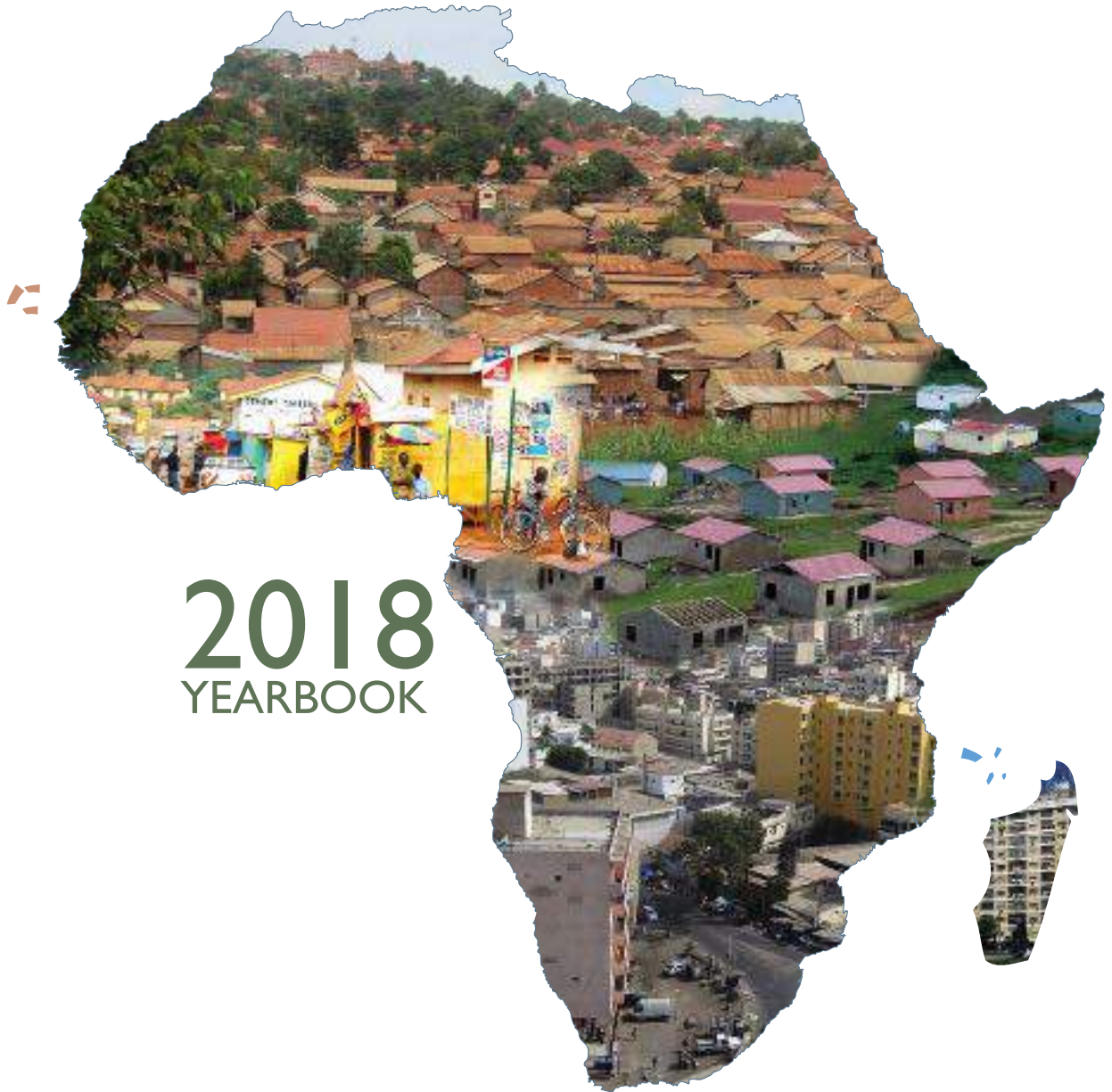




Centre for Affordable
Housing Finance
in Africa



2018
YEARBOOK

HOUSING FINANCE IN AFRICA

A review of Africa's housing finance markets

October 2018

Published by the
Centre for Affordable Housing Finance in Africa



Centre for Affordable Housing Finance in Africa

The Centre for Affordable Housing Finance in Africa

Physical Address: 158 Jan Smuts Ave, Johannesburg, South Africa

Postal Address: PO Box 72624, Parkview, 2122, South Africa

Tel: +27 11 447 9581 | Website: www.housingfinanceafrica.org

Copyright © Centre for Affordable Housing Finance in Africa, 2018.

All rights reserved.

The mission of the Centre for Affordable Housing Finance in Africa (CAHF) is to make Africa's housing finance markets work, with special attention on access to housing finance for the poor. We pursue this mission 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. CAHF is a not-for-profit company. Our core funders are FSD Africa, and Agence Française de Développement (AfD).

Acknowledgements

This publication represents the combined effort of people from all over the African continent, either as authors, reviewers or organisations sharing information. Sincere gratitude is due to everyone involved for their contributions and insights. Individual country and regional profiles were written and/or updated by:

7Ipoint4 – Jess Robey (eSwatini, SADC region)

A5 Consulting – Carlson Ifughe (Cameroon, CEMAC region)

Abel K. Walendom (Chad)

Alhaji Abdoulie MattarTouray (The Gambia)

Amira Osman (Sudan)

Anna-Maria Shija Mugasa (Tanzania)

Christian-Lambert Nguena (Central African Republic)

Daniel Phiri and Kecia Rust (Zambia)

Development Workshop Angola – Allan Cain (Angola)

Dr: Grace Lubaale (Somalia)

Dr: Moses Muthinja (Eritrea, Djibouti)

Dr: Antje Illberg (Rwanda)

Duncan Kayiira (Burundi, South Sudan, Uganda, EAC region)

Econo-Markets Consultancy – Montle Phuthego (Botswana)

Federico Cabrillo (Mozambique)

Frank Nkulu Mulunda Banze (Gabon)

GTM Africa Investment Holdings – Aqualine Suliali (Mauritania, Zimbabwe)

Hansa Helli (Morocco)

Harris Harjan (Comoros, Mauritius, Seychelles)

Jean Philippe Ado (Congo Republic)

Jess Robey and Joy Juwaheer (Madagascar)

Jess Robey and Laverne Buya-Kamara (Sierra Leone)

Jess Robey and Patrick Chikoti (Malawi)

Joachim Boko (Benin, Mali, Togo)

Alison Tshangana and Kecia Rust (South Africa)

Kecia Rust and Dr Moses Muthinja (Kenya)

Kgomotso Tolamo (Equatorial Guinea)

Leon Katambwe (DRC, Guinea Bissau)

Mathew Ndote (Liberia)

Mikhaela Donaldson (Cabo Verde, Sao Tome and Principe)

Prime-Stat SVC Ltd - Kwadwo Ohene Sarfoh, Joseph Ayitio, Samuel

Biitir Banle and Godwin Kavaarpuo (Ghana)

Roland Igbinoba (Nigeria)

S&M Consulting Services – Mathabo Makuta (Lesotho)

Shakrah Sadou (Burkina Faso, Côte d'Ivoire, Niger, Libya, Senegal, UEMOA region)

Sireena Ramparsad (Namibia)

Tesfalem Tesfaye (Ethiopia)

Youssef Keita (Guinea)

Zeinab Sayed (Egypt and North Africa region)

To this growing team of housing finance experts, we are grateful for your insights and enthusiasm for this project, and very happy to have you all as part of our team. The Yearbook would not have been possible without your input.

Thanks are extended to the CAHF team for their tireless work: Jean Philippe Ado, Raisa Cole, Thandiwe Dhlamini, Vanessa Khosa, Miriam Maina, Nonhlanhla Mathibela, Kuda Mativenga, Manitha Nadasan, Alfred Namponya, Pamela Lulama Nqini, Venolia Rabodiba, and Juliette Rey. Alison Tshangana and Olivier Vidal edited the English and French versions respectively, while Kecia Rust wrote the overview essay.

Further thanks are extended to those who assisted in providing inputs and information or reviewing profiles: Keith Lockwood, David Gardner, Sireena Ramparsad, Seeta Shah, Benedito Murambire (FSD Mozambique), Chii Akporji (Nigeria Mortgage Refinance Company), Vidhee Garg (Affordable Housing Institute), Emma Harrington (Reall) and Abdelkader Benbrahim (African Development Bank).

Layout and production:

June Wegerle, June Viljoen Print Consultancy | +27 11 700 3850

Copyediting:

Janet Wilhelm and Reg Rumney

The opinions expressed in this Yearbook are those of the authors and do not necessarily reflect the official position of CAHF's funders. Any errors of omission or interpretation remain with the Centre for Affordable Housing Finance in Africa. We welcome your comments:

Alison Tshangana, Email: alison@housingfinanceafrica.org

Cities are complex systems, and across Africa, are growing at a rapid rate unprecedented in urban history. The agglomeration of activity offers an incredible opportunity for development. At the same time, the confluence of efforts to promote financial inclusion, urban development, infrastructure investment, and macroeconomic policy attention create a uniquely enabling environment for the growth of housing in particular. Examples of innovation can be found along each link in the housing value chain, as government, the private sector, households and communities find their places in the housing ecosystem.

In 2018, we can see:

- Innovative **land readjustment strategies** that maximise the opportunity to be found in existing well-located land, supporting improved land assembly.
- **Blockchain technology** that is making land titling a reality in many markets.
- Improved track records in **public private partnerships** that bring together private sector capacity with public land holdings to service land and make it accessible to low income earners.
- Inner city **refurbishments and backyard rental** that maximise urban infrastructure, sidestepping municipal constraints that hinder greenfields housing development.
- The development of **smaller, more affordable units for entry-level home buyers**. The cheapest unit built by a private developer in 2018 was a 16m² bedsitter, costing US\$11 500, in Kenya.
- The growth and development of **mortgage loan products that recognise market niches: incremental** housing construction, borrowers with **informal** incomes, **green** housing, and entry-level **resale**.
- **Technological innovation** that connects the links in the housing supply chain to support more effective, household-level home improvements.
- **Local, niche market innovations** that are creating replicable examples of sustainable, affordable housing markets.

Each of these innovations is identifying a market niche and then working with the opportunities provided by new technologies, adaptive experience, and entrepreneurial curiosity to develop real products and services that are essentially creating brand new markets. Innovation along the value chain and at the local level is making headway and creating precedent that is bankable.



Foreword

The 9th edition of the Housing Finance in Africa Yearbook covers 54 African countries and five regions – produced in both English and French versions. Targeted at housing finance practitioners, investors, developers, researchers and government officials, the 2018 Yearbook provides an up-to-date review of practice and developments in housing finance and delivery in Africa, reflecting the dynamic change and growth evident in the market of each country over the past year. By highlighting the potential investment opportunities available in each country context, the Yearbook helps practitioners find one another as they strive to participate in, and advance, the sector.

While the general aim of the Yearbook is to offer a broad overview of housing finance and housing development in Africa linked to local contexts, special emphasis is placed on the key challenge of housing affordability and access to finance at the low end of the market. These profiles emphasise the critical need for housing and housing finance solutions that are explicitly targeted at the income profiles of the majority of the population, for whom most commercially-developed residential property is out of reach. That is what makes this publication unique: no other source provides this type of updated information, focused on residential property, and targeted at the affordable market.

This year we have refined our approach to ensure more rigorous citations underpinning the information in each profile, to allow readers to understand the available data sources and locate those references should they require further details. The emphasis this year is on local datasets and initiatives to build local databases of information for each of the 54 countries. Invariably, some information had to be sourced from international datasets, given that some countries still face a serious challenge with regard to publicly available data on property markets and housing finance.

Across this continent, the general lack of reliable, available data stunts market growth and, too often, drives investment away. This lack of available updated information in many African countries is exactly why we produce this publication. By providing a source of reliable market intelligence into the sector through the publication of the Yearbook, CAHF aims to boost the affordable housing and housing finance markets. The goal of all CAHF's work is to see an increase in investment in affordable housing and housing finance throughout Africa: more players and more responsive products, with a specific focus on the poor.

While the Yearbook is largely a desktop study, the approach uses in-country expertise and technical surveys. Using CAHF's research as baseline material, further information on more recent developments was accessed from media reports, practitioner websites and CAHF's wide networks. In some instances, primary research was undertaken by in-country industry experts. Of course, the Yearbook is not comprehensive; however, it is intended as an introduction and broad overview, to spark interest for more in-depth investigation into housing and housing finance markets in African economies.

The publication is thus a work in progress, and input from readers on its usefulness, suggestions, corrections and additions, are all welcome. CAHF invites readers to provide comment and share their experiences on what they are doing in housing finance in Africa. We aim to make the Yearbook an inclusive, relevant and accurate source of on-the-ground intelligence on housing and housing finance markets.

At the same time, we recognise that the Yearbook cannot include everything. For this reason, CAHF releases further information electronically throughout the year on its website www.housingfinanceafrica.org – including articles on country developments and interactive dashboards allowing comparison across countries. Examples include: our Mortgage Affordability Calculator which calculates mortgage and housing affordability in Africa using data obtained from the Yearbook process, and our Housing Finance Laws and Policies in Africa dashboard which is a useful resource for understanding the respective regulatory environments that influence the health of housing finance markets in each country.

We hope the Yearbook proves a valuable resource and look forward to hearing from you.

Alison Tshangana, Editor

Centre for Affordable Housing Finance in Africa

Email: alison@housingfinanceafrica.org

October 2018

Contents

Overview	11
Explaining the indicators	36
Regions	40
Central Africa	40
East Africa	44
North Africa	48
Southern Africa	52
West Africa	56
Country profiles	61
Algeria	61
Angola	65
Benin	69
Botswana	73
Burkina Faso	77
Burundi	81
Cabo Verde (Cape Verde)	85
Cameroon	89
Central African Republic	93
Chad	97
Comoros	101
Congo Republic	105
Cote d' Ivoire	109
Democratic Republic of Congo	113
Djibouti	117
Egypt	121
Equatorial Guinea	125
Eritrea	129
eSwatini	133
Ethiopia	137
Gabon	141
The Gambia	145
Ghana	149
Guinea	153
Guinea-Bissau	157
Kenya	161
Lesotho	165
Liberia	169
Libya	173
Madagascar	177
Malawi	181
Mali	185
Mauritania	189
Mauritius	193
Morocco	197
Mozambique	201
Namibia	205
Niger	209
Nigeria	213
Rwanda	217
São Tomé and Príncipe	221
Senegal	225
Seychelles	229
Sierra Leone	233
Somalia	237
South Africa	241
South Sudan	245
Sudan	249
Tanzania	253
Togo	257
Tunisia	261
Uganda	265
Zambia	269
Zimbabwe	273

Abbreviations

AADL	Lease to own programme, Algeria	BBD	Benin Development Bank
AAHDE	Addis Ababa Housing Development Enterprise	BBS	Botswana Building Society
ACF	African Capitalisation Fund, Malawi	BCA	Banco Comercial do Atlântico
ACI	Agence de Cession Immobilière (Land Development Agency), Mali	BCB	Bank Credit Bujumbura, Burundi
ACSI	Amhara Credit & Savings Institution, Ethiopia	BCC	Central Bank of Comoros
ACTB	A Call to Business, Sierra Leone	BCC	Congolese Central Bank
ADC	Arrêté de Consession Definitive, Cote d'Ivoire	BCDC	Banque Commerciale du Congo
ADEHASO	Association pour le Développement de Habitat Social, Guinea	BCDF	Bureau communal du domaine et du foncier (Communal Domain and Land Bureaus)
AFD	Agence Française de Développement (French Development Agency)	BCEAO	Banque Centrale Des Etats de l'Afrique de l'Ouest
AfDB	African Development Bank	BCIMR	Banque pour le Commerce et l'Industrie – Mer Rouge, Djibouti
AFH	Agence Foncière d'Habitation', Tunisia	BCM	Central Bank of Mauritania
AFRICOM	Africa Command, Djibouti	BCR	Bank Commerciale du Rwanda
AFT	Agenda for Transformation, Liberia	BCRG	Central Bank of the Republic of Guinea
AGETIP	Agence de Gestion des Travaux d'Intérêt Public, Benin	BCEAO	Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West African States)
AGETU	Agency for the Equipment of Urban Land (Agence d'Equipement des Terrains Urbains), Togo	BCSTP	Central Bank of Sao Tome and Principe
AGOA	African Growth and Opportunity Act	BCV	Banco de Cabo Verde
AH	Amiscus Horizon company, The Gambia	BDM	Banque de Development du Mali
AIB	African Investment Bank	BEA	Banque El Ammane pour le Developpement de l'Habitat
ALCB	African Local Currency Bond Fund	BEA	Banque Exterieur d'Algerie
AMU	Arab Maghreb Union	BEAC	Banque des Etats d'Afrique Centrale (Bank of Central African States), Cameroon
AMT	Akiba Mashinani Trust	BESA	Banco Espirito Santo Angola
ANALOGH	Agence Nationale d'Appui au Logement et al'Habitat, Madagascar	BFA	Banco de Fomento, Angola
ANAMIF	Central Bank of the Republic of Guinea (BCRG) and the National Agency for Microfinance	BFI	Banks and Financial Institutions
ANAT	National Land Development Agency, Mauritania	BFM	Banky Foiben'i Madagasikara, Madagascar
ANC	African National Congress, South Africa	BFV-SG	BFV-Société Générale
ANCFCC	Agence Nationale de la Conservation Foncière, du Cadastre et de la Cartographie, Tunisia	BGD	Gabonese Development Bank
ANDF	National Agency for Domain and Land (Agence nationale du domaine et du foncier), Benin	BGF	Bank Financing and Management, Burundi
ANGT	Agence National de Grand Travaux, Gabon	BHB	Benin Housing Bank
ANUTTC	Agence National de l'Urbanisme, des Travaux Topographique et du Cadastre, Gabon	BHBF	Housing Bank of Burkina Faso (Banque de l'Habitat du Burkina Faso)
APBEF	Association professionnelle des banques et établissements financiers du Mali	BHC	Botswana Housing Corporation
APIM	Association des promoteurs immobiliers du Mali	BHC	Bank for Housing and Construction, Ghana
APIMA	Angolan Association of Real Estate Professionals	BHM	Banque de l'Habitat du Mali (Mali Housing Bank)
APIP	Agence pour la Promotion des Investissements Privés, Guinea	BHR	Banque de l'Habitat du Rwanda (Rwanda Housing Bank)
ARRU	Agency for Urban Rehabilitation, Tunisia	BHS	Banque de l'Habitat du Senegal
ASODEV	Action pour la Solidarité et le Développement, DRC	BHT	Banque de l'Habitat du Tchad
ASSOAL	Solidarity Actions of Support to Organisations Supporting Freedom, Cameroon	BIAC	Banque Internationale pour l'Afrique au Congo
ATM	Automated teller machine	BIAT	Arab Bank of Tunisia
ATUSWA	Amalgamated Trade Union of Swaziland	BIC	Banco Internacional de Crédito BICIA-B Banque Internationale pour le Commerce, l'Industrie et l'Agriculture du Burkina, Burkina Faso
AU	African Union	BICIGUI	Banque Internationale pour le Commerce et l'Industrie de Guinée
AU-STC no.8	African Union Specialized Technical Committee no.8 on Public Service, Local Government, Urban Development and Decentralization	BIM	Banque Internationale du Mali
BAD	Algerian Bank of Development	BIMR	Banque Indosuez Mer Rouge
BaDEx	Bonds and derivatives exchange	BIP	Bank for Innovation and Partnership, BIP
BADR	Banque de l'Agriculture et du Developpement Rural, Algeria	BISTP	Banco Internacional de São Tomé e Príncipe
BAI	Banco Africano de Investimento	BK	Banque de Kigali (Bank of Kigali), Rwanda
BAIC	Banque africaine pour l'investissement et le commerce	BMOI	Banque Malgache de L'ocean Indien, Madagascar
BANCOBU	Commercial Bank of Burundi	BMS	Banque Malienne de Solidarité
BASE	Banking Association of South Africa	BNA	Banco Nacional de Angola
BBCI	Burundi Bank for Commerce and Investment	BNA	Banque Nationale d'Algerie
		BNDA	Banque Nationale de Developpement Agricole
		BNDE	National Bank for Economic Development, Burundi
		BNG	Building New Ground, South African housing programme

BNR	National Bank of Rwanda	CFM	Construction Finance Mortgage, Sierra Leone
BOA	Bank of Africa	C-GIDD	Canback Global Income Distribution Database
BOAD	Banque Ouest Africaine de Développement (West African Development Bank)	CGAP	Consultative Group to Assist the Poor
BoG	Bank of Ghana	CGD	Dreal Group
BoM	Bank of Mauritius	CHF	Common Humanitarian Fund
BoN	Bank of Namibia	CIASA	Microfinance Unit, Credit and Information Scoring Agency
BOT	Build, operate and transfer model	CIF	Climate Investment Fund, Madagascar
BoT	Bank of Tanzania	CIF	Land registration certificate, Djibouti
BoZ	Bank of Zambia	CIS	Collective Investment Schemes
Bpd	Barrels-per-day	CLIFF	Community Led Infrastructure Funding Facility
BRB	Bank of the Republic of Burundi	CMA	Common Monetary Area
BRD	Banque Rwandaise de Développement (Rwanda Development Bank)	CMCA	Crédit Mutuel de Centrafrique
BSB	Botswana Savings Bank	CMH	Companhia Mocambicana de Hidrocarbonetos
BSCA	Sino-Congolese Bank for Africa	CMP	Common Market Protocol
BSIC	Sahelo-Saharan Bank for Commerce and Investment	CMU	Couverture Maladie Universelle (universal health coverage)
BSL	Bank of Sierra Leone	CMS	Credit Mutuel du Senegal
BTCGA	Banco Totta Caixa Geral Angola	CNEC	Caisse Nationale d'Épargne et de Crédit de Djibouti
BTD	Togolese Development Bank	CNEL	Savings and Loans Bank, Tunisia
BTCI	Banque Togolaise pour le Commerce et l'Industrie	CNEP	Caisse National d'Épargne de Prévoyance (National Savings and Providence Fund – one of the state-owned banks), Algeria
BUCECO	Burundi Cement Company	CNL	Caisse Nationale Du Logement, Algeria
BVMAC	Bourse des Valeurs Mobilières de l'Afrique Centrale, Tunisia	CNSS	National Social Security Fund, Togo
BVMT	Tunisian stock exchange	CNT	Confederation Nigérienne du Travail
CABS	Central African Building Society, Zimbabwe	CNTB	National Commission on Land and Other Assets
CAGR	Compound Annual Growth Rate	CNTG	National Confederation of Guinea Workers
CAMCCUL	Cameroon Cooperative Credit Union League	COBAC	Commission Bancaire d'Afrique Centrale (Central African Banking Commission)
CAPEC	Savings and Cooperative Union, Mauritania	CoK	City of Kigali
CAPMAS	Central Agency for Public Mobilization and Statistics	Cofo	Certificate of Occupancy, Nigeria
CAR	Central African Republic	COMESA	Common Market for Eastern and Southern Africa
CBB	Construction and Business Bank, Ethiopia	COSUMAF	Commission de Surveillance du Marché Financier de l'Afrique Centrale
CBE	Central Bank of Egypt	CPA	Comprehensive Peace Agreement, South Sudan
CBE	Commercial Bank of Eritrea	CPEC	Caisse Populaire d'Épargne et de Crédit, Djibouti
CBE	Commercial Bank of Ethiopia	CPI	Corruption Perceptions Index
CBG	Central Bank of The Gambia	CPI	Construction Price Index
CBK	Central Bank of Kenya	CPI	Consumer Price Index
CBL	Central Bank of Lesotho	CPIA	Country Performance and Institutional Assessment, World Bank
CBL	Central Bank of Liberia	CPLP	Comunidade dos Países de Língua Portuguesa / Community of Portuguese Speaking Countries
CBL	Central Bank of Libya	CPS	Contribution Pension Scheme
CBN	Central Bank of Nigeria	CRB	Credit Reference Bureau, Ghana, Malawi, South Sudan, Sierra Leone and Zambia
CBOS	Central Bank of Sudan	CREFOGA	Credit Foncier of Gabon
CBR	Central Bank Rate	CREPMF	Conseil Regional de l'épargne publique et des marchés financiers (Regional Council of Savings Public and Financial Markets)
CBR	Correspondent Banking Relationships	CRG	Central Bank of Guinea
CBS	Central Bank of Somalia	CRI	Collateral replacement indemnity
CCI	Centre for Community Initiatives, Tanzania	CRJE	China Railway Jianchang Engineering
CCL	Centre for Housing Construction (Centre de la Construction et du Logement), Togo	CRRH	Caisse Regionale de Refinancement Hypothécaire (Regional Mortgage Refinance Fund), WAEMU
CCODE	Centre for Community Organisation and Development, Malawi	CRRH-UEMOA	Caisse Regional de Refinancement Hypothécaire-UEMOA
CDMH	Compte de Mobilisation pour l'Habitat, Cote d'Ivoire	CRM	Retirement Fund of Mali
CDN	Crédit du Niger (a commercial bank in Niger)	CRS	Corporate Social Responsibility Fund
CDS	City Development Strategy	CRT	Togolese Pension Fund
CEGECI	Centre for the Management of Cities (Le Centre de Gestion des Cités)	CSPM	Construction Stage Payment Mortgage, Sierra Leone
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale (Economic and Monetary Community of Central Africa, EMCCA)	CTA	Construction technical assistance
CENFRI	Centre for Financial Regulation and Inclusion	CVE	Cabo Verdean Escudo
CEN-SAD	Community of Sahelo-Saharan states	DAHSP	Decent and Affordable Housing Subsidy Programme
CFA francs	Communauté Financière Africaine (currency in West Africa)		



