This led to a partnership with the NHE, with FNB providing the NHE with the necessary liquidity to develop housing more quickly. In March 2013, Eco Beam construction CC and Keystone Development Solutions were approved to construct demonstration houses for the City of Windhoek's affordable housing project to promote further delivery of low cost housing.

In the NGO sector, the Namibian Housing Action Group (NHAG) caters for the housing needs of lower income groups. The NHAG is the service NGO of the Shack Dwellers Federation of Namibia and has a membership of more than 20 000 households in 717 savings group. The Federation 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 Federation 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. Through the Flexible Land Tenure Act, secure tenure is obtained through sales of blocks (multiple plots) to communities who are then responsible for upgrading the sites, including transforming communal toilets and water points to individual household connections. The Federation obtains funding from the state for its Twahangana Fund; in 201001I it received a N$3 million (US$411 000) grant. According to Slum/Shack Dwellers International, the Federation is active in 84 cities across Namibia and has secured 1 621 hectares, providing 5 591 families with secure tenure and 1 576 of these with toilets, water and electricity. A total of 3 403 houses have been completed and 185 are currently under construction. The Federation is also undertaking a local mapping initiative in which 235 settlements have been profiled and 73 have been enumerated, while 10 global information system (GIS) maps have been prepared.

Property markets

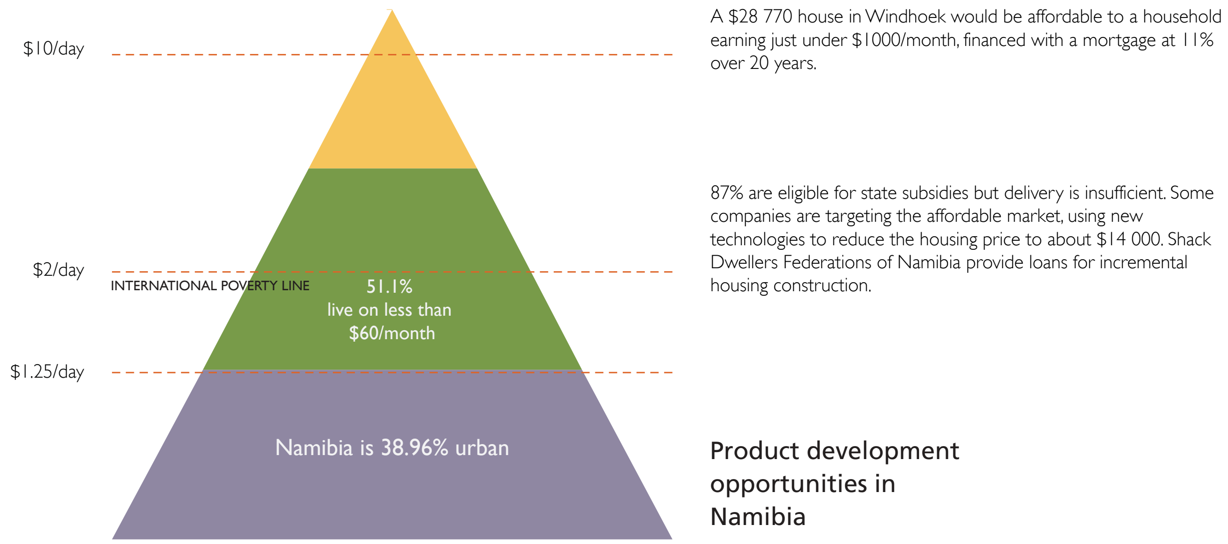
The scarcity of land suitable for housing developments is having a direct impact on the housing price in Namibia, and land delivery has been weakening since 2007. As a result, the monthly delivery of housing has reduced. FNB reports that a total of 17 vacant stands were mortgaged in February 2013, down from 80 stands mortgaged in January 2007. Given this constraint on supply, property prices have grown dramatically. In Windhoek, the median house price increased by 94% in the period between 2008 and 2013; in Swakopmund by 67%. FNB expects property prices to continue to appreciate, given that there is little indication of improved land delivery rates or increasing developer activity in housing construction.

According to the World Bank's 2013 Doing Business report, Namibia ranks 169th out of 185 countries for ease of registering a property, a drop of 21 places from 2012's ranking of 148th. On average the eight procedures involved in registering a property take 46 days and cost 13.8% of the property value. In 2013 Namibia made transferring property more difficult by requiring a building compliance certificate before conveyancing can go ahead.

Policy and regulation

Housing in Namibia is directed through the National Housing Policy of 2009, Vision 2030, various budget documents and the TIPEEG. The total budget allocated to housing affairs and services in 2011/12 was N$131 million.

Namibia has enacted judicial reforms targeting mortgage enforcement. These were to improve proceedings by providing



Product development opportunities in Namibia detailed guidance on the process, limiting delays and the possibility of abusive appeals, and eliminating arbitrary decisions. 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. It not only includes people for whom there are no mortgage products, but also that section of the population who may qualify for loans but are unable to access suitably priced housing. 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.

The recognised successes of the Shack Dwellers Federation of Namibia 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.

Of course, the opportunities arising from the discovery of oil can only be imagined at this stage. The discovery is suggested to involve an estimated three billion barrels of potentially recoverable oil, which 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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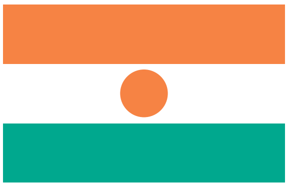
Niger



KEY FIGURES

Main Urban Centres	Niamey (capital)
Exchange Rate: 1 US$ =	491.17 West African Franc (CFA Franc)
Population ^	17 157, 042
Population growth rate (%) ^	3.84
Urban population (% of total) ^	18.12
Urbanisation rate (%) ^	5.24
GDP per capita (US$) ^	382.83
GDP growth rate (%, real) ^	7.02
GNI per capita, Atlas method (current US$) ^	370
Population less than US$2 per day~	75.23
Population below national poverty line *	63.0
Gini co-efficient ~	34.55
HDI (Global Ranking)"	186
HDI (Country Index Score) "	0.304
Unemployment rate (%) *	1.46
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	3.50
Credit % of GDP ^	13.56
Ease of Doing Business Ranking (out of 185 countries) !	176
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	14 (2012)
What is the price of the cheapest, newly built house by a formal developer or contractor? #	12 000 (2012)
What is the size of this house (in m²)? #	200
What is the minimum stand or plot size for residential property #	400

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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Overview

Niger Republic is a landlocked country in the north-western part of Africa. The country is the third 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 0.304 in 2011 and ranking 186 out of 187 countries**,** is among the lowest in the world. 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 other urban infrastructure. The country's economic growth is driven by its agricultural and mining sectors. The real GDP growth rate in 2012 was 11.2%, due to the rise in the prices of uranium and oil. Niger Republic started producing petroleum in November 2011.

Of Niger Republic's 17 million inhabitants, three million live in cities**,** making the country lightly urbanised compared to other countries in the region. Nevertheless, with a fertility rate of 7.6 children born per woman, one of the highest in the world, the urban population is estimated to double in 12 years. Recently the demand for housing has been aggravated by the Libyan war and the political crisis in Mali, which events have seen the return of Nigeriens who had been living in both countries.

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, and some more recently, in the capital), most of which belong to the four largest commercial banks in Niger. The branches are concentrated in Niamey, the capital, with very few in other main cities. There are 10 commercial banks, a bank of agriculture (Bagri) established in 2011 and one mortgage bank (Banque d'Habitat), created early 2011 but still not yet operating. The practice of microfinance in the country is steadily growing, with about 12 microfinance institutions active. Capital Finance and some others provide housing finance products, primarily for land purchase. These 12 MFIs reported to the Mix Market (an online repository of microfinance performance data and analysis) in 2012, and disbursed a total of US$23.7 million loans to 83 613 borrowers. These MFIs also held US$8.4 million in deposits from 295 009 consumers in the country. It is difficult to estimate the amount used for housing, however.

Prior to 2000, the government of Niger offered housing finance and government subsidised homes to government employees through a public and private owned credit and loan institution known as Crédit du Niger (CDN) and through a government-owned housing development company called Société Nationale d'Urbanisme et de Construction Immobilière (SONUCI). SONUCI is still operating but CDN has been liquidated, and in 2011 was replaced by Banque d'Habitat. In 2012, SONUCI developed a strategic partnership with some housing developers to build 2 000 houses by 2014. In 2013, construction was under way and each of three prototype houses have been built and can be visited by potential clients.

A few commercial banks, such as Bank of Africa, Ecobank, BIA Niger and Sonibank offer housing loans to employees of private companies. In most cases these companies are the banks' clients and the loans are secured by the employer, or are mutual guarantee loans. In 2011, Ecobank and the national labour union of teachers (Syndicat National des Enseignants du Niger, or SNEN) under the leadership of Mariama Chipkaou signed a partnership agreement to finance an affordable housing development programme for teachers all over the country. This is quite an innovative project in Niger. It is the first time that a commercial bank and a trade union worked together to develop housing for employees known to be among the lowest income bracket. SNEN members who are interested in the programme can open an account with Ecobank and are eligible for a housing loan after saving between 15% and 33% of the value of the house. Once an account is opened and savings are up to 10%, the SNEN member can have access to the land on which the house is to be built. The land is registered in the buyer's name and used as guarantee for the loan. The house is built by a developer. The first phase of this programme, involving the delivery of 140 units, is scheduled for the end of 2013. The initiative has had a positive impact in Niger, and other trade unions have developed similar projects with commercial banks or microfinance institutions.

Mortgage financing is still in an embryonic stage due to the low average income of employees in Niger, as well as other constraints, such as the low percentage of the population who are employed. 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 with the majority of the West African Economic and Monetary Union countries, long-term funding remains a major challenge for Niger's housing market. Nevertheless, there are opportunities for developing national and regional mortgage banks and credit bureaux.

Affordability

Access to mortgage finance is extremely limited, and when available, interest rates and loan tenure render the cost of borrowing very high. As such, the majority of the population cannot afford housing. The smallest mortgage available is CFA Francs 6.5 million (about US$14 444), which, at an interest rate of 10.5% and repayable over seven to 15 years, would require a monthly repayment of US$218 to US$129. About 75% of the country's population earn below U$60 a month (or U$2 a day), which makes even the smallest mortgage unaffordable. The high cost of borrowing in terms of interest rates also contributes to the low mortgage affordability in the country. Only about 22% of salary workers (representing less than 1% of the entire population), in most cases high-level government officials, and to some extent middle management staff in private companies, have access to housing finance.

The majority of the population in the urban areas rent their homes. Rental homes are provided by SONUCI, informal housing promoters and other private landlords. Rents vary according to the quality and location of homes. They range from the equivalent of US$50 to US$2 500 a month in Niamey. Other forms of rentals include the popularly known 'rooms' or 'room and parlour' arrangements. These are found all over Niger, especially in the popular streets of the capital, and the average rents are between US$14 and US$60 per month. At present no company or institution provides rentals on a larger scale, other than SONUCI, but even this is insufficient to meet demand. Additionally, less than 0.1% of the population has access to government subsidies for housing due to the fact that only salary workers (and particularly government employees) qualify for subsidised houses.

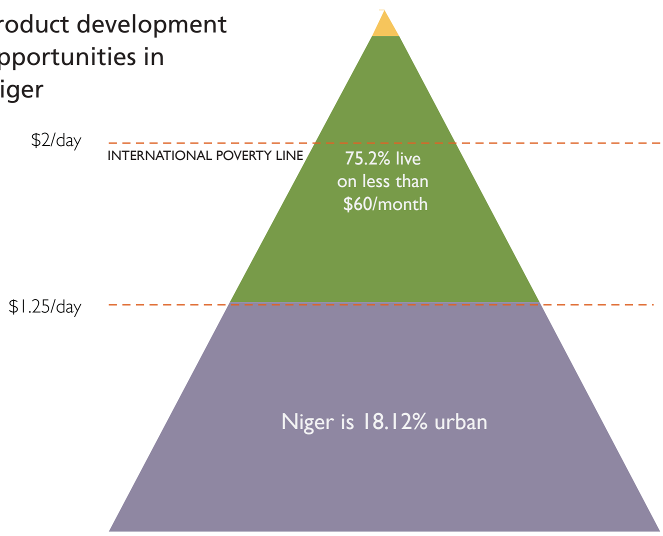
Housing supply

Housing stock in Niger can be classified in three categories, based on the material used for construction: construction with mud and straw, and ceilings of wood (maison en terrecuite /banco); construction with mud and plaster with cement, and corrugated iron sheet for the ceiling (maison en semi dur); and construction with cement, concrete and stone, and corrugated iron for the ceiling (maison en dur) –modern homes. The average cost of construction of the different categories depends on the geographical location, the size of the land, the plan and the quality of the material used.

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

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 units per year. There is a need to update the study, however, as recent events appear to have exacerbated the backlog. The recent boom in the mining sector, the Libyan war and the political crisis in Mali have all accentuated rents and demand for houses in Niamey as well as in other cities. The absence of mortgage banks in the provision of end-user finance is a major challenge to the development of housing.

Product development opportunities in Niger



The smallest mortgage available is about US$14 444, which, at 10.5% interest over 7–15 years, would be affordable to a buyer earning about $400–$600.

The majority of the population in urban areas rent their homes. Large scale rentals are not provided, however. Only salaried workers qualify for housing subsidies.

There are about 10 formal enterprises in the construction industry and a few in the real estate sector. Most of these focus on land acquisition from traditional proprietors and servicing the land into plots. The serviced plots are sold to potential homeowners who build their homes incrementally. The majority of potential homeowners finance these purchases with savings and loans. There are different methods of financing by commercial banks and MFIs, but among MFIs, the most popular consists of initial savings over three to five years for land acquisition, after which a loan is granted according to the client's income and the land title. The loans in most cases are insufficient for building a home, therefore most homeowners build their homes over a period of time.

In the 40 years between 1960 and 2000, the government of Niger financed only 1 236 houses. More recently, the government has introduced policies that are intended to induce the private sector to participate in developing housing. These initiatives include public private partnership projects, and facilitating access to land for developers. The construction of low income houses such as the Sari Koubou project, financed by government, and the Projet la Renaissance du Niger, financed by SONUCI, local banks and regional financial institutions, are examples of recent progress. These houses are mainly for middle income government employees, however. Delivery is progressing but still limited. Just 114 out of 174 houses of the Sari Koubou project have been delivered; the beneficiaries have signed the necessary documents for ownership and by June 2013, about 66% of houses had been transferred to their owners. The remaining houses are scheduled to be transferred to their owners before the end of the year. The three prototype houses of the Renaissance du Niger are constructed and delivery of the first phase of the project is scheduled for 2014.

Other important projects under construction include the teachers' trade union housing programme, the Capital Finance housing project, the Société Nigérienne Des Products Pétroliers (SONIDEP) villas and the customs trade union housing project.

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. The price push is exacerbated by the expectation of economic growth in 2012 when Niger starts producing and exporting petroleum. Foreign investors, rich Nigerien citizens and Nigeriens from the diaspora are buying properties and investing heavily in modernising 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, coupled with the ambitious programme of the president, known as 'Niamey Nyala' or 'Niamey the cute', a programme to metamorphose Niger's capital city Niamey into a modern, attractive city.

According to the World Bank's Doing Business 2013 survey, Niger ranks 87th globally in terms of ease of registering property, down from 86th in 2012. Four procedures are required to register property (which are fewer than the six procedures required, on average, across Sub-Saharan Africa), and the process takes 35 days (almost half the Sub-Saharan African average). At 11% of the property value, the cost of registration is relatively high (and 1.5% above the Sub-Saharan average).

Policy and regulation

Since the late 1990s, there has been a significant evolution in urban planning and urban management. The Niger Republic's national policy and regulation on land (Politique Nationale en Matière d'Habitat) was adopted in December 1998. The law defines the procedures for housing finance and the approach to promoting housing development. These include creating a national housing fund scheme, creating a national research centre to promote construction materials and technology, and transforming CDN into a housing finance bank. The national policy on habitat advocates for housing loans by commercial banks, and encourages private investments and savings.

In 2012, the Public Private Partnership Act was adopted. This relates to the development of urban infrastructure, especially housing, where long-term financing is crucial. The goal of the act is to promote private interest in the development of housing and other urban infrastructure.

In terms of urban planning and land administration, the land administration law (la Loid'Orientation sur l'Urbanisme et l'Aménagement Foncier, or LOUAF) was adopted in March 2008. LOUAF deals with customary property rights and decentralisation. The adoption of LOAUF has contributed to the clarification of responsibilities between the central authority and communal authorities. This in turn facilitated the registration of properties in rural areas. Prior to implementation, it was impossible to register rural land or properties. Research is needed to measure implementation and evaluate the impact on the decentralised communities and on the development of housing and housing finance in Niger and other UEMOA countries.

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 – land and property titles, or Titre Foncier – remains a challenge. The difficulties encountered will hopefully 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 has eliminated unnecessary bureaucratic authorisations. The outcome of the reform can be measured in terms of the number of land titles awarded before and after the introduction of Sheida: 150 before and 1 000 after. These figures need to be updated and the impact of Sheida needs to be assessed.

Sheida, LOUAF and the new investment code will certainly 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, petroleum and agricultural sectors and a significant increase in the income of middle class Nigeriens. The Niger market also offers potential for other urban infrastructure investment. 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 ambitious government programme to transform the capital city of Niamey into a modern city also bodes well for increased investment. 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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Nigeria

KEY FIGURES

Main Urban Centres	Lagos (capital), Abuja, Port Harcourt
Exchange Rate: 1 US$ =	161.65 Nigerian Naira (N)
Population ^	168 833 776
Population growth rate (%) ^	2.79
Urban population (% of total) ^	50.23
Urbanisation rate (%) ^	4.02
GDP per capita (US$) ^	1 555.41
GDP growth rate (%, real) ^	3.62
GNI per capita, Atlas method (current US$) ^	1430
Population less than US$2 per day~	78.47
Population below national poverty line *	65.6
Gini co-efficient ~	39.74
HDI (Global Ranking)"	153
HDI (Country Index Score) "	0.471
Unemployment rate (%) *	3.94
Bank branches per 100 000 ^	6.44
Lending Interest Rate ^	16.79
Deposit Interest Rate ^	8.41
Credit % of GDP ^	35.26
Ease of Doing Business Ranking (out of 185 countries) !	131
Average Mortgages % of GDP°	0.38%
Average Outstanding loan to purchase a home, older adults (% age 25+)	0%
What is the cost of standard 50kg bag of cement (in US$)? #	10,60 urban / 11.70 rural
What is the price of the cheapest, newly built house by a formal developer or contractor? #	16 700
What is the size of this house (in m^2)? #	65
What is the minimum stand or plot size for residential property #	648.8

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
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Overview

Nigeria is Africa's most populous nation, and the leading oil and gas producer in Africa. Following a banking sector crisis in 2009 which is now working its way out of the system, the real GDP growth rate rose to 7.8% in 2010. Growth dropped to 6.6% in 2012 as a result of a partial removal of fuel price subsidies, an increase in electricity tariffs, security challenges and a decline in agricultural output. Nigeria's economy is dependent on its two driving sectors, mining (40% of GDP in 2011, and including oil and gas at 15% of GDP) and agriculture (30% of GDP in 2011, and employing 70% of the labour force). For 2013, growth is projected to increase marginally to 6.7%, and to 7.3% by 2014. Inflation is projected to come down slowly from 12% in 2012, to 9.7% in 2013, and 9.5% in 2014. Nigeria has rebased its GDP calculation from 1990 to 2009. It is expected that this will increase total GDP by about 40%, putting the economy just behind South Africa's.

The National Bureau of Statistics reported in 2013 that the real estate market contributed 1.85% to GDP in 2012, and the building and construction industry 2.19% for the same period. This is surprisingly small, given the country's high rate of urbanisation, at an estimated 3.5%. Both sectors are growing, however: real estate by 10.41% and building and construction by 12.52% in 2012. In the same year, the Ministry of Lands, Housing and Urban Development was allocated a N 24.9 billion budget, amounting to 3% of the national budget. It is worth noting, however, that more than 60% is for recurring expenditure.

Access to finance

Nigeria's financial system has undergone restructuring several times and has seen considerable improvements to its sector supervision. In 2010, most banks were required to adopt the International Financial Reporting Standards. Restructuring involved consolidating the banks, which significantly improved the financial intermediation levels. Total credit to the private sector comprised 37.1% of GDP at the end of December 2011 and 42% at the end of August 2012.

As of December 2012, the Central Bank of Nigeria reported that there were 21 commercial banks, two merchant banks, four discount houses, 882 microfinance banks, 82 primary mortgage banks (PMBs), 66 finance companies, five development finance institutions, and 2 278 exchange bureaux. Although growing, the insurance and pension industry is relatively small. The microfinance sector is growing, but only 77 microfinance institutions reported to the Mix Market in 2012. Together, these MFIs had a loan book of US$318 million for 1.6 million borrowers. They had collected US$202.3 million in deposits from about two million depositors. One of the larger MFIs, SEAP, had a gross loan portfolio of US$40.7 million in 2011, and offers a housing loan among its suite of products.

In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database, exploring levels of financial inclusion around the world. According to Global Findex, while 30% of Nigerians over the age of 15 have an account at a formal financial institution, only 2% of Nigerians over the age of 15 have a loan from a financial institution, and almost none (0.6% overall) have an outstanding loan to purchase a home. Borrowing for home construction is more common, although still miniscule: 1.7% overall, or 1.5% of the top 60% of income earners and 1.9% of the bottom 40% of income earners had a loan for home construction.

These findings are reflected in macroeconomic data. Despite the size of the Nigerian economy, mortgage debt to GDP is about 1%, and only about 5% of the 13.7 million housing units in Nigeria are currently financed with a mortgage. This is despite the fact that Nigeria has a highly developed housing financing sector, which has been driven by the activities of its 21 commercial banks and 82 primary mortgage banks. In 2011, a new policy framework for the sub-sector was approved, providing for an increase in the minimum paid-up capital of PMBs – national PMBs are required to hold a minimum paid-up capital of N5 billion (US$31.2 million), while State PMBs are required to hold N2.5 billion (US$15.6 million). The policy further provides for the development of a uniform underwriting standard for mortgage loan origination, and the establishment of a mortgage liquidity facility, which the Nigerian government is developing with the support of the World Bank. The policy also focuses the activities of PMBs on mortgage lending – they are not allowed to operate current accounts for non-mortgage customers, grant consumer or commercial loans, or even engage in project management for real estate development. The Central Bank of Nigeria reports that the reforms were explicitly developed to facilitate the provision of affordable housing for low and middle income earners, and to promote the overall development of Nigeria's housing sector. By the end of December 2012, the total assets of the PMBs sat at N348.1 billion (US$2.17 billion), and loans and advances at N120.9 billion (US$755 million).

In addition to the PMBs, 20 registered banks also offer mortgages. Interest rates are high, but vary considerably from bank to bank. The Central Bank publishes deposit and lending rates on a weekly basis, and in August 2013, prime mortgage rates among commercial banks ranged from 11% (Ecobank Nigeria) to 25% (Wema Bank), and maximum mortgage rates ranged from 19% (First Bank of Nigeria) to 30% (Unity Bank).

The Nigerian government uses the Federal Mortgage Bank of Nigeria (FMBN), an apex mortgage institution, to promote mortgage lending in the economy and to manage Nigerian housing policy. In 2012, it was announced that the FMBN would be recapitalised to N200 billion (US$1.249 billion). 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% of their salary. Contributors receive a 2% interest rate per annum on such savings/contributions, and by virtue of the contribution over a minimum of six months, are entitled to apply for the NHF-sponsored loan through a PMB. Up to N15 million (US$93 705) can be borrowed, and depending on the loan amount, the borrower must make a deposit of between 10% and 30%. Borrowers who receive an NHF-sponsored loan pay a highly competitive, 6% interest rate, fixed for the duration of the loan – up to 30 years. From this, one third goes to the PMB for administering the loan, while FMBN takes the remaining two thirds to cover the cost of funds. Half of this is paid out to the employee contributions. Contributions are also expected from banks and registered insurance companies according to pre-determined ratio as spelt out by the enabling law establishing the NHF. Unfortunately the law has never been enforced on the commercial banks and insurance companies. NHF collections have tripled to more than N1 billion (US$6.6 million) a month. Cumulative collections at December 2009 stood at N52 billion (US$342 million).

The FMBN also offers an Estate Development Loan for members of the Real Estate Developers Association of Nigeria who have entered into an agreement with a PMB for take-out finance. The two-year loan is charged at 10% per annum. A Cooperative Housing Loan Scheme has also been developed, targeted at the informal sector. The loan enables a registered co-operative society that has acquired a plot of land to develop houses for allocation to its members. The loan is similar to the Estate Development Loan, offered over 24 months at 10% per annum. Housing units must fall within a target selling price of less than N5 million (US$31 235).

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. For example, in 2008 the FMBN issued N100 billion residential mortgage backed securities; also, Union Homes Savings and Loans Plc introduced its hybrid Real Estate Investment Trust (REIT) N50 billion (US$333 million) public offer in 2008. There have also been state level efforts to improve mortgage market liquidity. Recently Lagos established a mortgage board, and also launched a mortgage scheme 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.

An important and much anticipated development is the introduction of a Mortgage Refinance Company (MRC), a liquidity facility, similar to the Tanzanian and Egyptian facilities being developed, with US$300 million in support from the World Bank. Driven by the Federal Ministry of Finance, the new MRC will provide long-term refinancing to mortgage originators, hopefully also reducing interest rates by more closely matching long-term loans with long-term sources of capital. It is anticipated that the company will be incorporated and licensed in the fourth quarter of 2013, and will set a growth process in motion that will deliver 75 000 homes per annum, creating at least 300 000 direct jobs and 488 000 indirect jobs. The MRC will be set up as a public private partnership arrangement with shareholders comprising government, international development finance institutions such as the IFC and Shelter Afrique, Nigerian commercial banks and PMBs, and private equity investors. It will issue long-term bonds in the Nigerian financial market and channel proceeds to member institutions at a competitive rate. A key constraint to the development of the mortgage market, which the MRC may catalyse, is the ability to foreclose in the event of mortgage default. The MRC will also support the standardisation of Nigeria's mortgage industry, a necessary factor for growth into the future.

There is scope for pensions to be used to fund housing finance, and this is increasingly being recognised. The pension industry in Nigeria is relatively small; only 1.7% of the labour force contributes. Nevertheless it holds a substantial amount of long-term liquidity – N3.02 trillion (US$18.86 billion or 7% of GDP) in October 2012, which is expected to grow at 30% over the next 10 years to over US$100 billion, or 20% of GDP, the largest investment in the economy. The Pension Act allows 40% of pension funds 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, and other issues such as the quality of land title documents. As a result, over 80% of pension funds have gone into government bonds instead.

Credit bureaus were introduced in the country to provide credit information on the adult population, and to date, 4.1% of the population is included on the register. 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 it is now a regulatory requirement that all the banks and PMIs should be registered with a minimum of two credit bureaus, and credit checks have been made mandatory as part of the condition to draw down. Over 50 microfinance institutions have signed up to the credit bureau. Nigeria improved its score for getting credit by 15 places, to a 2013 ranking of 23rd internationally, on the World Bank's Doing Business indicators. The country scores a strong nine out of 10 in the strength of legal rights index.

Affordability

Nigeria's strong economic growth has not translated into employment generation; unemployment was at 24% in 2011. As a result, an estimated 69% of the population lived below the national poverty line in 2010, and in 2011, per capita GDP was measured at US$1 414. Although the minimum wage was revised to N18 000 (US$116.24) per month in 2011, up from N7 500 where it was set in 2000, 80% of the population still earn less than US$60 a month. Even with the NHF's 6% subsidised loan, the maximum loan amount of N15 million (US$93 705), repayable over 30 years, would result in a monthly payment of N89 932 (US$562). If a household could afford to dedicate 25% of their income to their housing costs, this would suggest a household income of N359 728 (US$2 247), far above the minimum wage and enjoyed by less than 1% of the population. At N18 000 per month, the most a household could afford to borrow from the NHF would be about N750 000 (US$ 4 685), not enough to buy a house. The average price of a low income house within Lagos is reportedly N4 906 259 (about US$30 000). This would require a monthly payment of N29 415 (US$183.76), suggesting an income of N117 660 (US$735).

There are a number of causes for the relatively high costs of housing in Nigeria. Over 60% of raw materials are imported – this leads to high building costs, which fluctuate in price with the exchange rate. The cost of cement is illustrative. In 2011, cement prices had almost doubled to N2 800 (US$17.76) for a 50kg bag of cement. Government intervened with a standing order to local manufacturers in the industry to increase their production capacity so that the price would reduce to N2 000 (US$12.49). Another contributor is the lack of basic infrastructure, which adds as much as 30% to the total costs of the development. Land is also very costly. Inflation contributes towards the high cost of borrowing in the country as the owner of capital has to be compensated over and above inflation rate as an incentive 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 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 2011, 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 fine of N250 000 for forceful eviction. However, there are reports that it has been ineffective, as some landlords continue to expect up-front rental payments of up to two years.

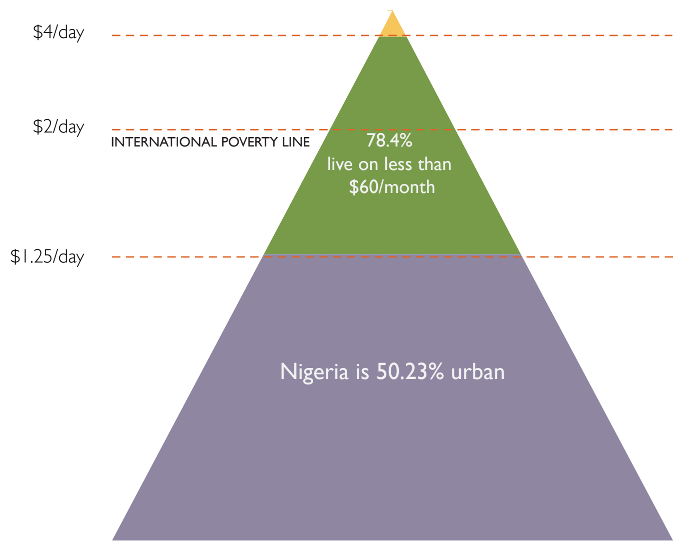
The challenge of housing affordability is not lost on government, and is explicitly addressed in the National Housing Policy, approved in December 2011. Arising from the Policy, a Social Housing Bill was presented to Parliament in August 2013. The policy considers three income groups: no income earners, low income earners, and lower-medium income earners. The intention of the Bill would be to deliver 3.6 million houses to these target groups, annually. The focus of the parliamentary debate was on how such ambitions would be funded.

Housing supply

Estimates of the housing shortfall in Nigeria are between 14 million and 17 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. Nigeria's 2020 development strategy includes a vision to build 10 398 650 housing units between 2012 and 2020. To better understand the scope and profile of the housing deficit the Ministry of Land, Housing and Urban Development announced in July 2013 that it would be undertaking a housing census. The building and construction sector has been growing ahead of the economy since 2007, at an average annual rate of beween 12% and 13%.

The Federal Housing Authority (FHA) was established in 1973 with the intention of driving a mass housing delivery programme. By 2013, however, it had only built 37 000 houses for 167 million Nigerians, less than 1000 units per annum. Given this poor performance, proposals towards the restructuring and full commercialisation of the FHA were introduced in 2012, and the process is currently under way.

Private sector delivery is increasingly strong, albeit focused on the luxury and high income markets. Developments promised in 2013 include a US$6.7 million investment in Lagos, and the Lagos Eko Atlantic City development on land reclaimed from the Atlantic Ocean. In the former, the developer plans a cross-subsidisation model where returns on high value properties will be used to subsidise the delivery of housing targeted at low to moderate income earners. The Lagos Cooperative Home Ownership Incentive Scheme is a public private partnership between Lagos State government and First World Communities Ltd.



A household earning the minimum wage ($116/month) could only afford to borrow $4 685 – not enough for the cheapest house, which at $16 700 costs almost 4 times that amount.

The Social Housing Bill intends to deliver 3.6 million units to lower income earners, annually. The Bill is still in Parliament, however.

Product development opportunities in Nigeria

The rental market is big; about 85% of the urban population lives in rented accommodation, spending more than 40% of their income on rent. Some 90% of houses in Nigeria are self-built, with less than 5% having formal title. The few initiatives that target the poorest sections of the population include the Women's Housing Plan Initiative and Habitat for Humanity, which in conjunction with the MTN Foundation has launched a low-cost housing project. An interesting project introduced by Lafarge Cement takes a value chain approach to incremental housing construction, supporting households with technical construction advice and housing microfinance to build their homes with materials and artisans sourced by Lafarge.

Property markets

Nigeria has a high-income housing market with demand for good quality housing outstripping supply in many urban centres. However, as very little land is under formal title, and the predominance of less than mortgageable quality housing, means that overall the formal housing market is small and serves the minority. According to the Land Use Act of 1978, which many have argued requires amendment, the allocation of title to land is vested in the governor of each state. The governor has the 'rights and privileges' to allocate land through a leasehold system. Where titles do exist, geospatial data and the formal registry system is inadequate, and bottlenecks arise in the property transfer system as a result of a series of legislative constraints and a multiplicity of laws establishing ownership of landed properties. According to the World Bank's Doing Business 2013 report, Nigeria ranks close to the worst globally, 182nd out of 185 countries for Registering Property. The registration process is cumbersome, with 13 procedures, and lengthy, taking 86 days. It is also expensive; it costs an estimated 20.8% of the property value to register property, more than double the average for Sub-Saharan Africa, and five times the OECD average.

Despite the potential size of Nigeria's residential property market, the real estate sector contributed only 1.85% to GDP in the third quarter of 2012. It is hoped that the policy for PMBs and the expected MRC will address the long term funding constraints that have undermined the sector's growth to date.

Policy and regulation

Nigeria's national strategic plan Vision 2020 provides that mortgages will play a key role in growing the country. However, uncoordinated policies of various tiers of government on land management and administration, which includes the high cost and long process of obtaining titles, greatly hamper housing delivery. 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. Even in urban areas where title deeds are more common, there can be difficulties in clarifying who actually holds title to the land. This title uncertainty often means endless challenges in court. Another hindrance is that 65% to 70% of land is still held under customary title, again limiting its utility for mortgage finance. There is also a 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 of Nigeria and a Ministry of Lands, Housing and Urban Development, as well as restructuring the housing finance system through the FMBN. 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. In August 2010, the governor of Lagos State signed into law a bill establishing the Lagos State Mortgage Board whose mandate is to generate an environment that enables access to mortgage finance..

A National Housing Policy was adopted in December 2011 to ensure that all Nigerians own or have access to decent, safe and sanitary housing in healthy environment with infrastructural services at affordable cost, with secure tenure. Some 13 policy thrusts are identified, and broadly seek to create an environment in which the capacity of all stakeholders (public, private, NGO and community) are effectively mobilised towards the achievement of the policy purpose. Separate chapters deal with land for housing, housing finance, housing maintenance, building materials and construction workforce, social housing, and management information systems. The implementation challenge will be to connect it across the 10 institutions responsible for housing at the Federal level, and then the multiple State and local government bodies.

Opportunities

Nigeria represents a potentially huge market for housing development, mortgage and housing microfinance lending. While the government and its various institutions are paying substantial attention to the mortgage market, the potential of the housing microfinance market is increasingly being acknowledged. With a population of more than 70 million low income people and a small mortgage market, housing microfinance has enormous potential. Many self-build properties have appreciated in value, pointing to the possibility of housing microfinance products entering the formal property market and being resold through mortgages. Government attention to the policy and legislative constraints in the market are all promising and suggest further opportunities.

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Rwanda

Overview

Since 1996, Rwanda has seen a positive economic transformation, focussing on upgrading infrastructure, reducing poverty, privatising state-owned assets, expanding its export base and relaxing trade laws. In 2008, the capital Kigali was the first city in Africa to be awarded the Habitat Scroll of Honour Award in recognition of its "cleanliness, security and urban conservation model".

With only 26% of its population urban, Rwanda is among the least urbanised countries in Sub-Saharan Africa, but its densities are the highest within the mainland region. Rwanda is classified as a low income country, with the majority of its population still engaged in agricultural and mining activities. Urbanisation levels are expected to increase to 43% by 2050. This will have consequences on urban policies and the construction rate of housing. Kigali will be most affected. Already, however, informal settlements in Kigali make up about 62% of the land area and house about 83% of the city's population.