DBN	Development Bank of Namibia	FGCMPI	Real Estate Development Guarantee Fund, Algeria
DBI	World Bank's Doing Business Indicators	FGH	Mortgage Guarantee Fund
DFI	Development Finance Institution	FGHM	Fonds de Garantie Hypothécaire du Mali (Mali Mortgage Guarantee Fund)
DFID	Department for International Development	FGL	Fonds de Garantie pour le Logement, Gabon
DID	Développement International Desjardins	FGS	Federal Government of Somalia
DISED	National Department of Statistics and Population Studies, Djibouti	FHA	Federal Housing Authority, Nigeria
DNHU	National Directorate for Housing and Urbanization	FHC	Federal Housing Corporation
DRC	Democratic Republic of Congo	FHRL	FMBN Home Renovation Loan
DTI	Debt to Income ratio	FHSE	Foundation for Rural Housing, Uganda
DUAT	Direito de Uso de Aproveitamento da Terra (right to use and benefit from land), Mozambique	FINCA	Foundation for International Community Assistance
EAC	East African Community	FIP	Finance and Investment
EAMU	East African Community Monetary Union	FLISP	Finance Linked Individual Subsidy Programme, South Africa
EBH	Elgin, Brown & Hamer, Namibia	FMBN	Federal Mortgage Bank of Nigeria
EBS	Electronic Banking Services company	FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (Netherlands Development Finance Company)
ECAM	Enquête Camerounaise auprès des Ménages, or Household survey, Cameroon	FNB	First National Bank
ECB	European Central Bank	FNFI	National Inclusive Finance Fund (Fonds National de la Finance Inclusive), Togo
ECF	Enhanced Credit Facility	FNHU	National Fund for Habitat and Urban Planning, Guinea
ECF	Extended Credit Facility	FNM	National Microfinance Fund, Congo
ECOSAT	Encadrement des Constructions sociales et aménagement des terrains, (Framework for social engineering and land management), Burundi	FOGARIM	Guarantee Fund for mortgages for low or seasonal income groups, Morocco
ECOWAS	Economic Community of West African States	FONERWA	Rwanda's Green fund
EDH	Enterprise Development Holdings	FOPROLOS	Fonds pour la Promotion des Logements aux Salariés
EDPRS	Economic Development and Poverty Reduction Strategy, Rwanda	Forex	Foreign exchange
EEDC	Egypt Economic Development Conference	FPHU	Fund for the Promotion of Urban Housing, Burundi
EFINA	Enhancing Financial Innovation & Access	FSC	Financial Sector Charter, in South Africa and Namibia
EFSA	Egyptian Financial Supervisory Authority	FSDH	Special Fund for Housing Development (Fonds Special de Développement de l'Habitat), Togo
EGTI	Empresa Gestora de Terrenos Infra-estruturados	FSDIP	Financial Sector Development Implementation Plan
EHFC	Egyptian Housing Finance Company	FSDP	Financial Sector Development Program, Rwanda
EIB	European Investment Bank, Madagascar	FSH	Fonds de Soutien à l'Habitat (Fund for housing support)
EITI	Extractive Industries Transparency Initiative	FSH	Mortgage Securitization Fund
EIU	Economic Intelligence Unit	FSL	Funded by ARC International and Micro Africa Limited
eMI	Engineering Ministries, Congo	FSP	Financial Service Providers, Niger
EMRC	Egyptian Mortgage Refinance Company	FSRA	Financial Services Regulatory Authority
EMSL	Ecobank Micro Finance Institution, Sierra Leone	FSVs	Forced sale values
ENDE	National Strategy for Development	FTA	Free Trade Area
EPS	Expanded Polystyrene	FUCEC	Faîtière des Unités Coopératives d'Épargne et de Crédit, Togo
EPZ	Export processing zones	FVIT	Low Real Estate Value - Faible Valeur Immobilière Totale - programme
ERN	Eritrean Nakfa	GARI	Fonds Africain de Garantie des Investissements Privés en Afrique de l'Ouest
EU	European Union	GBS	Gambia Bureau of Statistics
EUR	Euro	GDP	Gross domestic product
FAEU	Fonds d'Amenagement et d'Équipement Urbain (Urban Development and Equipment Fund), Burundi	GELIS	Ghana Enterprise Land Information
FAMF	Federação das Associações de Microfinanças em Cabo Verde	GH¢	Ghanaian Cedi
FAMI PICOS	Associação de Apoio às Iniciativas de Autopromoção Familiar	GHL	Ghana Home Loans
FBS	Finance Building Society	GICA	Groupe Industriel des Ciments d'Algérie
FDH	Housing Fund, Djibouti	GIPF	Government Institutions Pension Fund
FDI	Foreign direct investment	GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation)
FCPB	La Faîtière des Caisse populaires, Burkina Faso	Global Findex	Global Financial Inclusion Database
FECECAM	Fédération des Caisses d'Épargne et de Crédit Agricole Mutuel	GLS	Government Loan Scheme
FEDEP	Federal Urban Poor	GNDI	Gross National Disposable Income
FES	Swaziland National Fire and Emergency Services	GNI	Gross National Income
FFH	Fundo de Fomento de Habitação (Housing Promotion Fund), Mozambique	GNC	General National Congress, Libya
FFH	Housing Development Fund	GOAC	Guernsey Overseas Aid Commission

GoG	Government of Guinea	IHPS	Integrated Household Panel Survey, Malawi
GoM	Government of Morocco	IHS	International Housing Solutions
GoTG	Government of The Gambia	ILMIS	Integrated Land Management Information System
GRET	Groupe de Recherches et d'Échanges Technologiques, Mauritania	IMF	International Monetary Fund
GREDA	Ghana Real Estate Developers Association	INE	National Statistics Institute
GRI	Global Real Estate Institute	INEP	Instituto Nacional de Estudos e Pesquisa National Institute for Studies and Research
GSF	Guarantee and Subsidy Fund, Egypt	INPS	National Institute of Social Welfare, Mali
GSMA	Groupe Speciale Mobile Association	INSS	National Social Security Institution, Burundi
GTP	Growth and Transformation Plan, Ethiopia	IOG	Ismail Omar Guelleh (Foundation)
GVA	Gross value add	IOM	International Organization for Migration
HBS	Household Budget Survey	IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
HCBE	Housing and Commerce Bank of Eritrea	IOSCO	International Organisation of Securities Commissions
HCF	Housing Finance Company, Seychelles	IPS	Instalment Purchase Scheme
HCP	Haut Commissariat au Plan, Guinea	IRS	Integrated Resort Scheme, Mauritius
HDA	Housing Development Agency, South Africa	ISKAN	National Land Development, Housing Development and Real Estate Promotion and Management Corporation, Mauritania
HDI	Human Development Index	KBA	Kenya Bankers Association
HDR	Human Development Report	KBA-HPI	Kenya Bankers Association's Housing Price Index
HFB	Housing Finance Bank, Uganda	KBRR	Kenya Banks' Reference Rate
HFC	Home Finance Company of the Gambia Limited	KCB	Kenya Commercial Bank
HFC	Home Finance Company, Sierra Leone	KfW	Kreditanstalt für Wiederaufbau (German Reconstruction Loan Corporation)
HFC	Housing Finance Company	KNBS	Kenya National Bureau of Statistics
HFCU	Housing Finance Company of Uganda	KSHDF	Khartoum State Housing and Development Fund
HfH	Habitat for Humanity	KYC	Know Your Customer, South Sudan
HfHI	Habitat for Humanity International	LAA	Land Administration Authority
HfHU	Habitat for Humanity, Uganda	LAP	Land Administration Project
HFP	Housing Finance Project	LAVIMS	Land Administration Valuation and Information Management System
HIB	Housing and Infrastructure Board, Libya	LBDI	Liberian Bank for Development and Investment
HIFSA	Old Mutual's Housing Impact Fund, South Africa	LDC	Least developed country
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome	LEDFC	Liberia Enterprises Development Finance Company
HMCS	His Majesty's Correctional Services, Swaziland	LEL	Livret d'épargne lodgement, Algeria
HMF	Housing microfinance	LEP	Livret d'épargne populaire, Algeria
HMFF	Housing Microfinance Fund	LFS	Labour Force Survey, Liberia
HOFINET	Housing Finance Information Network	LHLDC	Lesotho Housing and Land Development Corporation
HSB	Housing and Savings Bank, Ethiopia	LIC	Low income country
HSDB	Human Settlements Development Bank, South Africa	LIS	Lands Information system
HRC	Human Rights Council	LISGIS	Institute of Statistics and Geo-Information Services, Liberia
HRW	Human Rights Watch	LLO	Local Land Offices, Madagascar
HUD	Sub-Committee on Human Settlement and Urban Development, Lesotho	LNBTB	National Laboratory and Public Works, Gabon
IAS	International Accounting Standards	LNG	Liquefied Natural Gas
IBS	International Bank of Somalia	LOUAF	Loi d'Oriantation sur l'Urbanisme et l'Aménagement Foncier, Niger
ICF	Investment Climate Facility	LPA	Commercial housing, Algeria
ICT	Information and Communications Technology	LPB	Lesotho Post Bank
IDA	International Development Association	LPL	Public rental housing, Algeria
IDB	Islamic Development Bank	LPP	Logement Public Promotionnel, the assisted housing programme, Algeria
IDBZ	Infrastructure Development Bank of Zimbabwe	LSC	Land, Services and Citizenship, Ghana
IDP	Internally Displaced Person	LTV	Loan-to-value (ratio)
IFAD	International Fund for Agricultural Development	LUSE	Lusaka Stock Exchange
IFC	International Finance Corporation	LWF	Lutheran World Federation
IFH	Imobiliaria Fundiaria e Habitat (Social Housing Company)	MASOWE	Maseru South West
IFRS	International Financial Reporting Standards	MCA	Millennium Challenge Account, Lesotho
IGAD	Intergovernmental Authority on Development	MCB	Mauritius Commercial Bank
IGC	International Growth Centre	MCC	Millennium Challenge Corporation, Sierra Leone
IHDP	Integrated Housing Development Programme, Ethiopia		
IHP	Institutional Housing Project, Swaziland		

MCIB	Public Credit Bureau, Mauritius	NBS	National Building Society, Zimbabwe
MDG	Millennium Development Goal	NBS	New Building Society, Malawi
MDGS III	Malawi Growth and Development Strategy	NBM	National Bank of Malawi
MDI	Microfinance Deposit-taking Institution	NCR	National Credit Regulator
MENA	Middle East and North Africa Region	NDB	National Development Bank
MFB	Microfinance banking	NDP	National Development Plan
MFC	Mortgage Finance Company	NDP	National Development Plan, Chad
MFE	Microfinance Establishments	NDP4	4 th National Development Plan, Namibia
MFF	Mortgage Finance Fund	NDP11	11 th National Development Plan, Botswana
MFI	Microfinance Institution	NEF	National Empowerment Foundation, Mauritius
MFSDS	Financial Sector Development Strategy 2013–2022, Mozambique	NEMA	National Environmental Management Authority, Kenya
MGC	Matekane Group of Companies	NESDP	National Economic and Social Development Plan
MHC	Malawi Housing Corporation	NFHR	National Fund for Housing and Reconstruction
MHC	Mauritius Housing Company	NGO	Non-governmental organisation
MHDP	Mass Housing Development Programme	NHA	National Housing Authority, Zambia
MHID	Ministry for Housing and Infrastructure Development, Zambia	NHA	National Housing Authority, Liberia
MHPV	Ministère de l’Habitat et de la politique de la ville, Guinea	NHAC	National Housing Advisory Committee
MHU	Ministry of Housing and Urban Development, Algeria	NHAG	Namibian Housing Action Group
MHU	Ministry of Housing and Utilities, Libya	NHBT	National Housing Bond Trust, Zambia
MIH	Ministry of Infrastructure and Housing	NHC	National Housing Corporation, Kenya and Tanzania
MINDAF	Ministry of State Property and Land Tenure, Cameroon	NHCC	National Housing and Construction Company
MININFRA	Rwanda Ministry of Infrastructure	NHDC	National Housing Development Company, Mauritius
MIX	Microfinance Information Exchange	NHE	National Housing Enterprise, Namibia
MLF	Mortgage Liquid Facility	NHF	National Housing Fund, Gabon
MLSP	Mass Land Servicing Programme	NHF	National Housing Fund, Nigeria
MLWE	Ministry of Lands, Water and the Environment, Eritrea	NHFC	National Housing Finance Corporation
MMA	Mobile money agent	NHP	National Housing Programme, Egypt
MMC	Maseru Municipal Council	NHS	National Housing Strategy
MMF	Money market fund	NHSDP	National Housing Sector Development Policy
MMM	Maison Marocaine Moderne	NIDP	National Indicative Development Plan
MoHS	Ministry of Housing and Settlements, Algeria	NIESV	Nigerian Institute of Estate Surveyors and Valuers
MOLG/MOLGC	Ministry of Local Government and Chieftainship, Lesotho	NIMP	National Infrastructure Master Plan
MoPED	Ministry of Planning and Economic Development, Sierra Leone	NIPA	National Investment Promotion Agency
MOPH	Ministério das Obras Públicas e Habitação, Mozambique	NIPC	Nigeria Investment Promotion Commission
MOU	Memorandum of Understanding	NLC	National Land Commission Kenya
MPD	Movement for Democracy	NMB	National Microfinance Bank, Tanzania
MPR	Monetary Policy Rate	NMRC	Nigerian Mortgage Refinance Corporation
MRLGHD	Ministry of Regional and Local Government, Housing and Rural Development	NOCAL	National Oil Company of Liberia
MSB	Malawi Savings Bank	NOCIBE	Nouvelle Cimenterie du Bénin – NOCIBE)
MSMEDF	Micro Small and Medium Enterprises Development Fund, Nigeria	NPL	Non-performing loan
MTB	Money Transfer Business	NREC	National Real Estate Company
MTEF	Medium Term Expenditure Framework	NRIS	National Registration and Identification System
MTO	Money Transfer Operators	NSDP	National Strategic Development Plan, Lesotho
MTSP	Money Transfer Service Provider	NSA	Namibia Statistics Agency
MUCODEC	Mutuelle Congolaise d’Epargne et de Crédit (Congolese Savings and Loans Mutual)	NSIA	Nigeria Sovereign Investment Authority
MWFL	Mortgage Warehouse Funding Limited	NSSA	National Social Security Authority, Zimbabwe
NACHU	National Cooperative Housing Union, Kenya	NSSF	National Social and Security Fund, Uganda
NAMFISA	Namibia Financial Institution Supervisory Authority	NST	National Strategy for Transformation, Rwanda
NAPSA	National Pension Scheme Authority, Zambia	NUA	New Urban Agenda
NASSIT	National Social Security and Insurance Trust, Sierra Leone	NUCA	New Urban Communities Authority, Egypt
NASSCORP	National Social Security and Welfare Corporation	OAD	Banque Ouest Africaine de Développement (West African Development Bank)
NBFIRA	Non-Banking Financial Institution Authority, Botswana, Ghana	OBM	Opportunity Bank of Malawi
NBBL	Norwegian Federation of Co-operative Housing Associations	ODA	Official development assistance
NBE	National Bank of Ethiopia	ODOC	Operation Domaniale Concerted, Madagascar
NBS	National Bureau of Statistics	OHADA	Organisation for the Harmonisation of Business Law in Africa

OHLM	Office des habitats à loyers moderes	RTGS	Real Time Gross Settlement
OIBM	Opportunity International Bank of Malawi	SACCO	Savings and Credit Co-operative
OMH	Office Malien de l'Habitat (Mali Housing Agency)	SACU	South African Customs Union
OMV	Open market value	SADC	Southern African Development Community
OPIC	Overseas Private Investment Corporation, South Africa	SALHOC	Sierra Leone Housing Corporation
OTC	Office de Topographie et de Cadastre	SANEF	Shared Agent Network Expansion Facilities
OTR	Office Togolais des Recettes	SAPES	Scheme to Attract Professionals for Emerging Sectors, Mauritius
PABS	Pan African Building Society	SARB	South African Reserve Bank
PACIE	Industrial and Energy Competitiveness Support Programme	SBM	State Bank of Mauritius
PAGE	Programme to Accelerate Growth and Employment, The Gambia	SBS	Swaziland Building Society
PAMF	Première Agence de MicroFinance, Madagascar	SDFN	Shack Dwellers Federation of Namibia
PAICV	African Party for the Independence of Cabo Verde	SDGs	Sustainable Development Goals
PAIFAR-B	Financial Inclusion in Burundi	SDI	Shack / Slum Dwellers International
PCU	Project coordination unit	SEC	Securities and Exchange Commission, Ghana
PDES	Economic Social Development plan, Niger	SEIMAD	Madagascar include Societe d'Equipement Immobilier de Madagascar
PDU	Urban Development Programme, Mauritania	SEM	Stock Exchange of Mauritius
PEBEC	Presidential Enabling Business Environment Council, Nigeria	SETU	Societe d'Equipement des Terrains Urbains (Society of Urban Land Equipment), Togo
PEDS	The Sustainable Development Strategic Plan 2017-2021	SEZs	Special Economic Zones, Congo republic
PEEDU	Projet d'eau, d'électricité et de développement urbain (Water, Electricity, and Urban Development Project)	SGBB	Societe Generale de Banque au Burkina
PGE	Programme Général de l'Etat	SGBG	Société Générale des Banques en Guinée
PMB	Primary Mortgage Banks	SHA	Smart Homes Africa
PMC	Property Management Corporation	SHC	State Housing Company, Ghana
PMI	Primary Mortgage Institution	SHDC	Seychelles Housing Development Corporation
PNAT	National Land Use Plan	SHHA	Self Help Housing Agency, Botswana
PNEI	National Pact for Industrial Emergence, Morocco	SIAB	Société Inter-Africaine de Banque, Togo
PND	National Development Plan, Chad	SIC	Société Immobilière du Cameroun (Cameroon Real Estate Corporation)
PNDES	Plan National de Développement Economique et Social, Guinea	SID	Société Immobilière de Djibouti
PNHU	National Urbanism and Housing Programme	SIDA	Swedish International Development Cooperation Agency
PNRLR	National Programme for the Resorbing of Rudimentary Lodging	SIFMA-SA	Societe Fonciere et Immobiliere du Mali
POHI	Public Officers Housing Initiative	SiHA	Single Housing Agency, Botswana
PoS	Point of Sale	SIP	Société Immobilière Publique (National Real Estate Company), Burundi
PPC	Pretoria Portland Cement	SIPIM	Societe ivoirienne de promotion immobilière
PPHPZ	Peoples' Process on Housing and Poverty in Zambia	SIPO	Strategic Indicative Plan for the Organ (on Defence, Politics and Security) (SADC)
PPP	Public-private partnership	SLCB	Sierra Leone Commercial Bank
RCB	Rokel Commercial Bank, Sierra Leone	SITO	Société Immobilière TogolaiseSLB Standard Lesotho Bank
RCPB	Réseau des Caisses Populaires du Burkina	SLIEPA	Sierra Leone Investment and Export Promotion Agency
RDP	Reconstruction and Development Programme, South Africa	SMB	State Bank of Mauritius
REALL	Real Equity for All (formerly Homeless International)	SMCP	Savings and Micro-Credit Programme, Eritrea
REC	Regional Economic Community	SME	Small and medium-sized enterprise
RECCU	Renaissance Cooperative Credit Unions, Cameroon	SNDP	Somali National Development Plan
REDAN	Real Estate Development Association of Nigeria	SNEC	National Water Supply Company of Cameroon
REIT	Real Estate Investment Trust	SNC	Societe Nigerienne de Cimenterie, Niger
REPI	Real Estate Price Index, Morocco	SNEN	Syndicat National des Enseignants du Niger
RHA	Rwanda Housing Authority	SNHB	Swaziland National Housing Board
RHB	Rwanda Housing Bank	SNHIS	Sistema Nacional de Habitacao de Interesse Social (National System of Housing for Social Interests)
RHLF	Rural Housing Loan Fund, South Africa	SnHLM	National Society of Low-Rent Housing
RI Index	Roland Igbinoba House Price Index	SNI	National Building Society, Gabon
RISDP	Regional Indicative Strategic Development Plan (SADC)	SNI	Societe Nationale Immobiliere, Gabon
RNHC	National Network of Inhabitants of Cameroon	SNL	Swazi Nation Land
RNP	National Postal Service	SNMG	Salaire National Minimum Garantit, Algeria
ROA	Return on Assets	SNPF	Swaziland National Provident Fund
ROE	Return on Equity	SNPSF	National Post and Financial Services Institution
ROSCA	Rotating, Savings and Credit Associations		
RSNDP	Revised Sixth National Development		
RSP	Royal Swaziland Police		
RSSB	Rwanda Social Security Board		