In 2012, GDP growth was estimated at 7.7%, a decrease from 8.3% in 2011, due to the global economic crisis and the government's fiscal consolidation. Still very healthy and among the strongest globally, the economy is expected to slow further to 7.1% in 2013 and 7.3% in 2014. Annual inflation in June 2013 was 3.68%.

Coffee, tea, minerals and tourism are the main sectors. The economy is dominated by services, which contributed 46% of GDP in 2012. This growth was built on the expansion in trade, transport and telecommunication, and increases in finance and insurance. Agriculture decreased its GDP share to a still significant 35.8% in 2011, due to the decrease in productivity and limited added value.

KEY FIGURES

Main Urban Centres	Kigali (capital)
Exchange Rate: 1 US$ =	649.98 Rwandan Franc (RWF)
Population ^	11 457 801
Population growth rate (%) ^	2.77
Urban population (% of total) ^	19.43
Urbanisation rate (%) ^	4.38
GDP per capita (US$) ^	619.93
GDP growth rate (%, real) ^	5.03
GNI per capita, Atlas method (current US$) ^	
Population less than US$2 per day~	82.37
Population below national poverty line *	56.9
Gini co-efficient ~	50.82
HDI (Global Ranking)"	167
HDI (Country Index Score) "	0.434
Unemployment rate (%) *	0.60
Bank branches per 100 000 ^	5.50
Lending Interest Rate ^	
Deposit Interest Rate ^	
Credit % of GDP ^	
Ease of Doing Business Ranking (out of 185 countries) !	52
Average Mortgages % of GDP	2,3% (WB 2010)
Average Outstanding loan to purchase a home, older adults (% age 25+)	2%
What is the cost of standard 50kg bag of cement (in US$)? #	17 (2012)
What is the price of the cheapest, newly built house by a formal developer or contractor? #	78 000 (2012)
What is the size of this house (in m^2)? #	125 (2012)
What is the minimum stand or plot size for residential property #	200–400 (2012)

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Access to finance

Access to finance has been steadily improving. According to the 2012 FinScope Rwanda survey, financial inclusion has improved by almost 50% between 2008 and 2012, with only 28% (1.3 million adults) excluded. The improvement in access was caused by a significant increase in the proportion of adults who were formally served: in 2012, 42% of adults used a product or service from a formal financial institution and the banked population increased to 213%.

The Rwandan banking system comprises 14 financial institutions as listed by the National Bank of Rwanda, up from 10 in 2010. These are made up of nine commercial banks (Kenya Commercial Bank (KCB), Bancor, Cogebanque, Bank Commerciale du Rwanda (BCR), Banque de Kigale (BK), Banque Populaire du Rwanda (BPR), Fina Bank, Ecobank and Access Bank Rwanda), one commercial bank which merged with a mortgage financing bank (Rwanda Development Bank merged with Housing Bank of Rwanda in 2011), three microfinance banks (Agaseke Bank, Unguka Bank and Zigama CSS) and one co-operative bank. The banking sector is highly concentrated with three banks accounting for 60% of assets, loans and deposits.

In the first half of 2012, credit to the private sector increased by 18.1% and new loans stood at RWF 237.3 billion, an increase of 68.6% on the 2011 figure of RWF 140.7 billion. In 2012, 26.8% of lending went into the mortgage market. Mortgage lending contracted in the first quarter of 2013, by 44%.

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 (BRD) in April 2011. The takeover was successful and the BRD has incorporated all the activities previously done by the housing bank. BRD operates a mortgage refinancing facility to ease the liquidity challenges faced by commercial mortgage lenders. In late 2012, BRD also launched a retail savings-linked mortgage product. By opening up a 'Gira Icumbi' housing savings account, customers would be eligible to borrow money to build or buy a house, after accumulating savings worth at least 10% of the planned project. The savings account would earn 8% annual interest (tied to the repo rate). The interest rate on the loan was heavily discounted at 0.5% in the first year, 1% in the second year, and 1.5% in the third year, making it the lowest priced mortgage loan in Rwanda.

BCR, Cogebanque, Ecobank, Access Bank, KCB and BK are also mortgage lenders. From 2004 to 2007, mortgage lending almost doubled from 1.8% mortgage debt to GDP to 2.6%. Rwanda's mortgage market in 2009 was worth between RWF 33 billion and RWF 47 billion (US$60 million and US$80 million), a small number compared to its estimated potential demand of more than RWF 200 billion (US$340 million). In 2009, a mortgage finance shortage arose as a result of difficult lending conditions. A domestic liquidity squeeze caused outstanding credit to the private sector to fall by 1.8%. This contributed to a fall in housing prices, by as much as 20% in late 2009. As a result of these liquidity problems, BCR suspended its mortgage product in early 2009, but resumed lending later in the year.

Since then, the mortgage market has been growing rapidly. KCB introduced its mortgage business in 2011. In June 2011, the bank reported it had approved loans to a value of RWF 3 billion (US$5.059 million), and by June 2013, its loan book had grown to RWF 14.2 billion (almost US$22 million). In June 2013, the bank announced a further injection of RWF7 billion (US$10.8 million) into the mortgage market.

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 for 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 RWF 5 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%) and the bond issues proceeds (35%). BCR also has a construction loan of seven to 15 years. BCR's growth has been substantial – in 2011 BRC posted a net profit of RWF 2.9 billion, up from RWF 2.8 billion in 2010. KCB shares have also been listed on the Rwanda stock exchange as they have been through cross-listings across the East Africa Community.

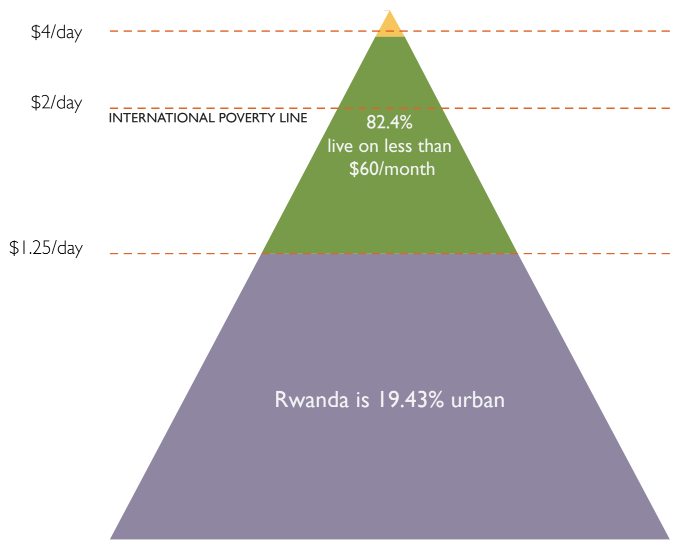
A further challenge is access to land titles. An IMF report noted that land registrations in Rwanda would be improved by 2012, which will greatly improve the prospects for access to finance for the rural population and SMEs, given the importance of land as a source of collateral for lending.

Rwanda has a well established microlending sector, with 22 MFIs reporting to the Mix Market in 2013. Between them, they have issued US$128.1 million in loans to 80 413 borrowers, and have collected US$56.5 million in deposits from 285 603 depositors. According to the African Economic Outlook 497 savings and credit co-operatives and MFIs operate in the country, together with 49 non-bank financial institutions. The government has enacted facilitative, specialised microfinance laws and some housing microfinance lenders are emerging. For example, COOPEDU-Kigali, a local MFI, is offering housing microfinance 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.

The Global Financial Inclusion (Global Findex) Database shows that loans for home improvement and construction are more popular than loans for home purchase, suggesting the importance of the microlending sector. In 2011, 8% of the top 60% of income earners over the age of 15 reported having an outstanding loan for home construction, versus 1.8% for home purchase. This was similar for the bottom 40% of income earners over the age of 15: 6.5% reporting having an outstanding loan for home construction, versus 1.9% for home purchase.

Affordability

FinScope Rwanda 2012 found that 87% of adults are from households involved in farming activities. In Kigali City, 26% generated their income from piecework, 19% from business, 11% from government employment and 15% earned an income from farming activities. That said, 44% of adults reported having more than one source of income. Some 3% of adults do not generate an income, but depend rather on government grants, remittances or household transfers to subsist. As a result, access to mortgage finance is limited by household affordability as well as the irregularity



Most developers build homes priced above $100 000, affordable to a tiny minority.

The Kigali Housing Market study plans for the delivery of over 340 000 units, with the bulk targeted at the middle and lower income markets.

Product development opportunities in Rwanda of incomes among some borrowers. Further, deposit requirements of up to 30% make mortgage finance inaccessible to the majority of people without formal employment.

An intervention launched in 2012 promises to ease some of the affordability challenges. Home Finance Guarantors Africa Reinsurance Limited, a South African company, has been working with Soras Assurances Generales Ltd in Rwanda to establish collateral replacement guarantees. Effectively, the product is an insurance cover equivalent to a loan deposit – with the cover. The borrower does not have to pay the deposit, and the lender can offer a 100% loan without compromising its balance sheet. The lender remains in an equivalent risk exposure as it would have with a cash deposit. In July, Soras announced a partnership with BCR and KCB to offer the Collateral Replacement Indemnity to their mortgage clients.

Even so, the price of formal housing is out of reach of the majority. A 2012 study of housing in Kigali found that a well-located, formal, developer built house costs about RWF70 million (about US$116 000). This is far out of reach of the majority, in a country where an estimated 90% of the population earns less than US$60 a month. Low and middle income households rather build their housing independently – often incrementally – on the peripheries of the city, generally at a cost of between RWF 10 million and RWF 30 million (about US$17 000 to US$50 000) including land and construction. Plots in peri-urban areas are bought at low prices, a 600m^2 or more plot can be purchased at RWF 1 million to RWF 3 million (about US$1 500 to US$4 600).

Much of inner city of Kigali (Nyarugenge district) has been re-zoned in the District Masterplan, with an emphasis on larger plots and multi-story multifamily residential buildings – new developments as opposed to in-situ upgrading. Accordingly, no permits are being issued for construction, including home improvements, unless the house plan and underlying structure is in full compliance with the new zoning regulations, which includes a larger minimum plot size ranging from 250m^2 to 1 000m^2 and higher minimum floor-area ratios. In the other two city districts, Masterplans are being developed, and no new construction permits are being issued by the district authorities until that process is complete. Households unable to afford to comply with the regulations are selling their stake and moving to the periphery.

Construction costs are high in Kigali, between US$400 and US$600 per square meter, because of the high cost of materials. The cost of steel, glass and cement tripled from 1994 to 2011 (cement increased from RWF 3 000/bag (US$4.83) to RWF 10 000/bag (US$16.09) in 2012 and the materials are mainly imported. (Rwanda imports US$64.6 million worth of materials a year.) Due to the lack of skills in the country, many construction contracts are sourced from outside the country. In an effort to promote the use of local materials, Rwanda's new tax regime, implemented in early 2013, however, imposed a 25% tax on imported construction materials. In December 2012, PPC cement announced that it would buy a 51% stake in Cimerwa, a Rwandan cement manufacturing company. The move would expand the cement manufacturer's capacity five-fold.

Rentals are high. According to a World Bank study, a two-bedroom 70m^2 apartment (formal sector housing) can be rented out for as much as US$1 000, although these are typically aimed at expats or Rwandan diaspora. Most low to middle income earners cannot afford such rents, as their incomes are too low. They mostly live in informal housing where the rents are more affordable but basic infrastructure is typically inadequate and unsanitary. Rentals are volatile and can be raised anytime if demand is high, which is why landlords usually do not get into long contract periods that are over a year. At the bottom of the income pyramid, the rent for a 10m^2 room could be as high as RWF 20 000 (US$33) for a household that earns RWF 50 000 to FWF 60 000 a month.

Housing supply

A 2012 study of the Kigali Housing Market calculated that the city's total housing requirements by 2022 would be 458 265. Towards this, 42 710 of the city's existing stock was upgradeable and 71 487 was in good condition, meaning that the total requirement for new stock by 2022 was 344 068. This suggested an annual required delivery rate of just over 34 000 units. The study also noted that the bulk of the demand, 78%, was for households with a monthly income of less than RWF 300 000 (US$463) per month. To address the demand, the study proposed the construction of 1 601 high value units, targeted at households earning above RWF 2.5 million (US$3 864) per month; 112 867 mid range units, targeted at households earning RWF 200 001 (US$309) to RWF 2.5 million; 186 163 affordable units, targeted at households earning RWF 33 501 (US$51) to RWF 200 000; and finally, 43 436 fully subsidised social housing units, targeted at households earning less than RWF 330 500 per month. The high value and mid range units would be financed only with mortgages, and a rent-to-own mechanism would be applied to the affordable units.

In mid-2013, Kigali City announced that it was renewing plans to issue a municipal bond to raise funding for housing construction, in terms of its housing development objectives. The original plan to issue a bond had been developed in 2009, but had been put on hold because the city's revenue collection was too low. However, the pressure for delivery has led the City to work with the Capital Markets Authority to draft a regulatory framework to facilitate the issuance of the bond within the year.

At the national level, the Rwandan government has undertaken a pilot housing project to address the needs of public servants. The Affordable Housing Project for Government Employees aims to act as a model for creating more sustainable affordable human settlements. Low and middle income government employees (with an income of between RWF100 000 and RWF 350 000 (US$154 to US$540) are targeted and the project will develop about 200 two – and three-bedroom units in four storey buildings. Another government project involves the construction of houses for 30 822 families living in disaster prone areas. The evacuation plan is expected to cost the government RWF 6.5 billion (US$10 million) and new units will be made available to evacuees for RWF 9 million (US$13 910).

Barring a few development entrepreneurs experimenting with houses in the RWF 40 million to RWF 50 million (about US$62 000 to US$77 000) range, most developers are building homes priced above RWF 70 million. The costs of land and materials, and limited access to finance, were cited as the reason for the high costs of the houses. In addition, capacity remains limited among developers. Many of the housing projects undertaken are small (five to 100 houses). The Rwanda Social Security Board (RSSB) is the largest developer in Rwanda and has built about 700 units in seven years (2004 to 2011), 250 of which were subsidised housing targeted at low to middle income earners. *RSSB announced a plan in late 2012 to build 1 000 housing units for the middle and high income market in Kigali City, and a further 200 low cost units in Gasabo district.* Shelter Afrique plans to invest US$10 million in low cost housing. It has co-financed with a local bank the construction of a 168-apartment estate in Kinyinya.

A US$150 million project known as Vision City is intended to bridge the city's accommodation and commercial housing gap. It will include luxury condominiums, as well as houses and detached units for medium and low income earners, accommodating an estimated 500 households. The development was mired in controversy following expropriations that some landowners had said were below market value.

The reality is that the majority are unable to afford the housing that is delivered, often whether or not state support is involved. With the new District Masterplans, informal, self-build activity ahs ground to a virtual standstill, and those without affordability to comply with the inner city standards are forced to move to the periphery. There, they face the challenge of access to serviced land, as the government makes very few plots available.

Property markets

The residential real estate market in Rwanda is growing, with more developers entering the market. From a buy-to-let perspective, Knight Frank real estate consultancy suggests a 7% yield can be achieved. The cadastral system is new, however, and resale market transactions are only just beginning.

The National Land Tenure Reform Programme has recently been launched to improve the deeds registry system. The programme was launched in Rwaza Sector, in the Western Province. The government of Rwanda has purportedly issued hundreds of titles to farmers across the country. The Rwanda Natural Resources Authority expects to complete the registration and issuing of deeds across the country by December 2013.

According to the Doing Business indicators for 2013, the five procedures involved in registering a property take about 25 days and cost an estimated 5.6% of the property value, or about RWF 970 000 (about US$1500). 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.

Policy and regulation

Housing in Rwanda falls under the responsibility of the Ministry of Infrastructure, within the Habitat and Urbanism sub-sector. 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.

Some of the major policies include the Vision 2020, a broad policy that, among other things, aims to encourage capacity building for human resources and encourage investment to enable economic growth. The Economic Development and Poverty Reduction Strategy is another policy that targets the human settlement and the management of public property through improving planning and development, and sustainable use of land and the environment, among many other objectives.

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%, and lower, with the new collateral replacement guarantee. A new banking law has been published, and the process to update the prudential regulations started 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 contribute. 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. 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 BRD has created liquidity.

Rwanda has made tremendous progress in registering property, and this shows the commitment of the government to improve the property market by making it more inviting for developers.

Given Rwanda's high poverty rates, the mortgage market will not meet the needs of the majority. Housing microfinance offers an important opportunity and the nascent HMF lending practices serve as a pointer to this enormous potential. Further action by the state to enable incremental construction by providing serviced stands, relaxing plot sizes and building regulations, and promoting the use of local building materials would all contribute towards growth in this sector and meeting the needs of many Rwandans. Clear action towards creating a good investment climate by the state, growing urban demand and positive economic growth has already made a good start and provides substantial opportunity for the growth of housing finance in this country.

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Senegal

KEY FIGURES

Main Urban Centres	Dakar (capital)
Exchange Rate: 1 US$ =	491.17 West African Franc (CFA Franc)
Population ^	13 726 021
Population growth rate (%) ^	2.92
Urban population (% of total) ^	42.87
Urbanisation rate (%) ^	3.64
GDP per capita (US$) ^	1 031.60
GDP growth rate (%, real) ^	0.70
GNI per capita, Atlas method (current US$) ^	1040
Population less than US$2 per day~	55.22
Population below national poverty line *	53.9
Gini co-efficient ~	40.3
HDI (Global Ranking)"	154
HDI (Country Index Score) "	0.470
Unemployment rate (%) *	11.10
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	3.50
Credit % of GDP ^	31.01
Ease of Doing Business Ranking (out of 185 countries) !	166
Average Mortgages % of GDP	0,07% (Hofinet 2010)
Average Outstanding loan to purchase a home, older adults (% age 25+)	0%
What is the cost of standard 50kg bag of cement (in US$)? #	6,69 (2012)
What is the price of the cheapest, newly built house by a formal developer or contractor? #	49 202 (2012)
What is the size of this house (in m^2)? #	
What is the minimum stand or plot size for residential property #	150 (2012)

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Senegal is a low to middle income country located in West Africa on the Atlantic Coast. The country has about 12.8 million inhabitants, of which more than 50% are under 20 years of age, and only 3.5% are over 65. Comprising an area of 196 700m^2, Senegal is highly urbanised: 43% of the population live in urban areas, and 49% are concentrated in Greater Dakar, the capital. Dakar has a concentration of about 4 545 people per square kilometre.

The tertiary sector dominates the economy, with commerce, transport, telecommunications and other services sub-sectors contributing 60% of economic growth. Still, fishing, tourism and agriculture remain important economic activities. The economy has been growing steadily and a mood of development spans the country. GDP growth has hovered around 4% since 2010, and was 3.7% in 2012, after a good harvesting season. The economy is expected to grow by 4.3% in 2013 and by 5.1% in 2014.

The country's average annual rate of inflation is low – about 2.5% in 2012 – and is expected to decrease to 1.6% in 2013. The economy is particularly vulnerable to fluctuations in the global price of oil, as Senegal imports all of its fossil fuels to support its energy demands. Power outages and the high cost of electricity led to riots in June 2011. As a result, the government has committed itself to implementing energy efficiency measures. In mid-2012, Senegal held democratic elections and President Macky Sall was elected, ousting former President Abdoulaye Wade.

Access to finance

Senegal's financial sector consists of a diversified range of institutions that are not fully integrated. Some 20 banks are listed by the central bank, as well as two non-bank financial institutions. Access to finance in the country is low – only about 6% of the country's population over the age of 15 have a bank account, and only 2% use an account to receive wages. Three major banks control two-thirds of all deposits, and the government owns over 25% of the shares in seven of the country's banks. Many factors hinder the country's banking system from distributing medium-term and long-term credit to businesses and individuals.

The country has a growing microfinance sector, which includes profitable microfinance institutions and sound supervision. However, access to finance for housing and for small and medium-sized enterprises remains a challenge. For SMME finance, for example, an estimated 80% of bank credit applications are denied because of insufficient collateral. The microfinance sector is highly saturated, with six major institutions accounting for 87% of customers and for 90% of all credit outstanding. In 2013, there were 32 MFIs registered on the Mix Market, an online source of microfinance performance data and analysis), with 350 297 active borrowers and a gross loan portfolio of US$400.8 million. This is an increase from last year's 26 listed MFIs. CMS has the largest loan portfolio size of US$189 million. According to the World Bank's 2013 Doing Business indicators for ease of getting credit, Senegal ranks 129th out of 185 countries. Only 4.6% of the country's population is in the public registry (though no specific numbers are available), and there are no private credit bureaus in Senegal.

Senegal has a housing bank (the Banque de l'Habitat du Senegal, or BHS), founded in 1979, which dominates the housing finance sector, although commercial lenders are beginning to chase market share. The main objective of BHS is to finance real estate and homeownership, emphasising the affordable housing market. BHS reports that to 2012, it had provided more than 70 000 housing loans, to an amount of CFA Francs 200 billion. Loans were used to acquire land, to build housing and to purchase housing. BHS has introduced a housing-savings product that encourages saving for housing by offering borrowers a reduced interest rate on their loan when they save 10% towards the purchase price. The minimum first payment is CFA Francs 50 000 (about US$100) and 3.5% interest is paid on the capital at the end of December each year. Short-term, non-mortgage loans dominate BHS's activities, however, growing by 50% between 2009 and 2010, while long-term loans increased by only 2.3% in the same period. Interest rates for loans are low for the continent, at about 9%. At the end of 2011, the bank's collection of savings and credit lines amounted to CFA Francs 156.5 billion (US$317 million). These consisted mainly of housing savings loans, which increased by 2.04%. In 2012, it was announced that the French Development Agency had granted a €8 million (US$10.6 million) credit line to BHS to finance and develop Senegal's mortgage market. The focus of the credit line would be on short – and mid-term mortgages, targeting consumers with an income of less than CFA Francs 35 000 (US$71). The Central Bank of the States of West Africa and the Housing Bank of Senegal have increased the capital of the Housing Bank of Senegal to CFAF 10 billion (US$20 million) after having held a meeting related to the increase in the minimum capital of credit institutions in the WAEMU.

In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database, exploring levels of financial inclusion around the world. According to Global Findex, only 4% of Senegalese over the age of 15 have a loan from a financial institution, and only 0.1% have an outstanding loan to purchase a home.. Borrowing for home construction is more common, although still low: 1.8% overall, or 2.3% the top 60% of income earners, and 1.2% of the bottom 40% of income earners. Some 26% of Senegalese over the age of 15 reported having a loan from family or friends, and it is possible that some of these loans are used for housing purposes. Formal housing microfinance does not yet exist, although it is possible that borrowers use regular commercial microloans for housing purposes.

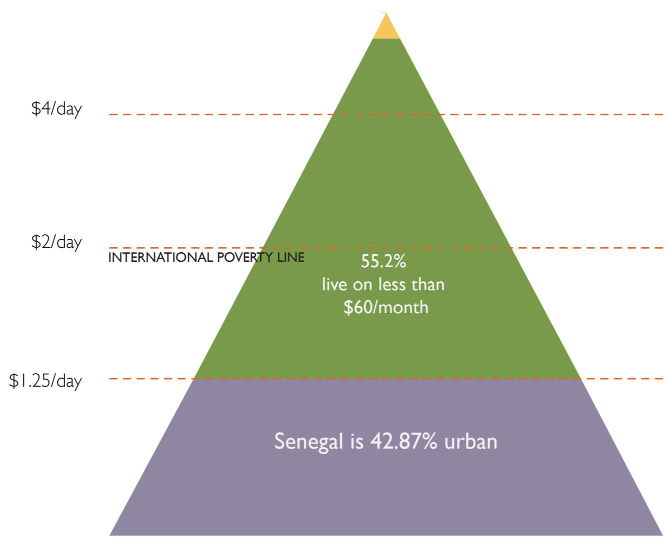
Affordability

Housing affordability is limited, given the high price of land and the market focus of the few developers being on the very rich. In 2012, a 150m² stand cost about CFA Francs 2.5 million (US$4 920), although it can cost as much as CFA Francs 4 million (US$7 872) in high income areas, and as little as CFA Francs 1.7 million (US$2 952) in more remote areas. When developed as a four-roomed house, the property can sell for CFA Francs 25 million (US$49 202), and in wealthier areas for CFA Francs 55 million (US$108 246).

Housing supply

Most housing in Senegal (about 80% of urban housing) is self-built, without an architect, and at a total cost of less than CFA Francs 30 million (US$60 000). Informal settlements account for 25% of urban spaces in Senegal and for 30% of inhabited areas in Dakar. Because of the price of land, many homes, especially in Dakar, are multi-storeyed. In part, the dominance of informal housing construction may be due to the building code, which only requires architectural plans and building permits for buildings costing more than CFA Francs 30 million. While this supports incremental construction, the absence of any regulation or construction technical assistance can lead to hazardous building practices. In September 2012, flooding in Dakar put more than 10 000 homes under water and destroyed many other houses, and this followed floods in 2009 when 33 000 families were affected. A critical issue in Dakar has been the rapid urbanisation rate and the city's inability to keep up with the necessary storm water drainage and sewerage systems. During the drought of the 1970s and later in the 1980s, internal migrants settled in low-lying flood plains, and there was little control to prevent occupation. It is estimated that between 1954 and 2003, low income informal residences took over 95% of natural areas, including dried flood plains. With the floods of recent years, these areas have been particularly vulnerable. Much of the informally built housing has not been able to withstand the pressures of the floodwaters, and densification has made the situation extreme.

Demand for housing is estimated at 200 000 units with an annual increase of 10%. There are several constraints to the housing supply, especially for low income earners. A lack of formal market players, limited availability of serviced land, limited availability of relevant financial products, high construction costs and weak policy all constrain the market. In response to these challenges, the government introduced its 'one family one roof' initiative, focusing on the affordable housing market to address the demand for housing. The provisions in the programme include free housing and land, tax breaks and a range of subsidies which are offered to homebuyers who purchase housing that costs less than US$15 000. Implementation is slow, however, and the supply of housing insufficient. A land regularisation programme adopted by



A 4-roomed house can cost almost $49 202. At 9% interest over ten years this would be affordable to a household earning $2 226. As a result, most households, even those with affordability, build incrementally.

In 2012, a 150m² stand costs about $4 920, although it can cost double that in high income areas, and half in more remote areas.

Product development opportunities in Senegal

the government in 1991 is equally slow: by 2010, only 6 469 plots had been regularised.

UN-Habitat reports that government has made significant progress in terms of the supply of clean drinking water – this was almost universal by 2008 – and sanitation (63.9% coverage in urban areas in 2007). Electricity supply has been less successful, but an emergency plan to address electricity constraints was implemented in 2011.

Co-operatives are an important source of affordable housing supply. UN-Habitat reports that there are more than 250 co-operatives, half of which already have saved more than CFA Francs 7 billion (US$14.245 million).

Very little information is available on housing delivery developments in Senegal, although reports suggest that the construction sector is growing. However, with 13 procedures and an estimated 210 days to get a construction permit, Senegal ranks low on this indicator of the World Bank's 2013 Doing Business report – 133rd out of 185 countries, down from 131st in 2012. Property registration is even more arduous, putting Senegal at 173rd place. It takes double the average time it takes in Sub-Saharan African countries to register a property in Senegal (122 days), and the procedure costs 20% of the property value. Still, the housing backlog in Senegal has made this a country of particular interest for investors. UN-Habitat suggests that formal, private property developers in Dakar produce upwards of 1 000 units per year.

Shelter Afrique has been working in Senegal for some time and have completed 18 projects, with a further five projects still in the pipeline. The projects range in price from US$1 million to US$5 million. Shelter Afrique has approved a CFA Francs 2.7 billion project in Espace Mamelles (15 minutes from downtown Dakar) to develop 120 apartments partially funded through a lease purchase scheme offered by the developer. The apartments will be set in 12 building blocks, each comprising 10 two – and three-bedrooms units spread over four floors.

Habitat for Humanity has provided construction and financial services in Senegal since 2001. Working with housing co-operatives, the NGO has supported the construction of over 300 houses. Since 2009, the emphasis has been on supporting households to improve the quality of their housing, providing construction technical assistance specifically to address the risk of flooding, as well as affordable housing microfinance.

A project to reduce greenhouse gas emissions from commercial and residential sectors through the development of energy efficient practices in building construction in Senegal was proposed in late 2012 by the UNDP. In making the proposal, the UNDP notes that many of the historical building practices and standards in Senegal were imported from northern climates without adaptation. While new codes have been introduced, these contain some of the old elements and lack an emphasis on energy efficiency. The UNDP proposal seeks to build energy efficiency principles into the codes. A key challenge, beyond the technical factors, will be the administrative adaptation of these codes – in the analysis of requests for building permits and building inspections carried out during and after construction. It is hoped that the energy efficiency approach will promote the use of local building materials, thereby contributing towards more sustainable and affordable building practices, even with the increased costs associated with implementing energy efficiency standards.

Property markets

In 2011, the government of Senegal passed a new Land Tenure Act, ensuring security of tenure. The Act authorises the holders of temporary occupancy permits in urban centres to transform them, at no cost, into permanent title deeds. With reinforced security of tenure, it is expected that residents will invest in their housing, and that the housing conditions of a large segment of urban citizens will improve. This is already evident, and land prices have escalated. For Dakar residents, many will then be able to access mortgage loans and more easily trade their property on the formal land market.

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, rents are decided solely by the landlord. Still, there is little financing available for rental housing and so the growth of the sector is constrained.

According to real estate consultancy Knight Frank's 2013 property report for Senegal, the residential construction market is quite dynamic, with a few developments along the way. Middle to low income households can expect housing development along the AutoRoute and the VDN. The property market is strongly influenced by the importance of the informal sector. The majority of transactions are informal, with limited facilitative (estate agency) services.

Policy and regulation

Senegal's housing sector suffers under a complex legal and regulatory framework. UN-Habitat reports that 12 central departments of the various ministries are involved in processes related to housing. Coordination between these bodies is complicated, and this creates delays in the process and cost overruns. The opacity of the system undermines the enforcement of laws and regulations, or worse, supports corrupt responses. A 1996 law sought to transfer land management responsibilities and powers to municipalities and local administrations. While this was intended to improve management, the law did not deal with the customary and informal practices that existed. This has resulted in a sort of management stalemate, and as UN-Habitat suggests, reinforces the proliferation of squatter settlements.

Opportunities

A commitment by government to invest in infrastructure and improvement of the business climate, as well as support by the African Development Bank towards these goals, bode well for investment into Senegal, also in the housing sector. 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 housing units, from the provision of affordable and innovative building materials to the enhancement of relevant skills for professionals in the industry.

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Seychelles

KEY FIGURES

Main Urban Centres	Victoria (capital)
Exchange Rate: 1 US$ =	12.01 Seychelles Rupee (Rs)
Population ^	87 785
Population growth rate (%) ^	0.39
Urban population (% of total) ^	54.01
Urbanisation rate (%) ^	1.11
GDP per capita (US$) ^	11 758.04
GDP growth rate (%, real) ^	2.50
GNI per capita, Atlas method (current US$) ^	11 640
Population less than US$2 per day~	1.84
Population below national poverty line *	
Gini co-efficient ~	65.77
HDI (Global Ranking)"	
HDI (Country Index Score) "	
Unemployment rate (%) *	5.45
Bank branches per 100 000 ^	37.21
Lending Interest Rate ^	12.19
Deposit Interest Rate ^	3.30
Credit % of GDP ^	38.83
Ease of Doing Business Ranking (out of 185 countries) !	74
Average Mortgages % of GDP°	2.90%
Average Outstanding loan to purchase a home, older adults (% age 25+)	
What is the cost of standard 50kg bag of cement (in US$)? #	15
What is the price of the cheapest, newly built house by a formal developer or contractor? #	62 866
What is the size of this house (in m²)? #	150
What is the minimum stand or plot size for residential property #	

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
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CAHF Annual Survey Data (August, 2013)
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Overview

The Seychelles is a tiny country, comprising 115 islands covering a wide geographical area in the Indian Ocean, northeast of Madagascar. With a small population of only about 90 000 people (2011 estimate), the Seychelles has one of the highest Human Development Indices in Africa, ranking 57th globally. The Seychellois economy is heavily dependent on the global economic environment. Tourism dominates the economy and is the main employer. Fisheries are the country's most important export sector, accounting for over 80% of export revenues, but represent only about 11% of employment. GDP growth slowed considerably in 2012, down to 2.8% as a result of the global financial crisis and a slowdown in the tourism sector. The economy is expected to recover and grow by 3.2% in 2013 and by 4.3% in 2014. Inflation has fluctuated considerably in the past few years as a result of exchange rate issues and a consequent depreciation of the rupee. From about 5.3% in 2007, it peaked at 31.8% in 2009, and by 2010 dropped quickly to a rate of – 2.4%, due to the stability of commodity prices, the adjustment of monetary policies and the emergence of more conservative bank lending. In 2011, the average rate of inflation was 2.6%, and it fluctuated through 2012 to end the year at 7.1%.

Access to finance

The Seychelles has a relatively well developed financial system. Seven banks are listed on the Central Bank of Seychelles website, together with 10 'class A' exchange bureaux and 14 'class B' exchange bureaux, three non-bank financial institutions (the Development Bank of Seychelles, the Seychelles Credit Union and the Housing Finance Company), four domestic insurance companies, four non-domestic insurance companies and multiple insurance intermediaries. The two largest banks have a 69.5% share in the system's total assets.

Access to finance in the Seychelles is moderate. The International Monetary Fund reports that there are 37.21 commercial bank branches per 100 000 adults and 67.39 ATMs per 1 000km². Outstanding loans from commercial banks as a percentage of GDP are 36.23%. The levels of bank lending to individuals and business are also low, even as most of the banking assets held are in government obligations. Seychelles scores 167th out of 185 countries on the World Bank's 'ease of getting credit' indicator, according to its 2013 Doing Business report, falling two places from 165th the previous year. Microfinance is extremely limited, but growing slowly as international microfinance institutions begin to infiltrate the local financial services market. As part of the country's private sector development strategy, the government worked with the International Finance Corporation to put in place regulations to create a credit information system, which was expected to be operational in 2012. The World Bank is preparing a Country Partnership Strategy, which will focus on key analytic work to promote improved macroeconomic performance. Within this strategy, a housing subsidy policy is also being considered.

By the end of 2012, total loan advances to the private sector were Rs 3.114 billion (about US$259.8 million), an increase from 2011. Total outstanding domestic credit at the end of 2012 was Rs 7.141 billion (US$595 million), an increase of 11% from the previous year. About 22% of commercial loans went to the development of tourism facilities, 10% to real estate and 13.7% to mortgage loans (an increase from 12.9% the previous year).

Housing finance has received explicit attention through two state-sponsored institutions – the Housing Finance Company (HFC) Limited and the Property Management Corporation (PMC). The HFC was established in 2004 from the merger of the Seychelles Housing Development Corporation and a former PMC. In January 2013, the HFC underwent a transformation that saw the PMC split off again so that the two entities now operate independently though in co-operation with each other. The HFC is the financier, offering construction and end-user finance for housing development, home purchase and home improvements, whereas the PMC is the developer, focusing on the construction, management and maintenance of government's social housing stock.

The HFC offers a range of end-user products promoting housing affordability. The Home Loan is available to Seychellois with a maximum income of Rs 20 000 (about US$1 676) per month. There is no minimum qualifying income, though in practice loans are not affordable to those who earn less than Rs 6 000 (about US$500) per month. The HFC registers a first charge over the property . It is compulsory for beneficiaries to obtain mortgage insurance and provide 'assignment of salary'. The maximum loan period is 23 years. The HFC also has a Home Savings Scheme to enable Seychellois to save a minimum deposit of 10% to qualify for government-constructed housing (the current purchase price of government subsidised housing is about Rs 450 000, or US$37 547). Should affordability of the 10% deposit be a problem, prospective beneficiaries must demonstrate that they can at least save 10% of their monthly income.

The HFC's House Extension Loan has a maximum loan size of RS 75 000 (about US$6 286) at an interest rate of 10% and a maximum loan period of six years (which can be extended to seven or eight years under special circumstances). There is no maximum qualifying income criterion and a guarantor is compulsory. The guarantor is assessed on the basis that s/he can afford the monthly repayments, not necessarily that s/he is able to afford to repay the entire loan amount. The HFC also offers Home Improvement Loans up to a maximum loan amount of Rs 50 000 (about US$4 200). Applicants must earn less than Rs 8 000 (US$670) per month per household. The repayment period is five years and the interest rate is currently 10%.

Affordability

The Seychelles has a generous social welfare system that supplements incomes considerably. Education is free, and subsidies are provided to support post-secondary education. The government is the principle health-care provider and spends significant budgetary resources in the sector. Housing is the primary capital and services expenditure item for the private sector. Unemployment is low at 1.8% in September 2012. As the country with the second highest GDP per capita in Africa (after Equatorial Guinea, an oil exporter), the Seychelles is classified as one of nine upper middle income countries.

Still, there are pockets of poverty. Government has noted a rising trend in reliance on social assistance for income enhancement as well as growing social problems, which are impacting on the economy and society. According to the Social Protection Agency, the number of households seeking welfare assistance has more than doubled over the past two years. As of January 2012, the agency catered for 18 000 people (approximately 20% of the population). Of these, 6 000 were on welfare.

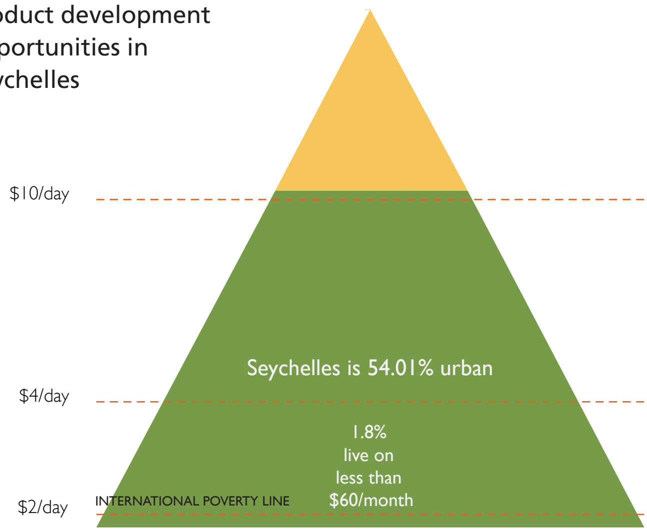
Government subsidised housing is currently being delivered for Rs 450 000 (US$37 547), and estate agents advise that for Rs 200 000 (about US$16 687) to Rs 300 000 (about US$25 000), a buyer can get a very basic unit. An average three-bedroom home of about 150m^2 ranges from between Rs 750 000 (US$62 578) and Rs 1 million (US$83 438). Construction companies advise that finished homes sell for between Rs 9 000 (US$750) and Rs 10 000 (US$834) per square metre. Whilst there are no minimum house size regulations, 100m^2 is the accepted norm for a minimum size.

Housing supply

According to the National Bureau of Statistics, the Seychelles has 25 929 houses. Of these, 85% are made of stone/block and 15% of wood/iron. The majority, 84%, are in good repair, 9% are fair and 7% are in a poor state. According to the 2010 Housing and Population Census, the majority of the population (69.3%) say they own the dwelling in which they live. Some 10% rent their dwelling from the government, and another 9.1% rent privately. Just under 10% say they live rent free in a dwelling they do not own. The vast majority of households (93%) have access to treated, piped water, and 82.4% have flush toilets connected to a septic tank. In terms of energy use, 97% use electricity for lighting and 91.4% use gas for cooking.

The Central Bank reports that the construction sector decreased by 3% in 2012 due to a decline in new projects and limited growth in demand from households. As a response to the increasing urbanisation rate, the government has continued to focus its investments in public infrastructure such as roads, water and energy. A Rs90 million (about US$7.5 million in August 2013) grant from the Chinese government was received in March 2012, targeted at a variety of local projects, including housing and solar energy products.

Product development opportunities in Seychelles



Government-supported housing loans from HFC Bank are affordable to those who earn more than $500 per month. At $62 866, the cheapest privately delivered house is affordable only to a minority.

A basic unit starts at about $16 000. HFC home improvement loans suggest incremental self-construction by the majority.

There is no legislation governing the minimum size of a plot of land. Properties can range from as small as 200m^2 to sizeable small holdings. Anecdotally, quite of lot of land is privately held, with prices ranging from Rs 125 per m^2 (about US$10, a low estimate) to Rs 375 per m^2 (about US$31) for unserviced land. Serviced land averages about Rs 1 000 per m^2 (about US$83).

Property market

The Seychellois property market is strong, driven primarily by the tourist industry. Real estate websites advertise properties in US dollars or euros, and investors buy new and existing properties, as well as land. Land in the country is in 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 urbanisation rate continues to grow.

The Seychelles ranks 66th out of 185 countries according to the World Bank's 2013 Doing Business report for the indicator 'ease of registering property'. The four procedures take 33 days and cost 7% of the property value.

Policy and regulation

The Ministry of Land Use and Housing is intent, through a variety of measures, on ensuring access to adequate housing for all Seychellois. Though the government continues to develop innovative programmes to address the demand for affordable housing, there is a need to increase its capacity to meet the considerable demand in the affordable and low income markets. Public capital expenditure for housing was Rs 249 million (about US$20.7 million) in 2011 – the largest share of the capital budget, directed mainly at a 147-unit housing project in Ile Perseverance. In 2012, the public sector capital budget for housing decreased to Rs 142.5 million, still a considerable 21% of the total capital expenditure of the public sector. Housing also received the bulk of the services funding – Rs142 million (US$11.8 million) in 2012.

In 2012, Seychelles adopted a new housing policy under which the government pledges to work closely with financial institutions by encouraging the supply of finance within the housing sector. Accordingly, the government will work with the Seychelles Housing Finance Company to ensure that people who earn less than Rs8 000 (US$667) a year are able to access lower interest rates. The government of Seychelles has obtained assistance from the World Bank with regard to technical assistance for social housing.

The Financial Services Commission bill, intended to regulate the non-bank financial institutions, including insurance, will be implemented in 2013.

Opportunities

The Seychelles has been ranked 74th out of 185 countries overall in the World Bank's 2013 Doing Business report, an increase of 2 points from its 76th position in 2012.

With the country being a tourist destination, there is a focus on housing for the high income class, and the property market is limited to the luxury market. In 2009, house prices in Mahe, the largest of the islands, were said to start at US$160 000. A development of one-bedroom houses was up for sale with units starting at US$300 000. 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.

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Sierra Leone

KEY FIGURES

Main Urban Centres	Freetown (Capital)
Exchange Rate: 1 US$ =	4 329.89 Sierra Leonean Leone (Le)
Population ^	5 978 727
Population growth rate (%) ^	1.91
Urban population (% of total) ^	39.64
Urbanisation rate (%) ^	2.87
GDP per capita (US$) ^	634.92
GDP growth rate (%, real) ^	13.04
GNI per capita, Atlas method (current US$) ^	580
Population less than US$2 per day~	79.56
Population below national poverty line *	70.2
Gini co-efficient ~	35.35
HDI (Global Ranking)"	177
HDI (Country Index Score) "	0.359
Unemployment rate (%) *	2.80
Bank branches per 100 000 ^	2.92 (2010)
Lending Interest Rate ^	21.00
Deposit Interest Rate ^	10.39
Credit % of GDP ^	14.03
Ease of Doing Business Ranking (out of 185 countries) !	140
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	0%
What is the cost of standard 50kg bag of cement (in US$)? #	
What is the price of the cheapest, newly built house by a formal developer or contractor? #	
What is the size of this house (in m²)? #	
What is the minimum stand or plot size for residential property #	

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Sierra Leone is one of the lowest income countries in Africa, boardered by Guinea, Liberia and the Atlantic Ocean, in West Africa,. Since the end of the civil war in 2002, the country has made progressive strides towards development. GDP growth was most dramatic immediately after the war, reaching 9.4% in 2004, but coming down to its lowest rate, 3.2%, in January 2010. In 2012, GDP growth was measured at 5.9% due to the slow recovery in the mining sector, most specifically iron ore production. GDP is projected to grow by 7.2% in 2013 and by 12.1% in 2014. Agriculture is the biggest contributor to GDP (53.91% in 2012), followed by the mining sector contributing 12.1%.

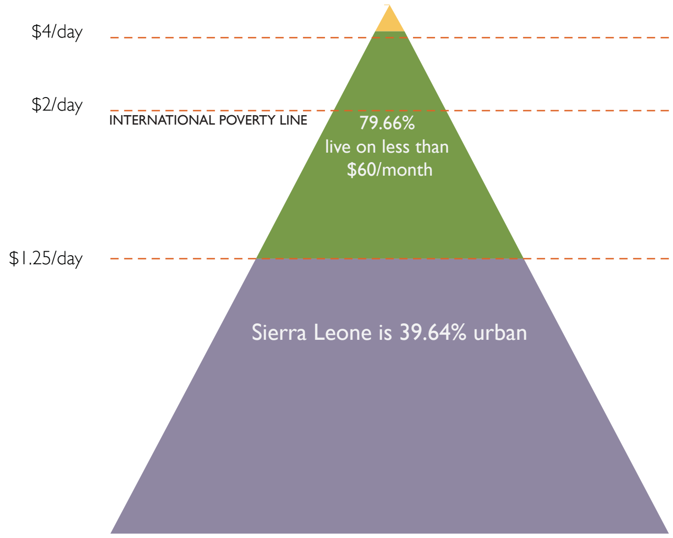
The inflation rate was captured at 10.9% in the first quarter of 2013, down from 12.5% during the same period in 2012. The tight monetary policy that is being implemented currently is helping to keep food prices low while also keeping inflation in the country to a minimum. The lack of infrastructure, a poorly trained labour force and an unattractive environment for the private sector are key issues that the Sierra Leonian government must face if it is to maintain its growth levels. Youth unemployment has remained a pertinent social issue, with unemployment at an unprecedented rate of 60%. The Sierra Leonian government has developed the Agenda for Prosperity Strategy to drive economic growth and employment in the country from 2013 to 2017. Sierra Leone is part of the Economic Community of West African States which comprises 14 other countries.

Access to finance

Sierra Leone is home to 13 commercial banks (six Nigerian, one British, one German, one Malaysian and one from Togo, along with two state-owned banks and one domestic private bank), nine insurance companies and three housing finance companies (Sierra Leone Housing Corporation, Alliance Housing Finance Company Limited and Home Finance Company Limited). The commercial banks are well capitalised and looking for innovative ways to serve the market with new products and services. At the end of the 2012 financial year, credit to the private sector given by commercial banks grew by 6.7%. Commercial banks' resource base increased by 21.3% during 2012 as deposits had increased by 22.74%, from Le 2.3 trillion (US$530 million) to Le 2.83 trillion (US$650 million). Savings increased by Le 162.18 billion (US$370 000), bringing the total to Le 692.94 billion (US$160 million). Non-performing loans asa percentage of total gross loans decreased from 15.1% in 2011 to 14.7% in 2012, and the capital-asset ratio of the banks was at 15%.

In 2008, Sierra Leone adopted a strategy for reform of the financial sector to strengthen banking supervision, enhance competition, increase access to commercial bank finance and improve the payment system. The financial sector still faces a number of challenges such as the high costs of financing, operating costs and limited bank branch infrastructure. The high concentration of the banking sector also limits competition. These factors contribute to the low share of credit to the private sector. The Sierra Leone Stock Exchange started operating in 2001 as a private company.

The three housing finance companies – Sierra Leone Housing Corporation, Alliance Housing Finance Company Limited and Home Finance Company Limited – are listed on the Bank of Sierra Leone website. The National Social Security and Insurance Trust (NASSIT) was established in 2004 with a mandate to administer Sierra Leone's National Pension Scheme. Under this programme NASSIT decided to invest in housing finance. HFC Mortgage and Savings Bank offers eight different mortgage products – Home



A wide range of mortgage products are only accessible to a minority, and delivery attention focuses on the higher end. High lending rates make formal housing even less accessible.

Purchase Mortgage, Group Scheme Construction Stage Payment, Home Completion Mortgage, Home Improvement Mortgage, Home Equity Mortgage, Buy Land and Build Own Home Mortgage, Construction Finance Mortgage and Construction Stage Payment Mortgage.

All mortgage products are offered to residents and non-resident Sierra Leoneans. The Home Purchase Mortgage and Group Scheme Construction Stage Payment products offer a maximum loan amount of US$120 000 for a 20-year term, with a 20% deposit. The Home Completion Mortgage requires a 30% deposit over 15 years, whereas the Home Improvement Mortgage requires a 50% deposit. The Buy Land and Build Own Home Mortgage product allows the applicant to buy land for a maximum amount of US$10 000 and then provides a further US$30 000 to build. To apply for this product the applicant must be an existing customer of HFC. In addition, the builder must be approved by the bank, the building plans must have been approved and the purchase of land requires the applicant to have secured title. Once approved, the loan can be disbursed directly to the supplier. The minimum down payment for this product is 20% – US$2 000 for the land purchase and US$6 000 for the building loan.

The Construction Finance Mortgage is targeted at estate developers for the construction of residential properties. The maximum term of the loan is 36 months and the developer must produce a title over the land. The Construction Stage Payment Mortgage is also aimed at developers; however, the difference is that the developer constructs residential houses for prospective HFC mortgage customers who may require funds to enable them to complete the homes. The maximum loan term is 12 years. As of December 2012, the HFC Mortgage and Savings Company had funds worth Le 78.66 billion (US$18 million).

In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database to explore levels of financial inclusion around the world. According to Global Findex, 12.8% of rural and 26.1% of urban Sierra Leoneans over 15 years of age have an account with a formal financial institution. The majority of those with accounts use them to receive wages. Use of credit is fairly common; 49.1% of adults over 15 years of age report that they had a loan in the year to 2011. The vast majority of these loans were from family or friends, however. Only 6.1% of adults had a loan from a financial institution and only 5.4% had a loan from a private lender.

Product development opportunities in Sierra Leone

The products outlined above notwithstanding, the Global Findex reports that there is almost no lending for housing: only 0.4% of adults over 15 years of age have an outstanding loan to purchase a home. Among the top 60% of income earners, this rises to 0.6%. Loans for home construction are only slightly more prevalent: 1.8% of the top 60% of income earners had one, and 1.2% of the bottom 40% of income earners.

There are two licensed, deposit taking microfinance Institutions in the country: Ecobank Micro Finance Institution (EMSL Ltd) and Bank for Innovation and Partnership (BIP), and six credit-only MFIs. In 2012, EMSL Ltd had Le 50.37 billion (US$12 million) in deposits, while BIP had Le 2.22 billion (US$500 000). In the same year, 13 MFIs reported to the Mix Market, an online source of microfinance performance data and analysis. Between them, these MFIs had issued US$16.1 million in loans to 108 023 borrowers. They had also received US$4.9 million in deposits from 60 910 depositors. Finance Salone and Hope Micro have the largest number of borrowers; however ProCredit Bank – SLE, Finance Salone and BRAC – SLE have the largest share of loans.

There are two development banks in the country: the National Development Bank and the National Cooperative Development Bank. These banks work in conjunction with the MFIs, mainly in urban centres. Rotating savings and credit associations are informal savings and credit institutions used commonly throughout the country.

Low levels of activity aside, Sierra Leone's ranking in terms of the 'ease of getting credit' indicator in the World Bank's Doing Business rankings jumped a massive 44 positions in 2013 to 83rd place out of 185 countries. The Credit Reference Bureau Act of 2010 has been adopted, which requires all commercial banks to refer to it before making out loans to customers. The public credit registry has information on 16 603 individuals and 6 059 firms, comprising 0.7% of the population. Borrowers can inspect their data in the public registry, and data on both firms and individuals are distributed. Sierra Leone scores seven out of a possible 10 points on the 'strength of legal rights' index. There is no collateral registry in operation in the country.

Affordability

Housing affordability is a serious challenge in Sierra Leone, where more than 60% of the population live on less than US$1.25 a day and 60% of the youth are unemployed. As a result, the HFC Mortgage and Savings Bank products are affordable to only a fraction of the population. According to the World Bank, the lending rate by banks in Sierra Leone was 21% in 2012, making borrowing very expensive. The deposit rate was 10.4%.

Housing supply

Sierra Leone, like many African countries, struggles to house the majority of it poor population. Access to affordable housing remains a challenge for government, which is why housing is noted as a critical area with regard to poverty alleviation. The war in Sierra Leone (from 1991 to 2002) left many people destitute and destroyed close to 350 000 dwellings. The war caused many people to flee to Freetown, the capital and largest city in Sierra Leone.

A national survey conducted in 2004 found that 73% of households lived in single storey houses. Nationally, 75% of households were recorded as owner occupiers and 19% as renters. The quality of houses that most households live in is inadequate: 37% live in a house constructed with mud bricks, 35% in houses made with mud walls and 17% in cement constructed houses. Those living in mud walled houses are vulnerable, as the country is prone to seasonal rains.

The construction sector slowed in the second half of 2012, as evidenced in the decrease in cement production in that period.

NASSIT has plans to deliver two – and three-bedroom low cost houses and classroom blocks, and in July 2013 travelled to the US to inspect a particular building technology for this purpose. Land has already been acquired. It was expected that the brick making machines would also be used to construct barracks, schools and hospitals across the country.

Property markets

According to a 2013 Knight Frank report, rental for the industrial sector dominates the property market, with prime rental rates of US$3 per m^2 per month in Freetown. The office and retail market have prime rates of US$17 per m^2 per month, and residential property (a four-bedroom executive house in a prime location) is rented for US$3 500 per month. The World Bank's 2013 Doing Business report ranks Sierra Leone 167th out of 185 countries in terms of ease of registering a property. It takes 67 days to complete the seven procedures involved in registering a property, and costs 11.6% of the property value. In 2013, Sierra Leone made registering property easier by computerising the Ministry of Lands, Country Planning and the Environment.

Policy and regulation

Access to land in Sierra Leone is especially difficult for the poor and even more so for women. Land tenure is still based and reliant on customary law, where the land is dominated by male heads. Land tenure in urban areas follows the English land law. The Constitution of the Republic of Sierra Leone Act No. 6 of 1991 does not clarify to whom the land belongs, and causes problems when it comes to ownership. Land titles in cities such as Freetown are delivered through a grant from the state or possessory title to state land based on adverse possession.

UN-Habitat together with the National Commission for Reconstruction, Resettlement and Rehabilitation, the Ministry for Lands, Housing, Town and Country Planning and Environment, and the UNDP, worked on a Framework document for human settlement development to deal with the growing urban population. The framework document is for the resettlement, reconstruction and rehabilitation of the country. The programme is expected to translate into a national housing policy and implementation strategy. The World Bank has also provided support for Sierra Leone through revising and updating the national housing policy, preparing the outline of a five – to 10-year national housing programme and preparing a report on the slum and informal settlements in Freetown.

Opportunities

The business environment in Sierra Leone has been improving. In the past year, Sierra Leone's ranking improved by eight places in the 2013 World Bank Doing Business report, placing it 140th out of 185 countries. As the macroeconomic environment improves, an important area of opportunity is the housing sector. There is certainly considerable scope for growth in the housing financing markets and housing suppliers should consider how to package their offerings to suit the affordability criteria of the majority of the population.

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South Africa

KEY FIGURES

Main Urban Centres	Pretoria (capital), Johannesburg, Cape Town
Exchange Rate: 1 US$ =	10.24 South African Rand (R)
Population ^	51 189 307
Population growth rate (%) ^	1.18
Urban population (% of total) ^	62.43
Urbanisation rate (%) ^	1.89
GDP per capita (US$) ^	7 507.67
GDP growth rate (%, real) ^	1.34
GNI per capita, Atlas method (current US$) ^	7610
Population less than US$2 per day~	31.33
Population below national poverty line *	45.0
Gini co-efficient ~	63.14
HDI (Global Ranking)"	121
HDI (Country Index Score) "	0.629
Unemployment rate (%) *	22.93
Bank branches per 100 000 ^	10.71
Lending Interest Rate ^	8.75
Deposit Interest Rate ^	5.44
Credit % of GDP ^	80.36
Ease of Doing Business Ranking (out of 185 countries) !	39
Average Mortgages % of GDP	33.9% (own calculations)
Average Outstanding loan to purchase a home, older adults (% age 25+)	5%
What is the cost of standard 50kg bag of cement (in US$)? #	7.83
What is the price of the cheapest, newly built house by a formal developer or contractor? #	24 804
What is the size of this house (in m²)? #	40
What is the minimum stand or plot size for residential property #	180

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

South Africa is the largest economy in Africa, classified by the UN as a middle-income country. South Africa has well-developed transportation infrastructure, legislation that is largely supportive of private investment, a world-class financial sector and a well-diversified economy. Its 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% 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, basic services and others) to the majority of the population and considerable public infrastructure investment. Even so, South Africa continues to be the least equal economy in Africa, with a Gini coefficient estimated to be 0.631 in 2010. At 25.6% in the second quarter of 2013 (up from 23.9% in 2011), unemployment continues to be unmanageably high. The statistical office, StatsSA reports that in 2013, 4.7 million people between the ages of 15 to 64 were unemployed but seeking and available to work. Employment in the informal sector is large (12.72% in 2011). Public confidence in prospects improving is low, as evidenced by the ongoing service delivery protests and labour union strikes which have shown that it is the working class who struggle to access some of the most basic services and in particular, adequate housing. The country is anticipating elections in 2014, and this has added a new urgency to some policy activity, while stalling others.

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. The prime interest rate has been maintained for over a year at an all-time low of 8.5%. Inflation rose to to 6.3% in July 2013 (6.2% year on year), breaching the Reserve Bank's 6% target. Rising credit indebtedness continues to worry policy makers and lenders – at the end of March 2013, 47.5% of credit active consumers had impaired credit records.

The economy has slowed considerably in the past year, from 3.15% in 2011 to 2.5% in 2012. For the first quarter of 2013, GDP growth was at a depressed 1.9%. This is as a result of the impact of the global financial crisis and labour unrest in the mining sector, which undermined production. The Reserve Bank has expressed worry about what it has called the 'anaemic' growth of 1.8% in private sector gross capital formation in the first quarter of 2012. Negative investor sentiments contributed to a deteriorating currency, which by mid-July 2013 put it at a four-year low.

Access to finance

South Africa has a sophisticated banking industry that serves the upper-income segments of the population well. The country has 32 registered banks (18 of these foreign), of which four dominate: Absa Bank, First National Bank, Nedbank and Standard Bank. According to the 2012 FinScope survey, 67% of the South African adult population is banked, and 72% are financially included, using some financial product or service from the formal sector. Just over 19% of the population is financially excluded and does not use either formal or informal financial products. Interestingly, only 2% of adults rely exclusively on banking services; 40% use a combination of formal and informal mechanisms to manage their financial needs.

Access to financial services was dramatically improved with the signing of the Financial Sector Charter (FSC) in 2003. The agreement grew out of 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 – this being part of the transformation agenda since the 1994 democratic elections. 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 the first phase of the FSC, between 2004 and 2008, members of the financial sector collectively committed themselves to extending R42 billion (then about US$5 billion) for housing finance to low income earners with a monthly income of between R1 500 and R7 500 (then about US$180 to US$900), escalated annually by inflation. This target was exceeded: R44 828 billion in housing loans were extended, of which R28 billion (then about US$3.36 billion) were mortgage loans (the remainder being pension-secured, construction and wholesale finance, and housing microfinance).

Between 2009 and 2011, lenders continued to give attention to what they call the 'affordable' market, defining this now to be households who earn less than about R15 000 (US$1 800). After the original FSC target period ended, up to the end of March 2012, a further R19 billion (US$2.28 billion) in mortgage finance was extended to the affordable target market.

Then, in November 2012, the Department of Trade and Industry gazetted the second phase of the FSC, this time a six-year commitment from January 2012 to December 2017. The new FSC does not have explicit housing financing targets, but rather a broader 'empowerment financing' target (housing, SMEs, infrastructure and agriculture) of R48 billion (now about US $4.7 billion). The target market population has also been widened to include households earning up to R15 800 (about US$1 542) per month in 2012 (and escalated annually by CPIX), but with a focus on housing delivery for households earning up to R10 800 (US$1 054). Given the significant role of housing financing in the last FSC (housing constituted approximately 66% of total empowerment financing), it is likely that in this phase, it will also be significant – albeit not at the levels experienced in the first phase. No data has yet been released on the progress to date.

A recent (2013) analysis of mortgage loan performance by sub-market found that FSC and affordable target market loans perform generally on par with loans extended to higher income earners. Performance across the board has deteriorated in recent years, given rising interest rates and the rising cost of living, but this has not been limited to the affordable market, which also has comparable cure rates, boding well for ongoing and increased inclusion if affordable housing supply to this market is available. Still, mortgages loans in the FSC and affordable target market comprise the minority of lending. From 2007 to 2012, 75% of the total number of residential mortgages was associated with properties worth more than R500 000 (about US$48 828), while only 25% were associated with properties worth less than that amount.

By the first quarter of 2013, the gross debtors book for mortgages comprised 1 842 323 accounts to a value of R798.48 billion, a decrease on the fourth quarter of 2012, but a slight increase year on year from 2012.

Housing loans secured by the borrower's pension withdrawal benefit, known as pension-backed loans, are 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 first 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% 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 (the National Housing Finance Corporation and the Rural Housing Loan Fund) 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.

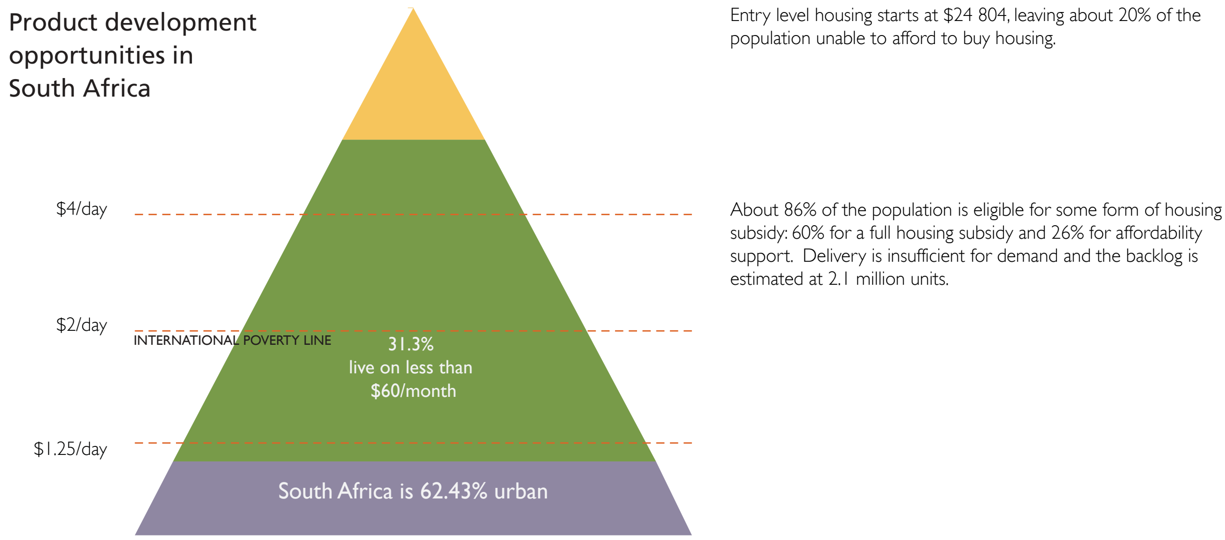
The end of the FSC period coincided with a growing awareness of a global financial crisis, as well as rising food and fuel prices, rapidly rising debt levels and the implementation of the National Credit Act which necessarily constrained access. In 2008, many banks pulled back quickly from the 100% to 108% mortgages they were offering. However, once they became more familiar with the new economic world, many returned to 100% lending for at least the affordable market, noting that these first-time homebuyers would not have sufficient savings or equity to make a deposit.

A key feature in this phase has been the growth of the unsecured lending market, in part as a response to the reduced liquidity among banks given the tightening capital requirements arising from the global financial crisis. Since the fourth quarter of 2007, the unsecured lending market has grown 28% year on year – this is compared to a 4% year on year growth in the mortgage market. In the press, lenders have expressed concern regarding pending Basel III requirements, and in response, the Reserve Bank has established a liquidity facility. However, the unsecured market continues to grow – it is now possible to secure an unsecured loan of upwards of R230 000 (US$ 27 600) from Capitec Bank or R180 000 (US$21 600) from African Bank, the two major microlending banks in the market. Of course, these loans are targeted at higher income earners who can afford monthly payments of R4 000 to R6 000 (US$480 to US$720). However, research recently undertaken by Eighty20 found that a significant proportion of households earning less than R15 000 (US$1 810) monthly have access to and use retail clothing and furniture credit, and credit card facilities.

In fact, access to finance has been so successful that South Africa now faces a serious problem of indebtedness. In the first quarter of 2013, the National Credit Regulator (NCR) calculated that only 37.2% of all credit-active consumers were current. A further 27% of all credit-active consumers were facing adverse listings, judgments and administration orders and another 20.5% were in arrears for over three months. As a result, the rejection rate for new credit is considerable: at 55.65% for the quarter ending March 2013.

Affordability

South Africa has a comprehensive social welfare system, with 43.7% of households having received at least one grant by 2012. Social grants are the primary source of income for 39.5% of households. Within this, 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$500) a month and satisfying a range of other criteria to apply for a fully subsidised house. In terms of the RDP programme, subsidy beneficiaries get freehold title to a 250m^2 serviced stand with a 40m^2 top structure, entirely for free. The programme persists today, with a few modifications, and has delivered an estimated 3.3 million housing units. The Human Settlements budget for the 2013/14 financial year was R28.1 billion (US$ 2.7 billion), an increase of almost 10% on the previous year.

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 (NHFC) and the Rural Housing Loan Fund (RHLF) in the mid-1990s, wholesale financiers that continue to provide capital to non-bank housing lenders targeting low income earners.

These government interventions notwithstanding, South Africa has a new housing affordability crisis. While the estimated 60% of the population earning less than R3 500 is eligible for housing subsidies, the cheapest newly built house is about R254 000 (about US$25 000), affordable at current rates to households with an income of about R8 000 to R10 000 (US$780 to US$970) a month, assuming they have no other debt. To address this gap, government introduced a new Finance Linked Individual Subsidy Programme (FLISP) in early 2012, for households earning between R3 501 and R15 000 (US$340 to US$1 460) per month. Accessible only when linked with mortgage finance and used to purchase a new house costing less than R300 000 (US$29 286), the subsidy offers beneficiaries a once-off capital contribution of between R87 000 and R100 000 (US$8 500 and US$ 9760), depending on household income. By May 2013, however, only 114 applications had been approved, to the value of R3.8 million. The FLISP budget for the 2013/14 financial year is R165 million, which is expected to benefit 3 250 applicants – far too little given the prospective demand. Two further interventions have been proposed to work on the supply side: one promotes the delivery of houses costing less than R300 000 with a tax incentive for developers, and the other is a R1 billion mortgage insurance initiative, to be administered by the NHFC. Neither has been implemented, however.

According to Absa Bank's house price review for the third quarter of 2013, the average value of small houses (80m^2 to 140m^2) was about R732 923 (about US$70 392), up 8.1% from the previous year. At current rates, this would be affordable to someone earning about R22 000 (US$2 112), less than 8% of the population. The average house price in Absa's 'affordable' category (40m^2 to 79m^2 and costing less than R515 000) was R345 644 (about US$33 196). At current rates, this would be affordable to someone earning about R12 700, or 12% of the population.

A key affordability issue has to do with the interest rate imposed by lenders on FSC and affordable market mortgages. Set at between 2% and 4% above prime, lenders argue that this covers administrative costs and the increased risk of lending in new markets. Performance data suggests, however, that the FSC and affordable market perform very closely to the so-called normal market. The premium creates a heavy financial burden on households with the least affordability, and becomes an 'access tax' of sorts, making borrowers more vulnerable to economic shock. In principle, the premium is a risk management strategy by banks to manage, at least in part, the risk of default. Ultimately it might increase the risk of default.

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. In his May 2013 Budget Speech, Human Settlements Minister Tokyo Sexwale reported that 750 000 housing opportunities (houses, rental units and serviced sites) had been delivered in the previous four years. 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% of all properties on the deeds registry are in the so-called 'affordable' category, trading at a value of less than R500 000 (about US$60 000) and including an estimated 1.44 million subsidised properties. Formally registered subsidised properties make up about 24% of South Africa's registered property market.

Despite impressive delivery in the subsidised market, the housing backlog persists and is growing. In 1994, the country had an estimated 300 informal settlements; by 2001 this had grown to 1 066 informal settlements and by 2010, the number had almost tripled, to 2 628. The backlog is officially defined as 2.1 million units (or 8 million to 10 million people), of which 1.1 million households live in informal settlements in South Africa. Of these, 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. According to StatsSA in 2012, 90.8% of South African households had access to piped water and almost 95% of the population has access to toilets (flush or chemical). Electricity was the main energy supply for 85% of households.

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 deliver affordable and subsidised housing. In 2009, the Housing Development Agency (HDA) was established as a public development agency with a mission to fast track the acquisition and release of state, private and communally owned land for human settlement developments. The HDA also provides project management services for human settlements development.

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 (2013), South Africa is ranked 79th out of 185 countries globally, in terms of how easy it is to register property. It takes 23 days to go through the six procedures required, and costs an estimated 5.9% of the property value.

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. In 2013, FinMark Trust launched CityMark, a web-based dashboard designed to track property market performance and encourage investment, specifically in the affordable market.

According to CityMark, the composition of the property market has been changing. In 2007, only 9.7% of all residential transactions registered in SA's top nine metros were worth less than R250 000; by 2012, that proportion had increased to almost 13%, an increase of 35%. Residential transactions over R500 000 barely moved in that period, dropping 0.5%.

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 39th overall, and second in Sub-Saharan Africa in its Doing Business 2013 survey, after Mauritius and before Rwanda. South Africa was also ranked first in Sub-Saharan Africa in terms of dealing with construction permits, business access to credit and protecting investors.

Housing policy in South Africa is at a crossroads. Ongoing strike action and service delivery protests have drawn attention to a critical gap in the housing policy framework which undermines the ability of 20% of the population, the working class, to meet their housing needs. Key public sector workers are in this gap, and their frustration with their housing prospects has become an area of explicit attention for politicians. For the first time, Ministerial comment has acknowledged the housing needs of the working class; this is what has pushed the introduction of the FLISP subsidy and attention to the 'gap' market. Still, such interventions are little more than tentative. A process towards the drafting of a policy Green Paper in 2012 was stalled without resolution. In July 2013, the Human Settlements Minister was replaced in a Cabinet reshuffle and Ms Connie September was appointed as Minister. It is unlikely that policy will change substantially before the 2014 National Elections.

Meanwhile, the persistence of informal settlements across the country is receiving explicit government attention. The National Upgrading Support Programme has been established to pursue the Human Settlements department's commitment to upgrade living conditions for 400 000 households within informal settlements 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, is in the affordable market where demand far exceeds supply. Broadly, this market comprises households earning less than about R16 000 (US$1 562) in household income who might afford housing for less than R500 000 (about US$ 48 800). Already, some developers are beginning to work at the top end of this market segment, delivering houses in the region of R300 000 to 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% of South African 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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South Sudan

KEY FIGURES

Main Urban Centres	Juba
Exchange Rate: 1 US$ =	4.41 South Sudanese Pound (SSP)
Population ^	10 837 527
Population growth rate (%) ^	4.30
Urban population (% of total) ^	18.25
Urbanisation rate (%) ^	5.38
GDP per capita (US$) ^	861.57
GDP growth rate (%, real) ^	-57.67
GNI per capita, Atlas method (current US$) ^	650
Population less than US$2 per day~	
Population below national poverty line *	
Gini co-efficient ~	
HDI (Global Ranking)"	
HDI (Country Index Score) "	
Unemployment rate (%) *	
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	
Credit % of GDP ^	
Ease of Doing Business Ranking (out of 185 countries) !	
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	
What is the cost of standard 50kg bag of cement (in US$)? #	27.21
What is the price of the cheapest, newly built house by a formal developer or contractor? #	45 000
What is the size of this house (in m²)? #	75
What is the minimum stand or plot size for residential property #	

Sources:
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^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

South Sudan marked its second year of independence on 9 June 2013. Since becoming an independent state in 2011, substantial steps have been taken to institute a stable political environment. Although the political environment is still mediocre, the country has at least managed to avoid a return to large-scale conflict. Thousands of rebel fighters, including key rebel group leader David Yau Yau, have been offered amnesty.

With substantial support from international donors, estimated at US$1 billion per year, the country has started to refocus its priorities, gradually moving from humanitarian and emergency services to investing more in development-oriented programmes in health, education and infrastructure, and building the core of a functioning government at the centre and in the 10 states (Upper Nile, Jonglei, Unity, Warrap, Northern Bahr El Ghazal, Western Bahr El Ghazal, Lakes, Western Equatorial, Central Equatorial and Eastern Equatorial). Government institutions, however, still lack basic capacity and remain riddled with challenges ranging from depleted resources to a scarce and oftentimes untrained administrative and support staff.