SNT	The Société des transports de Tunis	UCA	Uganda Co-operative Alliance
SOCOGIB	Société de Construction et de Gestion Immobilière du Burkina	UDP	Urban Development Project
SOCOGIM	Société de Construction et de Gestion Immobilière, Benin	UEAC	Union Economique de l'Afrique Central (Central African Economic Union)
SOCOGIM	Real Estate Construction and Management Company Mauritania	UEMOA	West African Economic Monetary Union
SOFIA	Société Financière Africaine de Crédit	UN	United Nations
SONA	State Insurance company, Democratic Republic of Congo	UNCDF	United Nations Capital Development Fund
SONAPI	Société Nationale de l'Aménagement et de la Promotion Immobilière (National Society for Planning and Real Estate Development), Guinea	UNCHS	United Nations Centre for Human Settlements
SONUCI	Société Nationale d'Urbanisme et de Construction Immobilière, Niger	UNDP	United Nations Development Programme
SOPROFIM	Land and Real Estate Promotion Corporation	UNECA	United Nations Economic Commission for Africa
SORAZ	Société de raffinage de Zinder, Niger	UNICEF	United Nations Children's Fund
SPI	Société de Promotion Immobilière, Mali	UNSMIL	United Nations Support Mission in Libya
SPLM	South People's Liberation Movement, South Sudan	UOB	Urwego Opportunity Bank
SPROLS	Société de Promotion des Logements Sociaux, Tunisia	USA	United States of America
SRA	Swaziland Revenue Authority	USAID	United States Agency for International Development
SREA	Somalia Real Estate Association	USD (US\$)	United States Dollar
SREP	Scaling Up Renewable Energy in Low Income Countries Programme, Madagascar	UTB	Union Togolaise de Banque
SRH	Société de Refinancement Hypothécaire (Mortgage Refinancing Company), Algeria	VAT	Value added tax
SSA	Sub-Saharan Africa	VSF	Villes sans bidonvilles programme, Guinea
SSFR	Social Security Fund of Rwanda	WAEMU	West African Economic and Monetary Union
SSHFC	Social Security and Housing Finance Corporation, Gambia	WALR	Weighted average lending rates
SSNIT	Social Security and National Insurance Trust	VSB	Villes sans bidonvilles programme, Guinea
SSP	Sector Strategic Plan	WAEMU	West African Economic and Monetary Union
SSX	Swaziland Stock Exchange	WALR	Weighted average lending rates
STP	Sao Tome and Principe	WAMZ	West African Monetary Zone
STZC	Zhen Gwei Technique Congo	WCF	Workmen's Compensation Fund
TIPEEG	Targeted Intervention Programme for Employment and Economic Growth, Namibia	WHC	Watumishi Housing Company
TMB	Trust Merchant Bank, DRC	WHPI	Women's Housing Plan Initiative, Nigeria
TMRC	Tanzania Mortgage Refinancing Company	ZAMFI	Zimbabwe Association of Microfinance Institutions
TOP	Temporary occupation certificate holders, Djibouti	ZAMCO	Zimbabwe Asset Management Corporation
PROM	Togolese Sponsorship Corporation (Société Togolaise de Promotion)	ZHPPF	Zimbabwe Homeless and Poor People's Federation
UAE	United Arab Emirates	ZIMASSET	Zimbabwe Agenda for Sustainable Socio-Economic transformation
		ZINAHCO	Zimbabwe National Association of Housing Cooperatives
		ZNBS	Zambia National Building Society
		ZSIC	Zambia State Insurance Corporation

Overview

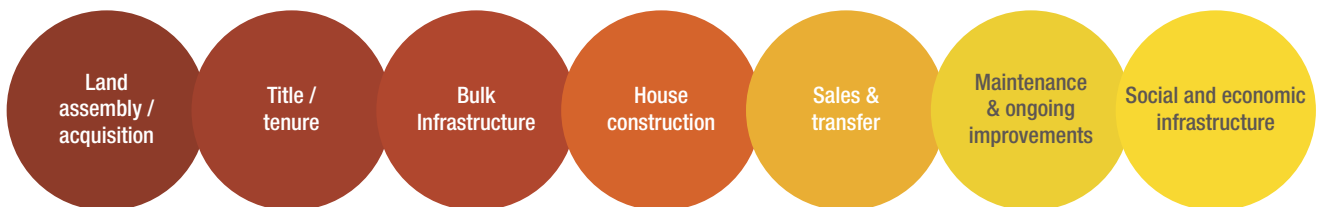
Cities are complex systems, and across Africa, are growing at a rapid rate unprecedented in urban history. While the scale and pressure of urbanisation is overwhelming, this agglomeration of activity offers an incredible opportunity for development. At the same time, the confluence of efforts to promote financial inclusion, urban development, infrastructure investment, and macroeconomic policy attention create a uniquely enabling environment for the growth of housing in particular. As government, the private sector and households and communities themselves find their places in the housing ecosystem, innovation is being found along each link in the housing value chain.

Lenders, investors, builders and suppliers are getting much better at identifying and targeting niche markets. If not yet a move away from the attraction of large-scale, massive developments, we can see increasing attention towards the notion of “massive small”: the opportunity to be found in the connected results of many small projects and initiatives at the local level that together add up to something

big.¹ From a recognition of backyard rental and inner city refurbishment as viable housing supply streams, to the development of underwriting standards for borrowers in the informal economy, to the financing of incremental housing construction at scale, to the use of blockchain technology to improve titling efficiencies, innovation along the value chain and at the local level is making headway and creating precedent that is bankable.

Innovation along the value chain

CAHF has been exploring the housing value chain across Africa for years, making the point that the chain is only as strong as its weakest link and highlighting the challenges as they arise along the chain. Standing out this year, across the continent, and in specific local contexts, is evidence of innovation along the value chain in virtually every link.



Land assembly / acquisition

In most countries, the assembly and acquisition of well-located land is a key factor in the feasibility of affordable housing development. Comparing “standard” house prices across 15 countries, CAHF found that in Kampala, Uganda, and Dakar, Senegal, land comprises more than 25 percent of the purchase price of a “standard” 55m² home on a 120m² plot of land.² The comparative cost of the land was found to be highest in Nairobi, at US\$15 229 for 120m² in a 20-unit development, comprising 23 percent of the overall house price. Land costs include the registration costs, planning approval costs, and overall land purchase price, whether traditional or freehold tenure. In Nairobi, the major cost was the land itself. In Dakar, the cost of registration comprised nine percent of the overall land cost. In Kampala, planning approval comprised five percent of overall land costs. In Douala, Cameroon, where the price of a 120m² plot of land in a 20 unit development was relatively low at US\$4 316, registration costs comprised 43 percent of the total land cost.

In Maputo, Mozambique, Casa Minha has addressed the question of land acquisition by working with a centrally-located low income settlement. Residents have existing land rights (DUATs, in Mozambique) but their homes are of very poor quality and in some cases, are only shacks. Using a “land readjustment”

approach, Casa Minha has negotiated with local residents in the settlement to build two formal, 2-3 storey houses on each plot. In terms of the arrangement, Casa Minha then sells the one house on the open market, targeting entry-level hospital workers, labourers, etc. The other house is sold for a much reduced price to the original DUAT holder, free of the land cost and leveraged by the proceeds from the sale of the other half of their land that went into the development of the open market house. Residents have the option to participate in the scheme or not, as Casa Minha develops on a plot-by-plot basis, densifying and formalising the inner city suburb.³

Other examples of a form of “land readjustment” involve the development of backyard rental accommodation. In Kenya, Letshego Kenya Limited finances incremental construction of rental accommodation as a microenterprise loan, on the back of a future rental income stream.⁴ In South Africa, Indlu,⁵ iBuild Home Loans,⁶ and uMaStandi⁷ provide finance and other support towards the construction of formal rental accommodation in the backyards of their borrower’s properties. In all cases, local landowners are actively leveraging existing, well-located land in support of improved housing affordability and housing investment opportunities.

¹ “Massive Small” is an idea promoted by Kelvin Campbell, an architect and urban designer based in London, UK. The Massive Small Collective “believes that incremental bottom-up initiative supported by an enabling top-down policy and intervention provides our best chance at creating thriving cities.” See <https://www.massivesmall.org> (Accessed 13 Oct 2018).

² In 2015 and 2016, CAHF undertook a benchmarking study to consider comparative costs involved in constructing a “standard” 55m² house in fifteen countries. CAHF put together a generic Bill of Materials, including almost 400 separate cost items across five main cost elements: land, infrastructure, compliance, construction (including labour) and other development costs. This was shared with Quantity Surveyors in 15 countries, who were invited to develop a quotation for constructing 20 such units in a greenfields project in two cities in their country. It must be noted that the “standard” house is not representative of what is available in each market, but is rather used as a mechanism for comparing cost differences across markets. The final price ranged widely, from US\$63 241 in Nairobi, Kenya, through to US\$26 750 in Dar es Salaam, Tanzania. See the data on our dashboard: CAHF (2017). Benchmarking Housing Construction Costs in Africa. <http://housingfinanceafrica.org/dashboards/benchmarking-housing-construction-costs-africa/> (Accessed 10 Oct 2018).

³ See Casa Minha’s website. <https://www.casaminha.co> for an overview of the project. (Accessed 10 Oct 2018).

⁴ See Kasaine, Adam (2018). Letshego Kenya Limited. Presentation to the Habitat for Humanity and Terwilliger Centre for Innovation in Shelter, Housing Finance Forum, in Uganda, 11-12 July 2018.

⁵ <https://www.habitat.org/sites/default/files/documents/Letshego.pdf> (Accessed 10 Oct 2018).

⁶ See Melana Housing Partnerships (2017). Video. <https://www.youtube.com/watch?v=jip4XbwrMI> for an overview of their model. Also see: Indlu (2018). <https://www.indluliving.com> (Both accessed 10 Oct 2018).

⁷ See iBuild Home Loan’s website. <http://www.ibuildhomeloans.com> (Accessed 14 Oct 2018).

⁸ See uMaStandi’s website. <https://umastandi.co.za> (Accessed 10 Oct 2018).

Title / tenure

A related but distinct challenge relates to land titling and secure tenure arrangements that are acceptable to lenders. Mortgage markets across Africa are small because without having been formally titled, land cannot be secured, or because the land registration process is cumbersome and time-consuming. In Ghana, for example, anecdotes suggest that the land titling and registration process takes between one and three years to complete.⁸ A key problem, also in other countries, is the existence of multiple ownership claims on land plots. In other countries, administrative bottlenecks (South Africa) or overlapping jurisdictions (Mauritania) further delay the awarding of title deeds. The insecurity this creates can cause formal builders and housing finance institutions to withdraw their participation from such areas.

The development of blockchain technology is being considered in the creation of digital land registries, with initiatives in Ghana, Kenya, Zambia and Rwanda already underway, and further considerations being given to Tanzania, Nigeria, and Ethiopia.⁹ In Ghana, Bitland¹⁰ is working towards mapping the entire country on a distributed digital ledger, formally documenting customary land rights. In Zambia, Overstock's Medici Land Governance¹¹ has partnered with the land ministry to build a blockchain land titling programme. In both cases, the hope is that once tenure is formally noted and legally recognised, banks will be able to grant loans and issue mortgages against the property.

Bulk infrastructure

Moving along the value chain, the availability of bulk and connector infrastructure for new residential developments is a critical component, the absence of which very often undermines the affordability of housing delivered. When municipalities cannot deliver the water, sanitation, transport and energy requirements for a development, developers either wait, or deliver this themselves, costing their investment into the eventual price of the unit. In a case in Zimbabwe, original costings which did not anticipate the Harare municipality's inability to deliver on infrastructure meant that the developer had to decrease the number of units delivered, thereby increasing the unit price. Inaccessible land then meant that the

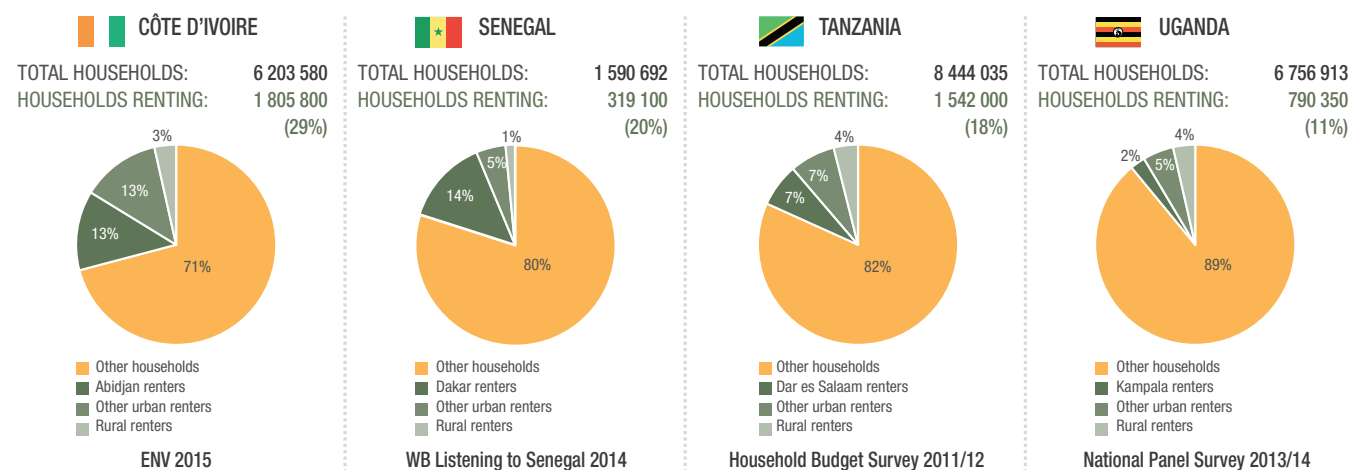
developer had to build a US\$3.4 million road to make the project work.¹² Similarly, in Kenya, developers often have to provide infrastructure themselves and this limits the affordability of the end-product. In Angola, lack of infrastructure is a serious factor in deterring developers from engaging in low-cost housing.

In some countries, public-private partnerships are successfully addressing the problem. In Zimbabwe, Old Mutual and local lender CABS have supported the development of 1 082 serviced stands in a public private partnership with the Bulawayo local authority. Recognising the fiscal constraints of the government, the private sector financed the servicing of the stands provided by the city, and then offered these for sale on terms to households who were registered with the City Council for access to affordable housing.¹³ A small initiative, this nonetheless offers insights into the possibility for a pension fund to offer the long-term financial capacity for an initiative when the public sector is unable to participate.

Municipalities are also exploring various land-based financing initiatives to support their capital requirements for infrastructure investment. Interesting examples can be found in Ethiopia, Nigeria, Kenya, Côte d'Ivoire, South Africa and elsewhere, where the municipality uses its land asset and leverages the developer's interest in the higher-value housing market, to impose development charges that finance their investment in infrastructure in lower-value areas.¹⁴ USAID's WASH-FIN¹⁵ programme has been exploring other PPP arrangements in Kenya, Senegal and South Africa, focusing on a capacity-building approach to create sustainable business models that leverage public investment with private capital by reducing risk and building municipal creditworthiness.

Social and economic infrastructure

The availability of infrastructure also relates to the last link in the chain: social and economic infrastructure. Inner city regeneration initiatives create an opportunity to leverage and build further on existing infrastructure: social, economic and engineering, while delivering new affordable housing opportunities. Although poorly recognised in policy, the rental housing market is an important component of urban housing markets – and is already found in most inner cities. Research



Source: 71point4 (2018). Focus notes: Understanding & Quantifying Rental Markets in Africa: Uganda, Tanzania, Côte d'Ivoire and Senegal. <http://housingfinanceafrica.org/projects/rental-housing-in-africa/> (Accessed 15 Oct 2018).

⁸ CAHF (2018). Africa Housing Finance Yearbook 2018: Ghana.

⁹ Mwanza, K and H Wilkins (2018). African startups bet on blockchain to tackle land fraud. Reuters. 16 Feb 2018. <https://www.reuters.com/article/us-africa-landrights-blockchain/african-startups-bet-on-blockchain-to-tackle-land-fraud-idUSKCN1G00YK> (Accessed 10 Oct 2018).

¹⁰ See Bitland's website for an overview: <http://bitlandglobal.com> (Accessed 10 Oct 2018).

¹¹ Kanali, N (2018). Zambia announces plans to build a blockchain land titling program. 9 Aug 2018. <https://africabusinesscommunities.com/tech/tech-news/zambia-announces-plans-to-build-a-blockchain-land-titling-program/> (Accessed 10 Oct 2018).

¹² Gorelick, J (2018). Making Cities Work: Accessing Finance from a Variety of Funding Sources for Infrastructure Expansion and Upgrades: Water, Sanitation & Hygiene Finance (WASH-FIN). <http://www.marcusevansdocs.com/Doc/events/24435/Jeremy%20Gorelick.pdf> (Accessed 10 Oct 2018).

¹³ Kazunga, O (2018). Old Mutual unveils 1082 serviced stands. Chronicle. 9 Mar 2018. <https://www.chronicle.co.zw/old-mutual-unveils-1-082-serviced-stands/> (Accessed 10 Oct 2018).

¹⁴ Graham, N (2016). Financing Infrastructure for Housing Developments: Case studies from Sub-Saharan Africa. Case Study Series 4. February 2016. http://housingfinanceafrica.org/app/uploads/CAHF-Case-Study-4_Infrastructure-Financing.pdf (Accessed 15 Oct 2018).

¹⁵ The Water, Sanitation, and Hygiene Finance (WASH-FIN) programme of USAID is run by Tetra Tech. See <http://www.tetratech.com/en/projects/water-sanitation-and-hygiene-finance-wash-fin> (Accessed 12 Oct 2018).

conducted in this past year by CAHF found that the majority of most city populations are renters, and that rental tenure makes up a significant proportion of national housing markets.¹⁶ This highlights an important opportunity: much of the existing rental is in areas with existing infrastructure. This can be usefully leveraged towards improved affordable housing, that is also well-located – an opportunity to be recognised by investors.

In South Africa, TUHF Pty Ltd¹⁷ is a commercial property financier that targets small-scale landlords who refurbish existing inner city residential stock. Underwriting mortgages on the basis of projected future rental income, TUHF can offer loans to entrepreneurs who demonstrate residential rental management capacity. For those who lack sufficient equity to make the loan feasible, TUHF has established the Intuthuko Equity Fund which provides equity to previously disadvantaged individuals. In TUHF's 15 years of operation, it has financed the refurbishment and delivery of 33 037 units in 598 buildings, across 128 inner city areas in South Africa, working with 350 entrepreneurs of whom 52 percent are previously disadvantaged individuals. TUHF's loan book of R2 767 billion (US\$190 million) achieved a 15 percent return on its investment in 2018.

Housing construction

In most countries across the continent, the housing construction process is constrained by limited capacity in the development sector, and the absence or high cost of developer finance. This results in small housing projects, financed with up-front cash payments that limit affordability. The Affordable Housing Fund in Rwanda seeks to address this, by providing a guarantee facility for developers, producers of local construction materials and other investors in housing targeted at middle and low income earners. The Rwf206 billion (US\$232.8 million) fund was established in July 2017, and according to some reports, seeks to halve the cost of housing for the target market.¹⁸

A Real Estate Investment Trust (REIT) is another construction financing and rental investment mechanism that has been growing across the continent. Research undertaken by CAHF found 36 REITs in five countries.¹⁹ Of these, eleven had a residential portfolio with two being residential-only REITs. These REITs manage a combined property value of US\$22.7 billion. In Ghana, the HFC REIT has a diversified portfolio that includes residential, with a value of US\$1.8 million. In Nigeria, Union Homes Hybrid REIT focuses explicitly on residential property, while Skye Shelter Fund, Sun Trust Hybrid, and UPDC are all diversified REITs that include residential components. Watumishi Housing Company is a residential-only REIT in Tanzania, focusing on the development of housing for civil servants. Of the 29 REITs in South Africa, five include residential as part of their diversified portfolios. In 2016, Transcend was established as a specialised REIT focused on expanding a portfolio of strategic residential properties. The REIT is listed on the AltX Board of the Johannesburg Stock Exchange, and includes a portfolio of 2 472 units across South Africa. As it and other REITs report into the market, they are establishing a track record that will catch the attention of investors looking for new opportunities.

Another constraint relating to housing construction is the cost of the units once built – often too expensive for the majority of households, even when they have some affordability for credit. Increasingly, however, developers are more deliberate in their targeting, recognising and responding to affordability constraints with the development of innovative products. A 16m² unit developed by Suraya in Nairobi, Kenya, is targeted at the entry-level market of young professionals and sells for KSh1.155 million (US\$111 700).²⁰ Another example from Kenya is being explored by Global Property Advice plc, which has developed a semi-detached, 38m² one bedroom unit for US\$10 000, excluding the land cost.²¹ GPA offers a minimum delivery of 50 units, and can deliver within four weeks. The product is targeted at the housing cooperative sector where land and servicing may already have been secured. In Rwanda, Skat Consulting has designed 43m² two-bedroomed housing units at a cost of Rwf8 million (US\$9 042).²²

Annually, CAHF asks the contributing authors to this Yearbook to identify the cheapest newly built house by a private developer in their country. The price they identify defines where the market is currently targeted – that is, what is currently being built – rather than what is possible. From this rough view of the market, it appears as though more and more developers are improving their targeting and building lower-cost, smaller properties.

No matter how promising, however, such developments are still few and far between. Even more conventional developments, which might start with entry-level housing at about US\$20 000, are scarce. As a result, most households still build their housing themselves. To this end, Zambian Home Loans (ZHL) has an interesting product, supporting households who have embarked on their own, independent housing construction process and run out of cash. Recognising that households often build their homes incrementally, ZHL offers a construction mortgage to finance construction increments.²³ With this, they hope to leverage the existing housing investments made by middle income households, achieving lower loan-to-value ratios and accelerating the housing construction process.

Maintenance and ongoing improvements

Given its prevalence among both low and higher income markets, incremental is an important form of housing provision that is increasingly being recognised and supported with innovative products. To date, the challenge has been in realising scale from what are essentially individual-unit, slowly constructed developments. Again, new technologies offer interesting opportunities. With pilots in Kenya and South Africa, and intentions to expand into Nigeria and Zambia in the short term, iBuild Global²⁴ aggregates scale through an app that households and suppliers can access on their cellphones. Backed up with a database of small-scale contractors, building material suppliers, and other service providers in the incremental housing sector, the app allows households to issue calls for quotation, receive multiple proposals, and evaluate these on the basis of both price and contractor track record. Holding all of this activity on a single platform, the iBuild database can assess both demand and supply, so that investors and financiers can scope the market and identify opportunities for engagement. For lenders, the app provides a payment gateway that ensures their loans are used for housing purposes. In South Africa, Yomane²⁵ also offers a payment gateway that enables closed-loop payments.