Further, the government's core resource envelope, oil revenue, which would have complemented donor efforts in building infrastructure and expanding growth of key sectors of the economy, has been dwindling, following the shutdown of oil production in January 2012. To help deal with the void created by the shutdown, an austerity budget was passed and implemented with strict measures, including a 50% reduction in non-salary expenditure, elimination of unconditional block grants to state governments and streamlining the tax collection system. While the approved austerity budget was guided by a cautious fiscal policy, high public expenditures led to large budget overruns, making approved budget lines of little significance in delivering the key priorities of the South Sudan Development Plan. For example, in 2011/12, the Ministry of Defence exceeded its budget by SSP1.23 billion (US$279.5 million), primarily because of salary increments which were approved in April 2011 but not reflected in the budget. Government has since instituted stringent budget control procedures for the 2012/13 budget, which are in line with the Public Finance Management and Accountability Act of 2011.

South Sudan's economy is one of the weakest in the world. The economy is fragile, underdeveloped and highly dependent on oil and imports, and its domestic capacity to produce goods is extremely limited. According to the African Economic Outlook (2013), the government of South Sudan has limited capacity to forecast key macroeconomic parameters, though plans are under way to develop a comprehensive macroeconomic framework, encompassing all sectors of the economy.

Nominal GDP rates differed marginally during the last two financial years, increasing from SSP 42.9 billion (US$14.3 billion) in 2010/11 to SSP 43.1 billion (US$14.4 billion) in 2011/12. However, real GDP growth rates receded by 27% in 2011/12, and by a further 16.3% in 2012/13 because of government's decision to shut down all its oilfields as part of efforts to resolve post-secession issues with North Sudan. With the resumption of oil production in mid-2013, the International Monetary Fund has projected that the South Sudanese economy will be among the fastest growing in Sub-Saharan Africa for the 2013/14, at a rate of 32.2%.

The oil sector is the largest contributor to GDP, both in terms of direct value add to the economy and the associated investment boom and boost to the services industry. Oil exports accounted for 65% of total GDP in 2012. However, oil reserves are finite, and are estimated to decline sharply by 2035. Efforts to build good institutions for managing the country's oil wealth should therefore be reinforced if oil revenues are to continue to contribute significantly to GDP.

The economic policy dialogue has turned to the need for balanced growth and the strengthening of non-oil sectors, which are key to sustainable growth of the economy. To this end, non-oil revenue has been growing from about SSP 100 million (about US$22.7 million) per month in 2011 to SSP 145 million (about US$33 million) per month to July 2013, providing a better cover for oil revenues.

According to the World Bank, GDP per capita in 2011 was estimated at SSP 6 131 (US$1 858) from SSP 3 654 (US$1 363) in 2010 and SSP 3 541 (US$1 321) in 2008. In early 2012, however, following the sudden suspension of oil production, GDP per capita receded to levels well below those registered before independence – SSP 3 454 (US$785). South Sudan's current GDP per capita is nonetheless still the highest in the East African region, largely due to its oil revenues. On other development indicators such as education and health, however, South Sudan performs worse than its neighbours in the region, with just over half (50.6%) of its population living below the poverty line.

Since December 2011, the South Sudanese economy has recorded very high inflation rates, reaching levels as high as 74% in May 2012. The expensive and scarce foreign currency contributed significantly to the exceptionally high inflation rates. The high inflation rates had a negative effect on the exchange rate, depreciating on the parallel market, since the Central Bank of South Sudan was holding substantial amounts of foreign currency to build up its own reserves. This created an imbalance between the demand for and supply of foreign currency. The depreciation of the exchange rate further fuelled inflation by raising the prices of goods imported into the market. Rising prices of goods on the market impact negatively on people's welfare through reduced purchasing power, and tend to increase food insecurity and poverty, even among rural populations that are not directly involved in the modern cash economy.

Access to finance

The banking sector is still in its infancy and vulnerable. There are 16 banks operating in South Sudan, of which the largest is Kenya Commercial Bank (KCB), which intends to double its presence to 30 branches, covering 100 000 people by 2015**.** Nile Commercial Bank, Buffalo Commercial Bank, Ivory Bank, Equity Bank, Commercial Bank of Ethiopia, Agricultural Bank of Sudan, Mountains Trade and Development Bank, Bank of Khartoum Juba, CFC Stanbic Bank, Diamond Trust Bank (South Sudan), Ramciel National Bank, United Bank (South Sudan), Cooperative Bank of South Sudan, Family Bank (South Sudan) and Qatar National Bank make up the rest of the banks in Sudan.

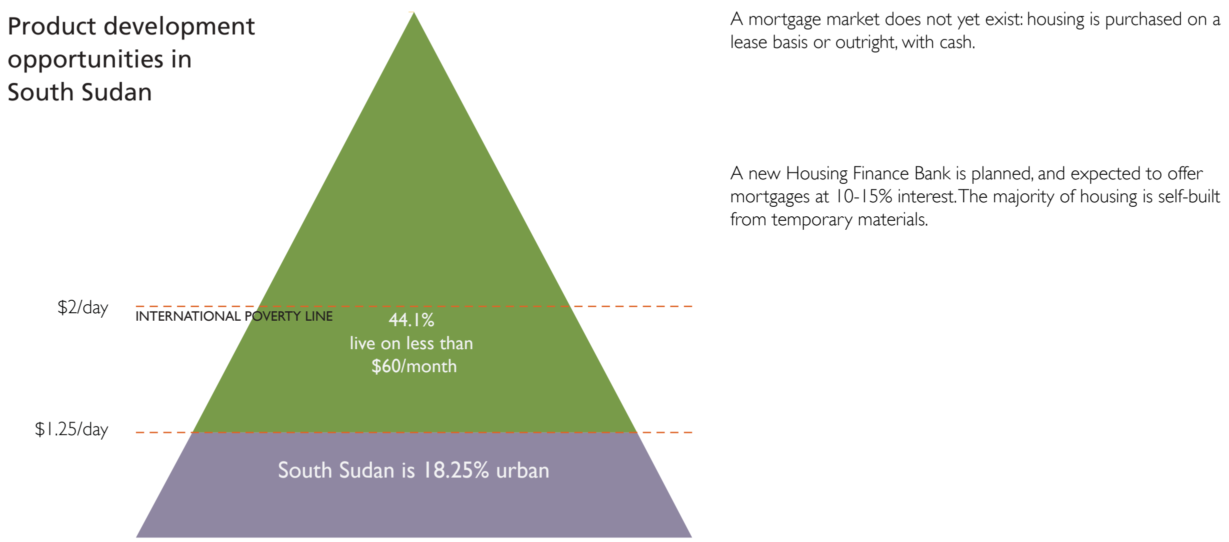
The commercial banks' lending portfolio is small, covering only a small percentage of the estimated market in the country. Presently, there are 0.5 commercial bank branches per 100 000 adults, and outstanding loans from commercial banks as a percentage of GDP accounted for 0.82% by the end of 2012. This percentage is low by regional standards. In Uganda, for example, by the end of 2012, 80% of the commercial banks' deposit base had been lent out to the private sector, and private sector credit as a percentage of GDP was estimated at 15%.

Commercial banks are generally reluctant to lend, largely because of the structure of their deposits. The majority of the deposits are short term (less than a month), and drawn upon regularly. Deposits on savings accounts are still few. Some banks have instituted measures to encourage customers to save more by offering an interest rate of up to 1.75% on savings accounts. This rate is low by regional standards and reflects the nascence of the banking industry in the country.

Generally, the formal savings culture in the country is poor, and the country has been labelled by several authors as a primordially cash economy, due to the high ratio of costs to salary levels and a preference for informal or traditional savings methods.

Loan tenures are short term (three to six months) and at high interest rates (15% to 18% per annum). Collateral for loans is in most cases not available, though some banks have innovatively sought other forms of guarantees as security for the loan, such as leasing (keeping the purchased asset in the name of the bank until complete repayment), or direct payment by the employer or final purchaser of the good (arrangements where an external party pays the bank directly such as in the case of government procurements or salary loans).

According to the World Bank's 2011 Doing Business report, the only criterion used by banks in the capital city of Juba to appraise their clients is the 'KYC' rule: know your customer. Banks rely on other customers who know the community to give information about prospective debtors. Loans are advanced based on personal connections and not necessarily on the likelihood of repayment. Generally the lack of credit history is a major constraint to access to finance in South Sudan. Most companies were established since independence and few have a past credit record. In the World



Bank's 2011 Doing Business report, Juba scores 0 out of 6 on the depth of credit information index.

As a result, non-performing loans are a common feature on several banks' portfolios, and worse still, the banks do not have adequate methods of enforcing repayment. The judiciary system, which would play a key role in such scenarios, is severely constrained in terms of both capacity and resources, and is untested in the dispute resolution of loan defaults.

In early 2013, the government of South Sudan approved the establishment of a US$200 million mortgage lender, the Housing Finance Bank, through a public private partnership to help address the shortages of housing in the country. Some 40% of the Housing Finance Bank will be owned/financed by foreign investors (two foreign venture capital companies have expressed interest in investing in the bank), 31% will be owned/financed by domestic financial institutions and 29% will be owned/financed by the government. Prior to establishment of the Housing Finance Bank, an enabling law will be drafted to regulate the mortgage industry. A timeframe of one year has been set for the enabling law to be enacted and the bank to be established.

It is envisaged that the Housing Finance Bank will offer mortgages at an interest rate of 10% to 15%. The bank will enter into agreements with private developers to construct various classes of houses in all 10 states for purchase by government employees and the general public.

Housing supply

South Sudan's current housing supplies are basic, of dismal quality and unique to a post-conflict country, which has not had well functioning institutions for a relatively long period of time. Almost 90% of houses are made from mud or sticks (known as Tukul/gottya), 5% are made from straw mats, 3% from wood and only about 2% of houses are made of brick or concrete. About a third of the population (31%) live in houses with only one room, 64% live in houses with two to four rooms, and 5% of the population live in houses with five to nine rooms.

The present housing types and supplies are also a reflection of low income levels and the use of personal savings to build homes incrementally over time. The vast majority of the population (93.3%) live in houses they own, 2.7% in rented houses, 0.6% in houses provided as part of work and 3.4% in houses provided free of charge. Housing consumption remains very low; the average consumption per person per month, whether in urban or rural areas, is estimated at about SSP 100 (US$37.30), and of this amount, housing materials for maintenance of the dwelling and repair of household appliances constitute only SSP 4 (less than US$1.50).

While the government is committed to addressing the dismal state of housing in the country, there are more urgent and competing concerns, such as maintaining peace and security at this crucial time of transition. For the 2012/13 budget, the government slashed the budget for housing construction projects planned under the Ministry of Housing and Physical Planning from SSP 23 million (US$8.5 million) in 2010/11 to SSP 12.5 million (US$2.8 million).

Private sector housing delivery has also slowed due to the nascent investment climate and elements of insecurity, both within and along the border with North Sudan. For example, a relatively large-scale housing project launched in 2008 in the Central Equatorial State, in partnership with Abu Malek Companies & Agencies Limited (the mandated project promoters for the government of South Sudan), has not yet kicked off. The project was estimated to cost US$650 million to set up a master plan community project in the cities of Juba and Kajo Keji. The project was estimated to cover 16km2 and would have featured an initial 9 000 housing units (more were anticipated), commercial areas that would facilitate marketing and trading activities, industrial areas that would enable products manufacturing, and agricultural projects that would guarantee local food supply for domestic and export marketing.

Other private housing projects have also stalled. The Rock City Development Project and the Buluk Premier Housing Project, both in Juba, were planned to deliver just under 350 units of various sizes and a shopping mall of about 23 000m^2 in 2010, but have not happened. A US$452 million housing deal between the government and Kenya Commercial Bank Group's mortgage subsidiary, S&L, to fund construction of 1 750 housing units for civil servants has also not gotten off the ground.

South Africa's Pretoria Portland Cement Company Limited (PPC Cement), with eight manufacturing facilities and three milling depots in South Africa, Botswana and Zimbabwe and Ethiopia, entered the South Sudanese real estate market in 2013 to tap into the growing demand for concrete (cement and lime, among others) products. It is hoped that this reduces the very high cement prices in the country.

Property markets

The residential property markets in South Sudan are still under-developed, unsophisticated and hard to estimate, both in qualitative and quantitative terms. On the other hand, the commercial property markets have gained momentum, driven mainly by immigrants from Eritrea, Ethiopia, Somalia, China and North Sudan, and international companies like UAP Insurance. The latter, through its South Sudan Property Company, UAP Properties Limited, signed a US$5 million loan financing agreement with the International Finance Corporation to develop Equatoria Tower, a 12-storey ultra-modern, landmark commercial office development, in Juba. The Tower should be ready to let out office space by 2014.

Commercial properties are built on leased land (up to 99 years). In a typical leasing agreement, ownership of the development will revert to the landlord upon expiry. However, because of low capacity to supervise and enforce building standards, there are fears that tenants may hand over worthless structures upon expiry of leasing agreements.

Affordability

The majority of the people of South Sudan (about 90%) live in rural areas and are employed informally in mainly the agriculture sector (smallholder agriculture, farming, livestock and fishing). Only 10% of the workforce is formally employed, and half of them are employed by government. The majority of public servants (54%) are low income earners, with monthly incomes ranging between SSP 300 (US$ 112) and SSP 999 (US$ 372).

Housing affordability is consequently very limited, and the housing developments planned misunderstand the constraints. The following calculations are based on prices of houses that would have been constructed under the Abu Malek Project.

Households earning between SSP 8 000 and SSP 15 000 (US$2 985 and US$5 597) include members of parliament, presidential advisors, ministers, the President of the Supreme Court, under-secretaries and legal counsels. There are 346 such individuals in the government workforce. Individuals that earn above SSP 10 720 (US$4 000) would comfortably afford houses of US$$200 000, which were targeted for middle income earners. However, none of them would afford houses of US$300 000, which were targeted for their income levels.

Households earning between SSP 4 001 – SSP 7 999 (US$1 493 – US$2 984) include the Justice of the Court of Appeal, High Court judges, and the first, second and third legal counsels. There are 434 such individuals in the government workforce. Individuals that earn above SSP 5 025 (US$1 875) would comfortably afford houses of US$96 000. However, none of them would afford houses of US$200 000, which were targeted for their income levels.

Households earning between SSP 2 000 and SSP 4 000 (US$746 and US$ 1 492) include first lieutenant generals, lieutenant generals, major generals, brigadiers, assistant legal counsel and public servants in grades 1 to 6. There are 2 031 such individuals in the government workforce. Individuals in this income class would comfortably afford houses of US$45 000, which were targeted for low income earners. However, none of them would afford houses of US$96 000, which were targeted for their income levels.

Households earning between SSP 300 and SSP 1 999 (US$112 and US$745) include colonels, lieutenant colonels, majors and captains, lieutenants, sergeants, corporals, privates and public servants in grades 7 to 17. There are 22 781 such individuals in the government workforce. Individuals in this income class would not be able to afford houses of US$45 000, which were targeted for low income earners.

Policy and regulation

Since its establishment, the Ministry of Housing has been working tirelessly to design and implement a legal and regulatory framework that will enable the government to mobilise public and private sector resources to build affordable and decent houses for the population, and rehabilitate the existing war-ravaged public buildings and utilities, with a special emphasis on urban areas.

In mid-2013, Parliament passed the national housing policy, which seeks to attract direct foreign investments in the country's housing industry. Currently, banks in South Sudan do not provide long-term loans for housing, making investments in housing projects an expensive venture.

A Land Act was enacted and approved in 2009. The Land Act espouses three systems of tenure: customary, freehold and leasehold. Land is classified as public (held by government), community (held by communities) or private land (leaseholds of up 99 years and freeholds). The Land Act effectively details ownership rights proven by legal title for all short-term leases a decentralised system of land registry maintained by the Ministry of Housing, Physical Planning and Environment, the right for title holders to use the land as a surety to secure debt (where mortgage contracts are to be registered in the land registry,, and the right for creditors to foreclose on land title in case of default. While the Land Act allows creditors to foreclose on land as collateral, no laws currently detail the creditor's rights, nor is there an appropriate registry for other types of collateral. The availability of fixed asset based lending will depend on the establishment of such legal frameworks (the equivalent of a Mortgage Act), as well as an associated system of standardised collateral evaluation and registry.

Although the Land Act delineates the institutions and mechanisms for titling, registry and the right to use land as collateral, the institutions in place are still at an early stage of development, and have not yet been tested adequately. For instance; the institutions which currently register titles have low capacity and lack appropriate IT systems, procedures and support (especially at state level). Other structures will also need to be developed for compensation for expropriation and the application of customary practices/laws as described in the Land Act.

In the past, because of the absence of a clear system for land titling and registry, some banks have been reluctant to accept land as collateral, while other banks accept the so-called 'British leasehold' with 30 remaining years as collateral. Some other banks accept land titles for Juba-based property only.

Opportunities

South Sudan offers green field opportunities for all housing sector players, and those who first enter the market will realise the most significant rewards. The number of commercial banks need to be scaled up to allow for more competition and dynamism within the banking industry. Further, there is a need to institute long-term finance schemes within the banking system if the lending culture of banks is to appreciate. Clearly, the housing sector offers substantial opportunities, if affordability constraints are understood.

Given the affordability constraints, opportunities to grow the housing microfinance market are also suggested. There is a need to facilitate and support the establishment of housing co-operatives in which individuals would obtain houses under conditions that suit their incomes. The insurance, capital markets and social security sectors have not been tapped into. These sectors are key in the provision of long-term funds to the mortgage industry.

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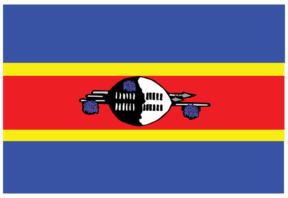
Swaziland



KEY FIGURES

Main Urban Centres	Mbabane (capital), Manzini
Exchange Rate: 1 US$ =	10.25 Swazi Lilangeni (SZL)
Population ^	1 230 985
Population growth rate (%) ^	1.54
Urban population (% of total) ^	21.25
Urbanisation rate (%) ^	1.38
GDP per capita (US$) ^	3 043.50
GDP growth rate (%, real) ^	-1.5
GNI per capita, Atlas method (current US$) ^	2 860
Population less than US$2 per day~	60.4
Population below national poverty line *	69.2
Gini co-efficient ~	51.49
HDI (Global Ranking)"	141
HDI (Country Index Score) "	0.536
Unemployment rate (%) *	22.54
Bank branches per 100 000 ^	7.23
Lending Interest Rate ^	8.75
Deposit Interest Rate ^	2.47
Credit % of GDP ^	21.06
Ease of Doing Business Ranking (out of 185 countries) !	123
Average Mortgages % of GDP°	
Average Outstanding loan to purchase a home, older adults (% age 25+)	7%
What is the cost of standard 50kg bag of cement (in US$)? #	8,00
What is the price of the cheapest, newly built house by a formal developer or contractor? #	8 000
What is the size of this house (in m²)? #	40
What is the minimum stand or plot size for residential property #	

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Swaziland is a small, mainly rural country, with a relatively high gross national income, making it a middle income country. In 2012, Swaziland's economic growth remained one of the lowest in Sub-Saharan Africa, despite a marked increase in revenues from the Southern Africa Customs Union. Although official estimates put real GDP growth at 0.2%, it is estimated that the economy marginally contracted by 0.3%, reflecting subdued global recovery, structural bottlenecks and the delayed impact of the fiscal crisis. Even though the country re-launched the Investor Road Map and started its implementation, the overall investment climate poses challenges to growth, alongside persistent skills shortages and mismatches.

A key challenge for the Swazi economy is job creation in high value adding sectors. Despite the dependence of the majority of the population on agriculture, the contribution of the sector to GDP has been declining. Limited investments in the resources sector have meant that the mining sector is also not growing. With skills development failing to adapt to the changing structure and new demands of the productive activities, Swaziland faces both skill shortages and a mismatch between skills possessed by its workforce and those demanded by employers. This impacts particularly negatively on employment opportunities among the youth – at 52%, the country had one of the highest youth unemployment rates in Africa in 2010.

In 2012, Swaziland's economy again underperformed compared to its regional peers. Despite the 8.3% growth in agriculture in 2011, the sector contracted by almost half a percentage point in 2012 due to lower maize, citrus and livestock production (a 10% decline in maize harvests resulted in a maize deficit of 39 285 metric tonnes). The mining sector has also experienced setbacks when production of unprocessed iron ore plummeted by 25.6% in the 3rd quarter, due to lower world iron ore prices and construction at the mine site. Similarly, manufacturing contracted by 0.6%, making it the only sector that has contracted for four consecutive years, with a cumulative decline of almost 8%. The services sector, which had grown by more than 5% in 2009 and 2010, experienced a significant slowdown in economic activity. In 2012, the services sector recorded a mere 0.4% growth. Good rains since the beginning of the 2012/13 season are likely to improve harvests in 2013. This, coupled with rising sugar prices, is expected to boost growth in the agricultural sector.

While the fiscal situation in 2013/14 is likely to stabilise, underlining structural bottlenecks need to be addressed to achieve high and sustainable growth. These problems also highlight the possible reversal of the poverty gains made before the financial crisis, when poverty declined from 69% to 63% in 2010. Given the weak growth prospects, reducing poverty and unemployment (estimated at 29% of the labour force in 2010) remains a key policy priority.

Access to finance

The banking industry plays a key role in the economy. The Swaziland banking sector consists of three commercial banks, South Africa's Nedbank, Standard Bank and First National Bank (FNB); a mutual building society, Swaziland Building Society; and a statutory bank, the Swaziland Development and Savings Bank (SwaziBank).

According to FinScope Swaziland 2011, 44% of the Swazi population is formally banked, 13% use informal services and 37% are financially excluded.

By the end of 2012, Swaziland's consumer credit market involved a total of E 6.4billion (US$640 million) in loans. In terms of value, mortgages and housing loans dominate the consumer credit book, accounting for 34.3% of all credit extended, indicating a decline of 5.2% from the previous year. The value of mortgage and housing finance is the largest single category of credit in Swaziland – accounting for E 2.2 billion (US$220 million), or 34% of consumer credit. The next biggest category of consumer credit is personal loans, accounting for E 1.9 billion (US$190 million), or 28% of the total value of credit extended. The data for personal loans includes the data from banks and non-banks.

Credit for housing in Swaziland ranges from mortgages, for which a title deed is present, to pension-backed loans when the consumer has contributed to a lump sum over time that acts as liquid security, and personal loans when the consumer typically undertakes incremental building of the household home. When creditworthy consumers are unable to obtain a mortgage (when no title deed exists) or a pension-backed loan (as they have been unable to accumulate a sizeable pension), they can obtain large unsecured personal loans. Such personal loans – of around E100 000 or more – are more readily available than mortgages from both banks and non-banks, but as they are unsecured, they are priced higher than mortgages. This price differential disadvantages these consumers.

The Swaziland Building Society (SBS) was established in 1962, and is a viable, 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, and has E 1.3 billion in assets. It also runs a rural housing scheme, which enables borrowers to build on Swazi Nation Land (land that 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 providing loans to buy small plots and for house improvements.

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, and has won numerous banking awards. The bank has historically obtained interest-free deposits from the government, channelled to, among others, its mortgage programme for public servants. Urban public servants can borrow up to E 400 000 (US$40 000), while rural public servants can borrow up to E 200 000 (US$20 000). A variety of other mortgage products are also available.

SwaziBank offers a rural housing loan, mortgaged either by a freehold property or secured with the borrower's pension withdrawal benefits. Commercial banks provide a few mortgages for the upper and middle income settlements of the market.

The Swaziland National Housing Board (SNHB), apart from being a developer and owner of housing, also provides housing finance and developed land for sale.

Nedbank, FNB and Standard Bank all offer mortgages in Swaziland. Urban housing loans are offered generally at a loan to value ratio of 80% to 90%. FNB requires a 40% deposit for a mortgage for a plot of land, while the Swazi Building Society allows an 80% LTV for the purchase of a plot, and a 95% LTV for the purchase of a house. The maximum loan term across all the lenders is 25 years, although a Nedbank loan term is 20 years and the term for an FNB loan for house purchase is 30 years. Interest rates are similar to what is available – 9% as per the prime rate in 2012. The Swazi Building Society offers its mortgage at 1% below prime.

Swaziland has a vibrant microfinance industry, with more than 100 institutions and a rapidly growing industry of savings and credit co-operatives. Until recently, the non-bank industry has been unregulated, but this changed with the introduction of the Financial Services Regulatory Authority in 2010.

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 its hub and spokes model, which operates from South Africa. A Consumer Credit Bill which will regulate credit in Swaziland has been approved and awaits parliamentary approval.

Affordability

Since 2010, SNHB has had low-cost offerings available priced at between E 280 000 (US$28 000) and E 450 000 (US$45 000). This required an income of between E 6 486 and E 10 422 (US$64-US$104) a month to qualify for a loan, which is beyond the reach of the vast majority in a country where more than 85% 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 E 720 (US$72) to E 4 200 (US$420). SNHB claims that this is discounted on the market rate charged by private landlords for similar units. As a result, the SHNB maintains a long waiting list, which has led to frustration among those still in the queue.

The SBS has established lending for plot acquisition amongst 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, amongst other reasons, a reluctance amongst poorer households to use plots as collateral, a 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.

Swaziland is also significantly affected by HIV/Aids, with just over a quarter of the adult population infected. 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. Households source funds from social support networks like family and friends, moneylenders and other finance sources such as business income and rental revenue. According to FinScope Swaziland 2011, 25% of urban dwellers do not have water in their home, and just over 50% in urban areas lack flush toilets. Some 48% of urban dwellers use electricity in their homes, the rest use liquefied petroleum gas (25.7%), kerosene (8.5%) or wood (15.9%).

The SNHB 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 has three projects under way: 316 units in Mhobodleni Township, 444 units in Nhlangano Township (extension 9) and 28 upmarket plots in Woodlands. The SNHB has plans for a further three projects: 1 000 hectares 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..

In April 2011, the Minister of Housing and Urban Development reported on Swaziland's Housing the Nation programme, a housing delivery programme targeted at public servants and the general population. The E 4.8 billion (US$480 million) project was expected to create 25 000 jobs and contribute up to 14% of GDP in the delivery of housing for sale on a sectional title basis. To date, the project remains unrealised.

The supply of land in urban areas is limited and is a constraint to housing development, as much land is tribal-owned Swazi Nation Land. 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 Swazi Nation Land land to leasehold requires the consent of the king and does not happen frequently.

Property markets

In addition to local demand, the higher end property market is fed by South African buyers seeking holiday homes. Given the global economic crisis and Swaziland's poor macroeconomic performance, sales remained depressed in 2012, with a lot of property available but few buyers. Some argue that the introduction of VAT has further depressed the market. The exception is Ezulwini, which is fast becoming a tourist hub, where despite the recession, the cost of property rose. There is a strong migration of middle class buyers into the area.

According to the World Bank's Doing Business report for 2013, Swaziland ranks 129th out of 185 countries in terms of the ease of registering a property, down one spot from 2012. It takes 21 days to register a property in Swaziland (versus 65 days in Sub-Saharan Africa), and costs 7.1% of the property value.

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 Swazi National 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 Swazi Nation Land, although it may in practice halt the allocation and use rights administered by chiefs.

Policy and regulation

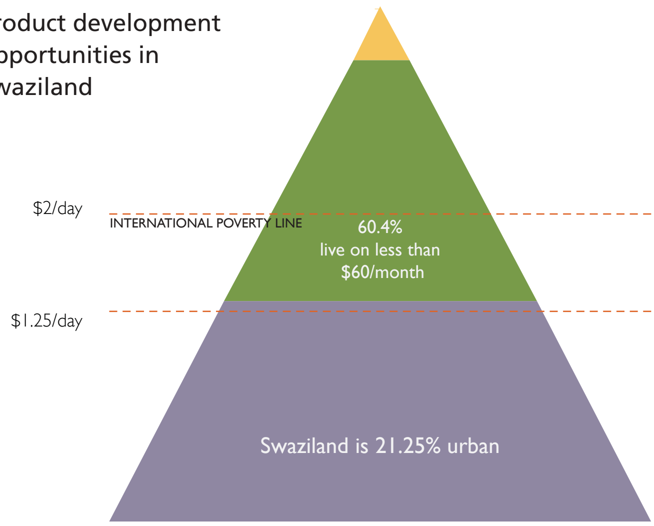
In general, the Swazi legal system effectively enforces property rights. The court system is considered free and fair, if lengthy. The country performs relatively well on different World Bnk Doing Business indicators, including the 'strength of legal rights' Index (six out of 10).

Swaziland's housing policy was drafted in 2001, but its legislative framework is over 40 years old, with the Town Planning Act, Building and Housing Act, and Local Government Act all emanating from the late 1960s. A draft National Land Policy and Draft Peri-Urban Growth Policy have been developed but not promulgated. The legal framework for the rental market is in need of critical attention. A Residential Tenancies Bill, which addresses the relationship between landlords and tenants, has been drafted but has not yet been promulgated into law.

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 non-bank financial institutions. The legislation has led to impressive growth in foreign direct investment in the sector, especially from South Africa.

Swaziland ranks 123rd overall in the World Bank's Doing Business survey for 2013, out of 185 countries. A key constraint relates to the enforcement of contracts, where Swaziland ranks 174th .

Product development opportunities in Swaziland



In 2011, a low cost housing unit from SNHB cost about $39 351–$63 243. This would require an income of at least $913–$1468.

Opportunities

Housing for lower to middle income earners remains a challenge. The activities of a number of MFIs such as Select, and building societies such as the SBS, which provide products that allow starter plot acquisition and incremental housing construction, 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. Still, housing finance plays a significant role in the Swazi credit economy. Given Swaziland's economic situation, the promotion of incremental housing approaches, financed with housing microfinance, is an important area for market development.

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Tanzania

KEY FIGURES

Main Urban Centres	Dodoma (capital), Dar-es-Salaam, Arusha
Exchange Rate: 1 US$ =	1 615.48 Tanzanian Shilling (TZS)
Population ^	47 783 107
Population growth rate (%) ^	3.04
Urban population (% of total) ^	27.21
Urbanisation rate (%) ^	4.75
GDP per capita (US$) ^	608.85
GDP growth rate (%, real) ^	3.67
GNI per capita, Atlas method (current US$) ^	570
Population less than US$2 per day~	87.87
Population below national poverty line *	35.7
Gini co-efficient ~	37.58
HDI (Global Ranking)"	152
HDI (Country Index Score) "	0.476
Unemployment rate (%) *	4.30
Bank branches per 100 000 ^	1.95
Lending Interest Rate ^	15.46
Deposit Interest Rate ^	9.51
Credit % of GDP ^	24.82
Ease of Doing Business Ranking (out of 185 countries) !	134
Average Mortgages % of GDP	0,32% (TMRC 2013)
Average Outstanding loan to purchase a home, older adults (% age 25+)	5%
What is the cost of standard 50kg bag of cement (in US$)? #	14
What is the price of the cheapest, newly built house by a formal developer or contractor? #	28 000
What is the size of this house (in m²)? #	56
What is the minimum stand or plot size for residential property #	300

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Tanzania is a growing economy, straddling the East African and Southern African economic development communities. The country has experienced impressive growth rates over the past decade. After a brief dip due to the global downturn in 2010, Tanzania recovered with GDP growth at 6.4% in 2012, and forecast for 6.9% in 2013 and 7% in 2014. The main driver has been performance in the services sector, but investments in the natural gas sector are also significant. The construction sector also performed well, comprising 8.8% of GDP in 2011, mainly driven by increases in residential and non-residential buildings, roads and bridges, and land improvement activities. It is anticipated to grow by 9.8% in 2013 and 9.6% in 2014. Finance, real estate and business services comprised 11.4%. Tanzania has suffered high inflation rates over the past few years, with inflation of 16.1% in 2012. According to African Economic Outlook, inflation is expected to ease to single digits in 2013 (8.4%) and 2014 (6.9%).

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 economic liberalisation, Tanzania has 45 commercial banks and many other private financial institutions. This has resulted in an expansion of credit to the private sector, which in 2012 came to 17% of GDP. The private banking sector is sound and profitable, with capital adequacy ratios above regulatory standards. Nevertheless, an indication of a shallow financial system is the gross domestic savings rate, which was estimated at 20% of the country's GDP in 2010. Access to credit is low by comparable standards across the continent and worldwide. Some 23 MFIs report to the Mix Market, an online source of microfinance performance data and analysis. In 2013, these lenders had a gross loan portfolio of US$963.1 million and 352 624 active borrowers. Almost 528 866 depositors had saved a total of US$154 million in the MFIs. The largest microlender in Tanzania is the National Microfinance Bank, with a gross loan portfolio of US$833 million.

In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database to explore levels of financial inclusion around the world. According to Findex, 14.2% of rural and 40.6% of urban Tanzanians over 15 years of age have an account with a formal financial institution. While 43.6% of Tanzanians over the age of 25 report that they have saved in the past year, this appears to be mainly informal: only 13.3% have saved at a financial institution and 9.7% through a savings club. Credit is not widely used. Only 8.1% said they had a loan from a financial institution in the past year. Very few Tanzanians – only 6.7% of the top 60% of income earners and 1% of the bottom 40% of income earners – report having an outstanding loan to purchase a home. Loans for home construction are slightly more prevalent, however, with 10.8% of the top 60% of income earners and 3.1% of the bottom 40% of income earners having home construction loans currently outstanding. A study commissioned by the Bank of Tanzania found that 41% of Tanzanians who borrow microloans planned to use these for housing construction or improvements.

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 – the extent of Tanzania's mortgage industry. The Mortgage Finance Act of 2008, developed with the support of the World Bank, led to the establishment of the Tanzania Mortgage Refinance Company (TMRC) in early 2010. 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 – similar to the Egyptian Mortgage Refinance Company. 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 for the purpose of bond issuance. In August 2013, the TMRC issued terms of reference for consultancy services in this regard.

The TMRC offers important opportunities for growth in Tanzania's mortgage sector: it 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 have used 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 issuing bonds, acting as an efficient way of connecting long-term investors with the institutions generating long-term assets. Over time, it is hoped that the TMRC will lead to the establishment of specialised housing finance companies in the private sector.

The TMRC has 11 shareholding banks, all of which do, or plan to offer mortgages: Azania Bank, Bank of Africa Tanzania, National Bank of Commerce, CRDB Bank, Exim Bank, National Microfinance Bank, BancABC, NIC Bank Tanzania, DCB Commercial Bank, Tanzania Investment Bank and The People's Bank of Zanzibar. The TMRC initially made slow progress due to a lack of readily available mortgage portfolios in the market. A low disbursement rate and very limited movement against the project indicators contributed to the need to restructure the project, which was finalised in May 2013. This has allowed the TMRC to pre-finance as well as refinance mortgage portfolios from participating mortgage lenders. According to the World Bank, 636 mortgages and one lender had been refinanced by the TMRC by 12 October 2012, towards a March 2015 target of 3 470 loans and 10 lenders. Mortgage debt to GDP had increased to 0.32% by June 2013, towards a March 2015 target ratio of 1%. By October 2012, 3 600 housing units had been approved for construction, up from the baseline of 3 000 in March 2010, and towards the March 2015 target of 7 500. As of July 2013, the TMRC had pre-financed TZS 7.75 billion (US$4.8 million) and refinanced TZS 4.2 billion (US$2.6 million).

Still, member banks are enthusiastic. Bank of Africa's partnership with the TMRC enabled that bank to develop and offer a mortgage product for the first time. Since the launch of the product in October 2011, TZS 3 billion has been disbursed, and Bank of Africa expects to quadruple its home finance loans for residential properties by the end of 2013.

Given affordability levels, the microfinance sector is especially important in addressing housing supply in Tanzania. Tanzania's microfinance sector is growing steadily, and the formation of a Tanzanian Housing Microfinance Working Group is highlighting the opportunities and challenges of this product in the housing space. Other lenders offering housing microfinance are Victoria SACCO, WAT SACCO and Dar es Salaam Community Bank. Between April 2011 and September 2012, WAT SACCO issued 821 land and incremental housing loans. WAT is a beneficiary of support from Rooftops Canada and the Community Led Infrastructure Financing Facility (CLIFF), which committed US$4 million to its work. The funding is expected to impact on 1 200 families. Another player is Habitat for Humanity with the Makazi Bora home improvement loan targeting urban and peri-urban household with incomes of US$1 to US$5 a day, at interest rates of 2.5% per month. By June 2011, Makazi Bora had issued 848 loans at an average loan size of US$542. The portfolio at risk (30 days) was 5.76%, and 1.8% of loans had been written off. 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.

Commercial MFIs are also entering the space. Akiba Commercial Bank piloted a home improvement loan in May 2012, with loan amounts ranging from TZS 2 million (US$1 269) to TZS 50 million (US$31 745), repayable over 24 months at an incentivised interest rate of 19%, compared to 20% to 22% for regular business loans. The largest microlending bank in the country, National Microfinance Bank, has no housing microloan product, but recognises that up to 40% of the consumer loans it grants are used for housing purposes. Similarly, Entrepreneurs Financial Centre, an MFI that has been operating for a year, estimates that 25% of its loans are used for housing purposes.

In 2011, the Tanzanian government announced a plan to establish a Housing Microfinance Fund (HMFF) with a US$3 million contribution from the World Bank. Progress has been slow; according to the World Bank, by October 2012, 1 090 housing microfinance loans had been approved, towards a March 2015 target of 8 000; seven microlenders were providing housing microloans, towards a March 2015 target of 12; and the HMFF had extended no loans, though it has a target for 2 500 loans extended by March 2015. A study for the Bank of Tanzania found that the current supply of housing microfinance, by 2012, was limited, hardly exceeding TZS 2 billion (US$1.2 million). However, the study also found a potential demand for housing microfinance of over US$400 million, and proposed that the financial industry could aim to fill 5% to 10% of the gap in the next five years.

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 licensed private credit bureaux can access data. Banks and other regulated financial institutions must report to the register, while reporting by non-bank financial institutions is voluntary. While the Bank of Tanzania invited applications for credit reference bureau licences from the private sector in 2011, in 2013 there are still no public or private credit registries operating in the country. Consequently Tanzania scores 129th globally in terms of ease of getting credit, out of 185 countries in the World Bank's Doing Business indicators for 2013.

Affordability

According to FinScope Tanzania 2009, 53% of all adults in Tanzania earn less than TZS 50 000 (about US$30) a month. Only 9% of urban adults are employed in the formal sector, and another 22% earn their incomes from running their own business (not farm related). Some 41% of all urban adults in Tanzania rely on two or more sources of income. The Household Budget Survey of 2007 suggested that 33% of Tanzanians were living below the poverty line. Only 3% of the labour force in Tanzania is covered by a formal social security system. A National Social Protection Framework has been in development, but the process has been stalled since 2011.

Mortgage financing institutions offer loan terms that range from five to 15 years, with an interest rate of between 18% and 22%. The TMRC intervention has had a positive impact on interest rates. TMRC member banks can currently borrow from the TMRC at 11.5%, and are therefore able to on-lend to their customers at lower mortgage interest rates than those prevailing in the market. In 2013, it was announced that a new Public Servant Housing Scheme will offer soft loans, at between 10% and 13%, over 25 years, to civil servants who wish to buy or build their own homes.

The intervention includes a plan to deliver 50 000 units in the first five years of the scheme.

The average mortgage size is between TZS50 million (US$31 000) and TZS350 million (US$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 a 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 (US$525) a month is needed. Yet more than 70% of Tanzanians have incomes of less than US$150 a month, and so are unable to access mortgage finance. Even the National Housing Corporation, with a two-bedroom unit selling for TZS 46.98 million, is accessible only to higher and middle income earners.

A number of NGOs cater for the lower income market segments, but their reach is insufficient to meet the scale of demand.

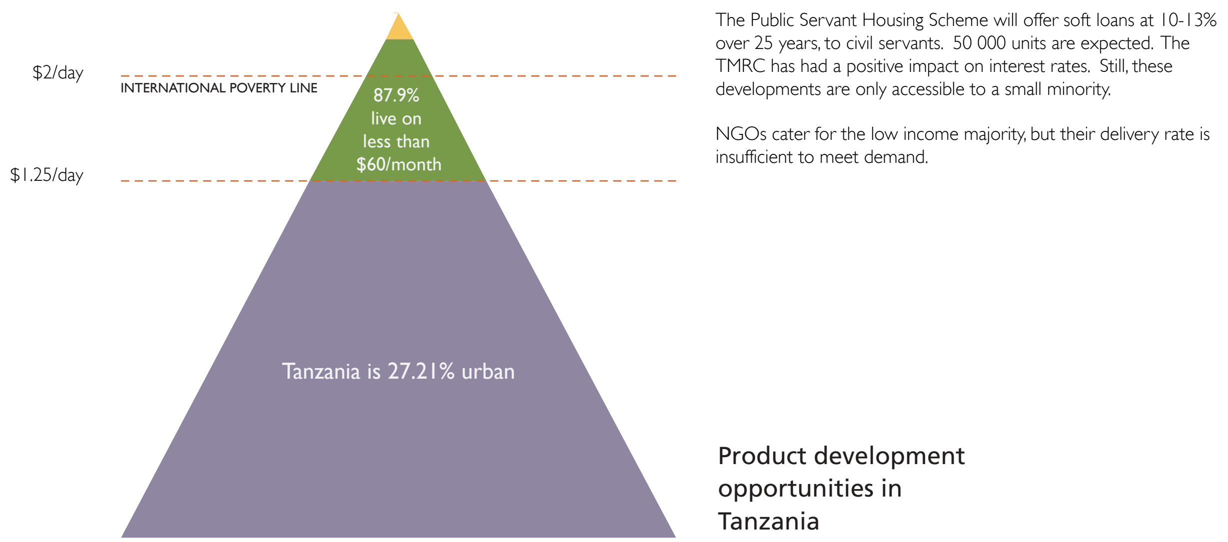
Housing supply

Tanzania has an estimated housing backlog of three million units, and access to services is extremely limited. Only 16% of the population (3.6% in rural areas) have access to electricity. African Economic Outlook estimates that addressing the infrastructure backlogs in Tanzania (electricity, roads and ports) will cost US$2.4 billion per year over the next decade.

Most Tanzanians self-build rather than rely on formal housing suppliers. Even this, however, has been hampered by a shortage of serviced land. Between 1990 and 2001, a mere 5% 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 and several other municipal zreas. 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 (NHC), originally established under an Act of Parliament in 1962, and reconstitued in line with public sector reform in 1990, was given a new strategic direction in 2010, and early in 2011 announced that it would raise its budget ten-fold, from US$23 million to US$230 million in the 2011/12 financial year, so that it could dramatically increase the scale of delivery. To achieve such 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 NHC is working within a five-year strategic plan until 2015, with the overall vision of becoming a leading real estate development and management firm in Tanzania. As part of this vision, the NHC plans to build a minimum of 15 000 housing units (including 5 000 affordable houses) for both sale (70%) and rental (30%), assuming the role of a master developer. The NHC has raised a US$14.5 million loan from Shelter Afrique for this purpose. For the financial year ending June 2012, the NHC realised a net profit of TZS 144 billion, down from the previous year's profit of TZS 202 billion. Its rental portfolio performed better than the sale of houses. Assets increased to TZS 2 068 billion from TZS 1 758 billion in the previous year, in part due to the appreciation of investment properties and the acquisition of new properties to a value of TZS 99 billion.

The NHC is building a land bank for the acquisition of property across Tanzania to support its development plans. During the 2011/12 financial year it started to implement seven projects consisting of 737 housing units that are located in various areas of the country. These will be completed in 2013/14. A further 38 residential projects comprising 4 140 housing units, and 14 commercial projects, are in various stages of development. Past and current projects include multiple five-storey walk-ups, one project of semi-detached houses and one high-rise project. In September 2012, the NHC announced a development in Arusha in northern Tanzania, which was expected for completion by mid September 2013. Some 100 apartments of 60m^2 each were offered for sale at TZS 82 million (about US$50 000). Plans for a development in Kilimanjaro are also under way. To support the participation of banks in the housing delivery programme, the NHC has signed agreements with 12 banks according to which the banks agree to finance homebuyers and the NHC agrees to buy back properties from defaulting borrowers. The NHC signed



Product development opportunities in Tanzania an agreement with insurance company MGen Tanzania to support this undertaking.

To finance these projects, the government has allowed the NHC to borrow TZS 300 billion (US$190.5 million). So far, the NHC has entered into agreements with eight local banks for loans amounting to TZS 165.4 billion, and has already drawn down TZS 68.5 billion to finance the ongoing projects. Further, to promote housing development more aggressively, the NHC has developed an investment policy for partnerships with private players. Three models are available: (i) a 'land as equity contribution' model in ventures involving the development of prime commercial and residential rental properties; (ii) a 'land and finance' contribution model in ventures involving the development of prime commercial and mixed-use rental properties; and (iii) a 'revenue sharing' model in ventures involving the development of residential properties for sale. To June 2013, the NHC had a total of 181 joint venture projects under way, of which 54 were completed, 60 were under construction and 67 had been stalled.

In terms of its rental stock, the NHC has sought to increase its rentals to 60% of market rates, up from the average of 30% of market rates that NHC tenants were charged in the past. The NHC's stock comprises 2 389 buildings which have 17 111 rental units valued at US$1.1 billion. These properties are mainly in prime areas of major urban centres. The goal is to reach an average of 85% of the market rate by June 2015. The NHC has succeeded in increasing its annual rent collections from 85% to almost 100% by 2012.

NGOs in Tanzania also support poor people's efforts to gain access to housing. The Centre for Community Initiatives (CCI) supports the Tanzania Federation of the Urban Poor, a network of slum dwellers who are members of SDI. UK-based NGO Homeless International has supported the work of CCI since 2007, mobilising 7 000 federation members in six cities piloting water supply rehabilitation and toilet construction projects in Dodoma and Arusha, piloting a resettlement project for 500 families in Dar es Salaam and negotiating for upgrading in another.

Property markets

Lenders argue that an inadequate supply of mortgageable units makes it difficult for a vibrant property market to exist. Recent offerings by the NHC have been sold out within days of becoming available. The demand for new, affordable housing is considerable. A more fundamental problem, however, is the lack of land titles. Data from the Bank of Tanzania suggests that 75% of land is not surveyed in Dar es Salaam.

At 134th out of 185 economies on the World Bank's 2013 Doing Business indicators, Tanzania ranks poorly in terms of ease of doing business. It ranks 137th in terms of ease of registering property, up from 140th in 2012. It takes eight procedures and 68 days to register a property, at a cost of 4.4% of the property value – almost three times longer than the time it takes in Organisation for Economic Co-operation and Development (OECD) countries, but comparable in terms of cost.

The foreclosure process in Tanzania needs reform. All foreclosures require court action, and there is a reported cautiousness by banks to lend because of difficulties 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 indicated that as a result, mortgage lending is more like 'relationship banking', in which the lender relies on its knowledge of the client rather than on the collateral value of the property being financed.

Policy and regulation

The Tanzanian government has been working hard to put the necessary policies and laws in place to enable a vibrant housing market. That said, many real challenges remain.

Reforms to property law, including the Mortgage Financing (Special Provisions) Act of 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, 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, the Bank of Tanzania Act and Companies Ordinance. In 2012, the Bank of Tanzania established a National Financial Inclusion Working Group to develop a Financial Inclusion Policy and oversee its implementation.

Opportunities

The housing market in Tanzania provides enormous potential for growth, enhanced by the recent Housing Finance Project of the Bank of Tanzania and the various regulatory and policy reforms being implemented. The relatively healthy economic growth and good political management of the country provide an adequate platform for this. The World Bank's focus on expanding housing finance markets suggests important opportunities for growth in the 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 of the population.

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Togo

KEY FIGURES

Main Urban Centres	Lomé
Exchange Rate: 1 US$ =	491.17 West African Franc (CFA Franc)
Population ^	6 642 928
Population growth rate (%) ^	2.60
Urban population (% of total) ^	38.51
Urbanisation rate (%) ^	3.87
GDP per capita (US$) ^	574.12
GDP growth rate (%, real) ^	2.91
GNI per capita, Atlas method (current US$) ^	500
Population less than US$2 per day~	52.65
Population below national poverty line *	72.2
Gini co-efficient ~	39.29
HDI (Global Ranking)"	159
HDI (Country Index Score) "	0.459
Unemployment rate (%) *	
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	3.50
Credit % of GDP ^	37.56
Ease of Doing Business Ranking (out of 185 countries) !	156
Average Mortgages % of GDP°	0.49%
Average Outstanding loan to purchase a home, older adults (% age 25+)	2%
What is the cost of standard 50kg bag of cement (in US$)? #	8.1
What is the price of the cheapest, newly built house by a formal developer or contractor? #	7 600 (excl. land)
What is the size of this house (in m^2)? #	40
What is the minimum stand or plot size for residential property #	150

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
° Badev *et al.* "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Togo is a small country in the Gulf of Guinea which became independent from France in 1960. A strip of land between Ghana and Benin, Togo occupies an area of 56 800.km^2, with 56km of coastline, making it a transit country to the hinterland (Niger, Burkina Faso and Chad.). According to the 2010 census, Togo has a population of 6 191 155 inhabitants, which is growing at 2.8% per year.

Togo is part of the West African Economic and Monetary Union. The economy is dominated by the primary sector which contributes up to 38% to economic growth, while industrial activities contribute 22%. In 2011, GDP growth was measured at 3.9%. This figure reached 5.6% in 2012, thanks to increases in the exports of phosphate (of which Togo is one of the largest exporters in Africa) and cotton, expansion of the public works and construction sector and an upturn in activities at the port of Lomé stemming from a downturn in activities at the port of Cotonou in Benin. The good economic prospects in Togo over recent years can also be considered as the fruits of several ongoing economic and fiscal reforms in the country since 2008/2009. GDP growth is expected to reach 4.4% in 2013. The inflation rate was kept at 2.3% in 2012, mostly due to an estimated 4.5% drop in the price of communication services.

Poverty is a major concern in Togo, with six in 10 people living below the poverty line, a figure which reaches nine people in 10 in the northern part of the country.

Access to finance

Togo is part of the Central Bank of West African States of which there are seven other member states (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger and Senegal). Togo's national financial system is highly concentrated, with one bank owning over one fifth of the total banks assets in the country. In 2012, Togo was recorded as having 12 banks of which most are commercial banks, and one financial intermediary, the Fonds de Garantie des Investissements Privés en Afrique de l'Ouest (GARI). One third of the banks in Togo are government owned. In 2012 the banking sector had total assets of CFA Francs 601.8 billion (US$1.2 billion), representing 31% of the nominal GDP. About 60% of these assets were short-term loans. Togo is also the headquarters of the pan-African bank Ecobank.

As of December 2012, there were 92 registered microfinance institutions in Togo with a total of 846 service points. These MFIs had 1.9 million clients with total deposits of CFA Francs 121 billion (US$242 million) for total outstanding loans of CFA Francs 108 billion (around $204 million). The Faîtière des Unités Coopératives d'Epargne et de Crédit (FUCEC – Togo) is probably the biggest microfinance network in Togo with over 500 000 members and consolidated assets worth about CFA Francs 50 billion (about US$100 million).

Togo has two social security institutions, the Togolese Pension Fund (CRT) for civil servants and the National Social Security Fund (CNSS) for private sector employees and other categories of government personnel. Recently a National Health Insurance Institute was created, which is a national universal health insurance scheme only open to civil servants at the moment but expected to be extended to the whole population in the future. As is the case in many African contries, both of the social security institutions are unfunded defined benefit schemes, and face financial difficulties and structural challenges. Indeed, both institutions have been running deficits for many years and survive through government subsidies. Strong and substantive reforms are needed to revive these institutions.

Access to credit is limited and most lending from the banking system is short to medium term. A few banks offer housing finance and mortgage products and services, ranging from loans for land acquisition to loans for housing enhancement to loans for housing purchase of construction. The Union Togolaise de Banque (UTB) offers all of these products, while the Togolese Bank for Commerce and Industry (Banque Togolaise pour le Commerce et l'Industrie, or BTCI) and the Togolese Savings Bank (Caisse d'Epargne du Togo) have also developed housing finance products. Conditions of access to these products vary from one bank to the next, but the loan period is usually between four and 10 years. The interest rate is between 11% and 12%, while guarantees requested by the lending bank range from a mortgage on the purchased land or house to life insurance. Some banks request a percentage of up to 5% of the loan as a guarantee. The amount of the loan can be as high as 50% of the annual salary of the borrower. In general these loans are available to people with regular jobs and revenues from the public and private sector.

Lomé, the capital city of Togo is also the headquarters of the Regional Mortgage Refinancing Fund (the Caisse Régionale de Refinancement Hypothécaire, or CRRH), which is a regional fund created in 2010 to facilitate access to long-term resources needed to provide long-term loans such as housing finance and mortgages. Several Togolese banks such as EcoBank and Banque Atlantique Togo are shareholders of the Fund.

Affordability

In Togo the average monthly income is estimated at CFA Francs 35 340 (US$70.48), and is equivalent to an annual average salary of US$842.76. In Lomé, the price of a square metre of land varies between CFA Francs 16 500 (US$33) and CFA Francs 33 500 (US$66.81) in the suburbs and between CFA Francs 33 500 and CFA Francs 83 500 (US$167) in downtown Lomé. The minimum size of a plot is 150m^2 for a minimum housing size of 40m^2.

While the cement price in Togo is the cheapest of all countries in the WAEMU, it is still far above the purchasing power of most Togolese. Indeed, a standard 50kg bag of cement costs in Togo between CFA Francs 4 000 (US$8) and CFA Francs 4 150 (US$8.30). A standard galvanised sheet of iron for roofing costs between CFA Francs 1 850 (US$3.70) and CFA Francs 3 200 (US$6.40). Other construction materials are also out of reach of the poorest of the population.

It will take between 10 and 15 years for a senior manager in the Togolese public administration to pay off the price of land in downtown Lomé. The cheapest housing unit (40m^2) built by a developer costs between CFA Francs 3.8 million (US$7 600) and CFA Francs 4.4 million (US$8 800). Under these conditions, housing affordability, like in many African countries, is a mere dream for most Togolese, even for many of those with a formal job and a regular income.

Housing supply

From the 1960s to the 1990s, the government of Togo invested significant effort and resources into the supply of housing. Several instruments were put in place, including a Special Housing Development Fund, and housing-specific operations were initiated by the Togolese Development Bank (BTD), the Société Immobilière Togolaise (SITO) and the National Social Security Fund (CNSS). However, in the 40 year period between 1954 and 1994, these institutions produced and placed on the housing market only 1 447 apartments. These units were sold through a leasing arrangement to employees over a period of 10 to 15 years. The cost of these units in all cases was such that even high income senior executives were unable to access them.

Today housing supply is a real challenge that households overcome through self-construction. But self-construction and poor provision of serviced lands, combined with a rural exodus, have contributed to urban sprawl on the northern side of Lomé, which is now mainly made up of slums. Only richer people can afford to purchase land in Lomé and other secondary cities and build formal houses. Conscious of challenges in the sector, the government of Togo has actively sought solutions to the problem of the housing shortage, engaging, for example, with Shelter Afrique and private developers to attempt to supply the housing needed in the market. These potential solutions include a plan to create 1 000 affordable housing units in the north-east of Sanguera, a town 25km to the west of Lomé. In November 2012, a partnership was signed between the Atlantique Bank Group for the financing of several real estate projects in seven countries in West Africa, including in Togo. Also, a new real estate project was started in 2011 to provide about 100 houses along the Lomé beach, a few kilometres from the Ghanaian border.

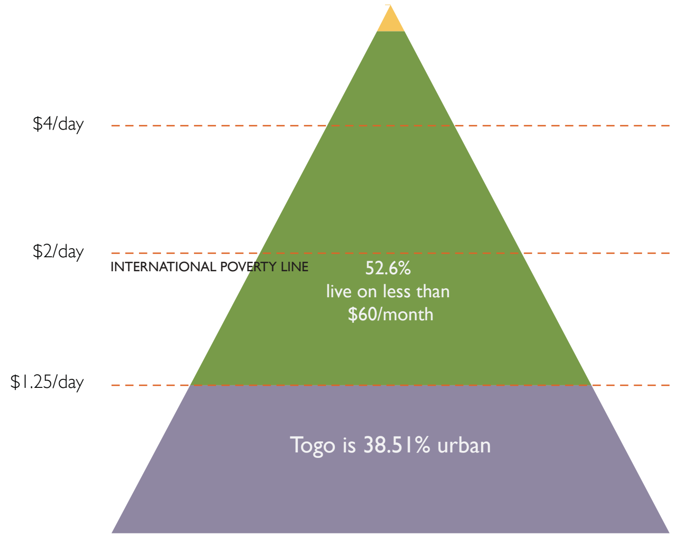
There has been some advertising around a 5 000 housing unit project (the so-called Wellbeing City project) in the suburbs of Lomé, 25 km from the inner city, and purportedly sponsored by a private real estate developer, Confortis Immobilier. It would be risky to take such a project seriously (it has never been mentioned in any official documents or speeches) but even so, it is insignificant compared to the demand for new housing units.

Property market

Togo's formal property market is still developing. According to the 2010 general population and housing census, only 68 074 of all properties in the country had a property title, of which 14 238 were in Lomé. A study commissioned in 2008 by the Ministry of Justice found that it took nine steps and 49 procedures to register land in Togo, and cost on average CFA Francs 250 000 (US$500). Another study commissioned in 2011 in preparation of the Togo Land Code found that a total of 10 government agencies were involved in delivering a land title, through a process costing up to 25% of the property value. This cost does not include the official cost of the land title, which comes to 11% of the value of the property.

There is no cadastre in Togo, despite the existence of a Central Directorate of Cartography and Cadastre. It has been reported recently in a diagnostic study on land problems in Togo, commissioned by the Ministry of Urban Development and Housing, that the land title had lost its unimpeachable character due to rampant corruption, which has resulted in many cases of double registration of the same piece of land. Indeed, there were several court cases pending in which different people claimed ownership of property title on the same piece of land because the registry was corrupted at some point. It is expected that the new Land Code (still in development) will help to address this kind of problem, streamline the titling procedure and institutions and give back to the land title its value.

The government of Togo has engaged in several reforms to improve the situation. The preparation of the Togo Land Code, which is at the National Assembly to be passed, is a major step ahead in these reforms. Hopefully the new elected Parliament will put the Code on the priority list. These reforms yielded some recognition to Togo,



It will take indeed about 10 to 15 years for a senior manager in the Togolese public administration to pay off the price of land in downtown Lomé. The cheapest housing unit (40 sq. meters) built by a developer costs between $7 600–$ 8 800), excluding the cost of land.

Government is actively seeking to address this market segment, but supply is insufficient. Most housing is self-built, suggesting a demand for housing microfinance.

Product development opportunities in Togo

which ranked 156th out of 185 economies on the overall 'ease of doing' business indicator of the World Bank's 2013 Doing Business report, up five places from its 2012 rank. On the 'registering a property' indicator, Togo ranked 160th. In 2013, it takes five procedures and 295 days, and costs 12.5% of the property value to register a property in Togo.

Obtaining a construction permit became mandatory in 2007. The rule is jointly enforced by the Togolese Order of Geometers, the Ministry of Urban Development and Housing, and some municipalities such as that of Lomé or Kara. In reality it is difficult to get such a permit. It currently takes 12 procedures and 309 days, and costs 431.5% of the per capita income to obtain a construction permit in Togo – unaffordable for the majority of the population. People thus continue with direct sales of properties on the basis of a simple sales agreement in the informal market. Sometimes, for those who can afford it, the assistance of a notary is procured.

Policy and regulation

The successive Constitutions of Togo (including that of 2002, the most recent) recognise the right to housing as a fundamental human right. However, the regulatory environment around housing and housing finance has not changed much over the past five decades. Most of the existing policies and regulations to recognise and translate this fundamental right into everyday reality for Togolese citizens were enacted between the 1950s and the 1970s. Indeed, similar to many countries, especially in West Africa, the government of Togo launched a proactive housing policy in the 1960s and 1970s, which resulted in the establishment of 11 government-supported structures and agencies.

Amongst these were the Centre for Housing Construction (Centre de la Construction et du Logement, or CCL), which was to research and develop building materials at a reduced cost from local resources, the Agency for the Equipment of Urban Land (Agence d'Equipement des Terrains Urbains, or AGETU) which played the role of land developer, the Togolese Realty Corporation (Societe Immobiliere du Togo, or SITO), which was responsible for all operations related to the promotion of housing for the benefit of low and middle income Togolese, the Special Fund for Housing Development (Fonds Special de Developpement de l'Habitat, or FSDH), which was to finance operations and service land for social housing, and the Togolese Sponsorship Corporation (Societe Togolaise de Promotion, or TOGO-PROM), which was to conduct studies, and promote finance and implement real estate, industrial and agricultural projects.

Unfortunately the reality today is that most of these public agencies have failed and were dismantled; only the CCL and TOGO-PROM remain and are still operating. The only achievement of the SITO was the construction of the Cité de l'Union, a 124 housing unit project near the Lomé airport for the upper middle class in 1980s, and which sold at between CFA Francs 5 million and CFA Francs 10 million.

Because of the failure of past policies, the housing deficit grew over the years and is estimated at around 250 000 today, requiring a supply of 23 000 units a year to clear the backlog. For several years, especially the decade of embargo on international aid (1993-2007), access to credit became very difficult. Several banks suspended housing finance and long-term finance, while those which continued to offer finance made it very difficult to access, with soaring interest rates.

Over the decade starting in 2000, the housing and land policy question returned to the public policy agenda. On the urban and land management front, the government of Togo adopted several policy reforms, including the adoption of the National Urban Sector Policy Statement and the Housing Policy Statement. In 2009 a new National Housing Strategy was adopted. The focus of the strategy has been to reorganise the housing sector through the adoption of adequate legislation, improve the existing real estate park and provide all social strata and particularly low and middle income households with affordable housing that meets minimum safety, occupancy, structural stability and temporal standards. The Strategy stipulates that the government will contribute every year to this demand by facilitating the supply (through public private partnerships and subsidy programmes) of 2 500 housing units against an annual demand estimated at 23 000 units.

Several other reforms were launched, including the revision of the Togo Land Code (which is under way and is expected to be completed this year), the validation of a draft Law on Real Estate Development in December 2010 (which is still to be passed by the National Assembly) and the drafting of the Togo Urban Development and Construction Code. The Real Estate Development draft law covers areas such as conditions required to perform the profession of real estate developer, social real estate development operations (the law imposes a minimum of 100 housing units for this type of operation) and the production of serviced land. An important change to be brought into the housing and real estate sector by this code is the creation of a new public entity with the mandate to produce and sell serviced land – the Societe d'Equipement des Terrains Urbains (SETU). Several other reforms, supported by the International Finance Corporation, are under way to progressively secure properties.

Opportunities

Togo is recovering from several years of international embargo which ended in 2007/2008. The government has engaged in several important economic and fiscal reforms which should continue improving the business environment. With a high demand for housing, several companies have been positioning themselves to take advantage of a market that is still untapped. For example, in 2010, Shelter Afrique approached the Togo government about launching a major housing project.

According to a recent study by the French Development Agency, the population in Togo should increase by at least 50% between now and 2030, and double by 2050. The population of Lomé alone should double by 2030 and multiply by a factor of three or four by 2050, depending on the fecundity rate and rural to urban migration. As a consequence, social demand, including demand for housing, will experience a strong increase, presenting an opportunity for developing innovative housing policies, especially in a context characterised by low incomes.

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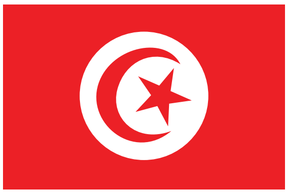
Tunisia



KEY FIGURES

Main Urban Centres	Tunis (capital), Sfax
Exchange Rate: 1 US$ =	1.64 Tunisian Dinar (TND)
Population ^	10 777 500
Population growth rate (%) ^	0.97
Urban population (% of total) ^	66.53
Urbanisation rate (%) ^	1.29
GDP per capita (US$) ^	4 237.00
GDP growth rate (%, real) ^	3.60
GNI per capita, Atlas method (current US$) ^	4150
Population less than US$2 per day~	4.25
Population below national poverty line *	3.8
Gini co-efficient ~	36.06
HDI (Global Ranking)"	94
HDI (Country Index Score) "	0.712
Unemployment rate (%) *	14.20
Bank branches per 100 000 ^	
Lending Interest Rate ^	6.90
Deposit Interest Rate ^	4.50
Credit % of GDP ^	75.20
Ease of Doing Business Ranking (out of 185 countries) !	50
Average Mortgages % of GDP°	9.25%
Average Outstanding loan to purchase a home, older adults (% age 25+)	3%
What is the cost of standard 50kg bag of cement (in US$)? #	4.0 (fixed); 7.0 (speculative)
What is the price of the cheapest, newly built house by a formal developer or contractor? #	19 400
What is the size of this house (in m²)? #	50
What is the minimum stand or plot size for residential property #	250

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~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
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Overview

The democratic transition is still slowly moving forward in Tunisia, well over two years since Ben Ali's regime ended in what became known as the Arab Spring. The economy has been recovering from negative GDP growth in 2011 to positive growth of 3.2% in 2012, yet ongoing political uncertainty and weakness in the banking sector prompted Moodys to twice downgrade Tunisia sovereign credit ratings. In May 2013, Tunisia's sovereign credit rating was cut to BB-, with a negative outlook.

The February assassination of the key opposition leader, Chokri Belaid, caused a wave of violence and protests that resulted in the dissolution of the national unity government that had been in power since the October 2011 elections. Key ministries have been replaced with technocrats to complete the drafting of the constitution. Elections were scheduled for 2013, but have been delayed repeatedly, pushing back legislative reforms and putting the whole country into limbo.

With over a third of educated youth unemployed, inflation growing to 6.4% as of June 2013 and little political progress, Tunisians are becoming less optimistic about their democratic future. Housing is still a key priority, with continued progress on the government's programme to replace 30 000 precarious houses, yet comprehensive policy reforms will require stability and investor confidence, which still appear a distant goal.

Access to finance

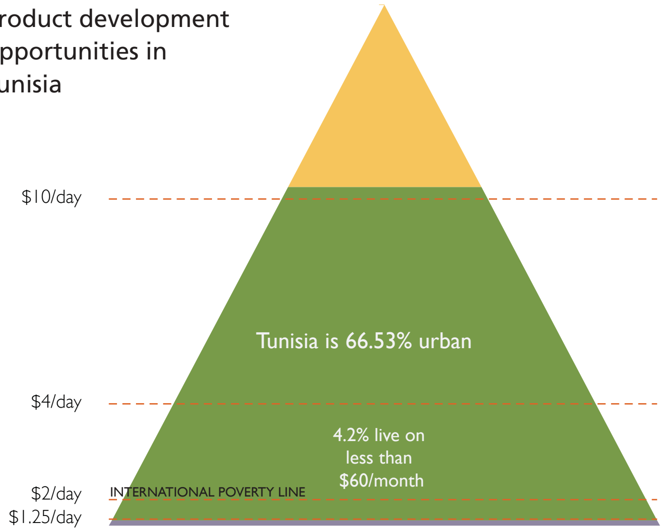
Tunisia has a reasonably well developed financial sector. Current challenges include a lack of liquidity in the banks, rising inflation and a high level of non-performing loans, which was reported to have decreased from a peak of 24.2% in 2003 to a still high level of 12.1% in 2011, yet is considered to be much higher in reality due to forbearance and under-reporting. In June 2013, the International Monetary Fund announced it had approved US$1.74 billion to help the government balance their budget and stimulate the economy. The two-year loan came with conditions to enact financial and political reforms, in particular the auditing and restructuring of the three national banks.

Over the past four decades, Tunisia has built up a sophisticated mortgage-based housing finance system. Housing loans are regulated by the Central Bank. Rules modified in 2007 limit loan-to-value ratios to below 80% (though up to 90% in social lending programmes such as 'FOPROLOS') and a maximum term of 25 years. Part of this law also requires long-term liquidity matching requirements for loans over 10 years and a requirement that interest rates must be fixed for housing loans with terms of more 15 years. This requirement means many banks are funded by sovereign bonds and are resistant to offer loans beyond 15 years.

The total value of outstanding property loans to both homebuyers and developers has been increasing rapidly, from US$1.26 billion in December 2003 to US$7.58 billion as of March 2013. The ratio of mortgage lending is currently 12% of GDP, the third highest in Africa, behind South Africa and Morocco. There are currently a large number of financial institutions offering loan products for housing, including over 20 private commercial banks, in addition to the three state-owned banks.

The publically owned Housing Bank (Banque de l'Habitat) still plays the most prominent role in housing finance. Established in 1989 after a restructuring of the Savings and Loans Bank (CNEL), the Housing Bank offers loans for house purchase, home improvement and residential land acquisition, accounting for 20.4% of real estate lending.

Product development opportunities in Tunisia



Formal supply is almost exclusively targeted at middle-high income groups. Government's FOPROLOS programme offers a 50m^2 unit for $19 400, for sale at a subsidised interest of 2.5% over 25 years. This is affordable to a buyer who can provide the $1 940 deposit and who earns about $280 per month.

At least 40% of annual supply is built informally, incrementally.

While private lending is focussed on high to middle income households, there have been savings-for-housing programmes for the formally employed since the 1970s. The Housing Bank is the exclusive manager of a state subsidised housing loan for low income households called FOPROLOS. Loan rates for mortgages range from 3.5% to 5.75% for three different income eligibility brackets, targeted at households earning a regular salary of between minimum wage and up to 4.5 times minimum wage (set at US$187 per month). This compares to an average 6.9% interest rate for mortgages available at commercial rates at the end of 2012.

Tunisia has a stock exchange (BVMT) and in 2001 developed the legal framework for securitisation to facilitate access to long-term funding for mortgage finance. However, activity has been limited to only two transactions (in 2006 and 2007 respectively, amounting to US$80 million) by a single institution, the International Arab Bank of Tunisia (BIAT). There is also an alternative capital securities market for Tunisian companies that cannot be listed on the main market.

In June 2012, the US government supported Tunisia with a 100% guarantee on a US$485 million sovereign bond, issued by the Central Bank, to try and facilitate better integration of Tunisia into the international market. This bond was issued at a coupon rate of 1.686%. Tunisia is seeking further guarantees for the country's bonds, and also exploring the issuance of a US$700 million *sukuk* or Islamic bond, pending regulatory reform that will allow this.

The microfinance sector remains small due to restrictive regulation and interest rate caps. Only one institution, Enda Inter-Arabe, currently operates at any scale. At the end of 2012, Enda had 210 000 clients and a gross loan portfolio of US$81.1 million, with a default rate of only 0.55%. Reforms in the Microfinance Law made in December 2011 will open the way for new entrants, and this sector is likely to experience rapid growth in the coming years. The government is currently setting up a licensing authority with the assistance of the German development agency GIZ, and the European Commission have offered three microfinance institutions seed funding to support their launch of operations in Tunisia.

In 2008, Enda launched a new product called 'Eddar' specifically for housing improvements to respond to the high demand in this market segment. Most loans are given from US$321 to US$1 000, usually over a period of 12 to 18 months, and many clients take out subsequent housing improvement loans. At the end of 2013, the Eddar loan made up 12% of Enda's total portfolio. Average loans were for US$900 and for a 15-month term.

Affordability

Due to progressive housing policies since independence in 1956, housing affordability is higher in Tunisia than in other countries in the region. The overall price-to-income index is often quoted as five, yet this number does not reflect the reality for low income households, a growing market segment as youth unemployment remains high. These households usually cannot qualify for housing loans and do not have the capacity to pay for even a modest unit.

Estimated household expenditures in 2010 in Tunisia averaged US$578 a month. This ranges from a lower third spending US$132 to US$268 a month, to US$676 to US$1 870 for the top third of households. Meanwhile, the minimum monthly income for a 48-hour working week was raised on 1 May 2011 to US$180 a month. This gives the lowest tier of formally employed people approximately US$40 to US$80 a month to spend on housing.

A 2012 analysis by UN-Habitat calculated that a modest house of 75m^2 built progressively on peri-urban land would cost about US$14 000, or US$187.5 per m^2. Such a unit has a price-to-annual-income ratio close to nine for the lowest decile households. Assuming 30% of income could be mobilised for monthly housing payments, the repayments required on the cheapest housing loan makes this unit unaffordable to 30% of Tunisians households.

The government programme FOPROLOS was designed in 1977 to provide housing finance for low income groups and is still the main tool assisting access to affordable housing. There are three main categories:

FOPROLOS 1: Households earning between one and two times minimum wage can purchase a 50m^2 unit of US$19 400, with a loan at 90% LTV for 25 years, at 2.5% a year interest.

FOPROLOS 2: Households earning between two and three times minimum wage can purchase a 75m^2 unit of US$24 800, with a loan at 90% LTV for 25 years, at 4% a year interest.