¹⁶ See focus notes on the rental markets in Senegal, Uganda, Tanzania and Côte d'Ivoire on <http://housingfinanceafrica.org/projects/rental-housing-in-africa/> (Accessed 13 Oct 2018).

¹⁷ See TUHF's website: <http://www.tuhf.co.za> (Accessed 10 Oct 2018).

¹⁸ Tumwebaze, P (2018). Why more real estate developers have embraced affordable housing. The New Times, 20 March 2018. <https://www.newtimes.co.rw/section/read/231190> (Accessed 12 Oct 2018).

¹⁹ See CAHF's dashboard with data on REITs in five countries: <http://housingfinanceafrica.org/dashboards/residential-real-estate-investment-trusts-in-africa-findings-in-5-countries/> (Accessed 12 Oct 2018).

²⁰ Suraya's Encasa@Mombasa Rd project includes 85 bedsitter units (Encasa 1) for KSh 1.155 million and 120 studio apartments of 20m² (Encasa 2) for KSh 1.76 million. See <http://www.suraya.co.ke/wp-content/uploads/2015/03/Encasa@Mombasa-Rd-Price-List-March-2018.pdf> (Accessed 12 Oct 2018).

²¹ Shah, S (2018). CAHF Benchmarking Research: How can we use CAHF study to spur Kenyan housing sector? Presentation given on 30 August 2018. <http://housingfinanceafrica.org/app/uploads/Seeta-Shah-CAHF-Presentation-Aug-2018-v3.pdf> (Accessed 12 Oct 2018).

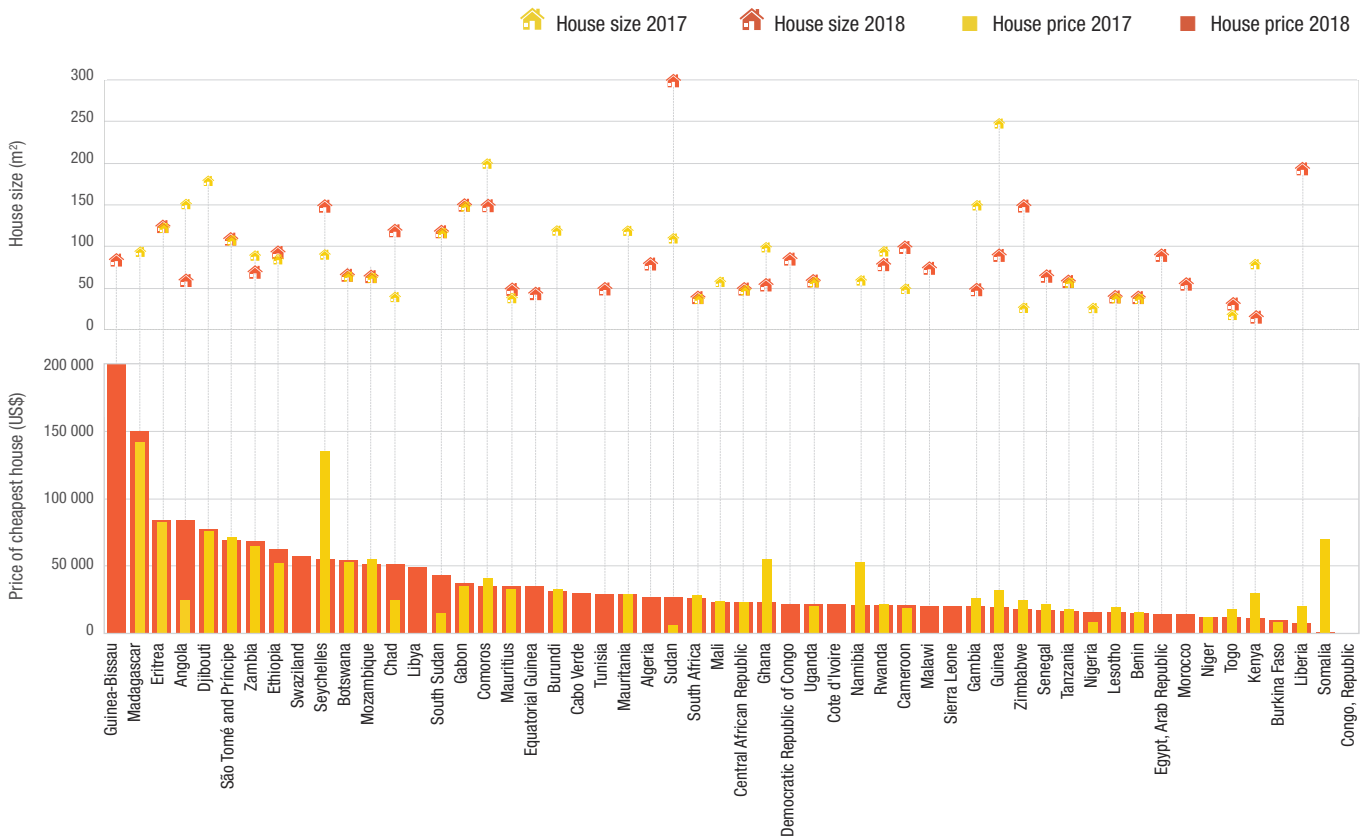
²² See Skat (undated). Modern Brick Construction Systems: A catalogue of affordable solutions made in Rwanda. Third edition. <http://madeingreatlakes.com/wp-content/uploads/2017/07/CAT-MODERN-BRICK-SOLUTIONS-Draft-Third-Edition-Beta-Version2.pdf> (Accessed 12 Oct 2018). It appears that the Rwf 8 million price does not include land.

²³ See Zambian Home Loans website: <http://www.zambianhomeloans.com/solutions/construction-mortgage/> (Accessed 12 Oct 2018).

²⁴ See iBuild's website: <https://www.ibuildglobal> (Accessed 12 Oct 2018).

PRICE OF THE CHEAPEST, NEWLY BUILT HOUSE BY A FORMAL DEVELOPER: 2017 AND 2018

Source: CAHF Survey, 2018



Another interesting niche impacting on the housing construction, maintenance, and ongoing improvements links in the chain is “green”. LafargeHolcim has been working hard in this space, and, in Zambia, partnered with BancABC and Zambia National Building Society to disburse housing microfinance loans towards the construction of green housing, using Habiterra blocks. The programme aligns with ILO Zambia Green Jobs Programme.²⁶ LafargeHolcim has also entered into a joint venture with CDC to establish I4Trees, an initiative to create environmentally-friendly, affordable green building solutions. Behind the name is Lafarge’s Durabrick brick, which is produced from a mixture of earth and cement, compressed in a mould, and left to cure without firing. It is estimated that by avoiding the firing process of traditional brick-making, the Durabrick brick saves up to 14 trees per house.²⁷ In Malawi, I4Trees has sold about one million Durabrick bricks since 2016. Increasingly, it is likely that investment capital will come with a green requirement. At the same time, the Durabrick uses less cement than is used in traditional cement blocks – an important consideration given how expensive cement is in some countries.

Sales and transfer

Once the house is built, it becomes part of a market in which houses are assets that can be sold and bought, appreciating (or depreciating, as the case may be) in value, stimulating household level investment and creating a diversity of supply that is highly responsive to personal demand. The sales and transfer link in the value chain relies critically on the availability of end-user finance – whether mortgage or non-mortgage. In many countries, access to housing finance is

constrained by macroeconomic factors which contribute towards high interest rates, and short payment terms. In Malawi, for example, the mortgage rate sits at 25.5 percent, repayable over ten years. In most countries, interest rates are over 10 percent per annum. An analysis of high interest rates across various jurisdictions found four determining factors: high policy interest rates (where the “risk free” rate on short term government borrowing sets a benchmark for mortgage rates); high maturity premiums due to the unwillingness of lenders to issue long term loans; high credit risk premiums which reflect weaknesses in the legal, regulatory and institutional environment; and limited utilisation of the collateral value by real estate, reflecting new, slow-churn residential property markets.²⁸

In an effort to support the wider policy and institutional transformation necessary to enable mortgage market development, the World Bank has been working with Central Banks in Egypt, Tanzania, Nigeria and West Africa to create mortgage liquidity facilities. These institutions seek to increase the availability of long-term funding so that lenders become confident to lend over longer terms. By creating a standardised mortgage approach, and drawing lenders in as shareholders together with the government, they reduce the unknowns and help investors better assess and manage risk. This is expected to reduce the cost of funding, which then contributes to a reduced lending rate, making housing loans more affordable. Having been in existence for over 10 years (Egypt’s facility was established in 2006; the most recent facility is the Nigeria Mortgage Refinance Company, established in 2013), the track record of these existing four facilities has varied, and highlights the complexities in making affordable housing finance work.

²⁵ See Yomane’s website: <https://www.yomane.com> (Accessed 12 Oct 2018).

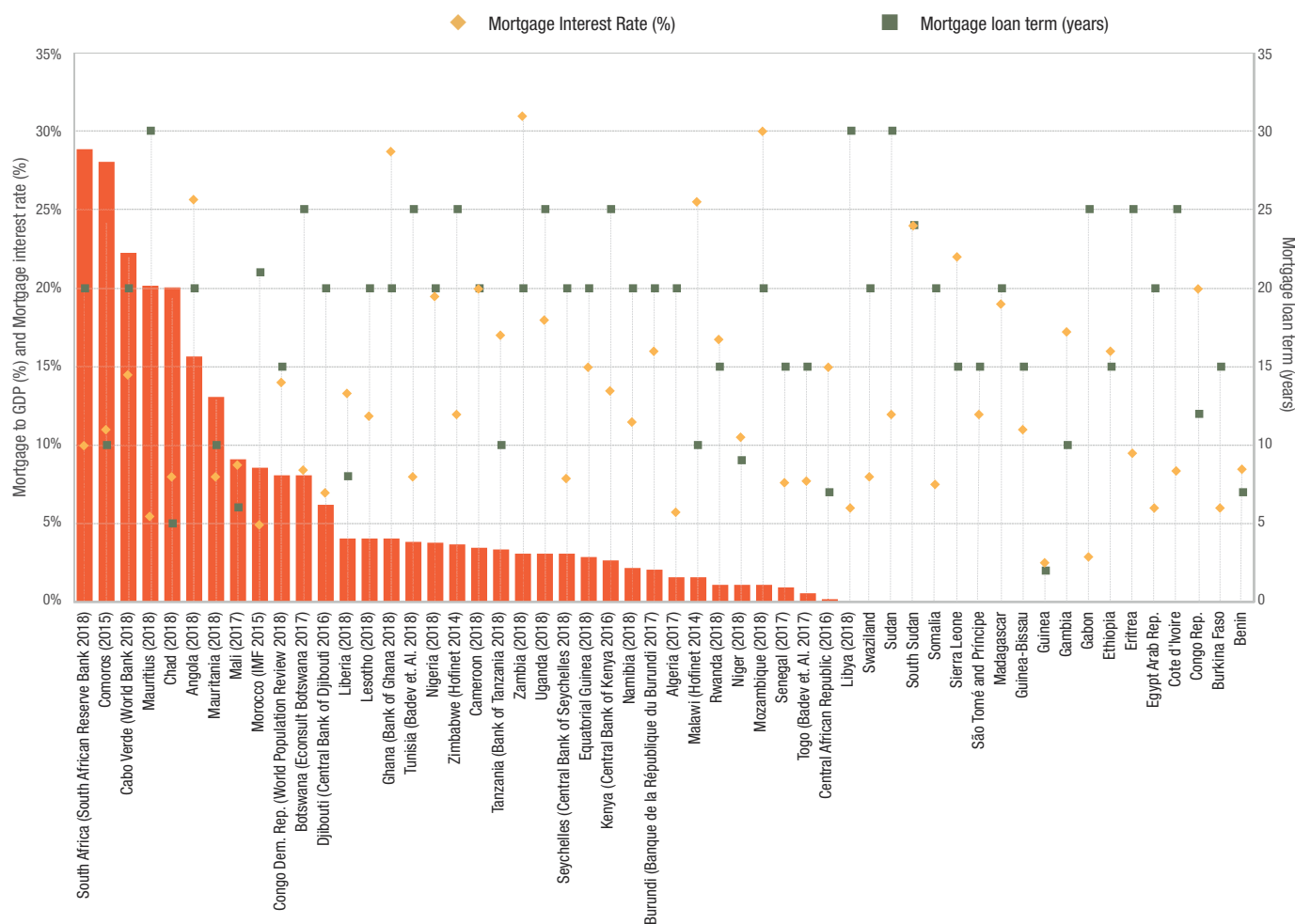
²⁶ CAHF (2018). Yearbook: Zambia profile.

²⁷ See Durabrick’s website: <https://www.durabrick.com> (Accessed 12 Oct 2018).

²⁸ Fuchs, M (2018). Working Paper: Lowering the high interest rate cost of housing finance in Africa. <http://housingfinanceafrica.org/documents/working-paper-lowering-the-high-interest-rate-cost-of-housing-finance-in-africa/> (Accessed 12 Oct 2018).

MORTGAGE TO GDP vs. PREVAILING MORTGAGE INTEREST RATE AND TERM

Source: CAHF Research, October 2018



There are plans underway to launch a Kenya Mortgage Refinance Company (KMRC) in 2019.²⁹ According to the World Bank, a key focus of this facility will be on the savings and credit cooperative (SACCO) lending market. In reviewing the Kenyan housing finance market, the World Bank found that less than ten percent of all housing credit in Kenya comes in the form of mortgages from the banking sector, with the remainder coming from SACCOs and housing cooperatives.³⁰ Kenya's SACCO and housing cooperative sector offers useful insights into how the savings of low and moderate-income households might be aggregated in support of a capital base that can then be leveraged to support housing lending. Already, housing cooperatives such as NACHU have established developer expertise and strong relationships with their members in the delivery of affordable housing. A key challenge, however, will be to strengthen SACCOs themselves so that they can sustainably receive and manage the liquidity that will enable their members to borrow funds for housing.³¹

Of course, mortgage liquidity facilities are not a panacea – and it is clear that they will only serve a minority of the population needing finance for housing. For this, the establishment of the EMRC,³² TMRC,³³ NMRC,³⁴ CRRH³⁵ and now the pending KMRC, might appear to be a rather expensive effort – unless it is leveraged beyond its target to stimulate the entire affordable housing sector;

enabling conversation at the policy and regulatory levels while creating market certainty around which the private sector can then innovate. This does appear to be the case in Tanzania, where the Central Bank has actively engaged in the impact of its activities more broadly on the housing sector, and new attention has been drawn to the need for construction finance to create the supply that would lead to demand for mortgages that the TMRC would then fund. Similarly in Nigeria, the establishment of the NMRC appears to have stimulated a much wider array of interventions that is not limited to the delivery of mortgage loans.

In South Africa, a key constraint to mortgage lending at the bottom end of the market has been household affordability – only an estimated 34 percent of the urban population can afford what is the cheapest newly built house by a private developer (about US\$24 000). This assumes, however, that a household would have equity for a deposit – an unlikely possibility given South Africa's savings rate and the likelihood that entry-market households are first time homebuyers. Lenders are therefore beginning to explore supply in the resale market of government-subsidised housing.³⁶ These are tiny mortgages; sometimes as small as US\$7 000, but they create an entry to the property market for a low income household, and critically, realise the asset value of government-subsidised housing by creating equity for the seller of the house they purchase. In this, the lender is

²⁹ Speech by the Mr Henry Rotich, EGH, Cabinet Secretary for the National Treasury and Ministry of Planning; Stakeholder Engagement on the Formation of the Kenya Mortgage Refinance Company (KMRC). 4 April 2018 at Hotel Intercontinental. <http://www.treasury.go.ke/phocadownload/speeches2018/LSPPEECH%20CS%20TAKEHOLER%20ENGAGEMENT%20ON%20KENYA%20MORTGAGE%20REFINANCE%20COMPANY.pdf> (Accessed 12 Oct 2018).

³⁰ World Bank Group (2017). Kenya Economic Update, April 2018, No. 17: Policy Options to Advance the Big 4. World Bank, Nairobi. <https://openknowledge.worldbank.org/handle/10986/29676> (Accessed 12 Oct 2018).

³¹ Wood, D (2018). The Role of Savings and Credit Cooperatives in Kenya's housing finance sector. <http://housingfinanceafrica.org/app/uploads/case-study-NO-12-formatted.pdf> (Accessed 12 Oct 2018).

³² See the Egyptian Mortgage Refinance Company's website: <http://www.emrc-online.com> (Accessed 12 Oct 2018).

³³ See the Tanzania Mortgage Refinance Company's website: <http://www.tmrc.co.tz> (Accessed 12 Oct 2018).

³⁴ See the Nigeria Mortgage Refinance Company's website: <http://nmrc.com.ng> (Accessed 12 Oct 2018).

³⁵ See the Caisse Régionale de Refinement Hypothécaire's website: <http://crrhuemoa.org> (Accessed 12 Oct 2018).



thinking more broadly about a ladder of connected property transactions where the bottom rungs are what make activity higher up possible, rather than about a more simple collection of disparate transactions. To enable this approach, lenders are having to reconsider the lending criteria and what constitutes mortgageable stock. The market is no longer plain vanilla. Its products therefore demand an equivalent diversity.

The same applies to the diversity of the borrower; and here too, lenders are innovating to expand their reach. Given the nature of labour markets across the continent, many prospective borrowers have informal incomes. While they may have affordability to repay a mortgage, the source of their income, or the frequency of its payment contradicts standard underwriting requirements. To address this, the Nigeria Mortgage Refinance Company has developed uniform mortgage underwriting standards for the informal sector in Nigeria.³⁷ The standards determine that informal sector borrowers are "self-employed professionals, self-employed non-professionals, and Owner/Managers and employees of small and micro enterprises without formal records." Credit worthiness is proven with evidence of consistent, good payment – such as for utility bills and school fees; as well as with letters of reference; and a demonstration of affordability given payment patterns. The participation of co-borrowers is governed by a set of rules and the maximum loan amount is set at N50 million (US\$138 000). The loan requires significant borrower equity: properties valued at above N2 million (US\$5 000) require a 35 percent deposit.

In Sierra Leone, the problem has been somewhat different: it is not just that borrowers are informally employed – but they are still unbanked. Only twenty percent of the Sierra Leone population is banked, and there is only one credit bureau representing about one percent of the population. This makes lending virtually impossible – and yet, there is clearly demand for housing that must somehow be financed. To overcome the gap, blockchain technology is being used to stimulate financial inclusion with the creation of a national ID system.³⁸ The system will provide both a formal identification system, as well as a mechanism for capturing credit histories, which together will make more households targetable for lenders seeking to extend their loan product range into housing.

Each of these innovations is identifying a market niche and then working with the opportunities provided by new technologies, adaptive experience, and entrepreneurial curiosity to develop real products and services that are essentially creating brand new markets. In South Africa, for example, the recognition that government-subsidised housing stock older than 8 years might form part of housing supply, creates the possibility for an estimated 21 860 new mortgage clients in the major metros per annum.³⁹ Already, South Africa's housing construction sector accounts for an estimated 2 percent of GDP (including intermediate inputs). Enabling a resale market that builds a lower rung on the housing ladder will stimulate new build supply one rung up, adding further to the impact on GDP. As market participants innovate, they create new markets, and stimulate more opportunity. The logic applies more generally as well: if US\$20 000 units were available for sale across Africa, this would create the potential of 7.3 million more clients than if the entry level housing unit were US\$30 000. And if the Suraya bedsitter unit being delivered for approximately US\$11 500 in Kenya were

available across Africa, this could create 15 million more clients who couldn't afford a US\$20 000 unit. This would still leave another 26.7 million potential borrowers who could afford more than US\$5 000 but not quite US\$11 500 – a potential market for housing microfinance, or incremental construction. And so on. The opportunity in niche market targeting is the creation of new markets.

Policy and political will

Governments are increasingly becoming aware of this opportunity. The impact of housing on the economy – on macroeconomic growth and job creation, as well as on the potential for financial intermediation and the ongoing sustainability of cities – is as significant as the very clear need to address the poor housing and slum conditions that persist for the majority of urban residents.

In Kenya, housing has become part of the current President's "Big Four" plan for his term of office. President Kenyatta has committed to increasing housing supply, with a promise of 500 000 affordable housing units by 2022. To achieve this, government departments are actively engaging in policy and fiscal reform in support of more effective and affordable housing delivery. Their efforts are mirrored in the private sector, where the Kenya Property Developers Association has set up an Affordable Housing Task Force to compile its members' advocacy positions for government.⁴⁰ These efforts will no doubt streamline Kenya's housing delivery value chain and improve the prospects for affordable housing delivery. At the same time, they provide hope that spreads beyond Kenya's borders: that affordable housing is a possibility – a viable investment opportunity. Similar attention is being given to housing by governments in South Africa, Tanzania, Ethiopia, Nigeria, Côte d'Ivoire – indeed, in very many governments, housing is becoming a subject of attention not just by the housing department, but by the Central Bank.

The World Bank Group's Doing Business Indicators offer a useful proxy for policy attention in the housing space, in their annual review of registering property. While not explicitly about residential property (the indicator considers the transfer of a small warehouse), comparing national scores between 2012 and 2018 show welcome progress in a number of countries. Rwanda, Morocco, Burundi, Côte d'Ivoire, Lesotho, Guinea-Bissau, Senegal, Sierra Leone, and to a lesser extent Kenya, Guinea, Egypt and Togo, all show an improvement in the number of days it takes to register a commercial property in 2018 vs. the number of days it took in 2012. Costs have come down in Rwanda, Mauritius, Comoros, Côte d'Ivoire, Niger, Chad, Guinea, Guinea-Bissau, Congo Republic, Senegal, Nigeria (Lagos), Benin, and Togo. However, in Somalia, Gabon, Namibia, South Sudan and Botswana, the registration of property has become more expensive or more time-consuming.

Another interesting indicator for an enabling environment is the cost of a standard 50kg bag of cement. Where cement is imported, high cement costs reflect high foreign exchange rates, or poor macroeconomic fundamentals. The high cost of a bag of cement might also highlight a poor roads infrastructure, a potential warning sign for the prospects of affordable housing. Wide fluctuations in price, such as in South Sudan, Burundi, Eritrea, might reflect policy uncertainty or instability.

³⁶ South Africa has a national housing subsidy scheme that is targeted at households earning less than R3 500 (US\$242) per month. To date, it is estimated that upwards of 2.95 million such houses have been built. Qualifying beneficiaries receive freehold title to a basic, entry-level subsidised house for free. In terms of the Housing Act, subsidised houses cannot be sold on the open market for the first eight years following transfer. With 1.9 million subsidised houses having been formally transferred to qualifying beneficiaries since the programme started in 1994 (the remainder form part of what is known as the "tilting backlog"), a sizeable proportion of this stock is now available for trade in the resale market.

³⁷ NMRC (2018). Uniform Mortgage Underwriting Standards for the Informal Sector. Published January 2018. http://nmrc.com.ng/wp-content/uploads/2018/03/uniform_underwriting_standards_for_the_informal_sector_0318_1.pdf (Accessed 13 Oct 2018).