FOPROLOS 3: Households earning between three and 4.5 times minimum wage can purchase a 80m^2 to 100m^2 unit of US$33 300, with a loan at 85% LTV for 20 years, at 5.75% a year interest.

However, in recent years, FOPROLOS has become inaccessible to the target groups, with housing costs ranging from US$220 to US$460 per m^2, including land. Qualifying incomes also do not enable households with irregular and very low incomes to participate. Furthermore, loan ceilings have not increased with house prices, so it is difficult for developers to offer a housing supply to match this financial product.

Housing supply

Of the total housing stock, the existing supply of 2.5 million units exceeds the number of households of 2.2 million. There is a high and growing rate of sold houses, usually of high quality, which are purchased as secondary homes, luxury rental properties, or as speculative investment properties, and are left vacant.

Formal supply of housing in Tunisia is almost exclusively targeted at middle to high income groups. Of the annual demand, estimated at 70 000 units per year, an estimated 40% are built informally. Of the 40 628 units formally registered in 2011, approximately 80% were constructed by individual households, 18% by registered developers and 2% by public developers.

Most of the informal housing production is self-built incrementally, often on illegally subdivided land, which is bought and acquired through notary deed. Between 20 000 and 30 000 units per year are estimated to be produced this way. When compared to other countries, Tunisia has been particularly successful in dealing with urban upgrading, which may have further incentivised this form of construction.

In 2011, private developers constructed 6 036 units compared to 1 788 units constructed by public real estate developers, and individuals registered building permits for another 32 800 units. Although there are no official figures available in 2012, construction is expected to have increased, since investors are eager to put money into concrete assets, as real estate is perceived as more secure than money markets. There is a state programme of subsidised construction finance for residential property developers. The Housing Bank can finance up to 80% of the total cost of a project if the housing units are 'social' units, at 6.5% a year interest and up to 70% if they are 'economic' or 'high-standing' units, at 8% a year interest. This financing system was introduced as part of the national housing strategy (1988) that saw the private sector as an important housing producer. However, these incentives are not adequate.

In the affordable market, there is little interest from private developers. Small margins and rising costs of both land and building materials make it difficult to provide units at prices comparable to the housing finance available for the target end-users.

Property market

Interest in Tunisian real estate is still high. Prices on the formal market have been increasing at a rate of 8% per annum since 1990, and have skyrocketed following the revolution. The rental market has experienced additional price pressure due to an increase in Libyans who arrived in Tunis to avoid the unrest in Libya. According to the Ministry's Housing Observatory, in 2010 the average price of a housing unit of $134m^2$ was US$36 180, or US$270 per m^2. Meanwhile, the Global Property Guide reports that the average sale price for a house in Tunis can reach as high as US$2 100 to US$4 100 per m^2.

The number of registered real estate developers continues to increase in Tunisia after the regulatory framework for the profession was put in place in 1990. There are more than 2 400 registered developers today. However, this number is not indicative of an increase in the production of housing, as many investors register as developers to benefit from tax incentives for property construction.

The sixth annual Tunisian Real Estate Fair (SITAP) in Paris in May 2013 hosted 100 to 120 exhibitors with over 300 projects comprising 15 000 houses, and welcomed over 40 000 visitors. The interest in real estate is high, and property prices are booming, yet if prices and vacancies continue to rise at the current rate, there is a real risk of a property bubble, as this will not be sustainable.

Policy and regulation

Since its independence in 1956, Tunisia has made significant achievements in progressive and successful housing policies and in the development of specialised public institutions to improve the availability and quality of affordable housing.

State enterprises have built over 300 000 housing units since 1960, and the Urban Rehabilitation and Renovation Agency (ARRU) has been instrumental in upgrading informal settlements since its creation in 1981.

In January 2012, the Housing Minister launched an ambitious plan to improve all precarious housing with the construction of 30 000 housing units before the end of 2013. A survey of the beneficiaries has been completed and land for up to 12 000 houses has been identified, yet the government does not have sufficient budgetary resources to implement the projects and provide the long-term mortgage finance required for households to purchase the units. An international call for tenders did not manage to attract developers or investors as was hoped, due to the long-term housing finance that the government was asking for in addition to housing development. As a result, the government has reduced its aspirations and has launched some initial projects with funding from Qatar that will be executed by the public enterprises SNIT, SPROLS and ARRU, and are still seeking solutions for the rest.

Opportunities

As the outlook of capital markets and the banking sector remains uncertain, Tunisians are increasingly putting their money in real estate. The construction boom can be seen in both the informal and formal sector, and is particularly apparent in the radically increasing costs of land and construction materials. However, continued prices rises are not sustainable and risks further exclusion of low to middle income Tunisians from home ownership.

Housing in Tunisia is still considered a secure and profitable form of investment. More open legislation that allows property purchase by foreigners and the removal of any need for purchase permission in tourist areas are also likely to spur investment interest in the property market.

The government is very eager to review housing policy, particularly in terms of exploring public private partnerships and reforming the subsidy programmes such as FOPROLOS. Other opportunities include the rise in demand and interest in Islamic housing finance that will create diversified options for housing finance. Zitoun Bank was the first institution in 2009 to launch a *Mourahaba* product. The government is also considering issuing *sukuk* bonds, as they are seen as a cheap means to access long-term finance.

The demand for housing microfinance is also still immense, providing opportunities for investment once the microfinance sector is deregulated. There will likely be rapid growth of this sector in Tunisia to fulfil the unmet demand that the EU estimated at 800 000 to one million clients. These are the clients who are excluded from formal finance and are also in need of specific financial products for housing.

The opportunities are diverse, yet political and economic stability must come first, which is taking longer than expected and leading to mounting frustration amongst Tunisians.

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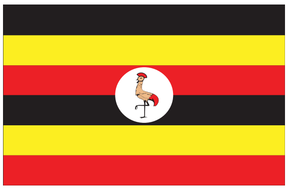


KEY FIGURES

Main Urban Centres	Kamapala (Uganda)
Exchange Rate: 1 US$ =	2 575.82 Ugandan Shilling (USh)
Population ^	36 345 860
Population growth rate (%) ^	3.35
Urban population (% of total) ^	16.00
Urbanisation rate (%) ^	6.02
GDP per capita (US$) ^	547.01
GDP growth rate (%, real) ^	0.02
GNI per capita, Atlas method (current US$) ^	440
Population less than US$2 per day~	64.74
Population below national poverty line *	37.7
Gini co-efficient ~	44.3
HDI (Global Ranking)"	161
HDI (Country Index Score) "	0.456
Unemployment rate (%) *	3.20
Bank branches per 100 000 ^	2.43
Lending Interest Rate ^	26.31
Deposit Interest Rate ^	16.23
Credit % of GDP ^	16.41
Ease of Doing Business Ranking (out of 185 countries) !	120
Average Mortgages % of GDP	0,98% (BOU 2012)
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	10.6
What is the price of the cheapest, newly built house by a formal developer or contractor? #	32 000
What is the size of this house (in m²)? #	120
What is the minimum stand or plot size for residential property #	465

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
\# CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Uganda, East Africa's third largest economy, has had a decade of strong economic growth, helped by a robust private sector, liberal policies and a stable macroeconomic environment. Key challenges lie in transport and energy infrastructure, and in high unemployment and poverty rates. Rampant inflation, at 18.7%, made 2011 a difficult year, but the government managed to stabilise the economy, bringing inflation down to 14.6% in 2012. It is expected to come down further, to 7.8%, by 2014. As a result, GDP growth decreased to 4.4% in 2012 – the lowest rate in the past decade – but is projected to rise by 4.9% in 2013 and by 5.5% in 2014, supported by growth in the telecommunications, financial services and construction sectors. The construction sector comprised 14.2% of GDP in 2011, while the finance, real estate and business services sector comprised 9.1%.

Uganda has exploitable quantities of oil; it is estimated that Uganda's reserves could produce 200 000 barrels a day. Large-scale oil production is predicted to begin in around 2015. The new National Development Plan (NDP), launched in April 2011 and setting economic plans until 2015, plans for increased infrastructure spending, especially in the energy sector. Such plans include building an oil refinery, an oil distribution network and hydroelectric power projects that would increase energy production by 3 500MW.

Although only 14% urban in 2009, Uganda has been rapidly urbanising, at 5.1% per annum, and it is expected that by 2050, Uganda will be amongst the most urbanised countries in Africa. In 2012, the Uganda Bureau of Statistics initiated a housing and population census to update the information available from the previous 2002 census. Findings are expected in 2014. Uganda ranks 120th out of 185 countries on the World Bank's Doing Business indicators for 2013, down one place from its 2012 ranking.

Access to finance

Uganda's banking sector continues to grow. The number of commercial banks has increased to 25, with 455 commercial bank branches and 660 ATMs across the country. By June 2012, commercial bank assets to GDP comprised 30%, while bank credit to GDP stood at just below 15% and deposits to GDP at about 18% of GDP. In recent years, lending by banks has increased substantially, especially given their historical inclination to invest in government securities. The Bank of Uganda forecasts that the shift from public to private sector investment will continue, although the high lending rates and low credit availability may stifle demand somewhat. Building and construction loans as a percentage of all private sector credit jumped from 16.4% in 2009 to 23.3% in 2012, overtaking personal and household loans, and trade. This growth eased slightly, but the building and construction sector maintained its lead across all forms of credit between April 2012 and March 2013, holding a 22.6% share of total private sector credit.

Of the nine financial institutions that offer mortgage finance in Uganda, five dominate: Housing Finance Bank (HFB), Stanbic Bank Uganda, DFCU Bank, Barclays Bank and Standard Chartered Bank. Of these, the market leader is HFB, established in the 1980s by the Ugandan government as the Housing Finance Company of Uganda. Now a private institution, HFB holds about a 55% share of the total mortgage finance book value, and 4% of total banking sector assets. By the end of December 2012, the total residential mortgage portfolio (local and foreign currency loans) was estimated at USh 522.9 billion (about US$201.4 million in August 2013), or 0.98% of GDP.

The mortgage lending sector has diversified considerably since 2002, when only residential mortgages were available. In additional to residential loans, lenders now also offer mortgages for commercial property, land purchase and construction finance to property developers. Residential mortgages still dominate, comprising 40% of the mortgage book. Between January 2009 and December 2010, mortgages to property developers almost doubled to USh 271.9 billion, followed by residential mortgages growing by 38% to USh 435.1 billion. Commercial mortgages recorded negative growth in the period, and in December 2010 accounted for 15% of all mortgages in Uganda. Mortgages for land purchase comprise only about 3% of the total mortgage book.

In August 2013, the Bank of Uganda maintained its Central Bank Rate at 11%. Mortgage interest rates are therefore still expensive, above 15%; as a result, the residential mortgage sector mainly serves middle and high income earners. Still, a number of mortgage lenders are beginning to take an interest in the lower end of the market. Post Bank Uganda, for example, provides low costs savings accounts and is reportedly operating in the lowest income quintile. Commercial banks such as Stanbic and Centenary Bank have product mixes that include microfinance services. Nevertheless, the sector has a long way to go, as access to financial services is still available only to a minority. According to the World Bank's Global Financial Inclusion Database (Global Findex), only about 20% of adults over the age of 15 have an account at a formal financial institution. and only 1% of adults say they have an outstanding loan to purchase a home, while 3.6% say they have a loan for home construction purposes.

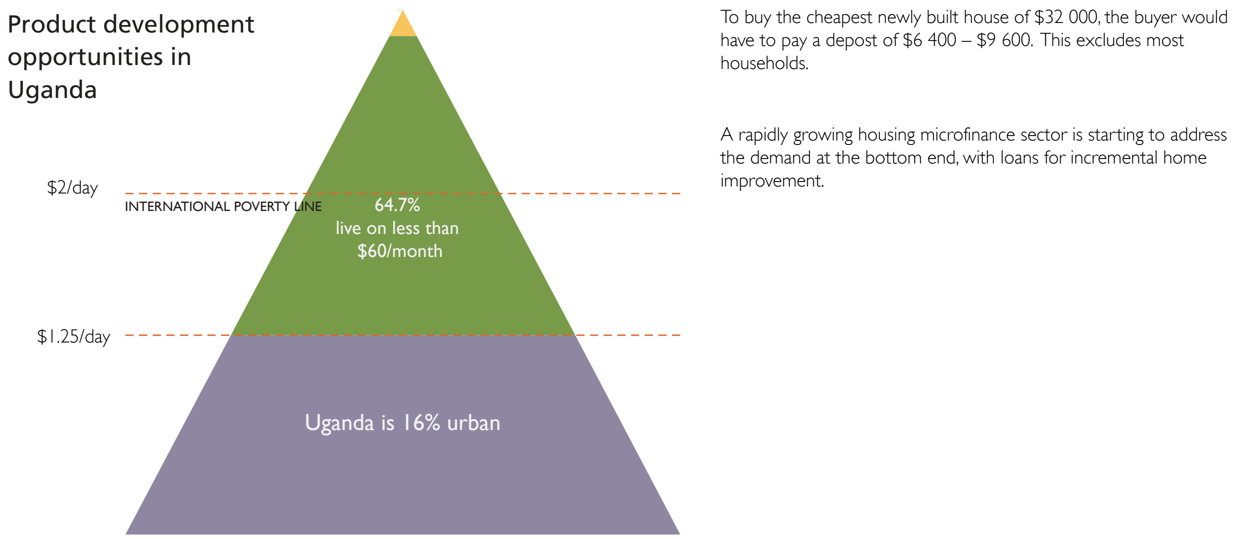
Obtaining long-term funding for lenders has also always been a challenge, although this is improving. Banks rely mostly on their short-term deposits to provide mortgage finance, meaning shorter terms for loan products. Also, between 2009 and 2010, the value of government securities held by banks more than doubled in response to a rise in interest rates. This attracted money away from the mortgage sector. 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 fundraising, 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 available and affordable mortgages.

The Ugandan statutory pension scheme, the National Social and Security Fund (NSSF), offers much potential as a funder. The NSSF is a mandatory scheme requiring that employees of medium companies contribute 5% of their gross monthly salary, while employers contribute 10% of the total monthly salary to the fund. The NSSF has invested considerably in the financial sectors, acquiring 50% equity in HFB and holding shares in Stanbic and 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 number of private pension schemes, pointing to great potential for a large 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 the African Development Bank, the East African Development Bank and the European Industrial Development Bank. The government also announced its intention to provide the HFB with USh 15 billion (US$6.5 million). DFCU sources credit lines from, amongst others, Kfw Bankengruppe, the International Finance Corporation, the Netherlands Development Finance Company, the European Investment Bank and the Norwegian Investment Fund for Developing Countries.

In 2011, the European Investment Company granted a €40 million loan to five leading commercial banks in Uganda to assist in providing financial support in the areas of small and medium-sized enterprises, as well as housing. Also, the Kenya Commercial Bank (KCB) Uganda has invested US$15 million to address the increasing need for mortgage facilities in the country. In addition, Uganda is set to also access funding from Shelter Afrique at an interest rate of below 10% to improve its housing sector.

Uganda has a fairly diverse, well established and growing microfinance industry. In 2013, 30 MFIs were reporting to the Mix Market (an online source of microfinance performance data and analysis), registering a total of 422 122 active borrowers and a gross loan portfolio of US$379 million (a four-fold increase on 2011 numbers). With support from the Stromme Foundation and Habitat for Humanity Uganda (HFHU), a number MFIs are



piloting housing microfinance products in which they will lend low income earners up to USh 8 million (US$3 478), payable over two to five years. HFHU 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 two years at an interest rate of 2% a month.

In 2010, Ugafode Microfinance, an MFI that had been incorporated as an NGO in 1994 under the name of Uganda Agency for Development Limited, was incorporated as a company, and in 2011 was licensed as a micro deposit taking institution (MDI) regulated by the Bank of Uganda, bringing the total number of MDIs regulated by the bank to four. Ugafode has a range of products targeting low and moderate income earners. Three products are explicitly for housing: asset acquisition loans, micro-mortgage loans and flexible housing loans. With 8 578 active borrowers in 2013, Ugafode has a gross loan portfolio of US$4.7million. Ugafode's deposit base is strong, with 18 450 depositors saving almost US$1.4 million.

Uganda Microfinance Limited and Centenary Bank also provide home improvement loans. These are generally short-term consumer loans designed for regular income earners to finance home improvements and to purchase land, for construction, renovation and the installation of energy and water, and to purchase furniture and recreational equipment. Over 100 NGOs and 700 savings and credit co-operatives also offer microfinance. Some, such as Pride Microfinance and Women's Finance Trust, have been providing loans that have indirectly gone to house construction. Over time, many of these are developing explicit housing loan products. Pride Microfinance, for example, offers a micro-mortgage of between USh 200 000 (US$80) and USh 2 million (US$800).

In 2013, a five-year project was launched by Habitat for Humanity and the MasterCard Foundation to support microfinance institutions in Uganda to develop housing loan schemes for low income earners in Uganda. It was estimated that about 6 000 households would benefit.

Uganda has a credit reference bureau that has been operating since December 2008. The CRBS, operated by South African firm CompuScan, carries the particulars of 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 high interest rates in the country. A national identification system is also under development. As a result, Uganda improved by 12 rankings to 40th place out of 185 countries on the World Bank's 'ease of getting credit' index, according to the Bank's 2013 Doing Business report. Just over 600 000 individuals (3.7% of the population) are included in the private credit bureau.

Affordability

Housing affordability is a serious challenge for Ugandans. According to the National Statistical Office of Uganda, in 2009/10, about a quarter of the population, or 7.5 million Ugandans, living in 1.2 million households, were defined as poor. This was a reduction from five years previous when about a third of the population was poor. In that same period, however, inequality increased, with the Gini coefficient deteriorating from 0.408 in 2005/06 to 0.426 in 2009/10. UN-Habitat reports that the per capita income of Ugandans is about US$300, although this amount is slightly higher in urban areas. More than half of the city dwellers in Kampala live on less than USh 1 600 a day (US$0.62).

Of the mortgage products on offer from commercial banks, typically a deposit of 20% to 30% is required, and terms range from five to 20 years. Products cover house construction, new home acquisition as well as house improvements, and loans of between USh5 million and USh200 million (US$2 000 to US$80 000) are available, depending on the size of the lender. Interest rates are high at over 18% in 2012, and this compromises loan affordability.

There is a recognised shortfall of affordable housing in the country. According to the Real Estate Database, rentals in June 2013 started at USh 300 000 (US$116) per month for a one-bedroom unit, and go as high as USh 10.3 million (US$3 995) per month. Houses for sale start at USh 27 million (US$10 473) for a basic two-bedroom house, and go as high as USh 1.95 billion (US$737 000) for a four-bedroom house. There are very few of the lower cost houses available, however.

The cheapest house built by a private developer in 2013 was US$32 000 for a 120m² house. At current rates, this would cost an estimated US$515 a month (at 18% over a 15-year term) – well beyond reach of 99% of the population. In 2010, it was reported that the cheapest housing loan products from commercial banks required at the very least that an individual have a monthly salary of USh 1 million (US$400) to qualify for a mortgage. According to these criteria, less than 1% of Ugandan households would qualify.

A key factor contributing towards the cost of housing is the infrastructure component. Increasingly, given capacity constraints within local authorities, developers are developing local and bulk infrastructure as part of actual development, and covering this investment in the price of the housing rather than spreading it over the long life of the services delivered, as a municipality might be able to do. This contributes as much as 15% to 25% to the purchase price. Another factor is the cost of building materials. In 2010, domestic cement production increased by 34.7%, easing pressures somewhat.

Savings and credit co-operatives and MFIs also improve affordability among the lower end of the income spectrum. The Uganda Human Settlements Network has since 1999 sought to address many of the challenges in the sector through lobbying, advocacy and sharing information for better policies, programmes and practices.

Housing supply

Estimates of the national housing backlog vary, and in 2012 ranged from 560 000 to 1.6 million units, with an annual housing need of 233 000 units. The Ugandan Minister of Lands, Housing and Urban Development noted in 2012 that the backlog could hit eight million by 2020 if nothing was done. Some 28% of the backlog (160 000 units) is in urban areas, and the capital city of Kampala, has an estimated backlog of 100 000 units. Formal supply is not keeping up with the demand – mainly because Uganda has only a few well capacitated formal housing developers. UN-Habitat estimates that Uganda has about six million households living in 4.5 million housing units. In Uganda's slum settlements, residents are largely tenants living in single rooms. The 2002 Population and Housing Census suggested that 70% of houses are built with temporary building materials, and of these, 27% are in urban areas. In 2012, UN-Habitat agreed on a five-year project to develop a sustainable long-term financing strategy for slum upgrading and economic development. The estimated cost of the project was US$4 million.

The development of housing has been on the increase in recent years, and between 2010 and 2011, the number of plans submitted and approved increased by almost two thirds, with a total of about 1 500 plans approved in 2011. The largest developer is NHCCL, which claims it has the capacity to develop as many as 4 000 units a year, although in 2009, it only put 900 units into the market. A number of larger developers, both local and foreign, have entered the market recently, such as the Kensington Group from Dubai, Pearl Estates, Nationwide Properties, Akright Projects and more recently Highland Heights. These developers contribute only a modest number of units, mainly to the middle to upper income categories. At the lower end of the income spectrum, the government, in conjunction with donors such as the Danish International Development Agency and UN-Habitat is involved in a number of local housing initiatives. Recently, for example, UN-Habitat in conjunction with the government and DFCU Bank, launched a low cost 15-year mortgage project worth USh5 billion (US$2.1 billion) in Tororo Municipality. These efforts are, however, mainly localised and of insufficient scale.

Ultimately most Ugandans build their own housing incrementally. This includes the poor as well as higher income earners, where a culture of incremental build using savings as well as loans from savings and credit co-operatives and more recently microfinanciers has been established. Incremental housing construction is supported by government provision of serviced land.

Property markets

There is increasing activity in the property market in Uganda. Kampala's residential market has seen rapid growth, with construction of various housing estates, apartment blocks and townhouses in older residential areas, as well as new suburbs being opened up. As a result of this activity, land prices have been increasing such that the Minister of Lands, Housing and Urban Development recently said that a denser urban form, with the construction of multi-storey apartments, will be favoured over the construction of bungalows.

Policy and regulation

Uganda's housing policy framework is still evolving. A draft National Housing Policy has been under consideration for the past three years and in 2013 was ready for submission to Parliament. The draft policy gives explicit attention to the affordable housing needs of low income earners, including slum upgrading, enforcement of minimum standards that will prevent overcrowding and the improvement of the living standards of the urban poor. The policy also recognises the role of the private sector in providing housing on a commercial basis. The policy aims to increase the construction of housing units to 250 000 units a year so that the deficit can be decreased by 50% by 2025. The policy addresses the delivery of housing both for rental and for ownership, and will enable government to build houses for public servants. The government also plans to create a revolving fund to finance public servants' housing.

In his 2013/14 Ministerial Policy Statement, the Minister of Lands and Housing committed to implementing the National Land Policy over the next year, and to finalise the review of Land Regulations. The computerisation of land records would also continue, as would the issuance of land titles, certificates of customary ownership and certificates of occupancy. The Minister also promised to finalise the development of the National Urban Policy and Strategy Plan, and to implement the National Housing Policy. A US$150 million Municipal Infrastructure project was planned for 14 municipalities, 108 low cost houses were planned for construction in Kasooli-Tororo Municipality and the titling of land in the Masese slum upgrading project was planned to continue.

Uganda has a system of non-judicial foreclosure, often considered more useful for developing mortgage markets. There is, however, concern amongst 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 and understaffed. Uganda also suffers from an inefficient land administration and registration system that curtails the development of the mortgage market. In 2013, the country rated extremely low in terms of the World Bank's Doing Business indicator for registering property – 124th out of 185 countries. It takes about 52 days to complete the 12 procedures involved in registering a property in Uganda. The process is relatively cheap, however, at 1.9% of the property value, which is a fifth of the average cost in Sub-Saharan Africa. Cabinet approved a new land policy in 2013 to address the systems, procedures and information base supporting land use management and transactions in Uganda.

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 in the affordable housing segment that caters for the growing middle and lower income groups. This is a definite area for growth and opportunity, supported by the forthcoming National Housing Policy. The mortgage market is still in its infancy and can accommodate many more players, as has been illustrated by the entry of newcomers such as Stanbic and Standard Chartered banks. 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 the pre-dominance of self-build.

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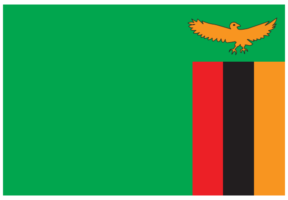
Zambia



KEY FIGURES

Main Urban Centres	Lusaka (capital), Ndola, Livingstone
Exchange Rate: 1 US$ =	5.14 Zambian Kwacha (ZMW)
Population ^	14 075 099
Population growth rate (%) ^	3.19
Urban population (% of total) ^	39.61
Urbanisation rate (%) ^	4.30
GDP per capita (US$) ^	1 469.12
GDP growth rate (%, real) ^	3.95
GNI per capita, Atlas method (current US$) ^	1350
Population less than US$2 per day~	
Population below national poverty line *	68.0
Gini co-efficient ~	
HDI (Global Ranking)"	163
HDI (Country Index Score) "	0.448
Unemployment rate (%) *	12.90
Bank branches per 100 000 ^	4.40
Lending Interest Rate ^	12.15
Deposit Interest Rate ^	7.00
Credit % of GDP ^	18.55
Ease of Doing Business Ranking (out of 185 countries) !	94
Average Mortgages % of GDP	1,53% (Hofinet 2012)
Average Outstanding loan to purchase a home, older adults (% age 25+)	2%
What is the cost of standard 50kg bag of cement (in US$)? #	13,60 urban / 14,50 rural
What is the price of the cheapest, newly built house by a formal developer or contractor? #	68 363
What is the size of this house (in m^2)? #	84
What is the minimum stand or plot size for residential property #	300

Sources:
= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Zambia is a mineral-rich country and the largest producer of copper on the continent. With an average GDP growth rate of 5.6% over the past decade, Zambia has achieved relative macroeconomic stability, and in 2011 was reclassified by the World Bank as a middle income country, with a GNI of between US$1 006 and US$3 975 a year. The economy grew by 7.3% in 2012, and was projected to grow by 7.5% in 2013 and 7.8% in 2014, making Zambia one of the world's fastest growing economies. Inflation has come down to 6.5% in April 2013 (from 7.3% in December 2012), and is expected to hover around this rate for the next two years. The country is increasingly a destination for foreign investment due to its positive economic indicators and its burgeoning mining industry.

In September 2012, Zambia launched its first US$750 million, 10-year Eurobond – the most successful bond launch in Sub-Saharan Africa, with bids more than 15 times the amount on offer. The proceeds from the bond will be used to fund infrastructure, especially in the road and energy sectors. On 1 January 2013, the Zambian currency was rebased, and a new currency symbol, ZMW, was adopted. One Kwacha of the rebased currency (ZMW) is equivalent to 1 000 'old' Kwacha (ZMK). The intention was to strengthen the use of the currency by pegging its value at a more convertible rate with foreign currencies, and provide a more usable value for transaction on local goods and services.

Zambia's population (measured at 13 million in the 2010 Census) is very young: 54% are under the age of 18, partly a consequence of the high prevalence (16% of the population between the ages of 15 and 49) of HIV/Aids. Most of the population is rural; 39% live in urban areas. A 4.2% urbanisation rate (versus a 2.8% population growth rate) suggests that this will soon change. UN-Habitat expects that Zambia will be 50% urban by 2030. With only 11% of the working population estimated to be in formal employment, and an informal sector that comprises over 50% of the economy, the small tax base impedes government's fiscal capacity. Recent economic growth has exacerbated inequality. In 2010, the Gini coefficient was recorded at 0.65, up from 0.60 in 2006.

Access to finance

General access to financial services remains low. In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database, exploring levels of financial inclusion around the world. According to Global Findex, only 22% of rural and 14% of urban Zambians over 15 years of age have an account with a formal financial institution. Credit is widely used, with 52.6% of adults over 25 years of age saying they had a loan in the past year to 2011. Very few Zambians have an outstanding loan to purchase a home: 1.1% of the top 60% of income earners and 1.4% of the bottom 40% of income earners. According to FinScope 2009, 86% of adults are unbanked, and 63% of adults use no financial products at all to manage their financial lives. Some 17% use products from non-bank financial service providers and 22% use informal products. FinScope found that more people save informally (17%) compared to those who save through formal channels (10%). The extent and use of housing finance is even more limited.

Zambia has a diversified financial sector with 19 commercial banks licensed to operate. The sector has been growing rapidly: seven of these are foreign banks and only started operating in the past five years. The Lusaka Stock Exchange lists 22 companies, of which three are commercial banks. The Bonds and Derivatives Exchange (BaDEx) has been licensed and promises to be central in developing the bond markets in Zambia.

Zambia's mortgage market is small, but growing rapidly. Only a few of the commercial banks offer mortgage finance, and commercial mortgages seem to dominate. The total mortgage loan portfolio stood at ZMW 1 369 million at the end of May 2012 (about US$250.6 million in August 2013), of which 88% was held by commercial banks and 12% by the building societies. This is up by more than 50% on the December 2011 figure. Assuming an average loan size of about US$30 000 (loans range in size from US$20 000 to US$600 000), this could suggest a total of almost 8 000 mortgages.

As of May 2012, the three building societies (Finance Building Society, Pan African Building Society and Zambia National Building Society) held a mortgage portfolio of around ZMW 161 million, or (in August 2013) US$29.4 million, combined. Again, assuming an average loan size of about US$30 000, this would suggest a book size of about 1 000 mortgage loans. Zambia National Building Society is the largest, with 64% of the building societies' mortgage book. By the end of 2012, mortgages comprised 8.2% of loans issued by the private sector. A key challenge for residential mortgage lenders is access to funding, as the wholesale finance sector and capital market remains underdeveloped. This and other risk factors, including the potential of loss given default and high transaction costs, contribute to the high interest rate. As a result, only the highest income earners can access mortgages.

Interest rates offered by mortgage lenders – whether commercial banks or the building societies – are high. The average interest rate offered by the commercial banks in 2011 was 18.8% for a 24-year loan. Building societies' interest rates were higher – hovering at 20% and above. In May 2013, Finance Building Society offered a 24% interest rate. The CEO said they were working towards bringing the rate down to 20%. Zambia National Building Society was recapitalised in 2013 and as a result was able to offer its mortgage product at a 12% rate – the cheapest in the country. First National Bank's mortgage rate was 15%.

In late 2012, the Bank of Zambia (BoZ) introduced a Policy Interest Rate as a benchmark indicator against which retail financial institutions are expected to adjust their lending rates. Since then, in January 2013, the BoZ introduced interest rate caps. The cap for commercial banks was set at 9% above the Policy Rate, which in August 2013 was increased to 9.75%, giving a cap of 18.75%. For non-bank financial institutions (including building societies), the policy determines that the maximum interest rate charged shall be a factor of 1.644 relative to the bank rate (i.e. currently 30%), whilst for microfinance institutions the maximum interest rate charged shall be a factor of 2.302 (i.e. currently 42%). In this case, the following criteria has been used to define microfinance: At least 80% of the total loan portfolio should be serving MSMEs, less than 20% of the total loan portfolio should be serving individuals in formal employment and the average loan size per borrower not exceeded ZMW 2.5 million. Taking this definition into account, most microlenders in Zambia are therefore classified as non-bank financial institutions.

Zambia's microfinance sector comprises 25 licensed MFIs. Of these, the vast majority are payroll based consumer lenders, accounting for 92% of the microfinance sector's total assets. Only four MFIs are microenterprise lenders, and six are registered as deposit-taking financial institutions in terms of the 2006 Banking and Financial Services Act. In 2012, 10 MFIs reported to the Mix Market (an online source of microfinance performance data and analysis); together, they had a gross loan portfolio of US$11.7 million, with 28 930 active borrowers. The MFIs also held a total of US$3.7 million in deposits from 10 353 depositors. Following the introduction of interest rate caps, the Bank of Zambia has observed that a number of MFIs have sought to streamline their operations, closing down marginal branches with high operating costs.

Housing loan products appear to be increasingly popular – many MFIs already have products and others are in the product development stage. Home improvement loans available range from ZMW 3 277 to ZMW 218 490 (about US$600 to US$40 000) with maximum loan terms of 60 months and charged now at the cap of 30% or 42% annually (depending on the type of institution). Building materials company Lafarge has launched a housing microfinance programme for affordable housing in Zambia – one of two pilot countries in Africa (the other being Nigeria). The pilot is in partnership with CHF International and will deliver housing microfinance loans of about US$2 500 with two to three year terms, together with technical assistance throughout the various stages of the construction project.

Pension-backed lending is permissible by Zambian law, but not common, and the role of pension funds in housing financing is limited. This may be changing. The National Savings and Credit Bank (Natsave), a non-bank financial institution, is in discussion with pension funds to provide mortgages to pension fund members and employees. In terms of the arrangement, the pension funds will provide the long-term funding. This follows the National Housing Bond Trust's 2008 issue of the first housing bond on the Lusaka Stock Exchange, with the intent of harnessing capital from pension funds to channel into affordable housing development.

The first credit bureau was formed by the Bankers Association of Zambia 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 granting a loan. The system has limited coverage, however; according to the World Bank's Doing Business report, only 5.4% of the population as at 2013. Still, Zambia ranks fairly high internationally in terms of ease of getting credit: 12th out of 185 countries in 2013.

Affordability

Affordability levels for conventional housing finance are low, and a recent study suggests that households spend a considerable proportion of their income to address their housing needs. Some 7% of the population (about 185 000 households) live in high and medium cost urban areas or large-scale rural areas. Their household expenditure is on average above ZMW 2 500 (US$500) per month, and their housing costs are about ZMW 400 000 (US$80 000). On average, the monthly expenditure on rental for this group can be up to 50% of their income. About 30% (835 000 households) live in low cost urban areas, or medium cost and scale rural areas. Their monthly household expenditure is about ZMW 1 500 to ZMW 2 500 (US$300 to US$500). Housing in this segment costs above ZMW 100 000 (US$20 000), and monthly rental expenditure can be as much as 40% of income. The majority of the population (63%, or 1.765 million households) have a monthly household expenditure of less than ZMW 1 500 (US$300). Their housing affordability is for units costing less than ZMW 100 000, and they can also spend up to 40% of their monthly income on rental. Only 11% of employed adults earn a formal 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%) and relatively short loan terms (for example, four years offered by the Zambia National Building Society) make it difficult to afford mortgage finance. Due to the general unavailability of mortgages, many buyers purchase finished units with cash.

Even in informal areas, housing is expensive. Prices range between ZMW 100 000 for a house constructed with basic materials to ZMW 500 000 (US$100 000) for a quality constructed house. The National Housing Authority (NHA) reports that a serviced stand can cost as much as ZMW 60 million (about US$12 million).

The government has made statements regarding improved housing delivery, but its capacity to make a difference is limited by fiscal constraints. Although the National Urban Development Plan projects the delivery of 500 000 units between 2011 and 2016 (based on a projected 15% allocation of the national budget to housing), this has never transpired. In the 2012 National Budget, housing development was only allocated ZMK 20 billion (before the rebasing, US$4 million), which represented only 6% of the ZMK 304 billion (about US$608 million) budget for infrastructure and support services. Of this, ZMK 5.2 billion (about US$1 million) was for the construction of low cost housing and ZMK 1 billion (about US$200 000) for low cost housing funding.

Housing supply

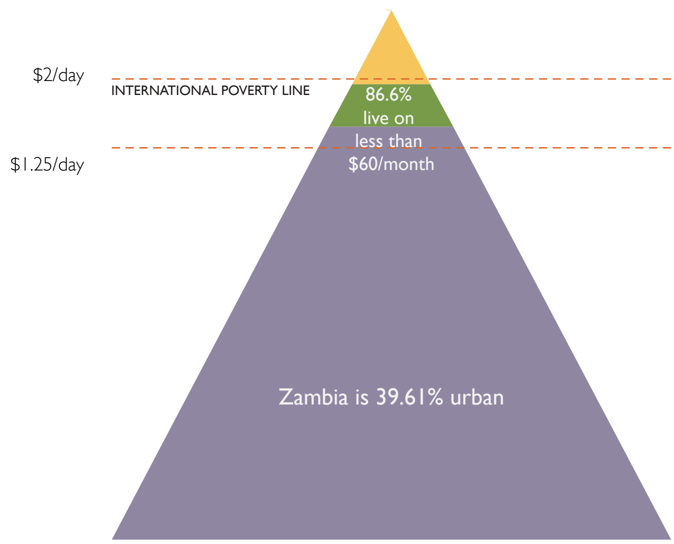
There is a definite shortage of housing supply in many urban centres, but particularly in rapidly growing towns in the Copperbelt and North Western province, where mining activities have resurged. Employers in the mining areas report difficulty in retaining staff in areas where a housing shortage exists. A UN-Habitat estimate suggests a backlog of 1.3 million units across the country, and recommends an annual delivery rate of 46 000 units until 2030 (or one every two minutes of the working day for 19 years). Between 2001 and 2011, however, the delivery rate was only 11 000 units per annum. The Ministry of Lands and Housing was planning a housing stock survey in 2013.