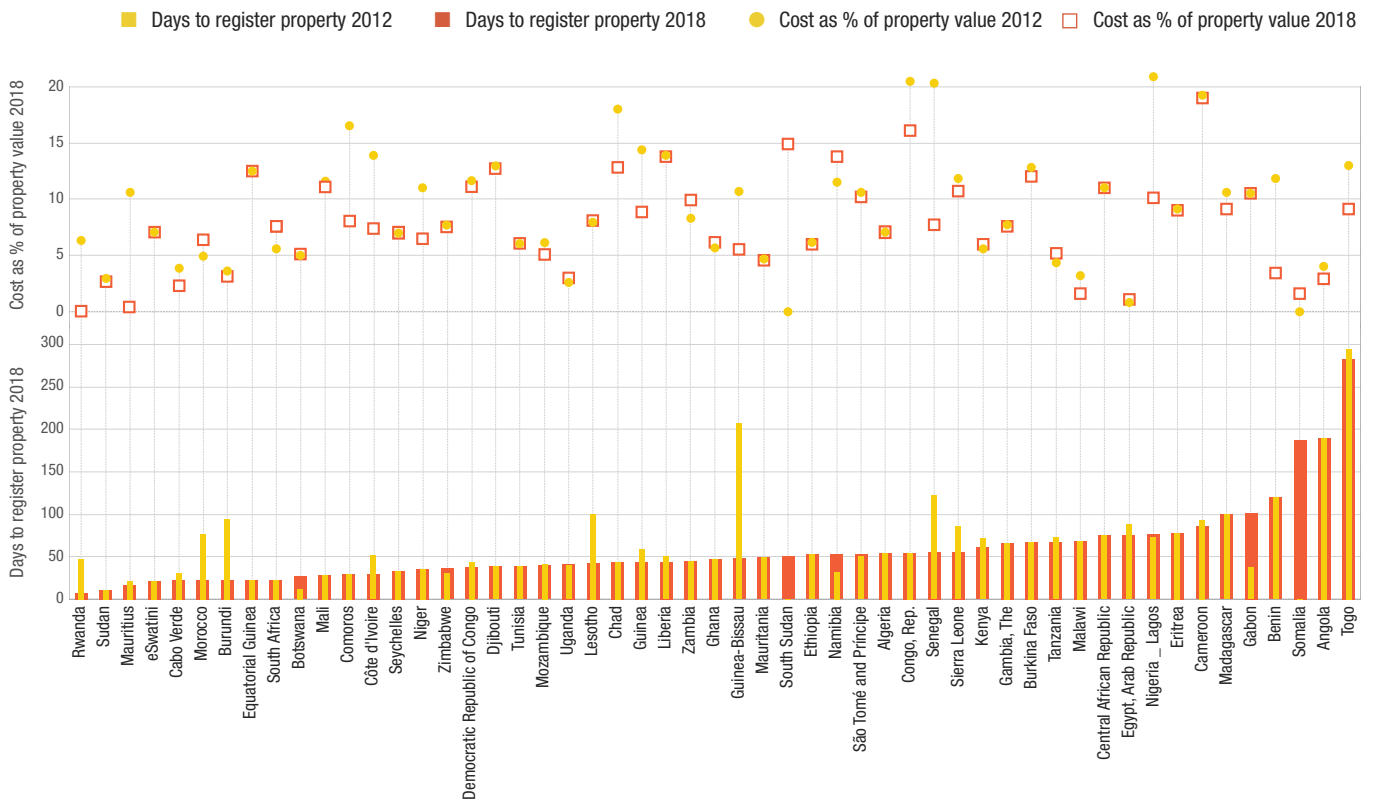
³⁸ Jones, M (2018). UN & Kiva launch blockchain-based ID system for citizen loans in Sierra Leone. The Block. Blockchain Technology News. 28 Sept 2018. <https://www.blockchaintechnology-news.com/2018/09/28/un-kiva-launch-blockchain-based-id-system-for-citizen-loans-in-sierra-leone/> (Accessed 10 Oct 2018).

³⁹ This assumes a churn of 2.58 percent per annum: the SA deeds registry includes an estimated 1.9 million government-subsidised houses. Of these, 951 850 are in the major metros, and of these, 847 292 are older than eight years, making them eligible for trade on the resale market. The average churn rate for the entire residential property market in SA is 2.58 percent. Applying this to eligible government-subsidised stock in the major metros suggests the potential for 21 860 new mortgage loans (and in all likelihood, customers) per annum. (Data sourced from Lightstone at end December 2017).

⁴⁰ CAHF (2018). Yearbook: Kenya profile.

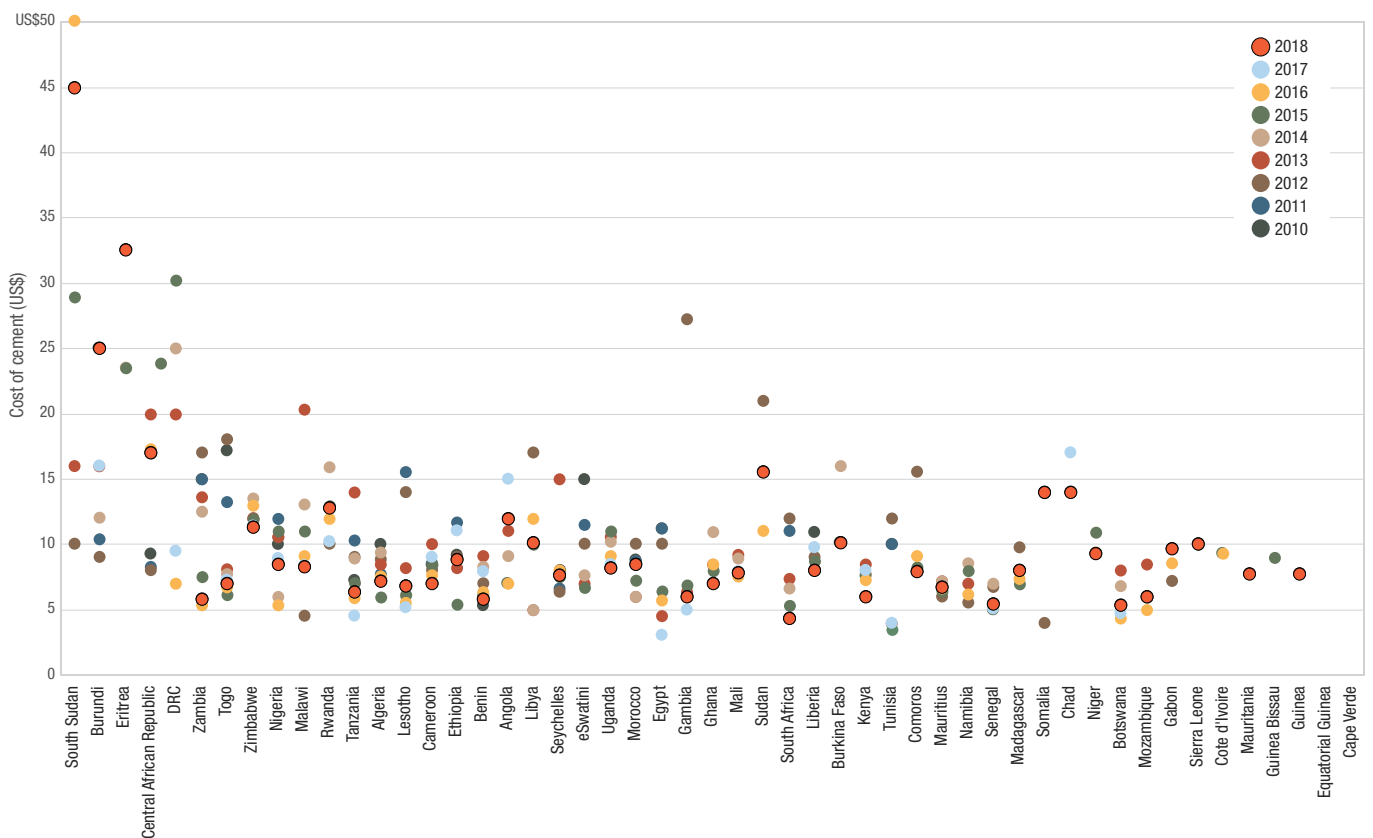
NUMBER OF DAYS, AND COST OF REGISTERING A COMMERCIAL PROPERTY: 2012 vs 2018

Source: World Bank Doing Business Indicators <http://www.doingbusiness.org/>



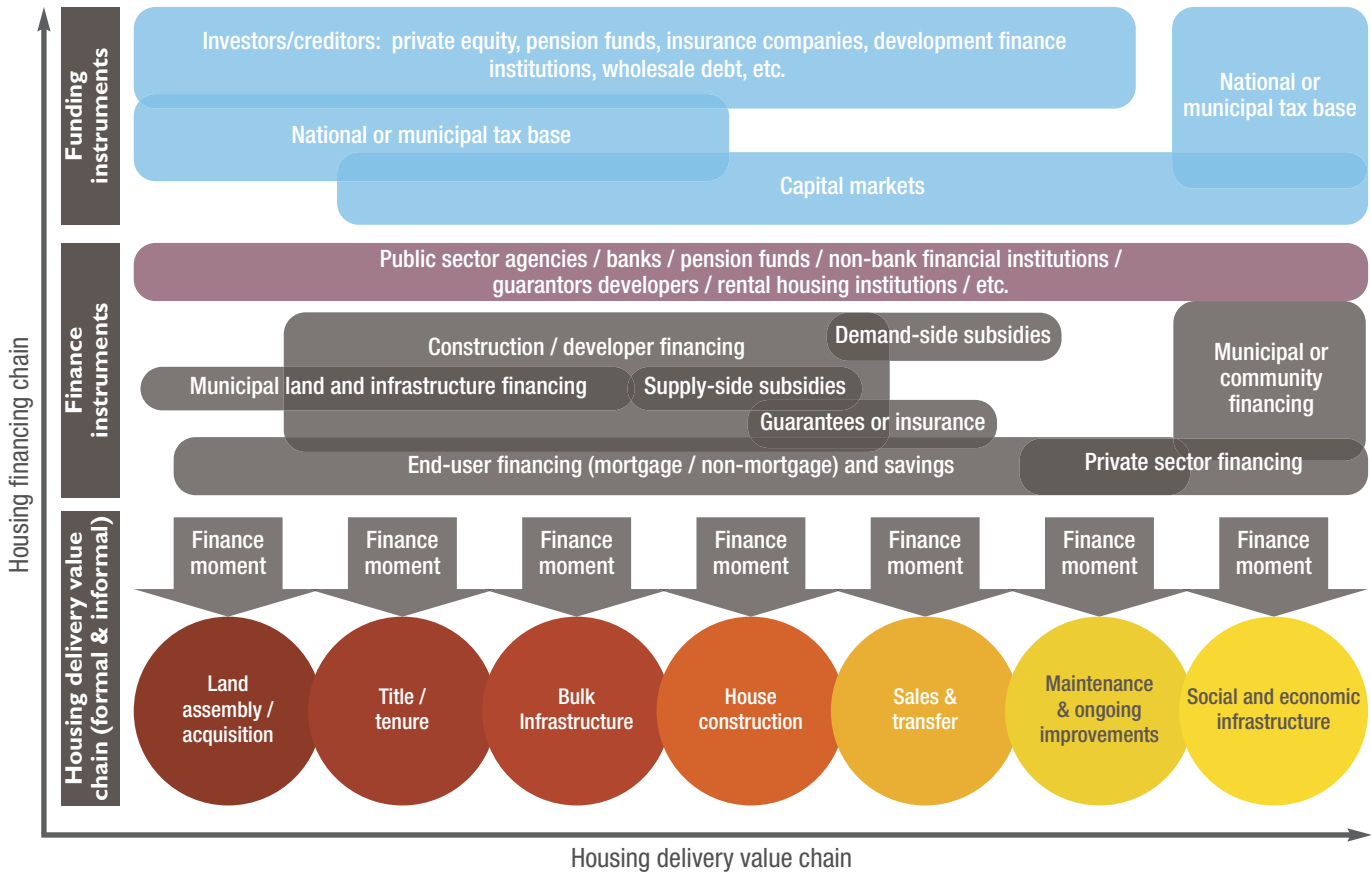
PRICE OF A 50KG BAG OF CEMENT, 2010 – 2018 (US\$)

Source: CAHF Research 2010-2018



Investor responsiveness

Still, there is progress. Investors have been watching the emerging innovation, noting this moment of political and policy will, and responding with efforts of their own to maximise the opportunities as they emerge. The housing value chain intersects with the housing financing chain on the basis of market certainty – as innovation appears in each link along the chain, investors look for ways to leverage that success in terms of their own strategies up the financing chain. Policy-makers can direct investor attention to specific niches by creating certainty in the policy and economic context, and by taking steps to highlight and publicise those opportunities.



*Note: Different market segments will engage in different housing processes involving different value chains and different finance moments – this diagram is purely illustrative.

CAHF has found that in the past ten years, the top twenty investments committed into housing in the SADC region was more than US\$8 819 million. Development Finance Institutions (DFIs) play an important role in facilitating these investments into the markets: the largest investor by far has been the African Development Bank, with a 14 percent share of the total invested.⁴¹ Beyond that, however, the diversity of investors is interesting. Government employee pension funds have been increasing their participation, and while international investors (notably the Chinese, but also European) are prevalent, there has also been a growing number of private sector local investors, suggesting a domestic appetite for housing investments.

Investments in the SADC region are primarily equity (47.55 percent) and debt (50.14 percent). The top equity investment focus (36 percent of all equity investments in housing in the SADC region) is housing construction, followed by housing microlending (30 percent), housing finance (23 percent) and support for the financial sector (11 percent). The majority of debt allocations are for housing microlending (35 percent), followed by support for the financial sector (20 percent), housing construction (16 percent), housing finance (15 percent), infrastructure (12 percent), and slum upgrading (2 percent). The primary focus of technical assistance allocations is on slum upgrading (49 percent).

It is all still rather opaque, however. CAHF has worked hard to extract housing investment data from the portfolios of investors – banks, microfinance institutions, pension funds, private equity investors, DFIs, governments, and so on – and for the SADC region has identified 327 separate investments. We are also currently working on a similar tracker for North and West Africa, and for East and Central Africa. The data is drawn from annual reports, websites, interviews, and news reports; there is no single source. This has the effect of each investment being a singular event. Without the benefit of trends analysis, investors' ability to understand and quantify risk is therefore undermined, and return expectations get amplified to accommodate the uncertainty.

Perhaps the most critical intervention that governments, as well as DFIs, can make in support of greater investment in affordable housing, therefore, is in data. Governments can use their regulatory function to require focused reporting on loan origination, performance and impact; on investment targets, use of funds and investment performance; on market performance of housing once delivered, and so on. In Kenya and Tanzania, the Central Bank regularly reports on mortgage market development.⁴² This should be a standard practice of all Central Banks and a key part of their regulatory function. Capital markets authorities should

⁴¹ Wood, D (2018). The Housing Investment Landscape in the Southern African Development Community. www.housingfinanceafrica.org (forthcoming).

⁴² The Central Bank of Kenya conducts an annual Residential Mortgage Market Survey and reports on this in its annual bank supervision report. See https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/873911276_2017%20Annual%20Report.pdf. The Bank of Tanzania produces quarterly mortgage market updates in cooperation with the Tanzania Mortgage Refinance Company. See <https://www.bot.go.tz/Adverts/Tanzania%20Mortgage%20Market%20Update%202030%20June%2018%20-Revised%20Draft.pdf> (Both accessed 14 Oct 2018).

similarly report on the progress of investments in residential real estate, segmenting by target market, to assist investors in making their decisions. DFIs and other impact investors who seek to promote the development of the affordable housing sector should explicitly track the progress of their investments, and use their investments to insist on transparency so that the key fundamentals are well-known and understood in the investment community. Supply-side tracking is also important: the nature and progress of incremental housing construction, the size and structure of the rental market, the structure and performance of public private partnerships, and so on. This will be a primary effort of CAHF as we move forward into the next phase of our work.

In summary, innovation along the housing value chain is clearly evident, expressed in local niche markets and across the continent. We can leverage this experience and replicate it in other contexts if we track it, creating baseline information that highlights new opportunities for the investor interest that is clearly there. This is a job for the entire housing sector.

TABLE 1: TOP 20 INVESTORS IN HOUSING AND HOUSING FINANCE IN THE SADC REGION, BY US\$ MILLIONS INVESTED

	Name	Investor category	Approx investments (2008-2017) US\$ millions	Typical instrument
1	African Development Bank	DFI	1 280.33	Debt
2	Government Employees Pension Fund, South Africa	Pension Fund	792.00	Debt
3	European Investment Bank (EIB)	DFI	791.08	Debt
4	Overseas Private Investment Corporation (OPIC)	DFI	759.40	Debt
5	International Finance Corporation (IFC)	DFI	653.31	Debt & Equity
6	Rabobank	Bank	631.90	Equity
7	CITIC Limited	Private Company	607.00	Equity
8	Henan Guoju	Private Company	456.00	Equity
9	Sinomach	Private Company	420.00	Debt
10	Capricorn Investment Holdings	Publicly Listed Company	400.07	Equity
11	Zambian Government	Government	364.73	Equity
12	China EXIM Bank	Bank	328.00	Debt
13	Government Institutions Pension Fund, Namibia	Pension Fund	255.57	Equity
14	World Bank/ International Development Association (IDA)	DFI	195.15	Debt
15	National Housing Finance Corporation (NHFC), South Africa	Government	181.48	Equity
16	Industrial and Commercial Bank of China Limited (ICBC)	Bank	157.00	Debt
17	National Pension Scheme Authority, NAPSA Zambia	Pension Fund	154.83	Equity
18	Helios Credit Partners	Private Equity	140.00	Debt & Equity
19	Commonwealth Development Corporation (CDC)	DFI	131.89	Debt & Equity
20	Sun Share Investments PPP w Government	Private Company	120.00	Equity
Total			8 819.74	

Source: CAHF Research

Understanding Housing Affordability

Housing affordability is a function of three things: household income, the price of the house and the terms of the finance.

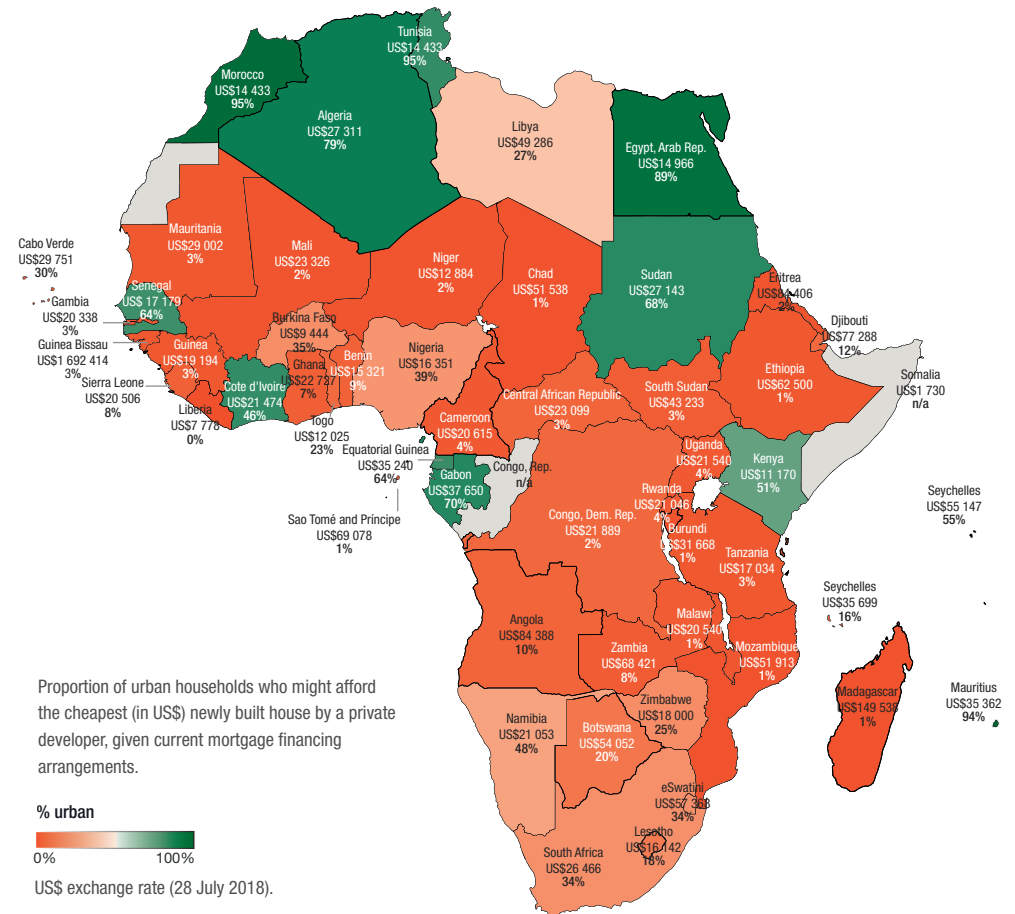
Across Africa, the confluence of low urban household incomes, high mortgage interest rates, and short tenors results in very low housing affordability. There are very few countries where the cheapest newly built house by a formal developer serves the majority of the urban population.

In Kenya, a 16m² bedsitter unit delivered by Suraya Properties is offered for sale at approximately US\$11 500. If this property were available across the continent, financeable by local mortgages, what percentage of the urban population might afford to enter the property market?

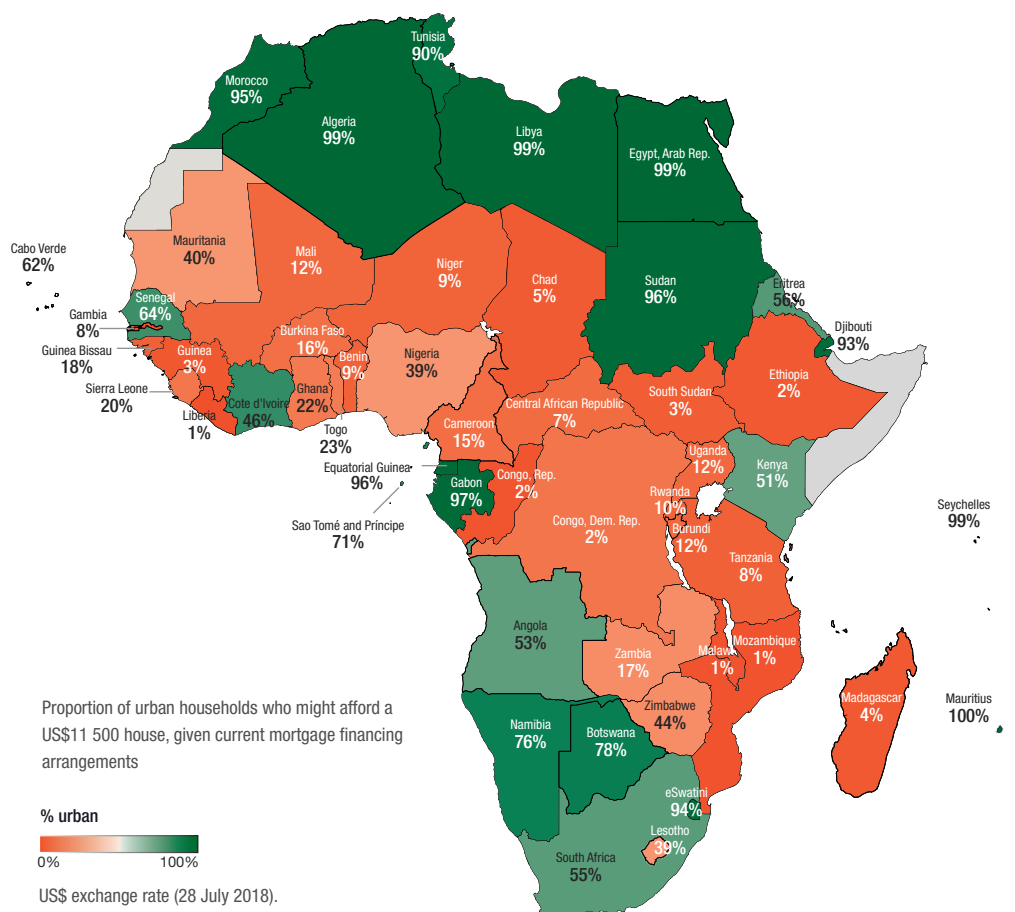
Clearly the challenge is not just about smaller, cheaper units. It is also about improved macro-economic conditions that reduce the cost (and increase the availability) of mortgage finance, and enable a wider population to access affordable housing. And, while finance subsidies might address affordability in the short term, however, these are unlikely to be sustainable. The affordable housing challenge is also about creating the economic, policy and regulatory conditions for the supply of non-mortgage housing finance that support incremental housing processes: in very many places, this is all that households will be able to afford.

The national household income distributions illustrated in the following pages use data from the Canback Global Income Distribution Database, 2017 consumption data for household in PPP\$.

PERCENT URBAN HOUSEHOLDS WHO CAN AFFORD CHEAPEST NEWLY BUILT HOUSE (2018)



PERCENT URBAN HOUSEHOLDS WHO CAN AFFORD A US\$11 500 HOUSE (2018)



An explanation of the approach used to compare housing affordability in different African countries

The task of comparing housing affordability across different African countries is made more difficult because the cost of houses, and the incomes used to pay for them, are usually denominated in the local currency of the countries included in the analysis. For this reason, previous editions of this Yearbook converted relevant elements of the affordability calculations into a single, internationally-accepted currency – the United States dollar – using prevailing market exchange rates. However, some countries have fixed or pegged official exchange rate systems that operate in conjunction with parallel or “black market” rates that often provide a more accurate reflection of economic fundamentals. For example, at the start of 2018, Angola had an official exchange rate of approximately Kz165/US\$ and a parallel market rate of more than Kz400/US\$. Those importers able to import at the official rate had a substantial advantage over those that had to use the parallel market.

In addition, exchange rate movements are seldom consistent with inflation differentials, and market exchange rates tend to be far more volatile over time than both house prices and incomes expressed in local currency terms. This is especially true of countries – of which there are a number of examples in Africa – with comparatively narrow export bases whose currencies are unduly affected by the prevailing prices of their primary export commodities on international markets. Nigeria is a good example of this. Between May 2016 and May 2017, the Naira weakened against the US dollar by more than 58 percent, but over the same period inflation in Nigeria was more than 16 percent while in the United States it was less than 2 percent. To reflect relative purchasing power, the Naira should only have weakened against the US dollar by approximately 14 percent. If house prices in Nigeria moved in tandem with consumer prices over this period, they would have increased by 16.3 percent in local currency, but in US dollar terms they would have dropped by 27 percent. In the subsequent twelve months (May 2017 to May 2018), the Naira weakened by a further 14 percent against the US dollar while the inflation differential between the two countries dropped to just under 9 percent. In local currency terms, house prices would have increased by 11.6 percent if they matched CPI inflation, but in US dollar terms they would have dropped by a further 2 percent.

Because of the distortions that the use of prevailing market exchange rates can give rise to, it was decided to convert the affordability calculations in this Yearbook into **international purchasing power parity (PPP) dollars**. A PPP dollar is a notional currency that reflects the rate at which the currency of one country would have to be converted into that of another country to buy the same amount of goods and services in each country. Consistent use of PPP dollars over time will not only significantly reduce the volatility that was inherent in the previous US\$-based calculations, but will also provide a more accurate reflection of the relative affordability of housing in each of the African countries included in the analysis – both in a particular year, and over time. Comparing the relative affordability of housing across different African countries will also be more accurate and meaningful.

The housing affordability calculations in this Yearbook make use of the average costs of an affordable housing unit in each country, prevailing minimum downpayment requirements and mortgage rates, typical mortgage terms and the distribution of household incomes in both urban and rural areas. The house costs, downpayment and household incomes are all valued in PPP dollars using exchange rates calculated by the World Bank.

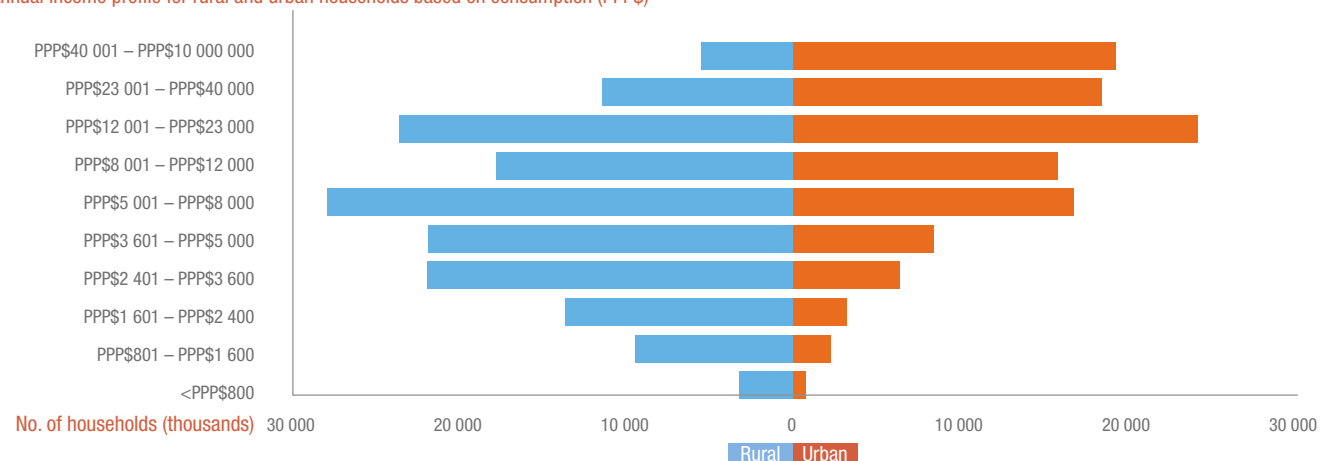
A further refinement in this Yearbook is that the estimates of household income are based on declared household *expenditure* (or consumption), rather than declared incomes. Household expenditure data takes account of informal income and is generally regarded as a more accurate measure because survey respondents are less inclined to undercount their expenditure than they are their incomes. Note that affordability calculations based on household consumption *may not* translate into mortgage access. Lenders still need to learn how to underwrite for informal incomes and are more likely to determine mortgage affordability on the basis of formal wage income.

CAHF uses the Canback Global Income Distribution Database (CGIDD) to calculate the affordability graphs in this Yearbook. For more information, or to download the data directly, visit www.cgidd.com

Keith Lockwood

AFRICA

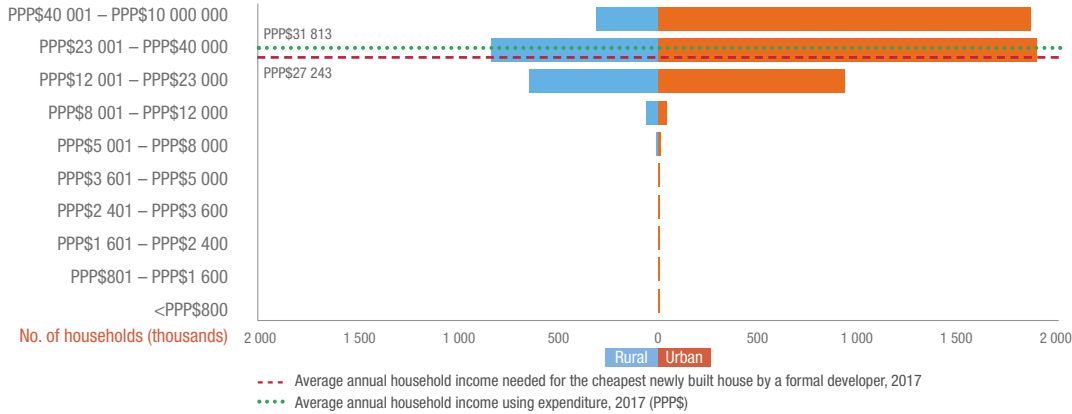
Annual income profile for rural and urban households based on consumption (PPP\$)



The cost of the cheapest newly built house by a private developer is reflected here in PPP\$, to enable cross-country comparisons. Local currency costs are reflected in the country profiles.

ALGERIA

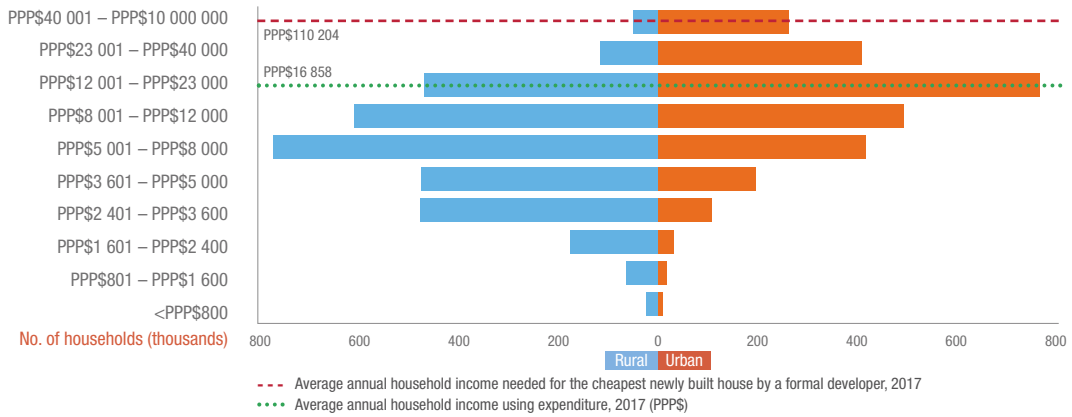
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	42 091 478
Urbanisation rate:	2.26%
Cost of cheapest newly built house:	3 031 490 DZD PPP\$101 050
Urban households that could afford this house with finance:	79.15%
1 PPP\$:	30 Algerian dinar

ANGOLA

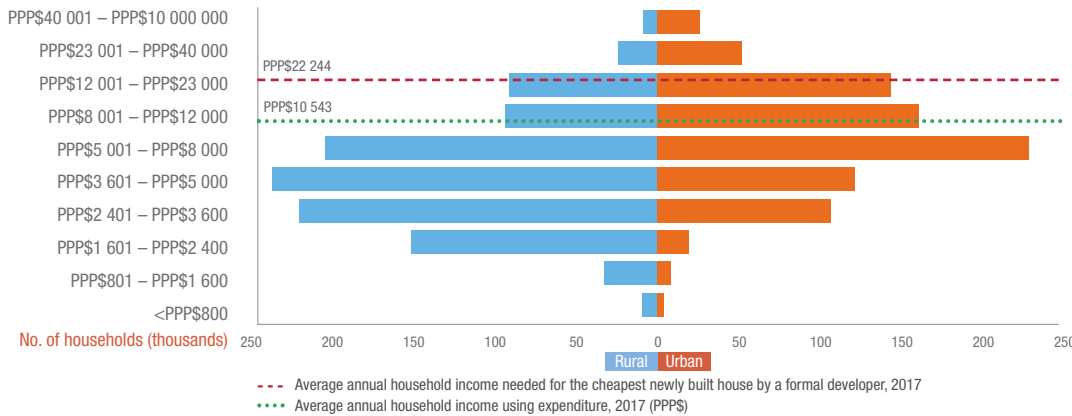
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	29 784 193
Urbanisation rate:	4.99%
Cost of cheapest newly built house:	14 000 000 AOA PPP\$129 271
Urban households that could afford this house with finance:	9.66%
1 PPP\$:	108.3 Kwanza

BENIN

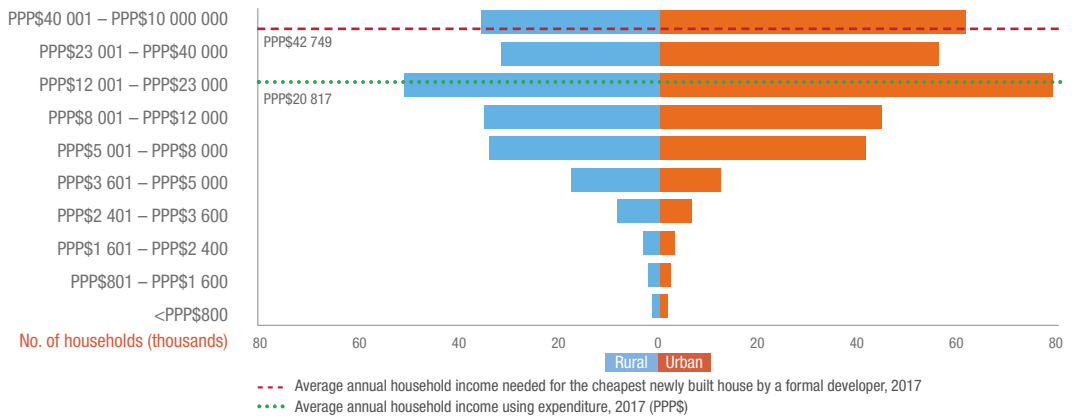
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	11 175 692
Urbanisation rate:	3.77%
Cost of cheapest newly built house:	8 900 000 CFA PPP\$41 843
Urban households that could afford this house with finance:	8.97%
1 PPP\$:	212.7 CFA franc

BOTSWANA

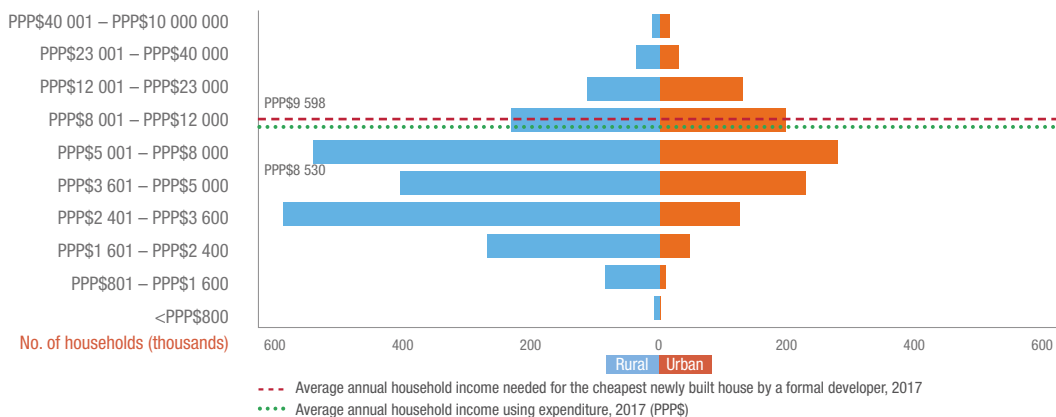
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	2 024 787
Urbanisation rate:	2.30%
Cost of cheapest newly built house:	556 740 BWP PPP\$123 720
Urban households that could afford this house with finance:	19.97%
1 PPP\$:	4.5 Pula

BURKINA FASO

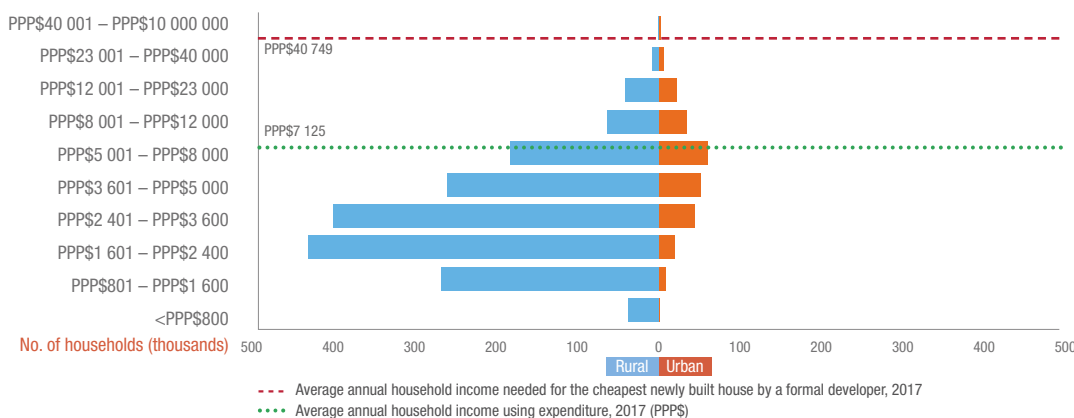
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	19 193 382
Urbanisation rate:	5.54%
Cost of cheapest newly built house:	5 500 000 XOF PPP\$26 328
Urban households that could afford this house with finance:	34.93%
1 PPP\$:	208.9 CFA franc

BURUNDI

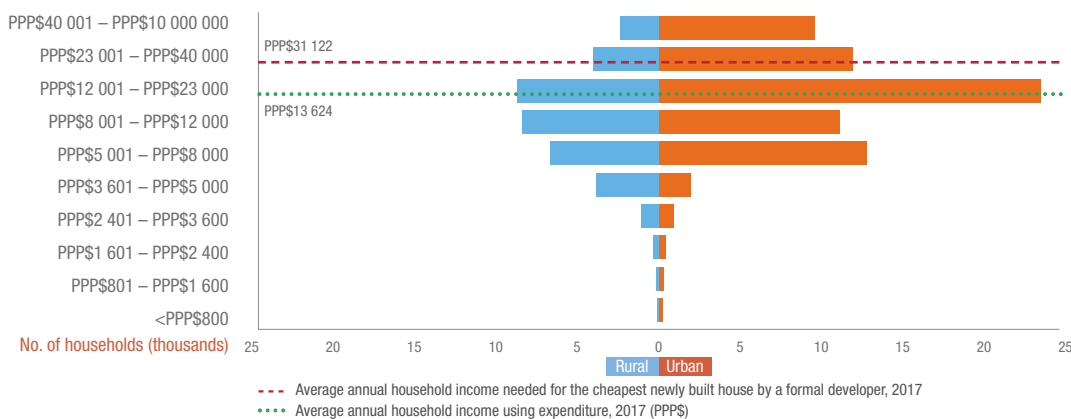
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	10 864 245
Urbanisation rate:	5.64%
Cost of cheapest newly built house:	54 757 890 BIF PPP\$76 275
Urban households that could afford this house with finance:	0.73%
1 PPP\$:	717.9 Burundi franc

CABOVERDE

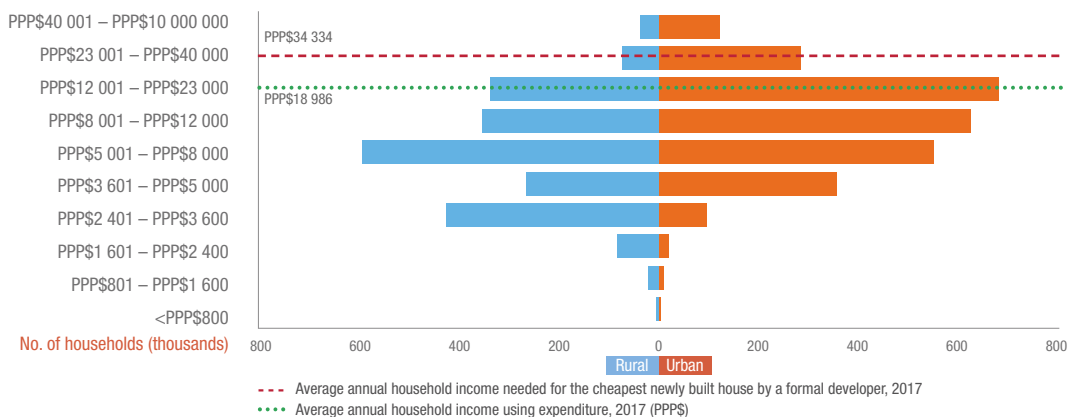
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	560 899
Urbanisation rate:	1.97%
Cost of cheapest newly built house:	2 912 634 CVE PPP\$63 318
Urban households that could afford this house with finance:	29.70%
1 PPP\$:	46 Cape Verdean Escudo

CAMEROON

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	24 994 885
Urbanisation rate:	3.63%
Cost of cheapest newly built house:	12 000 000 XAF PPP\$52 632
Urban households that could afford this house with finance:	4.42%
1 PPP\$:	228 CFA franc

CENTRAL AFRICAN REPUBLIC

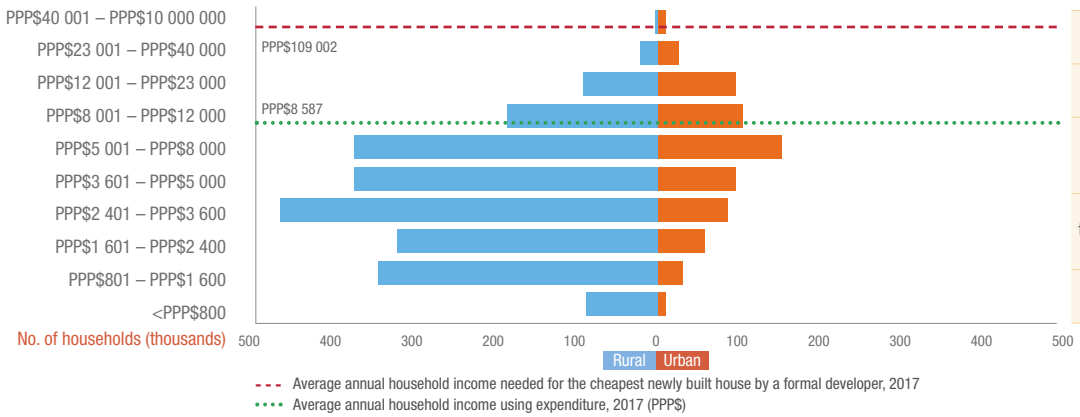
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	5 625 118
Urbanisation rate:	2.73%
Cost of cheapest newly built house:	13 445 760 XAF PPP\$40 077
Urban households that could afford this house with finance:	3.27%
1 PPP\$:	335.5 CFA franc