Most urban growth in Zambia is informal. UN-Habitat has determined that 70% of housing in Lusaka is informal. This stock accommodates about 90% of the city's population but occupies only 20% of the residential land. In rural areas, almost 90% of stock is traditional or improved traditional housing; traditional housing in urban areas comprises 20% of all stock.

More frequently, attention has been on middle upper income earners, even by state sponsored organisations. Both the National Pension Scheme Authority (NAPSA) and the NHA have promoted housing delivery (some in partnership with the private sector) for higher income earners. In August 2013, NAPSA came under fire from the government for targeting its investments poorly, and not focusing on the need for low income housing. The NHA has entered into a 10-year partnership with MBC Construction (an Australian joint venture company) to build 500 000 houses. In late 2012, the Zambia Environmental Management Agency announced that it had approved the construction of 10 000 housing units at a cost of US$90 million, in Solwezi district. The first instalment of 690 units would be built within 2014, and of these, 90 would be within a golf estate. The development would also make a further 7 500 plots available on which residents could build themselves.

Middle and high income housing is also getting attention from the private sector. A growing number of developers are interested in supplying housing in the US$40 000 to US$80 000 range, and focusing on Lusaka. SmartHomes Africa is a subsidiary of an American real estate and development company focusing on affordable housing in Africa. Operating out of Lusaka, SmartHomes targets the delivery of middle income and affordable housing, workforce and student housing. Their most recent development offers two – to four-bedroom units, starting at US$40 000. The increasing interest in housing supply in Zambia is putting pressure on the mortgage system to grow in parallel. There is also pressure on the land governance system. In June 2012, the government decided to curb all construction activities because of a concern with illegal allocation of land, and to further curb construction of structures that have not been approved by councils.

Recent macroeconomic developments have had a negative impact on the formal construction industry. In the past, developers have sought foreign denominated loans offered at lower interest rates to finance new development. In May 2012, however, the Minister of Finance introduced a Statutory Instrument (SI 33) prohibiting the use of foreign currency in domestic transactions. This was followed with instrument SI 68, which prohibited indexation (referencing the contract amount to another currency or commodity) in contracts. While these measures were designed to strengthen the use of the



The cheapest newly built house for sale is $68 363. Only 11% of employed adults earn a formal salary or wage. High interest rates and short loan terms undermine affordability further.

Most housing is self-built. An estimated 70% of housing in Lusaka is informal.

Product development opportunities in Zambia

Zambian Kwacha, they have undermined the financing approach that developers were using to support housing affordability. The industry has now had to find new mechanisms to hedge against exchange rate risk, and as a result, a number of projects have been put on hold.

NGO players such as Homeless International are involved in helping to fund the housing efforts of the very poor. The People's Process on Housing and Poverty in Zambia 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 NHA to commit land to federation members. With support from Lafarge, which donated 1 008 bags of cement, Habitat for Humanity Zambia has built 2 150 houses. While important, these efforts are small compared to the need.

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 and east of Lusaka. According to real estate agent Knight Frank, the growing supply side is creating better competitiveness and improving affordability in the residential property market. Knight Frank highlights the middle, affordable housing market as having the most growth potential.

Resale housing stock in Zambia is limited, especially given that 80% 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.

Policy and regulation

While the National Housing Policy of 1996 continues to be in force, its commitment to government spending of 15% of the national budget on housing is felt to be too ambitious, and has consequently not been achieved. A new housing policy is being drafted' this, however, is a lengthy process, which in 2013 is still not concluded.

The limitations on mortgage finance are apparent in this country where more than 60% of the population hold only informal title. The country's title registration system is improving. According to the World Bank's Doing Business report, it takes on average 40 days to go through the five procedures involved in registering a property in 2013. The cost of the registration process is about 8.2% of the property's value. Globally, Zambia ranks 96th out of 185 countries in terms of its property registration process.

Zambia has targeted its land administration system with some success. Acknowledging informality, the Housing (Statutory and Improvement Areas) Act is progressive land tenure legislation that allows for incremental and flexible housing development. The Act limits tenure security to an occupancy licence, with collective title held by the local authority. 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. Still, UN-Habitat suggests that legislated plot sizes will significantly undermine the state's capacity to deliver on its promised 1.3 million houses by 2030. At 15 units per hectare (as suggested in the Fourth National Development Plan), the area of four Lusakas would be required, just for residential 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 its mining activities 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. Increased investments from China and South Africa, together with growth in the mining and agriculture sectors, are driving residential and commercial property demand. Demand is especially unmet in the affordable housing segment, which presents good opportunities. Zambia has a relatively undeveloped microfinance sector by regional standards. Housing microfinance 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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Zimbabwe

KEY FIGURES

Main Urban Centres	Harare (capital), Bulawayo
Exchange Rate: 1 US$ =	1.00 US Dollar (US$)
Population ^	13 724 317
Population growth rate (%) ^	2.70
Urban population (% of total) ^	39.11
Urbanisation rate (%) ^	3.96
GDP per capita (US$) ^	787.94
GDP growth rate (%, real) ^	2.22
GNI per capita, Atlas method (current US$) ^	680
Population less than US$2 per day~	
Population below national poverty line *	34.9
Gini co-efficient ~	
HDI (Global Ranking)"	172
HDI (Country Index Score) "	0.397
Unemployment rate (%) *	4.16
Bank branches per 100 000 ^	
Lending Interest Rate ^	
Deposit Interest Rate ^	
Credit % of GDP ^	
Ease of Doing Business Ranking (out of 185 countries) !	172
Average Mortgages % of GDP	1,2% (CABS 2012)
Average Outstanding loan to purchase a home, older adults (% age 25+)	1%
What is the cost of standard 50kg bag of cement (in US$)? #	12,00
What is the price of the cheapest, newly built house by a formal developer or contractor? #	12 000
What is the size of this house (in m²)? #	30
What is the minimum stand or plot size for residential property #	

Sources:

= www.coinmill.com on 26 August 2013
^ World Bank's World Development Indicators (2012)
~ World Bank PovcalNet: an online poverty analysis tool, various years
* African Economic Outlook, various years
" UNDP's International Human Development Indicators (2012)
CAHF Annual Survey Data (August, 2013)
! World Bank's Doing Business Survey Data (2013)

Overview

Zimbabwe's economic performance weakened in 2012 following three consecutive years of GDP acceleration. The estimated GDP growth of 4.4% for 2012 represents a significant slowdown when compared to the growth rates of 5.4%, 9.6% and 10.6% experienced in 2009 10 and 2011, respectively. Most major sectors of the economy registered lower growth rates in 2012, and this weighed down overall economic performance. Mining and quarrying grew by 10.1% in 2012 compared to 25.1% in 2011 and 60.1% in 2010. The manufacturing sector grew by a mere 2.3%, from 15.0% in 2011. The weaker growth rate experienced in 2012 was due to a number of factors, including drought, electricity supply challenges, liquidity constraints and a failure by the manufacturing sector to cope with cheap imports. The economy is expected to register a slightly higher GDP growth rate of 5% in 2013 and 5.7% in 2014.

Year on year inflation has remained subdued and has been on a downward trend during the first six months of 2013. Inflation fell from 2.98% in February to 1.87% in June 2013. The decline in inflation is largely due to the falling value of the South African Rand.

This performance trend shows that the creation of the Government of National Unity in 2009 and its adoption of a multi-currency regime brought macroeconomic stability and sustained growth for a period of five years. However, this recovery has been fragile due to political uncertainty, the high debt burden of about US$10 billion and huge arrears amounting to about US$6.5 billion, as well as the unsustainable current account deficit of about 30% of GDP. Zimbabwe has had limited access to concessional lines of credit required for infrastructural development and retooling the manufacturing sector. Further, most of the facilities availed carry a significant risk premium and have largely been short term in tenure.

Access to finance

Despite these challenges, the Zimbabwean financial sector remains well developed and quite stable. According to the Reserve Bank Governor's Monetary Policy Statement issued in January 2013, the country had 22 operating banking institutions (comprising 16 commercial banks, 2 merchant banks, 3 building societies and one savings bank), 16 asset management companies and 150 microfinance institutions. The 22 operating banking institutions exclude two troubled banks, Interfin which was under curatorship and Royal Bank which was under liquidation.

Zimbabwe continues to experience a high level of financial exclusion as well as usage of informal financial products and services. This is reflected in the findings of the 2011 FinScope Survey, and the 2013 Micro, Small and Medium Enterprises FinScope Survey. The 2011 FinScope Survey found that 40% of all Zimbabweans aged 18 years and above were financially excluded, or not using either formal or informal financial products. This tallies with the findings of the MSME FinScope, which revealed that 43% of all MSME business owners in Zimbabwe were financially excluded. According to the 2011 FinScope Survey, 22% of all adult Zimbabweans only used informal financial products and services, and 38% of all adult Zimbabweans were formally served; that is, they used both bank and non-bank formal products. This figure tallies with the Global Findex finding that 40% of all Zimbabweans above the age of 15 years have an account with a formal financial institution. With respect to credit, Finscope 2011 found that only 5% of all adults above 18 years of age borrow from a bank (3%) or other formal financial institution (2%) while 15% were informally served by unregulated institutions such as co-operatives and farmers' associations. Some 31% borrowed from friends and relatives and 49% did not borrow at all. Most SME business owners (85%) do not borrow at all to finance their operations. Only 2% of them access bank credit products, while another 2% access other formal credit sources. About 7% borrow from friends and relatives.

Following the findings of the 2011 FinScope survey, the Zimbabwean authorities have put in place various measures with a view to improving financial inclusion in the country. A Memorandum of Understanding between the central bank and commercial banks seeks to reduce bank charges and lending rates as well as increase deposit rates. The authorities also envisage the establishment of an Ombudsman for the financial sector, a Microfinance Advisory Council as well as the finalisation of a Microfinance Bill. Further, the central bank stipulated that commercial banks were required to provide at least 30% of their lending to small and medium enterprises. These initiatives are meant to foster confidence in the financial sector, and in the process, improve financial inclusion.

As at 31 May 13, total credit provided by the financial sector amounted to US$3 595.19 million, which represents a growth of 18,7% compared to the figure for May 2012 and is significant, but much less than the 36.45% growth experienced in the year previous. The deceleration in lending was due to factors including a declining growth of deposits and the uncertainties in the economy that arise in an election year. Commercial banks dominated lending at US$3 063.68 million or 85.2% of total. Lending continues to be largely for the short-term requirements of working capital (77.10%) and consumer durables (15.17%). A sectoral analysis of loans and advances by commercial banks shows that most of the lending went to households (18.54%), the sectors of agriculture (17.92%), manufacturing (17.49%) and distribution (16.94%). The proportion of lending to the construction sector continues to be low and was only 1.55%. Total lending by building societies as at the end of May 2013, at US$427.60, was 11.9% of total lending. The portion of building society lending which went towards mortgage advances was US$307.3 million or 8.55% of total advances by the financial sector.

According to RBZ statistics, mortgage lending was US$278.1 million dollars as at the end of December 2012 compared to US$199.5 million for December 2011, which represents a growth of 39.4%. When compared to the position as at December 2012, mortgage to the end of May 2013 grew by 10.5%.

Mortgage lending is largely undertaken by Central African Building Society (CABS), CBZ Bank, FBC Bank and ZB Building Society. CABS remains the largest mortgage lender in Zimbabwe. In 2012, the financial institution advanced a total of US$26 095 546 in housing mortgage loans. These were made up of US$5 614 887 for 'high density,' generally low income housing development, while US$20 480 659 was for the 'low density' medium and high income category. At end-December 2012, CABS's housing mortgage loan book was US$96 431 384 comprising US$87 279 9869 for medium and low density housing development and US$9 151 398 for the 'high density' sector. In 2013, the financial institution increased its lending significantly and by June it had extended mortgage advances amounting to US$27 942 391, which surpasses the annual figure for 2012. CABS is a beneficiary of a five-year loan from the PTA Bank and a 10-year facility from Shelter Afrique, which are meant to increase the tenure of mortgage lending to customers. Mortgage loans are charged at 15% variable interest over 10 years, with a 75% loan to value and 25% repayment to income.

CBZ Bank had the second largest housing mortgage loan book in 2012. As at 31st December 2012 its mortgage loan book was US$89 980 277. CBZ disbursed a total of US$32 794 493 worth of housing mortgage loans in 2012 and had advanced US$25 715 195 by July 2013. CBZ charges interest rates ranging between 14% and 18% over tenures ranging from two to 10 years. In his 2013 budget speech, the Minister of Finance advised that CBZ Bank had made a commitment to provide US$10 million to fund housing for civil servants. Government would provide a matching amount in order to create a US$20 million Housing Fund for civil servants. The facility is not yet operational. CBZ is also a beneficiary of the lines of credit from the PTA Bank and Shelter Afrique.

FBC Building Society also extended mortgage lending to its customers but its annual report does not state how much this was. The financial institution had a long-term (over five years) tenure book of US$1 1242 430, in which the mortgage loans are incorporated. The building society is also enjoying facilities from the PTA Bank and Shelter Afrique. ZB Building Society had a mortgage book of US$5 880 248 as at 31st December 12.

The National Development Loan Facility is a revolving fund that was created in 2010 with an initial allocation of US$25 million. In 2012 government provided an additional US$7.9 million to the fund, followed by an amount of US$6.9 million in 2013. In his budget speech for 2013, the Minister of Finance advised that 10% of the resources provided would be used to fund rural housing programmes. The Infrastructure Development Bank of Zimbabwe IDBZ acts as a project manager and financier on behalf of the Ministry of National Housing and Social Amenities.

Affordability

During the past four years, Zimbabwe has been recovering from a decade of economic decline and instability. The economic decline worsened poverty levels and annual average gross household incomes, currently estimated at US$2545, are still very low. According to available statistics, 62.6% of Zimbabweans are deemed as poor while 16.2% are considered very poor. The low levels of income, coupled with high levels of illiquidity have negatively affected affordability. There is a high default risk due to retrenchments. As at June, 6.86% of CABS's loans in high density areas were in arrears. While building societies and commercial banks are beginning to introduce medium term facilities, most lending is on a short-term basis. Financial institutions have limited access to offshore lines of credit and there is a reluctance by the public to commit funds for long periods. Maximum repayment periods of 10 years currently apply on loans.

Lending rates are still high in Zimbabwe due to the high cost of funds for financial institutions. While the authorities have made efforts to contain lending rates and bank charges, interest rates charged by building societies remain at an average of 15%. The Memorandum of Understanding between the Reserve Bank and banks provides for an additional penalty of percentage points for any defaulting clients. Further, those home builders who access consumer bank loans for purposes of buying a residential stand or constructing a house pay higher interest rates of as much as 20%, depending on the institution.

Despite the high cost of funds, financial institutions have developed innovations to reduce the cost of borrowing for low income clients. CABS offers a low priced mortgage product for borrowers in high density areas on which an interest rate of 12% is charged as opposed to 15% that applies to borrowers in low density areas. Further, in an effort to enable low income earners to access housing finance, building societies collaborate with employers to provide loans at subsidised rates. CBZ has introduced a product called 'the Cash-Plus Housing Savings Product' targeted at the informal sector. It involves the potential borrower saving with the institution for 12 months after which the client then qualifies for a loan equivalent to his/her savings.

The harsh liquidity environment has also created an opportunity for Zimbabweans to buy land from local authorities and land developers on a staggered basis – something which was rare in the past. Deposits for some schemes are as low as US$660, with monthly instalments spread over periods of three to five years. This flexibility is an improvement from the past when either one had to have cash or a mortgage facility to pay for the property.

Housing supply

The major housing objective of Zimbabwe's national strategy, the Medium Term Plan (2011-2015), is to eliminate the housing backlog and halve the housing dependency ratio at the household level by the year 2015. This is quite a daunting challenge considering that the Ministry of National Housing and Social Amenities estimates the current national housing waiting list to be 1.25 million. The number is likely to be higher considering that some local authorities do not collect and submit returns to the ministry. Further, most home-seekers have stopped renewing annually, after losing hope following lengthy periods of fruitless waiting. Others cannot register as they do not have the required documentation, while others are unaware of the system. Harare's waiting list is about 500 000 while those of Gweru, Mutare and Bulawayo are about 17 000, 50 000 and 100 000 respectively.

The 2012 National Housing Policy seeks to address the challenge of the huge housing backlog through a partnering and facilitating approach to housing development and management so as to leverage community and private sector initiatives. In this regard, the policy aims to strengthen the role of local authorities as well as facilitate and encourage the participation of civil society and the private sector in housing development.

Even so, the government plays a pivotal role in housing development through direct provision of houses as well as land. Since 2010, the Zimbabwe government has availed a total of US38.9 million for the development of housing on and off site infrastructure as well as the construction of at least 2 904 housing units across the country. Individuals on the waiting list and who can afford to pay the required deposits and instalments access the housing with a loan from the National Housing Development Loan Facility.

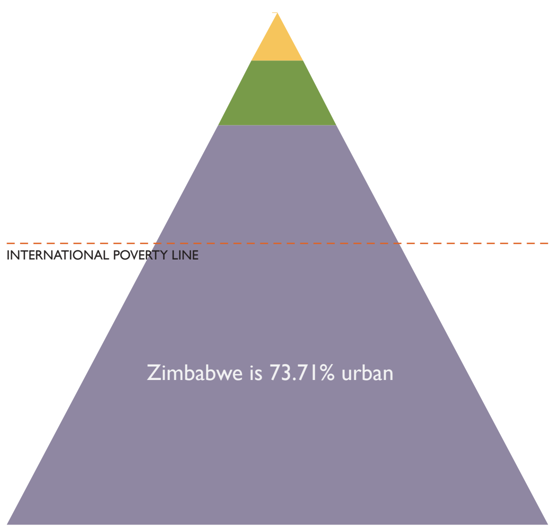
Financial institutions are also promoting housing developments projects. In late 2012, Harare City Council signed an agreement with CABS to build 3 102 core houses for low income earners in Budiriro, Harare. Each core house would be on 300m^2 of land and is estimated to cost US$12 000. Beneficiaries will pay an initial deposit and CABS will provide mortgage finance which which would be repaid over a stipulated period. Implementation of the project is expected soon. The building society is undertaking another housing in Hatcliffe, Harare involving 971 housing units, also on 300m^2. The other building societies are implementing their own schemes across the country. CBZ is set to service 1095 low cost residential stands in Nehosho, Gweru, for the construction of low cost housing which will benefit low income groups. ZB Building Society has developed 800 residential stands ranging in size from 300m^2 to 2 000m^2 and will offer mortgage finance to beneficiaries to enable them to build houses. The building society has also entered into a partnership with Beitbridge Town Council involving the building of 150 low cost housing units which would be offered to beneficiaries on a 10 year mortgage.

In late 2011, Fidelity Life Assurance Company launched a housing project on a 34 hectare plot in Manressa, Harare. The project involved developing housing stands which would then be sold to home seekers. The company is currently engaged with the City of Harare so as to undertake a US$20 million housing development project to the South of Harare.

Damofalls, one of the most active land development companies in Zimbabwe, is implementing projects for housing development in various cities which include Ruwa, Norton, Kwekwe and Darwendale. Other property developers such as the DATco Group are also active across the country.

According to their umbrella body, the Zimbabwe National Association of Housing Cooperatives (ZINAHCO) have provided the bulk of housing units which were constructed during the past decade. The association argues that even during the hyperinflation era, co-operatives continued to develop housing units when all the other players had suspended operations. The cooperatives acquire land from a private owner, government or a local authority and then service it using subscriptions from members. Figures from the City of Harare indicate that co-operatives are a powerful force in housing provision. In the year 2011, the city allocated 2954 stands to 41 cooperatives.

ZINAHCO is also implementing a scheme involving the construction of core houses in Chiredzi, Harare, Chitungwiza, Mutare, Kariba, Bulawayo, Redcliff and Mvuma. The organization intended to build 713 units during the years 2012/2013 but they only accessed funding for 559 units. To date they have completed 389 houses while the balance is work in progress. The houses are sold to members of ZINAHCO who pay for them over a period of



Most mortgage lending is medium term – 10 years – at rates between 14–18%, undermining housing affordability. A CABS housing project promises houses of $12 000, affordable on these terms to a household earning at least $6 65/ month.

Product development opportunities in Zimbabwe

six years. The cooperative body pointed out that the loan extended to members was concessional but was slightly above break-even point to ensure sustainability of the programme. The funding for the project was provided by Homeless International. ZINAHCO has also forged partnerships with other donors such as Rooftops Canada, Shelter Norway, Swedish Cooperatives Centre and CIDA. Through these partnerships, the association provides its members with skills in the areas of cooperative management, financial literacy, livelihood skills, contract management and construction services, .

ZINAHCO is of the view that the major impediments to meaningful supply of housing in Zimbabwe are limited access to land, challenges in accessing finance and poor government capacity in providing off site bulk infrastructure. They also pointed out that there was need to revamp outdated legislation which frustrates housing development.

The delivery of serviced stands is an approach being adopted to improve access to affordable housing. In July, Bulawayo City Council announced that it was going to release 2131 stands ranging in size from $200m^2$ to $600m^2$, in four residential suburbs. The local authority requires residents to pay a deposit of 35% of the value of the stand and the balance in monthly instalments. The Zimbabwe Project Housing Trust has also embarked on a programme to provide over 4000 low income residential stands in Rangemore, Bulawayo. These initiatives anticipate a self-build housing process that is common throughout the country.

Property markets

The demand for residential property remains high in Zimbabwe, though activity has been hampered by low disposable incomes and the deterioration in liquidity conditions, particularly during the first half of 2013. The market is still active, albeit at subdued levels, particularly for medium density houses, flats and cluster units. Prices for units in this category up to a value of US$150 000 have witnessed an increase due to the high demand. Prices in this category have been firm because of affordability factors, in particular the fact that most companies and building societies are prepared to extend loans up to these values. More expensive homes are taking much longer to sell and have witnessed price stagnation.

Despite the tight liquidity conditions, rentals continue to go up. Rental increases of 10 to 35% have been common since the end of 2012 but largely for high and medium density properties. In the same vein, the prices of serviced stands went up significantly in all areas – in some areas by as much as 50% during the last 12 months.

Policy and regulation

The introduction of the National Housing Policy in 2012 provides an opportunity for the Government of Zimbabwe to address a number of factors that impeded housing development in the past. In addition to stimulating housing delivery through state and non-state partnerships, the new policy addresses the need for more housing designs and development models and an increased range of permissible building materials and construction models. This will also involve a relook at legislation and some by-laws which some stakeholders believe are no longer relevant.

Zimbabwe also needs to address the prevailing economic challenges which are making it difficult to access funding for infrastructural and mortgage financing. The country requires long term funding to address infrastructure bottlenecks needed for effective housing delivery. Zimbabwe requires more capacity to avail loans for both land and housing development. It is hoped that the process of addressing the huge debt overhang and arrears which has commenced will gather momentum and unlock an increased envelope and greater opportunities for robust economic performance.

The Land Development Bill will regulate the activities of land developers. The legislation will provide for the registration and regulation of land developers. It is expected that this will provide more protection from unscrupulous land developers.

The thrust by the Ministry of Finance and the Reserve Bank of Zimbabwe to improve financial inclusion is also expected to improve opportunities for housing finance in the country. In particular, the introduction of a Microfinance Act is expected to increase competition for traditional financial institutions to the benefit of borrowers.

Opportunities

Zimbabwe has experienced a number of positive political developments during 2013. The major political parties managed to agree on a draft new constitution which was endorsed through a peaceful referendum. The draft constitution was then approved by both houses of Parliament and signed into law. Despite the haggling on dates, national elections were conducted in a peaceful environment. The atmosphere has also been tranquil after the announcement of the election results

Despite the liquidity challenges, the country has a stable macroeconomic environment. Zimbabwe continues to enjoy low inflation and has implemented prudent fiscal policy characterized by a cash budgeting system. However, the country faces challenges on the external account. It is hoped that the process of normalization of relations with Multilateral Financial Institutions will gather momentum and pave the way for a solution to the debt and arrears challenge. Such a development would lead to significant inflows which are required to address the current liquidity problems. It would also spur the performance of the economy, leading to increased household incomes.

It is hoped that the establishment of a PPC cement production plant in northern Zimbabwe will support further growth in housing supply as the cement capacity of the country increases. These developments and the measures being put in place by the authorities to foster increased financial inclusion provide hope that the housing finance situation will witness significant improvement in the foreseeable future. It would appear the Medium Term Plan as well as the Housing Policy accurately articulate what is required in order to improve housing delivery in Zimbabwe. What is required is committed implementation by all stakeholders.

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** Access additional websites consulted for the Burundi Country Profile at www.housingfinanceafrica.org*

The Economic and Monetary Community of Central Africa, EMCCA (CEMAC)

Overview

The Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale, or CEMAC) is made up of five former French colonies in Central Africa – Cameroon, Central African Republic, Chad, Congo Republic and Gabon – and Equatorial Guinea, a former Spanish colony. It was set up to promote the process of sub-regional integration through the forming of a monetary union, with the Central African CFA Franc as a common currency. It has its headquarters in Bangui, the capital of the Central African Republic. There are ongoing plans to unify the Douala and Libreville Stock exchanges into a Unified CEMAC Securities and Stock Exchange.

The treaty that specified the legal and institutional arrangements of CEMAC created the following bodies:

Central African Economic Union (Union Economique de l'Afrique Centrale – UEAC) with an Executive Secretariat based in Bangui, Central African Republic. The Customs Union is one of the central pillars of CEMAC. It has established a regime for trade with third countries, and trade inside the community has been duty free since 1998.

The Central African Monetary Union (Union Monétaire de l'Afrique Centrale), which specifies the responsibilities of the central bank, Banque des États d'Afrique Centrale (BEAC) and the Central African Banking Commission (COBAC). BEAC is a single central bank for the region and there is a single currency (CFA franc) and defined criteria for macroeconomic convergence. The BEAC regulates the sector through its regional banking commission, COBAC, which shares responsibility with the national Ministries of Finance for licensing new banks and regulating microfinance institutions. There is also a budgetary agreement between the French Treasury (Ministry of Finance) and the BEAC, with fixed convertibility of the CFA franc and a *droit de regard* (oversight with veto powers) by the French Treasury.

The region has a population of about 43 million people, of which 65% are below 25 years of age. The average population growth rate was 2.5% in 2012. The real GDP growth rate of 4.1% in 2012 was mainly driven by oil and agriculture exports. Cameroon is the largest economy in the region, with about half of the region's total financial assets. Oil and agriculture have been the mainstay of most of the economies in the region. The mining industry is expanding, with new exploration and mining activities in Cameroon. The region is blessed with minerals and resources such as diamonds, gold, gas and bauxite (aluminium). The countries in the region are about 50% urbanised. Gabon has the highest level of urbanisation at 86%, with a third of the country's population living in the capital Libreville.

Access to finance

The formal financial system across CEMAC countries is not well developed. Most banks are foreign-owned and are subsidiaries of foreign banks. There are also a few small to medium-sized African banks from other African countries such as Nigeria and Togo. Recently, banks from Cameroon have also moved into other countries in the region, including Gabon, Congo, Chad and Equatorial Guinea. At present Cameroon has the most banks in the region, 11, followed by Chad (seven) and Gabon (six). Both Congo and Equatorial Guinea have four banks, and Central African Republic has three. The number of savings banks in the region remains low. On average, in the six countries, there are 2.78 bank branches per 100 000 adults. The mortgage finance market is still in its infancy, but with huge potential for growth. Very few banks in the Central African region provide medium-term and long-term credit. The only banks that grant this type of credit are the Gabonese Development Bank, the National Investment Company (in Gabon and Cameroon) and SOCOFIN in Congo Republic.

Mortgage finance is mostly granted by government agencies, and the people who benefit most are government employees. Only about 2% of private sector employees have access to mortgage finance from commercial banks. Those in the informal sector and a large percentage of the middle class and lower income groups get housing finance (directly and indirectly) from different forms of MFIs. The microfinance sector is developing in all countries in response to difficulties associated with accessing credit through traditional banking channels. Links with the traditional, formal banking sector are weak and the consolidation of microlenders is not sufficient to allow for meaningful regulation and oversight, or the development of strong links with the banking sector. However, the BEAC, through COBAC, has developed a strategy for controlling the informal financial sector. COBAC, jointly with the Ministries of Finance of all six countries, now regulates the MFI sector in all six countries. There is an urgent need to develop mortgage finance products that address the needs of the growing middle class and lower income groups who have no access to housing finance.

Affordability

In the formal sector, the state is the largest employer, offering an average monthly salary of about CFA Francs 200 000 (US$432). Though rapidly growing, the formal private sector is still small. Most people are involved in the informal sector, with a high percentage of people living under the national poverty line. These people cannot afford to finance their homes through existing banking funding instruments. Construction costs in the urban and semi-urban areas are high. It costs about CFA Francs 10 million (US$20 000) to build a standard three-bedroom house in the urban areas. This is mainly because of the high costs of inputs such as cement, sand, plates, iron, finishings and decorations. The Cameroon government has tried to set up local production facilities for some of the inputs to help bring down the cost. It has also set up an agency to develop and promote the use of local materials for construction. In the rural areas, construction costs are lower, as most of the houses built are of a semi-standard, with local materials used such as sun-dried bricks made from clay. Rental costs are also high. It costs on average about CFA Francs 150 000 (US$325) a month to rent a three-bedroom house in the main urban areas. In the smaller towns, it is generally about 40% cheaper. N'djamena and Libreville, however, are the second and third most expensive cities in Africa for expatriates, as demand for accommodation far exceeds supply. It costs up to US$6 500 a month for a three-bedroom apartment in these cities. The government and the private sector need to explore mechanisms to increase the number of affordable housing units that enter these markets each year, either through ownership or rental, and also to ensure that middle class people and those in the lower income groups get access to affordable housing finance.

Housing supply

The number of new housing units that enter the market annually is insufficient to meet the demands of the increasingly urbanised population in all CEMAC countries. The growing economy has swelled a middle class that needs to be housed. A third of the Gabonese population lives in Libreville, and a quarter of the Congolese population in Brazzaville, with huge housing backlogs. The demand for housing has increased without a subsequent increase in supply. The discovery of oil in Equatorial Guinea, and new economic sectors that have opened up, have seen the influx of expatriates and migrant workers, accentuating the demand for housing. This continues to push up house prices.

The current stock of housing units is produced mainly through incremental self-construction, and less so by government agencies and private developers. The poor live in sub-standard accommodation, sometimes on land that is not serviced. With the newly set up cement factories in Cameroon that also aim to service these markets, construction costs may drop, which may help to increase supply of new affordable housing units.

International oil and construction companies are driving the demand for high quality residential units in Malabo and Bata in Equatorial Guinea. There has been a great deal of volume home building in Malabo II and reserved government residential areas in the east of the city. Mainly expatriates live in these new areas, as they are expensive and the average middle class person cannot afford them. The central Klemat area in N'djamena, which is near the presidential palace, is also an important residential district with new developments. Again, it is mostly for the expatriate community and not affordable to middle class people. In Gabon, Congo and Central African Republic, too, new housing developments are driven by the expatriate community's demand for high quality housing. There are no large-scale development activities to provide housing for middle income people.

Property market and opportunities

With fairly strong and sustainable economic growth due to economic reforms and the strong demand for its natural resources from emerging economies such as China, India and Brazil, a growing middle class, increasingly urbanised populations, a huge housing backlog and a large diaspora that is seeking to invest in real estate, huge opportunities exist for residential high end and middle/low income housing in all areas of the value chain – real estate development, construction, finance and real estate management services. The prospects for the property market are very good. For the potential to be realised, governments in the various countries and other stakeholders must continuously find ways to increase supply and make them affordable to the middle and lower income groups. This is already being done in Cameroon.

Policy and regulation

Governments in the CEMAC countries have been slow in putting in place reforms that would address the constraints in this sector. The main constraints are in the areas of land ownership, access to serviced land, construction and development, and the availability of finance. According to the World Bank's Doing Business 2013 report, compared to 2012, most countries in the region have made some progress on issuing construction permits and registering property. Getting credit is still a big issue. This is something that needs urgent attention. Governments should continue to introduce reforms on land administration, construction, property registration and access to housing finance. Because of the potential role that MFIs could play, reforms and policies should also focus on tapping into that potential.

World Bank Doing Business rankings 2013, out of 185 economies (global)

COUNTRIES	EASE OF DOING BUSINESS (RANK)	CONSTRUCTION PERMITS (NO. OF DAYS)	NO. OF DAYS TO REGISTER PROPERTY	GETTING CREDIT (RANK)
Cameroon	161	147	93	104
Central African Republic	185	203	75	104
Chad	184	154	44	104
Congo Republic	183	201	55	104
Equatorial Guinea	162	166	23	104
Gabon	170	243	104	104

Source: World Bank Doing Business Report 2013.

Some key economic indicators: CEMAC countries

	CAMEROON	CAR	CHAD	CONGO REPUBLIC	EQUATORIAL GUINEA	GABON
Exchange rate – 1US$ =	510 CFA Francs	510 CFA Francs	510 CFA Francs	510 CFA Francs	510 CFA Francs	510 CFA Francs
Main urban centre –	Yaounde (capital) Douala	Bangui (capital) Bimbo	N'djamena (capital) Moundou	Brazzaville (capital) Pointe Noire	Malabo (capital) Bata	Libreville (capital) Port-Gentil
Population – (million)	20.5	5.2	11.2	4.5	0.7	1.6
Population ^ growth rate % (2013 est.)	2.04	2.14	2	2.9	2.6	2
Urban – population (% of total 2011)	52.1	39.1	22	64	39.5	86
GDP per capita – US$ (2012)	2 400	800	2 000	4 700	26 400	16 800
GDP growth ^ rate (real %) 2012	4.7	4.1	5	3.8	2	6.2
HDI (global + ranking) 2013	150	180	184	142	136	106
Unemployment rate (%) 2010 –	30	8	not available	53	22.3	21
Population below poverty line (%) –	48	not available	80	46.5	not available	not available
Central bank discount rate – (%)	4.25	4.25	4.25	4.25	8.5	3
Commercial bank prime lending rate – % 2012	14.0	15	15.5	14.9	15	15

^ African Economic Outlook
+ UNDP HDR 2013
° World Bank 2013
– CIA World Fact Book 2013

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North Africa Regional Profile

Overview

Spanning from the Atlantic coast to the Red Sea, North Africa is the region of Africa that provides the connection between the continent, Europe and the Arab World. Culturally distinct due to the geographical barrier that the Sahara has provided, the five countries that border the Mediterranean – Morocco, Algeria, Tunisia, Libya and Egypt – are home to around 170 million people (17% of Africa's population) and a prosperous region, producing one-third of Africa's total GDP (almost US$700 billion in 2011).

The fundamental shift in dynamics driven by the Arab Spring in 2011 has brought international attentional to this region, with a series of major political changes set off by Tunisia's ousting of Ben Ali in January 2011. Tunisia's revolution spurred uprisings and revolutions in both Egypt and Libya, as well as instrumental protests in Morocco and Algeria. Two years later, the spotlight is still on North Africa as the security situation worsens and countries struggle to maintain the political stability required to determine how their economic, social and governance systems will be shaped in future.

In 2012, the economies of the North African countries were recovering following the shocks of the political events in 2011. The GDP growth rate was at 2% to 3% in 2012 for all countries apart from Libya, which saw a massive 95.5% growth rate due to the restoration of oil production. Despite this improvement, the economic and social problems that traverse the region and are the roots for the civil revolts are yet to be addressed. These include high youth unemployment, low purchasing power, and a demand for greater government accountability and greater transparency. The transition to democracy has not been as fruitful and rapid as was hoped, patience is being exasperated and new actors are threatening peace.

Tensions are high in Tunisia with the assassinations of two key political opposition leaders, and substantial delays at completing a Constitution and scheduling elections. Egypt's recent military take-over threatens the legitimacy of democratically elected governments in the region, and demonstrated the deep social divide that is emerging post-Mubarak. In Libya, the security situation has remained poor, marked by continued tribal fighting, the siege of the American embassy in September 2012 that left the US ambassador dead and the recent bombing at the French embassy. The siege of a gas plant in Algeria by Al-Qaida affiliated militants in January 2013 that left 37 hostages dead was yet another event demonstrating growing extremist activities and the detoriating security situation in North Africa. Meanwhile, Morocco has been somewhat politically stagnant with the resignation of the junior coalition party in June 2013, and slow constitutional reforms.

In 2013, the outlook is becoming less optimistic, as many governments struggle to maintain any internal stability or security, while the Eurozone crisis is starting to have an effect at a macro level, worsening the outlook moving forward. Home ownership is still of strong cultural importance in the region, yet concrete reforms that could improve the economic and housing situation have been disrupted or slowed in all countries apart from Algeria.

Access to finance

In most North African countries, there is a long history of heavy state involvement in the financial sector. This tradition, combined with a dependence on oil wealth, macroeconomic instability and burdensome bureaucracies, has hindered development in the financial systems in the region. However, the past decade has prompted all countries to push privatisation agendas and opening up of the banking sector to foreign investment, which is creating new opportunities, albeit at different rates of progress. Tunisia is the most recent, with reforms being prepared to restructure the three publically owned banks, in co-ordination with an IMF loan.

The housing finance sector in the region has long been dominated by state-owned housing banks, offering subsidised interest rates to low income households, and leaving little room for the development of market-based financing. All countries in North Africa have worked on expanding their mortgage systems in the past decade, moving toward market-based solutions and greater private sector participation. This transition, however, requires time, technical support and political will until the benefits of reforms can be fully realised.

Egypt was one of the first countries to reform its mortgage framework in 2001, although the law remained untested until 2008. More recently, other countries have taken concrete steps to establish secure mortgage systems and improve access to secondary markets to enable long-term lending and greater access to low income groups. Algeria has designed comprehensive strategies to modernise its mortgage laws, with limited outcomes, as state housing finance programmes still dominate. Housing finance is most developed in Morocco and Tunisia, where mortgage lending is equal to 17% and 12% respectively of GDP, and continuing to expand at rates of between 5% and 11% per year.

An ongoing challenge across North Africa is the exclusion of low income households and youth from formal housing finance, as well as a lack of credit information about borrowers, which drives up the price of housing loans. As a result, real estate leasing as a means to acquire home ownership is a thriving business, even though households end up paying much more for a unit due to the high premiums charged by leasing companies. This option can also enable the leasing company to avoid requiring a banking licence, which is the case in Algeria, where new licences are difficult to obtain.

In general, development of secondary markets has been slow, due to the infancy of primary credit markets. The legal framework for securitisation has been developed, starting with Morocco in 1999, Tunisia in 2001 and Algeria in 2006; however, the volume of transactions has been limited. Lack of transparency, as well as external dynamics such as the subprime and global financial crises, have restricted confidence in securitisation. This year, Morocco will be finalising the regulations for covered bonds as an alternative means to secure mortgages.

Sharia-compliant finance, which outlaws interest and indebtedness, is experiencing strong demand and growth in the region. *Murabaha*, where the bank takes ownership of the house and then immediately sells it to a customer at an agreed upon mark-up, which the customer then pays back over time in installments, and *Ijara*, a lease-to-own arrangement, are the most popular forms of Sharia-compliant housing finance. Regulatory frameworks for *sukuk* bonds have also been developed recently in Egypt and Tunisia, and Libya has made a law that will ban usury from all banking in 2015.

Housing microfinance is also growing in North Africa, with a lot of support from international donors for the development of local SMEs. This form of credit access has the potential to provide a viable alternative to conventional mortgage lending. Specific products for housing microfinance have emerged in Tunisia, Egypt and Morocco, and Al Amana in Morocco is exploring the potential for partnership with building materials supplier Lafarge to provide a complete, affordable housing solution to low income Moroccans.

Affordability

In spite of the high levels of homeownership (up to 80% in Tunisia and over 90% in Libya), affordability is a major problem across North Africa, particularly for low and middle income households. While overall housing supply may appear sufficient in most countries, housing prices on the private market are too high for most middle to low income families, and there is a large number of vacant, high-end units, small rental sectors and difficulty to access housing for lower income households.

The lack of private land supply is the main constraint. The public sector owns more than 30% of urban land in Algeria and Libya, and between 20% and 30% in Morocco and Egypt. Rigid land development regulations and complex registration procedures for titles have led to a scarcity of legally developable land and have contributed to the region's affordable housing shortfall.

This is exacerbated by urbanisation from arid interior regions to cities, as well as the young populations of North Africa, which are pushing up demand on urban housing. Inaffordability is having direct social consequences, including overcrowding, with the number of occupants per households reaching up to 6.5 in Algeria, as well as on the age for marriage as young people will generally wait until they can purchase their first home and move out of their parents' house before they marry.

Housing supply

Public sector provision of housing has not been sufficient to keep up with demands in the oil-rich countries of Libya and Algeria. In Libya, the economic sanctions of the 1990s, combined with a drop in oil prices, constrained public expenditure, while high rates of population growth and urbanisation created a pent-up demand for housing. The shortage is estimated at 350 000 units in Libya, to which the government is attempting to respond with US$11 billion worth of large-scale residential projects in the pipeline. Estimates of the affordable housing shortage in Algeria range from 1.2 million to two million dwellings based on an occupancy rate of five people per unit. They are also addressing this supply shortage with large-scale housing construction, financed by up to a quarter of annual public spending.

Housing supply from the Net-Oil Importing Countries of North Africa (Morocco, Tunisia and Egypt) has pushed toward supporting a formal real estate sector and facilitating private investment and partnership in enable widespread housing production. Yet, affordable housing where profit margins are small and risks are high require effective government incentives, which have not been too succcessful in Tunisia, so that the only supply for low income groups comes from the public developer. In contrast, Morocco has been successful with offering attractive tax rebates and land at subsidised rates, to create a thriving private sector, and the government has the commitment for up to 900 000 additional units worth US$30 billion before 2020.

Across the countries, most subsidies escape the poorest, and housing demand by low income groups is delivered by the informal sector. Uncontrolled developments in peripheral neighbourhoods where households build incrementally is tolerated, as governments recognise that it fills an important social need not effectively addressed by public or private interventions. There are signs that informal settlement ratios are increasing, particularly as rule-of-law has reduced in the wake of the Arab Spring and the ensuing civil unrest. Informal housing has also been validated and further incentivised in some countries with the advent of urban upgrading programmes such as Villes Sans Bidonvilles in Morocco or interventions in Tunisia by the Agency for Urban Rehabilitation (ARRU).

Property markets

Land is a bottleneck in the supply chain and the main cause of high real estate prices in North Africa. Privately held land in Algeria, Libya and to a certain degree, Egypt, is a rare commodity relative to demand, which tends to magnify the pressure on prices and encourage speculation.

Price appreciation in the property market has also been driven in the region by a lack of confidence in money markets or alternative investment opportunities. This is particularly severe in countries with limited stock or bond markets and high volume of oil wealth. Rich North Africans will invest in real estate as it is still perceived as the most secure store of wealth, particularly while the banking sector is being downgraded and inflation is high.

Most property markets in North Africa were shielded from the global financial crisis in 2008 as a result of limited international integration. Morocco is the exception, as it opened its markets for foreign direct investment during the ardent promotion of Vision 2010, a programme to boost tourism. The market recovered somewhat in 2009 and 2010, but the effects of the bubble have meant that banks have become much more prudent in lending, and Morocco has been the first in the region to introduce a real estate price index to monitor changes in the property markets.

Policy and regulation

Housing has leaped to the forefront of the North African agenda for most governments. The role housing plays in economic development, improvement of living conditions and maintaining social stability has been clearly identified, as many protests in the past two years of turmoil across the region can be directly linked to failures in housing delivery.

The housing sector still tends to be over-regulated, with the public sector playing a primary role. Home ownership is heavily prioritised over rental housing, which has resulted in small rental markets, and there is expanded interest in lease-to-own programmes, such as those being used and expanded in Algeria. Net-Oil Exporters have used their public wealth to respond to market demand and constitutional rights to housing, crowding out private market activities in the act. Net-Oil Importers tend to have needed to be more prudent in developing diverse financial sectors, and increasing private sector investment in housing.

Policy is turning toward reducing state intervention and expansive public subsidies, and greater openness to foreign particiation. Public private partnerhips is a new concept that is becoming popularised as a possible solution to effectively engage the private sector in housing development, while ensuring it reaches low income target groups and responds to political objectives. Successful experiences are limited in the region, apart from Morocco, where Al Omrane has been operating for over a decade together with the private sector. However, as the political situation remains uncertain in almost every country, development of sustainable reforms that will improve housing policy and regulation will need time.

Opportunities

The change in governance systems following the Arab Spring of 2011 provides new opportunities for co-operation and partnership. Trade among North African states is still minimal, at between 3% and 4% of total GDP, yet new connections are being sought. For example, Libya has signed a trade treaty with Morocco and is exploring a technical exchange with Egypt on housing finance and development practice. Private construction companies and developers are seeking out opportunities across borders, where governments are providing fiscal incentives to attract foreign experience to boost their housing production, such as Tunisian architectural and engineering firms that are signing contracts in Libya.

An increasing openness to both knowledge exchange and economic integration has clear benefits, particularly in affordable housing, as many North African states are facing similar challenges. Measures that facilitate the supply of land for residential developments for low income groups, or promote market-based housing finance and private sector participation should be shared and transferred between the countries of this region to strengthen each individual country's efforts.

There is also an opportunity for greater regional linkages between North African states and the rest of the continent. Algeria is already investing in heavy infrastructure to connect the North with Sub-Saharan Africa. There is the Trans-Saharan Highway being constructed from Algiers to Lagos, as well as a Nigeria-Algeria pipeline and fibre-optic cable. Tunisia is the current host to the African Development Bank, which gives it a unique pivot-point perspective between Europe and the rest of Africa. Also, Egypt is a member of the Nile Basin Initiative that enables co-operation amongst nine African States. These connections can provide strength to both Sub-Saharan and Mediterranean countries.

Yet, exploitation of these opportunities, the great wealth of the North African region and the capacity of its people, relies on stable governments and clear policy directives for sustained social and economic development. In 2013, maintaining security in the region has become the primary hurdle. The potential is tremendous, and once the political and economic outlook becomes less uncertain, investment will quickly follow.

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Southern African Development Community (SADC)

Overview

The Southern African Development Community (SADC) has its origins in the Southern African Development Coordination Conference (SADCC), which was established in 1980. In 1992, the Member States signed the Declaration and Treaty establishing SADC as a replacement to the SADCC. Currently SADC has 14 member states: Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe. The vision of SADC is for a regional community in which the people of Southern Africa can realise economic well being, improved living standards and quality of life, freedom, social justice, peace and security. SADC's mission is to promote sustainable and equitable economic growth and socioeconomic development through efficient productive systems, deeper co-operation and integration, good governance and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy.

Two strategic frameworks guide SADC's operations and provide SADC member states with a comprehensive programme of long-term economic and social policies. The Regional Indicative Strategic Development Plan (RISDP), which is currently under review, provides a governance framework that sets standards for good political, economic and corporate governance. The Strategic Indicative Plan for the Organ (SIPO) focuses on the maintenance of peace and stability in the region. A SADC Secretariat which overseas the implementation of these plans is based in Gaborone, Botswana.

In 2012, the population in the SADC region was estimated at 257.7 million, DRC having the largest population of 72 million. Some 39% of the population in the region is urbanised.The collective GDP for the region was set at US$471.1 billion, and with the exclusion of South Africa, the region's economy increased by 5.8% in 2012. GDP was forecasted at 4.9% for the 2012/13 financial year. Gross savings as a percentage of GDP in 2011 was measured at 16.8%. Total investment into the region was recorded at 36% of GDP in 2012, which is an improvement from 25% in 2011. SADC has a generally low average GDP per capita compared to other regions globally; however, it is still the most developed in the whole of Africa. The region is also well integrated and has well-established foreign investment flowing within the region.

The global economic crisis has had a significant impact upon the region's economy. The economy began to recover in 2010 following the recovery of the global economy. In 2009, GDP stood at 0.5% and rebounded to 5.1% in 2010, and economic activity in return increased from 2.3% in 2009 to 5.5% in 2010. The growth was attributed to robust mining activities due to increased capital flows into the region. More recent developments on the global stage, specifically the Euro crisis, have undermined growth prospects in the region. In 2011 GDP was recorded at 4.7%, a 0.8% drop from the previous year, with Lesotho, Namibia and Swaziland recording the lowest growth. Only Mozambique achieved the 7% growth target set by SADC.

The global food and oil price increase caused inflationary pressures within the region. Inflation in 2011 averaged 8.3%, the lowest recorded in recent years. Namibia, Seychelles, South Africa and Zimbabwe had their inflation equal to or less than 5% in 2011, while four other member states had a recorded inflation rate of over 10%. The regional inflation figure is expected to come down in 2012, to 7.9%.

As part of an effort towards greater regional financial integration, increased trade and competitiveness, SADC members have been exploring the possibility of a single currency for the region by 2018. During a recent summit in Malawi, member states stressed the urgent need to improve regional trade. There was a commitment made by member states to reinforce the establishment of the Tripartite Free Trade Area between the Common Market for Eastern and Southern Africa (COMESA), the East African Community (ECA) and the SADC. This alliance will be established by 2015 and will hopefully lead to an Africa-wide Free Trade Area with the potential to create markets worth US$2.6-trillion.

Access to finance

While there are intentions for regional financial integration, the 14 member states function as independent economies with their own, independent financial systems. As the largest economy in Africa, South Africa dominates, with 80% of the region's GDP. A number of South African lenders have extended to other countries in the region. Standard Bank is licensed to operate in all of the SADC countries. FNB is licensed in Botswana, Lesotho, Namibia, Swaziland, Tanzania, Zambia and Mozambique. Absa's shareholder Barclay's Bank operates in Zambia, Tanzania and other countries. In 2011, there were 161 separate banking institutions operating in the region, with 234 subsidiaries, thus in total there were 234 bank licences issued in SADC. Some 15 out of 161 banks have subsidiaries operating in more than one jurisdiction, while only eight banks have a presence in more than five SADC countries.

Select Africa, a regional housing microlender, has its head office in South Africa but practices in Malawi, Mauritius, Uganda, Kenya, Lesotho and Swaziland, and is building up operations in Tanzania and Mozambique. The FinScope survey measures levels of financial access across countries in Africa. According to FinScope, 63% of South Africans were formally banked in 2011 and another 5% had access to a non-bank, formal product. In 2012, formal financial inclusion increased to 72%, and 70% of adults have or use formal non-banking products or services. Some 23% of the South African population remain unbanked. South Africa has the highest levels of financial inclusion, followed very closely by Namibia, with 62% banked and 31% excluded. Zambia has the highest level of financial exclusion, with 63% of the population not served. This is followed by Tanzania (56% excluded), Malawi (55% excluded) and Zimbabwe (41% excluded). Informal products are significant in Tanzania, serving almost a third of the population, and in Zimbabwe, where they serve a quarter of the population. In Lesotho and Botswana, formal non-bank products serve a fifth of the population.

A deeper review of FinScope data in four countries (Botswana, Malawi, Tanzania and Zambia) in the SADC region showed extremely limited access to housing finance. This is supported by the Global Findex survey which found that on average, across SADC (excluding Namibia, which was not surveyed in the Global Findex survey), only 2.74% of adults over the age of 15 had an outstanding loan to purchase a home. The percentage was higher in urban areas, with 4.13% of adults having a loan to purchase a home. Loans for home construction are more popular: across the region, on average, 5.2% of adults in each country have a loan outstanding for home construction, and in urban areas, the average increases to 6%. Of course, housing loans require a certain level of income that precludes the majority from qualifying. Further, adults with affordability but whose income is irregular or seasonal, also struggle to access housing finance products. In these cases, housing microfinance is becoming increasingly important – something that some lenders are beginning to champion.

The SADC Banking Association, which was established in 1998, aims to coordinate banking related activities throughout the region to ensure acceleration of development. The advanced financial system in South Africa has been identified as playing a pivotal role in strengthening the region's financial system. Due to South Africa's role in the region, the country has been given the responsibility to manage the SADC sub-committees that deal with regional integration of the financial sector.

The credit information infrastructure in the region is developing. A study undertaken in 2011 found that nine SADC member states had either a private or public credit register that reports both positive and negative credit data on firms and individuals. South Africa and Zambia's regulatory frameworks are the most developed, while Angola and Mauritius have fairly well structured regulatory standards under the central bank in those countries. Madagascar, the Seychelles and the DRC have neither private nor public registries in place – although the DRC does have a manual public register that works inefficiently. Namibia and Swaziland both have private sector credit bureaux in operation, and both have draft bills in place to licence and regulate these entities. Malawi and Tanzania are in the process of establishing regulated credit sectors: both have passed a Credit Reference Bureau Act. Lesotho and Mozambique are also working towards this goal, investigating ways to set up regulatory frameworks.

Affordability

While GDP per capita in the region has been growing, levels of inequality remain high. South Africa is one of the most unequal economies in the world, while Namibia, Angola, Lesotho, Botswana and Zambia are not far behind. Many people within the region live in inadequate housing. FinScope data suggests that 69% of household heads in Botswana live in what appear to be inadequate dwellings. In Malawi, the figure is 90%, in Tanzania, 80% and in Zambia, 85%.

The majority of the people in the SADC region cannot afford to access a loan from the current financial institutions. According to FinScope, an estimated 62%, 95%, 74% and 97% of the people in Botswana, Malawi, Tanzania and Zambia respectively cannot afford a loan for housing purposes. The levels of affordability in Angola, the DRC, Lesotho, Madagascar, Seychelles, Swaziland and Zimbabwe are also quite low. Across the SADC region, the cheapest newly built house by a private developer ranges from US$11 875 in Tanzania to US$60 000 in Angola. In Mauritius and the Seychelles, housing affordability and access to quality housing are much better, although it is worth noting that even in those markets, formal housing supply is targeted at the upper income, even expatriate populations seeking housing.

Housing supply

Housing supply within the SADC region is largely insufficient, and as is the case across the rest of the continent, the majority of households meet their housing needs independently, building incrementally. This approach is more difficult in urban areas, however, where access to serviced land with secure tenure is a challenge. As a result, many cities in the region are seeing the development of informal settlements. Efforts to address this in South Africa, Namibia, Botswana and Tanzania have made progress but have not stemmed the tide. Indeed, even in South Africa, where the government has built and given away an estimated 3.3 million houses to qualifying beneficiaries, the housing backlog remains at an estimated 2.1 million households, and cities across that country incorporate 2 628 informal settlements.

The key challenge facing all countries in the region is how to promote affordable housing delivery by the private sector, so that the state can focus on the poorest segments of society. South Africa's housing subsidy, which in terms of household income eligibility is targeted at 60% of the population, is not sustainable in the long term. In recent years, the cost of a subsidised house, which is given away for free to qualifying beneficiaries who earn less than R3 500 (about US$337 in August 2013) per month and have dependents, is estimated to be between R150 000 and R200 000 (US$14 446 and US$19 261). If this house were constructed just for the 2.1 million households estimated to comprise the national housing backlog, this would require a total state investment of R315 billion to R420 billion (US$30.3 billion to US$40.4 billion). Even in a country as rich as South Africa, and even if spread over a longer period of time, this is not a sustainable proposition, and it creates all sorts of unintended distortions in the property market that undermine the capacity even of lower middle income earners to meet their own housing needs. Lower middle and middle income earners in the region need to be able to engage in the housing market in an affordable way, purchasing a stand or an entry level, basic unit.

In a number of countries in the region, state-owned or supported housing delivery entities have a mandate to work explicitly in the low middle income target market. The Botswana Housing Corporation is the main housing developer in that country, and there are similar corporations in Lesotho and Swaziland. In Tanzania, the National Housing Corporation has recently been given a new mandate to accelerate affordable housing delivery. This is also the case in Namibia, where the National Housing Enterprise has seen its mandate being extended in line with the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG), which was launched in March 2011.

In the housing supply sector, a number of South African firms are exploring opportunities north of their borders, some in the SADC region. Basil Read, the developer for South Africa's Cosmo City (a mixed income, mixed use settlement with approximately 12 300 units north of Johannesburg), has an international development arm, and Old Mutual's Housing Impact Fund has also been exploring opportunities.

Policy and regulation

A key issue of focus for SADC member states in the past few years has been the Finance and Investment Protocol (FIP), which was entered into by the members to give legal and practical effect to their commitments under the SADC Treaty. It was signed in August 2006, and has two overarching objectives. First, it seeks to improve the investment climate in each member state, thereby catalysing foreign and intra-regional investment flows. Secondly, it seeks to enhance cooperation, coordination and harmonisation in domestic financial sectors in the region. The implementation of the FIP has been rather slow going – by 2011 only seven member states had implemented over 50% of their country commitments under the protocol. When it comes to actual regional integration, only 14.3% of commitments have been achieved. More recently, however, with support from the FinMark Trust and other players such as the GIZ, the implementation of the FIP has been receiving increasing attention, particularly in the areas of retail payment systems, harmonisation of insurance regulations and improving credit information sharing across the region.

Housing policy across the region is at various stages of implementation. South Africa has a highly developed policy, as its promotion of a subsidised housing delivery programme is a cornerstone of the ruling party's development strategy. In 2004, 10 years after it was first developed, the national housing policy was amended to broaden the focus from housing provision to human settlements. In 2009, the South Africa's President Jacob Zuma introduced key performance indicators (KPIs) for cabinet ministers. The Human Settlements KPIs are framed in Outcome 8, and include an explicit focus on informal settlement upgrading. This has shifted the policy emphasis within the human settlements department. The national housing finance policy is also coming under scrutiny as the government struggles to deal with the anomaly of increasing spend and an increasing backlog.

In other countries, policy developments are also under way. In 2011, Tanzania's Ministry of Land and Human Settlement Development launched a national programme for the regularisation and mitigation of informal settlements. In Zambia, a draft housing policy is being considered by the national government. Housing features strongly in Mozambique's five year strategy (2010-2014), and is also a key area of focus in Tanzania, especially given the World Bank initiative with the Bank of Tanzania to promote housing finance markets in the country. Malawi is currently finalising a new national housing policy, following an extensive overview of that country's housing sector, undertaken in 2010 by UN-Habitat. UN-Habitat has also recently published overviews of housing in Zambia and Zimbabwe. The policy flux in many countries undermines investment, especially by international or regional housing developers and financiers who are seeking new markets. National governments would do well to promote a clearer housing approach in their countries to facilitate the attention of this potential capacity.

Property market and opportunities

In the 2013 World Bank Doing Business report, only three of the 14 SADC countries evaluated improved their position in the survey rankings. The region recognises the work that it still needs to be accomplished in reducing poverty and developing equal opportunities for all. In 2012, the Regional Infrastructure Development Master Plan Vision 2027 was adopted in Mozambique. The plan aims to act as a blueprint guide to the implementation of cross-border infrastructure projects over the next 15 years.

World Bank Doing Business rankings 2013, out of 185 economies (global)

COUNTRIES	DOING BUSINESS RANKING	STARTING A BUSINESS (DAYS)	CONSTRUCTION PERMITS (DAYS)	REGISTERING PROPERTY (DAYS)	GETTING CREDIT RANK
Angola	172	68	348	184	129
Botswana	59	61	145	16	54
DRC	181	58	117	47	176
Lesotho	136	24	330	101	154
Malawi	157	39	200	69	129
Mauritius	19	6	143	15	53
Mozambique	146	13	377	42	129
Namibia	87	66	139	46	40
Seychelles	117	39	126	33	167
South Africa	53	19	127	23	1
Swaziland	123	56	95	21	53
Tanzania	113	26	206	68	129
Zambia	74	17	196	40	12
Zimbabwe	143	90	614	31	129

Source: World Bank Doing Business Report 2013

SADC Investment Promotion Agencies – responsible for FDI in each SADC country

COUNTRY	SADC INVESTMENT PROMOTION AGENCY PER COUNTRY
Angola	Angolan Agency for Private Investment
Botswana	Botswana Investment & Trade Centre (which is the merged entity between IFSC and BEDIA)
DRC	National Agency for Investment Promotion
Lesotho	Lesotho National Development Corporation
Malawi	Malawi Investment Promotion Agency
Mauritius	Board of Investment
Mozambique	Investment Promotion Centre
Namibia	Ministry of Trade and Industry
Seychelles	Seychelles Investment Bureau
South Africa	Department of Trade and Industry
Swaziland	Swaziland Investment Promotion Authority
Tanzania	Tanzania Investment Centre
Zambia	Zambia Development Agency
Zimbabwe	Zimbabwe Investment Agency

In general, member states have been undergoing policy reforms and the refinement of investment processes, which have improved their respective business environments, such as establishing investment promotion agencies, improving investor protection and increasing the transparency of investment codes and policies. There is evidence that investment competition amongst member states remains high, which has led to difficulties in gaining consensus on a regional investment policy framework. Member states are reluctant to harmonise where this impacts their ability to compete and where it is not in the national interest to do so.

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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 organisation of eight West African countries (Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo). They share a common currency, the West African franc (CFA Franc), monetary policies and French as an official language. 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 on the coast of West Africa, whereas Burkina Faso, Mali and Niger are landlocked countries. The climate ranges from warm and humid on the southern coast to 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 populations of the coastal countries mostly live in the urban areas, compared to the landlocked countries where the population is primarily rural. UN-Habitat estimates that Senegal has the highest urbanisation rate of the union. Political stability has improved in some member countries. Niger elected a new president in 2011after one year of military transitional rule. Cote d'Ivoire also elected a new president in 2011, after social conflict and a political crisis. Senegal elected a new president in 2012 in accordance with the constitution after an attempt by the outgoing president to modify the constitution and remain in power. However, in 2012 there was political instability in Mali, with a rebellion in the north and a coup d'état. Coupled with terrorist acts, the political instability led to intervention by the French to maintain peace, and democratic elections, scheduled for July 2013, were delayed.

Access to finance

The formal financial system is in the process of development, and the banking system is concentrated in three to five commercial banks in the majority of the countries. Although financing entrepreneurial activities and housing remains challenging, many programmes promote the banking system in the union. Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) functions as a central bank for these eight countries and governs the financial institutions across the union. The BCEAO has its headquarters in Dakar, Senegal, and a national agency in each of the other countries. In the last decade, the majority of countries in the region have witnessed an increase in the number of commercial banks and microfinance institutions operating in each country.

The housing finance market in UEMOA countries is under-developed. Few long-term mortgage vehicles exist, and where they do, they in most cases belong to the government. Only a few of the member countries have mortgage banks, amongst which is the Banque de l'Habitat du Bénin, created in 2003 and starting operations in 2004; the Banque de l'Habitat du Burkina Faso, operating since 2005; the Banque de l'Habitat de Côte d'Ivoire, created in 1994; the Banque de l'Habitat du Mali, created in 1996; the Banque de l'Habitat du Niger, which was created in 2010 but is not yet operating; and the Banque de l'Habitat du Senegal, which has been operating since 1979.

A regional mortgage fund, the Caisse Regional de Refinancement Hypothecaire-UEMOA (CRRH-UEMO), was created in 2012 as a result of efforts by the BCEAO, BOAD and Conseil Regional de l'epargne publique et des marches financiers (Crepmf). The mission of the new institution is to provide commercial banks (and their members) with better access to long-term financing to enable these banks to finance housing loans. The CRRH had an initial capital of CFA Francs 3.426 billion, 60% of which was provided by financial institutions in the union, 15% by Shelter Afrique and 25% by BOAD. With its headquarters in Lomé, Togo, the CRRH's goal is to promote the development of mortgage products in the UEMOA countries. It is expected that the CRRH's activities will reinforce the capacity of commercial banks, unleash construction activities and foster housing development to, in turn, lead to increased investments and employment and thus rising incomes, increasing housing affordability in the region.

Implementing various mechanisms, member states' governments are also promoting the development of a housing finance sector through, for example, the establishment of mortgage banks and housing development agencies, and through fiscal incentives for private companies and developers.

Affordability

Housing affordability depends on the particular economic environment and context of each country, but in most cases individuals who live on less than US$2 a day have little or no capacity to finance their homes. Initiatives in this regard include plans to secure funds at more competitive prices in the financial markets. Although countries might implement different programmes around increasing housing affordability, what they all realise is the need to support the private sector to develop affordable housing finance products which are appropriate to the income of the majority of people living in the UEMOA countries.

Housing supply

Housing supply is dominated by incremental development, self-construction and informal entrepreneurs. The services of government housing development agencies are often developed in ways which better serve the middle class than the low income population segment.

Housing supply in all of the UEMOA countries is insufficient to meet the demand. The population growth rates of the eight countries belonging to the UEMOA are amongst the highest in the world, while all of them are also rapidly urbanising. To face this challenge, but also as part of their presidential campaigns, some of the country's presidents have launched ambitious housing programmes. For instance, Alhassan Ouattara of Cote d'Ivoire has launched a programme to provide of 50 000 housing units for five years at a rate of 10 000 houses a year, while Issoufou Mahamadou of Niger has promised more than 40 000 houses all over Niger. Cote d'Ivoire started implementing its programme in January 2012 by laying the foundations of 2 000 social houses in Youpogon and Riveria, among the most popular streets in the capital.

The professional bankers association of Cote d'Ivoire, Apbef-CI both advocates increasing the housing supply through innovative financial mechanisms and offers its expertise towards building 60 000 houses for low income families by 2015. This action will translate the government programme to tangible products and contribute to increasing the housing supply in Cote d'Ivoire.

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 different government housing programmes, as well as the rate of urbanisation 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*, remains a challenge in all the UEMOA countries. The World Bank's Doing Business rankings for 2013 reinforces that some challenges persist. Sheida, the land and registration reform system adopted by the union in 2006 to simplify the process of obtaining full ownership title will hopefully address these challenges over time.

World Bank Doing Business rankings 2013, out of 46 countries (by region: Sub-Saharan Africa)

COUNTRIES	EASE OF DOING BUSINESS RANKING	CONSTRUCTION PERMITS RANKING	REGISTERING PROPERTY RANKING
Mali	23	16	13
Burkina Faso	24	9	19
Togo	25	30	36
Senegal	32	28	42
Benin	37	19	26
Niger	38	39	12
Cote d'Ivoire	39	41	35
Guinea Bissau	41	21	44

Source: World Bank Doing Business Report 2013

World Bank Doing Business rankings 2013, out of 185 economies (global)

COUNTRY	EASE OF DOING BUSINESS RANKING	CONSTRUCTION PERMITS RANKING	REGISTERING PROPERTY RANKING
Mali	151	99	91
Burkina Faso	153	64	113
Togo	156	137	160
Senegal	166	133	173
Benin	175	111	133
Niger	176	160	87
Cote d'Ivoire	177	169	159
Senegal			
Guinea Bissau	179	117	180

Source: World Bank Doing Business Report 2013

World Bank Doing Business rankings 2013, out of 185 economies – number of days required

COUNTRY	RANKING	CONSTRUCTION PERMITS (NO. OF DAYS)	REGISTERING PROPERTY (NO. OF DAYS)
Mali	151	179	29
Burkina Faso	150	98	59
Togo	162	309	295
Senegal	166	210	122
Cote d'Ivoire	167	583	62
Niger	173	326	35
Benin	175	372	120
Guinea Bissau	176	170	210

Source: World Bank Doing Business Report 2013

Socioeconomic data

	BENIN	BURKINA FASO	COTE D'IVOIRE	GUINEA BISSAU	MALI	NIGER	SENEGAL	TOGO
Exchange Rate: 1 US$ = BCEAO	499.8500 CFA Francs	499.8500 CFA Francs	499.8500 CFA Francs	499.8500 CFA Francs	499.8500 CFA Francs	499.8500 CFA Francs	499.8500 CFA Francs	499.8500 CFA Francs
Main urban centres	Porto-Novo (capital), Cotonou Parakou	Ouagadougou (capital), Bobo	Abidjan (capital), Yamusokoro	Bissau (capital), Bafata	Bamako (capital), Sikasso	Niamey (capital), Zinder	Dakar (capital), St Louis	Lome (capital), Namakara
Population ('000) UN – WB or Official Estimate	10 323	17 482	23 202	1 704	15 302	17 129	13 567	6 493
Population growth rate (2005-2010) WB	3.10	3.38	2.32	2.22	2.37	3.91	2.67	2.45
Urban population (percent of total) 2012 WB	46	27	52	45	36	18	43	44.8
GDP per capita PPP current INT$ 2012 WB	1 582.8	1 513	2039.2	1.192.4	1214.5	664.8	1944	1 051
GDP growth rate percent (real, 2012) INT$ WB	5.4	10	9.5	-1.5	-1.2	11.2	3.7	5.6
HDI value 2011	0.436	0.343	0.432	0.364	0.344	0.304	0.470	0.459
HDI rank 2013	166	183	168	176	182	186	154	159
Unemployment rate^	0,7 (2002)	2,4 (1998)	4.1(1998)	Not available	8.8 (2004)	1.46 (2001)	10 (2006)	Not available
Population less than US$2 a day 2013	75.38 (2003)	72.56 (2009)	46.34 (2008)	77.96 (2002)	78.66 (2010)	75.23 (2010)	60.36 (2005)	69.31 (2006)
Population below national poverty line (2002-2009) WB – UN	37.4 (2007)	46.7 (2009)	42.7 (2008)	64.7 (2002)	47.4 (2006)	59.9 (2007)	50.8 (2005)	61.7 (2006)
Central bank discount rate (percent) 1Q2013 NI/1T2013	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750
Deposit interest rate° 1Q2013 BCEAO NI/1T2013	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Credit percent of GDP° (2012) WB Data	24	22.1	18.3	14	20.9	14.9	29.6	29.9

^ African Economic Outlook
° World Bank
* www.coinmill.com
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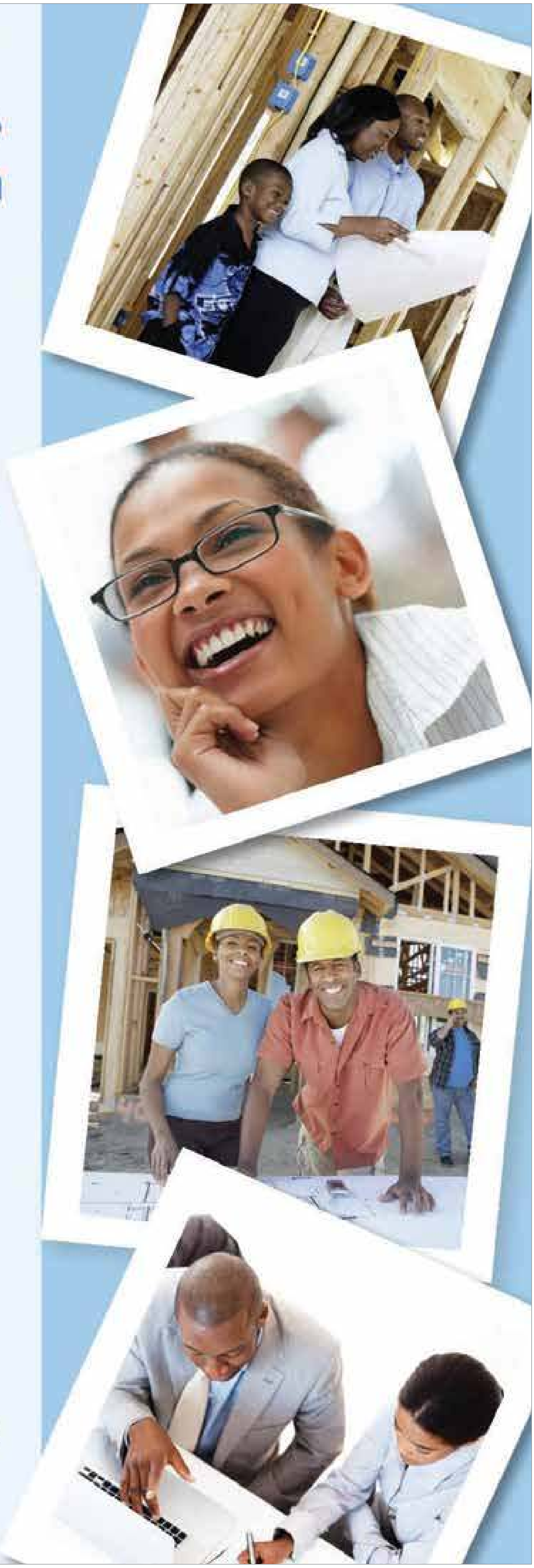


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