CHAD

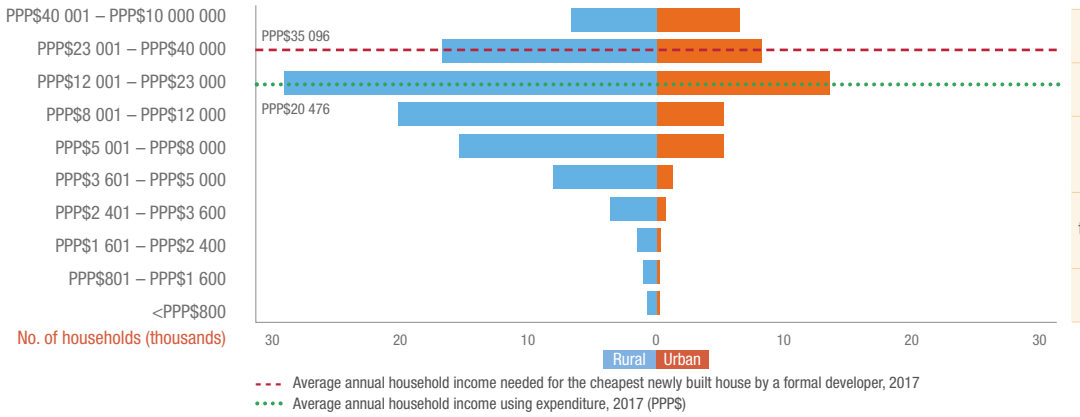
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	14 649 076
Urbanisation rate:	3.77%
Cost of cheapest newly built house:	30 000 000 XAF PPP\$149 328
Urban households that could afford this house with finance:	1.44%
1 PPP\$:	200.9 CFA franc

COMOROS

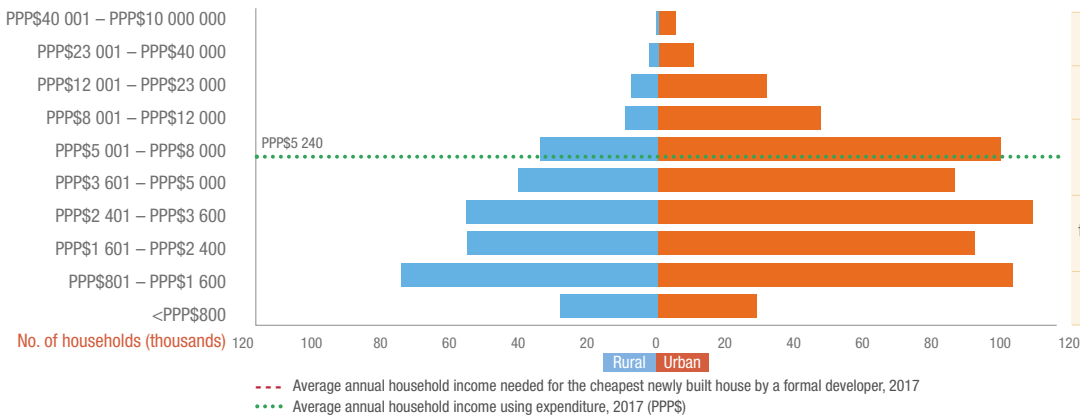
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	813 912
Urbanisation rate:	2.73%
Cost of cheapest newly built house:	15 000 000 KMF PPP\$66 348
Urban households that could afford this house with finance:	15.61%
1 PPP\$:	226 Comorian franc

CONGO REPUBLIC

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	5 396 963
Urbanisation rate:	3.02%
Cost of cheapest newly built house:	n/a
Urban households that could afford this house with finance:	n/a
1 PPP\$:	578 Central African francs

COTE D'IVOIRE

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	24 294 750
Urbanisation rate:	3.72%
Cost of cheapest newly built house:	12 500 000 CFA PPP\$52 062
Urban households that could afford this house with finance:	19.45%
1 PPP\$:	244.8 CFA franc

DEMOCRATIC REPUBLIC OF CONGO

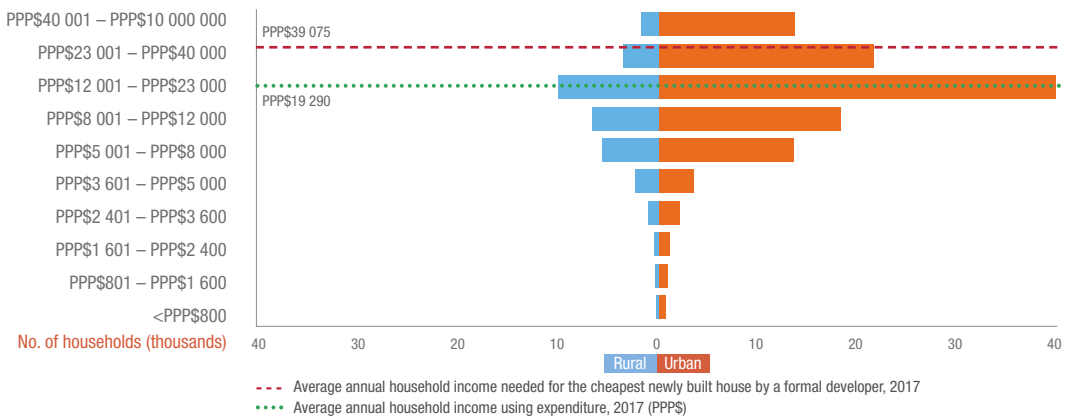
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	84 260 069
Urbanisation rate:	5.10%
Cost of cheapest newly built house:	32 400 000 CDF PPP\$42 414
Urban households that could afford this house with finance:	2.45%
1 PPP\$:	180.1 Congolese franc

DJIBOUTI

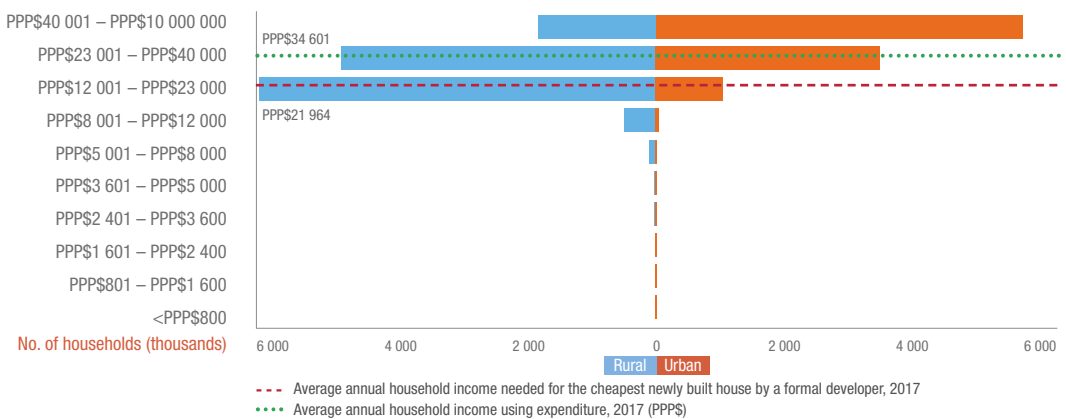
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	865 267
Urbanisation rate:	1.67%
Cost of cheapest newly built house:	13 734 000 DJF PPP\$140 000
Urban households that could afford this house with finance:	11.91%
1 PPP\$:	98.1 Djiboutian franc

EGYPT, ARAB REP.

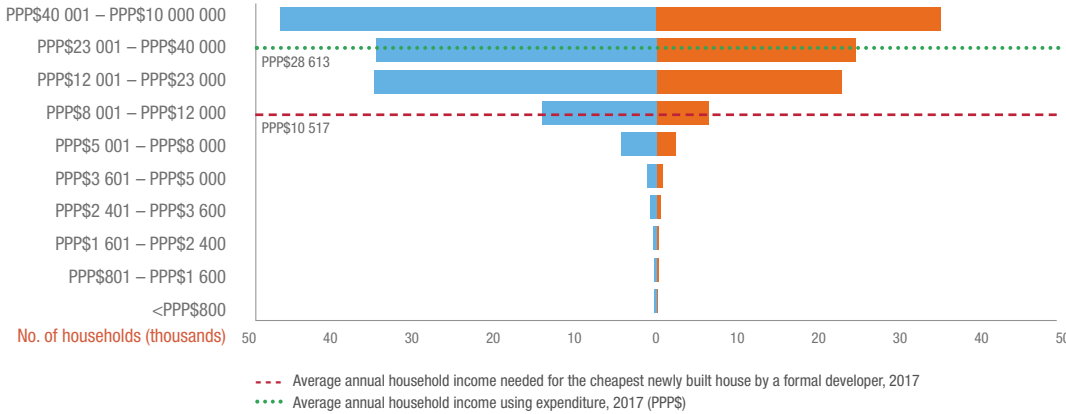
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	97 200 000
Urbanisation rate:	4.31%
Cost of cheapest newly built house:	220 000 EGP PPP\$70 968
Urban households that could afford this house with finance:	89.09%
1 PPP\$:	3.1 Egyptian pound

EQUATORIAL GUINEA

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	1 300 000
Urbanisation rate:	4.28%
Cost of cheapest newly built house:	20 513 058 XAF PPP\$88 801
Urban households that could afford this house with finance:	64.15%
1 PPP\$:	231 CFA franc

ERITREA

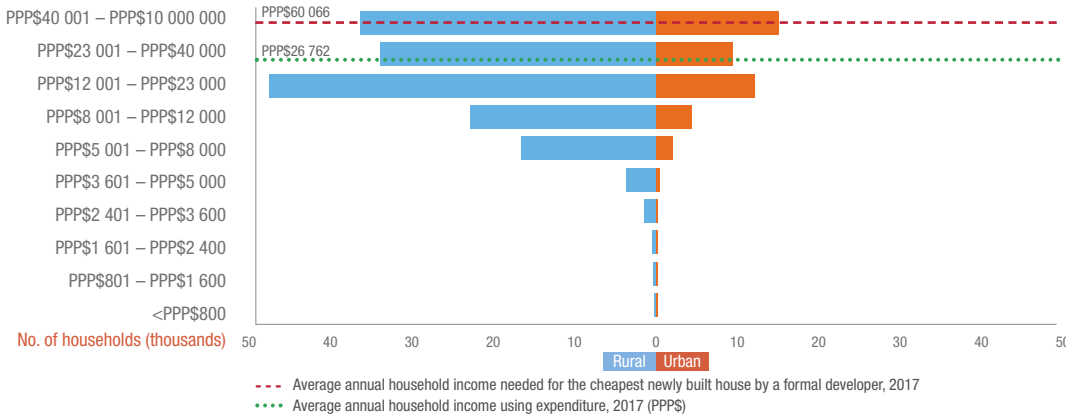
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	5 918 919
Urbanisation rate:	3.90%
Cost of cheapest newly built house:	1 265 248 ERN PPP\$213 364
Urban households that could afford this house with finance:	1.85%
1 PPP\$:	5.9 Nakfa

ESWATINI

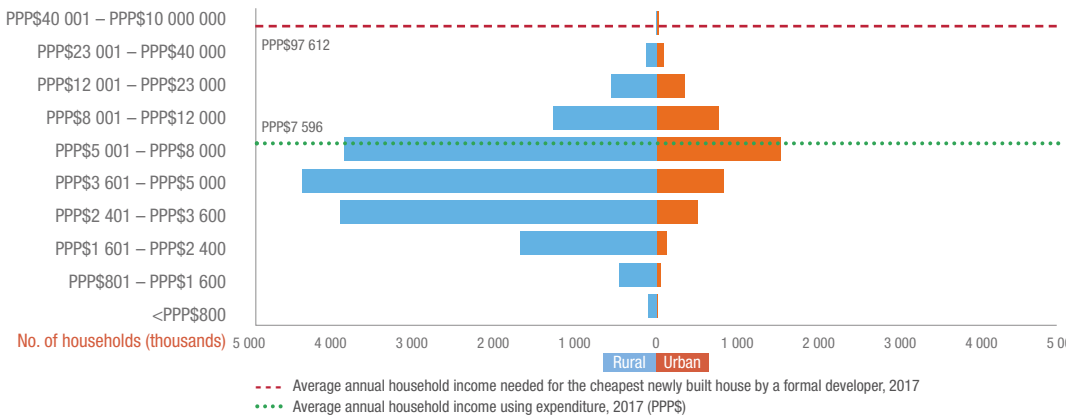
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	1 367 254
Urbanisation rate:	1.89%
Cost of cheapest newly built house:	763 000 SZL PPP\$149 608
Urban households that could afford this house with finance:	34.43%
1 PPP\$:	5.1 Lilangeni

ETHIOPIA

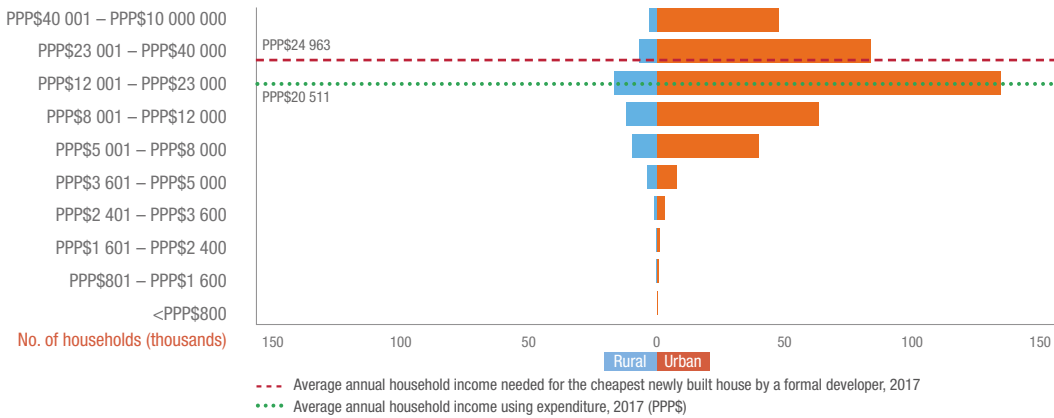
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	105 350 020
Urbanisation rate:	4.64%
Cost of cheapest newly built house:	1 400 000 ETB PPP\$153 846
Urban households that could afford this house with finance:	0.55%
1 PPP\$:	9.1 Ethiopian birr

GABON

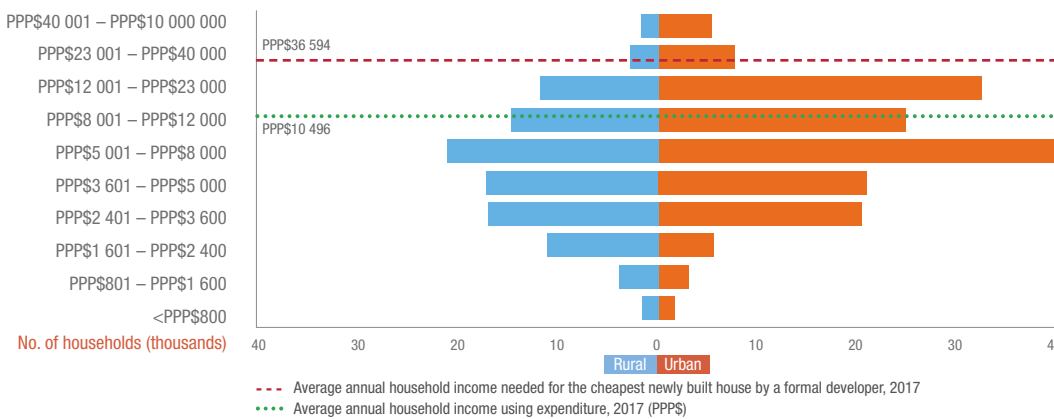
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	2 025 137
Urbanisation rate:	2.48%
Cost of cheapest newly built house:	21 916 150 CFA PPP\$94 793
Urban households that could afford this house with finance:	34.37%
1 PPP\$:	231.2 CFA franc

GAMBIA, THE

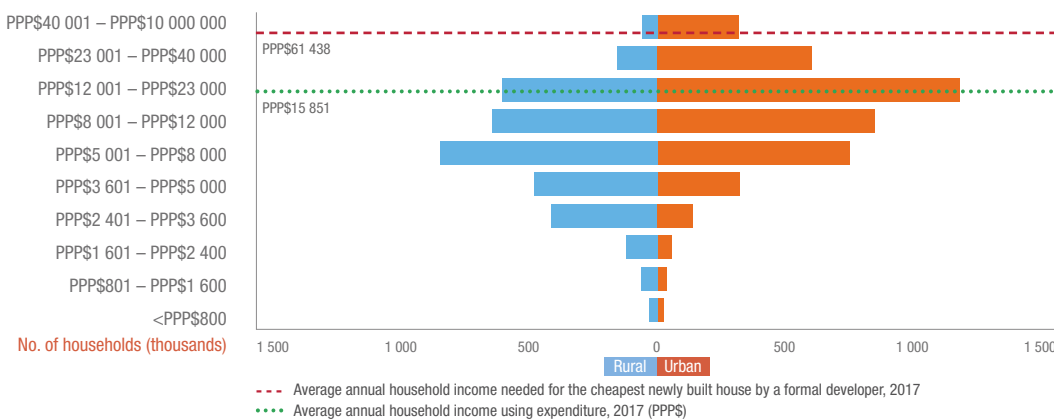
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	2 100 568
Urbanisation rate:	3.93%
Cost of cheapest newly built house:	947 743 GMD PPP\$72 347
Urban households that could afford this house with finance:	3.27%
1 PPP\$:	13.1 Dalasi

GHANA

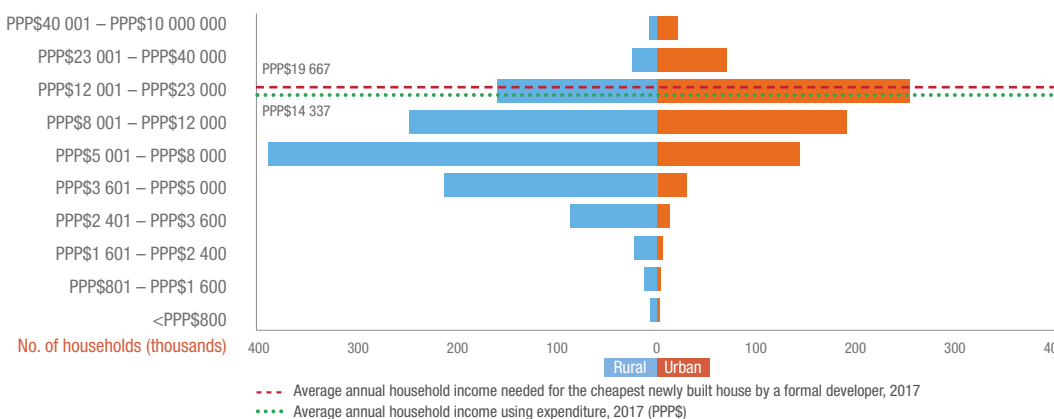
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	29 400 000
Urbanisation rate:	3.41%
Cost of cheapest newly built house:	100 000 GHS PPP\$66 667
Urban households that could afford this house with finance:	7.37%
1 PPP\$:	1.5 Ghanaian cedi

GUINEA

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	13 050 000
Urbanisation rate:	3.64%
Cost of cheapest newly built house:	180 000 000 GNF PPP\$53 159
Urban households that could afford this house with finance:	12.33%
1 PPP\$:	3 386.1 Guinean franc

GUINEA-BISSAU

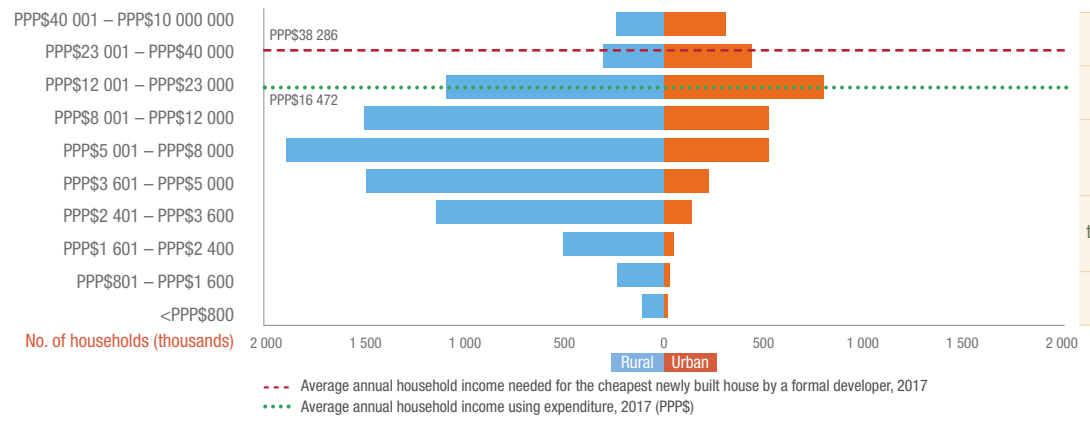
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	1 913 442
Urbanisation rate:	3.41%
Cost of cheapest newly built house:	985 153 921 XOF PPP\$3 975 601
Urban households that could afford this house with finance:	3.11%
1 PPP\$:	247.8 CFA franc

KENYA

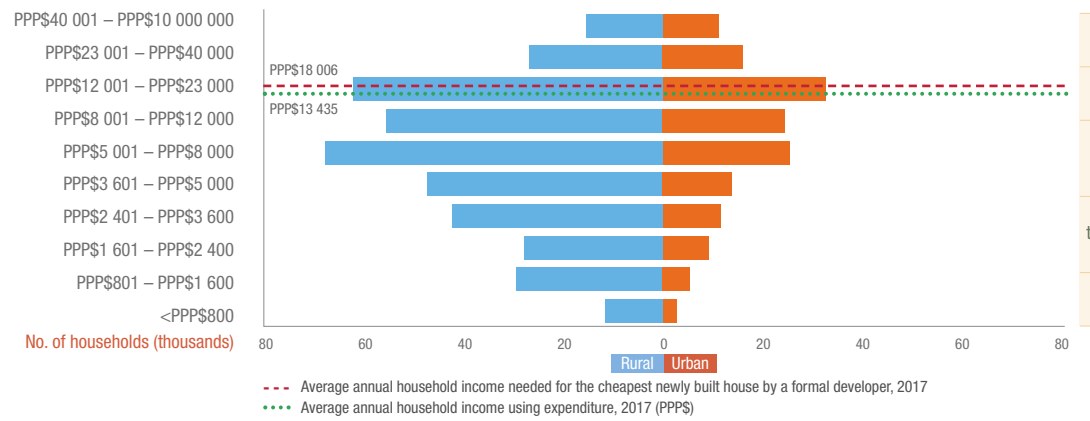
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	46 600 000
Urbanisation rate:	4.20%
Cost of cheapest newly built house:	1 155 000 KES PPP\$24 316
Urban households that could afford this house with finance:	50.57%
1 PPP\$:	47.5 Kenyan shilling

LESOTHO

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	2 264 063
Urbanisation rate:	3.50%
Cost of cheapest newly built house:	214 694 LSL PPP\$42 939
Urban households that could afford this house with finance:	17.78%
1 PPP\$:	5 Loti

LIBERIA

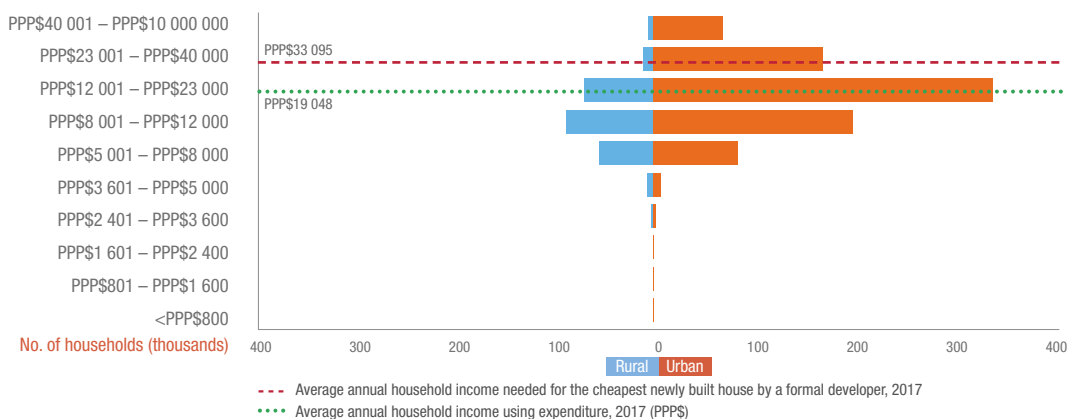
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	4 853 516
Urbanisation rate:	3.24%
Cost of cheapest newly built house:	1 200 000 LRD PPP\$670 803
Urban households that could afford this house with finance:	0.01%
1 PPP\$:	0.6 Liberian dollar

LIBYA

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	6 374 616
Urbanisation rate:	1.55%
Cost of cheapest newly built house:	69 000 LYD PPP\$115 000
Urban households that could afford this house with finance:	7.92%
1 PPP\$:	0.6 Libyan dinar

MADAGASCAR

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	25 570 895
Urbanisation rate:	4.44%
Cost of cheapest newly built house:	465 975 000 MGA PPP\$517 061
Urban households that could afford this house with finance:	1.30%
1 PPP\$:	901.2 Malagasy ariary

MALAWI

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	19 209 248
Urbanisation rate:	3.80%
Cost of cheapest newly built house:	15 000 000 MWK PPP\$72 957
Urban households that could afford this house with finance:	1.37%
1 PPP\$:	205.6 Malawian kwacha

MALI

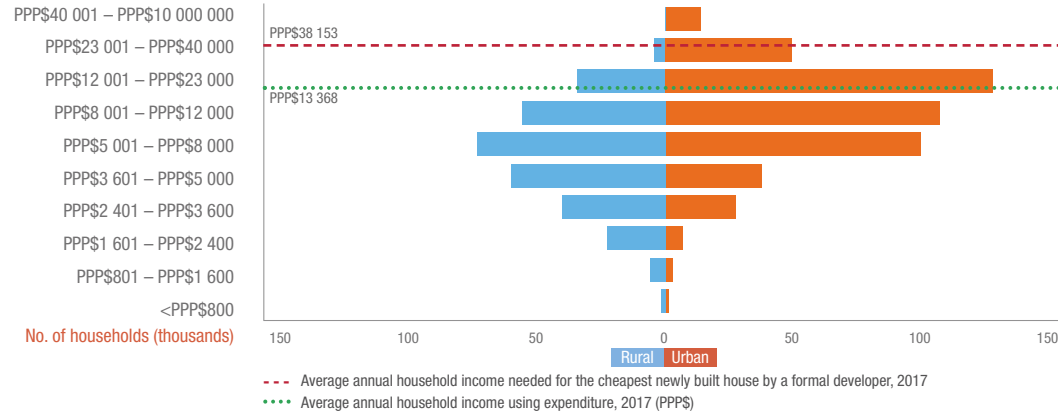
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	18 541 980
Urbanisation rate:	4.84%
Cost of cheapest newly built house:	13 577 850 XOF PPP\$62 571
Urban households that could afford this house with finance:	2.33%
1 PPP\$:	217 CFA franc

MAURITANIA

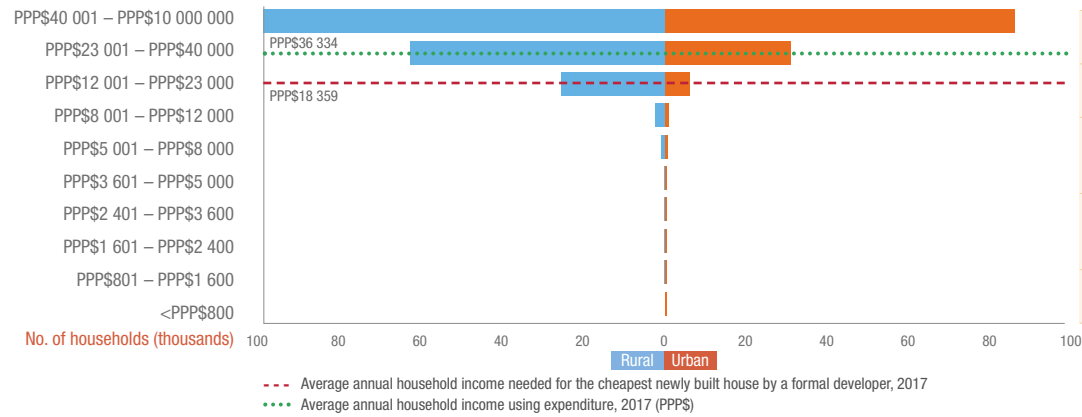
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	4 568 285
Urbanisation rate:	3.20%
Cost of cheapest newly built house:	10 371 229 MRO PPP\$100 789
Urban households that could afford this house with finance:	2.89%
1 PPP\$:	102.9 Ouguiya

MAURITIUS

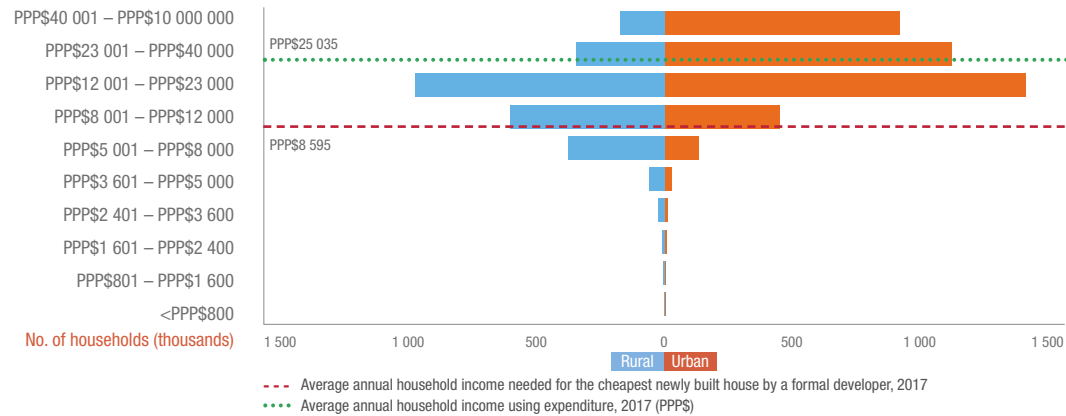
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	1 265 309
Urbanisation rate:	-0.17%
Cost of cheapest newly built house:	1 220 000 MUR PPP\$74 847
Urban households that could afford this house with finance:	93.73%
1 PPP\$:	16.3 Mauritian rupee

MOROCCO

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	35 230 036
Urbanisation rate:	2.10%
Cost of cheapest newly built house:	140 000 MAD PPP\$40 000
Urban households that could afford this house with finance:	95.48%
1 PPP\$:	3.5 Moroccan dirham

MOZAMBIQUE

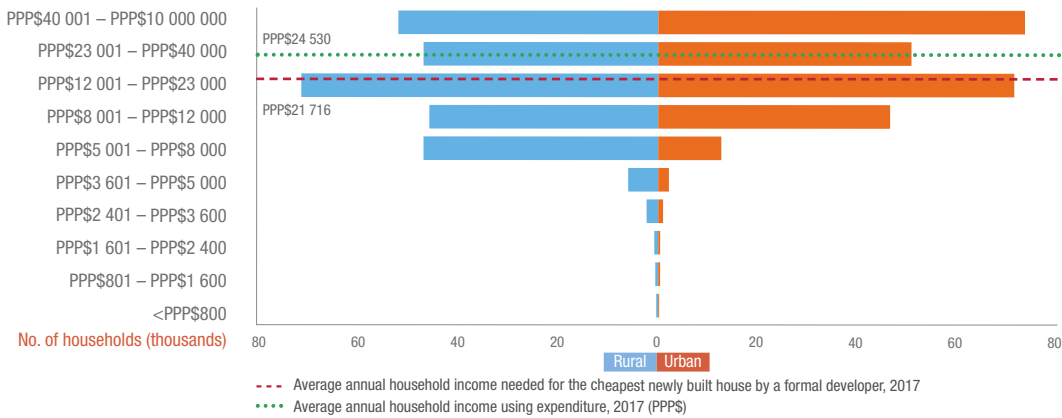
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	29 668 834
Urbanisation rate:	3.81%
Cost of cheapest newly built house:	3 301 650 MZN PPP\$155 738
Urban households that could afford this house with finance:	1.26%
1 PPP\$:	21.2 Mozambican metical

NAMIBIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	2 280 716
Urbanisation rate:	4.25%
Cost of cheapest newly built house:	280 000 NAD PPP\$42 424
Urban households that could afford this house with finance:	48.02%
1 PPP\$:	6.6 Namibian dollar

NIGER

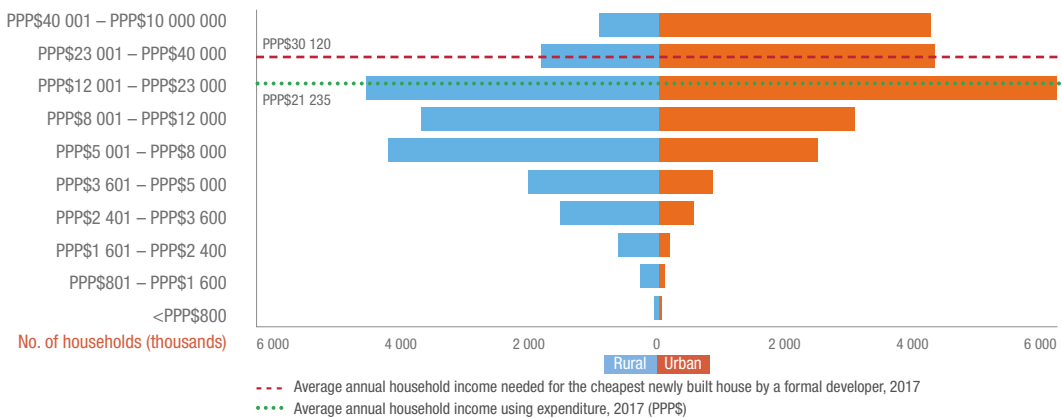
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	21 477 348
Urbanisation rate:	5.35%
Cost of cheapest newly built house:	7 500 000 XOF PPP\$34 642
Urban households that could afford this house with finance:	1.73%
1 PPP\$:	216.5 CFA franc

NIGERIA

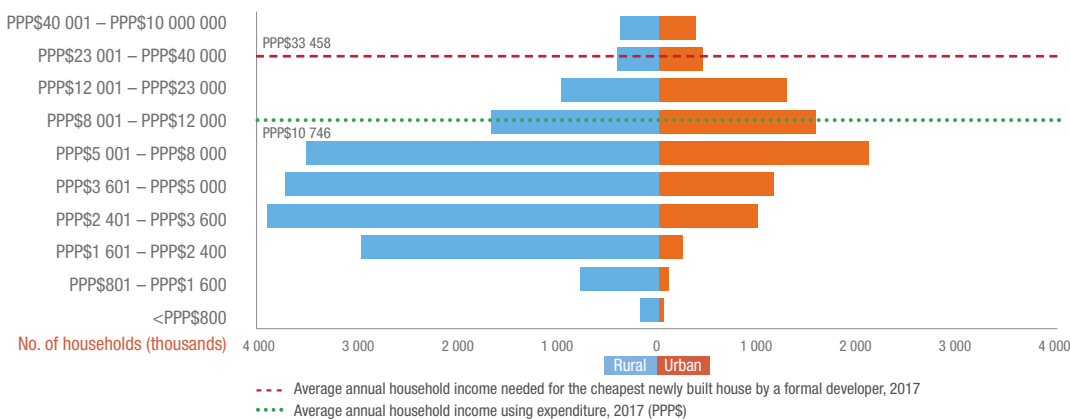
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	198 000 085
Urbanisation rate:	4.94%
Cost of cheapest newly built house:	5 000 097 NGN PPP\$48 686
Urban households that could afford this house with finance:	38.92%
1 PPP\$:	102.7 Nigerian naira

RWANDA

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	10 515 973
Urbanisation rate:	5.57%
Cost of cheapest newly built house:	17 500 000 RWF PPP\$57 246
Urban households that could afford this house with finance:	4.46%
1 PPP\$:	305.7 Rwandan franc

SÃO TOMÉ AND PRÍNCIPE

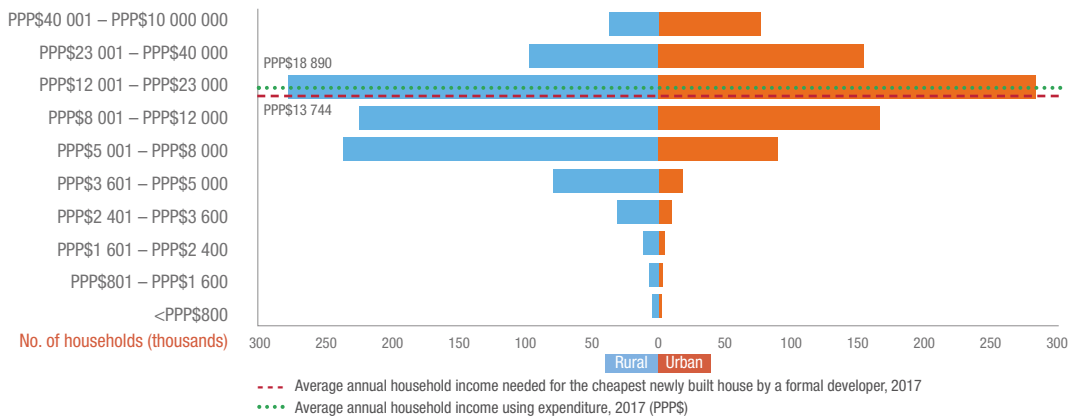
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	208 818
Urbanisation rate:	3.33%
Cost of cheapest 1 508 364 000 STD newly built house:	PPP\$121 022
Urban households that could afford this house with finance:	1.34%
1 PPP\$:	12 463.6 Dobra

SENEGAL

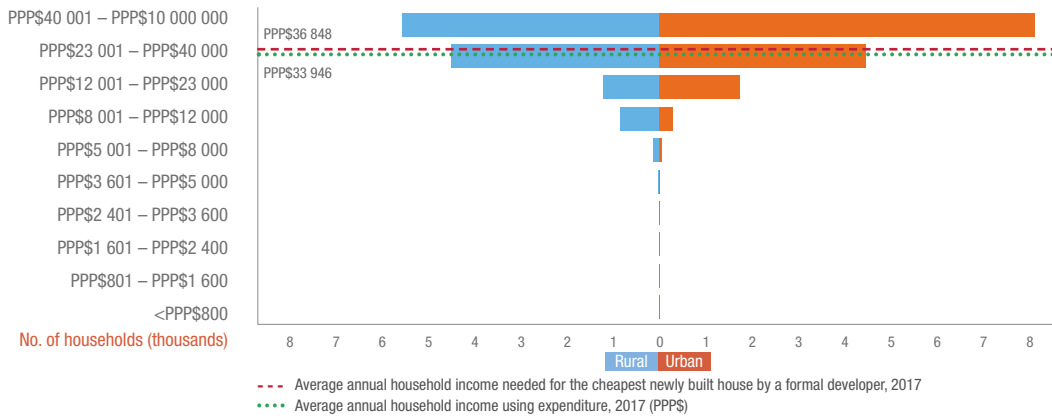
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	15 858 567
Urbanisation rate:	3.62%
Cost of cheapest newly built house:	10 000 000 XOF PPP\$45 106
Urban households that could afford this house with finance:	63.66%
1 PPP\$:	221.7 CFA franc

SEYCHELLES

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	95 843
Urbanisation rate:	1.83%
Cost of cheapest newly built house:	750 000 SCR PPP\$102 740
Urban households that could afford this house with finance:	55.13%
1 PPP\$:	7.3 Seychellois rupee

SIERRA LEONE

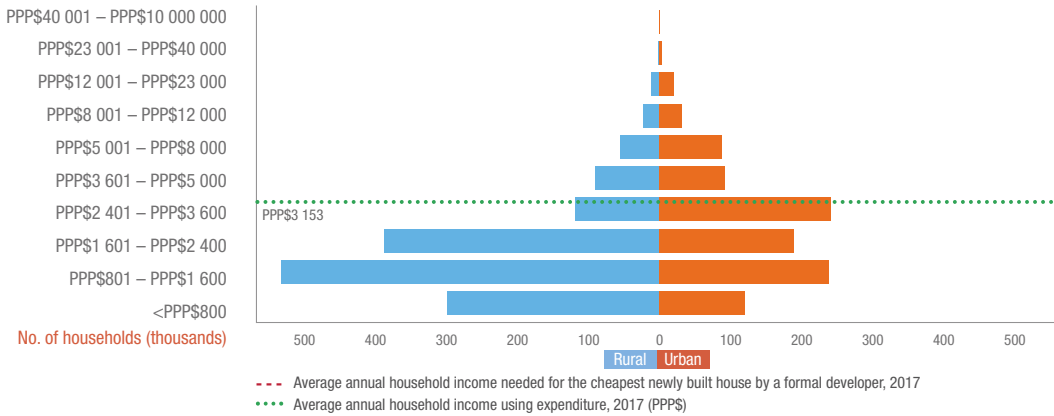
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	7 092 113
Urbanisation rate:	3.90%
Cost of cheapest newly built house:	150 000 000 SLL PPP\$62 670
Urban households that could afford this house with finance:	7.52%
1 PPP\$:	2 393.5 Sierra Leonean leone

SOMALIA

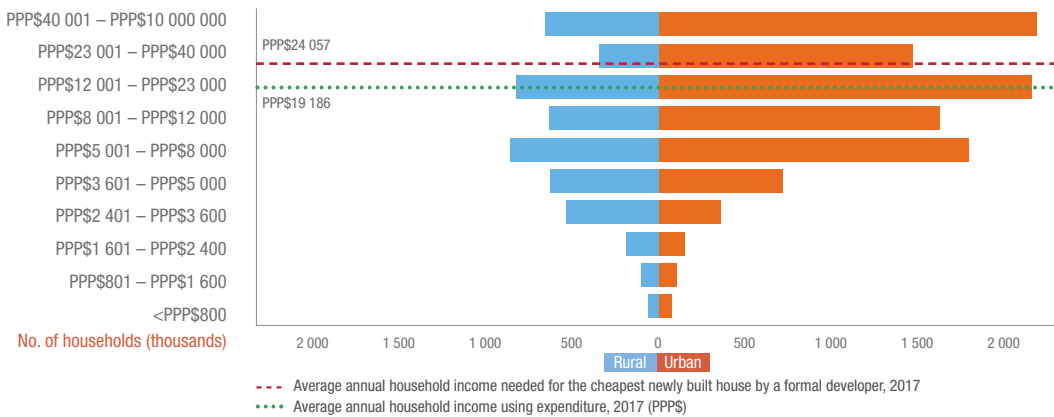
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	15 100 000
Urbanisation rate:	4.06%
Cost of cheapest newly built house:	39 970 000 SOS PPP\$ n/a
Urban households that could afford this house with finance:	n/a
1 PPP\$:	n/a

SOUTH AFRICA

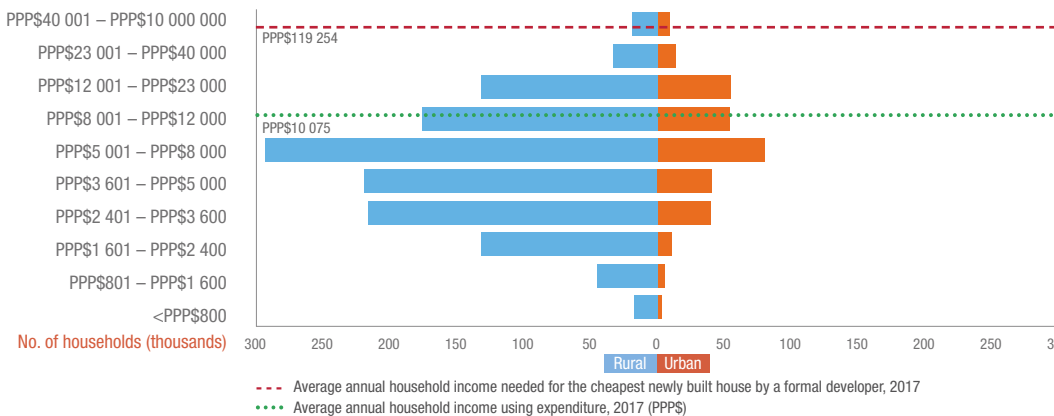
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	57 730 000
Urbanisation rate:	1.99%
Cost of cheapest newly built house:	352 000 ZAR PPP\$57 705
Urban households that could afford this house with finance:	34.38%
1 PPP\$:	6.1 South African Rand

SOUTH SUDAN

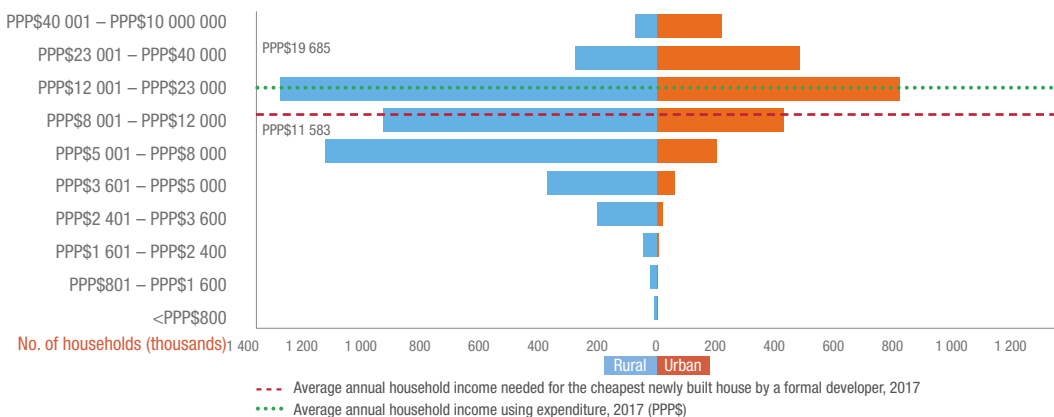
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	12 575 714
Urbanisation rate:	4.02%
Cost of cheapest newly built house:	2 135 700 SSP PPP\$309 522
Urban households that could afford this house with finance:	2.87%
1 PPP\$:	6.9 South Sudanese pound

SUDAN

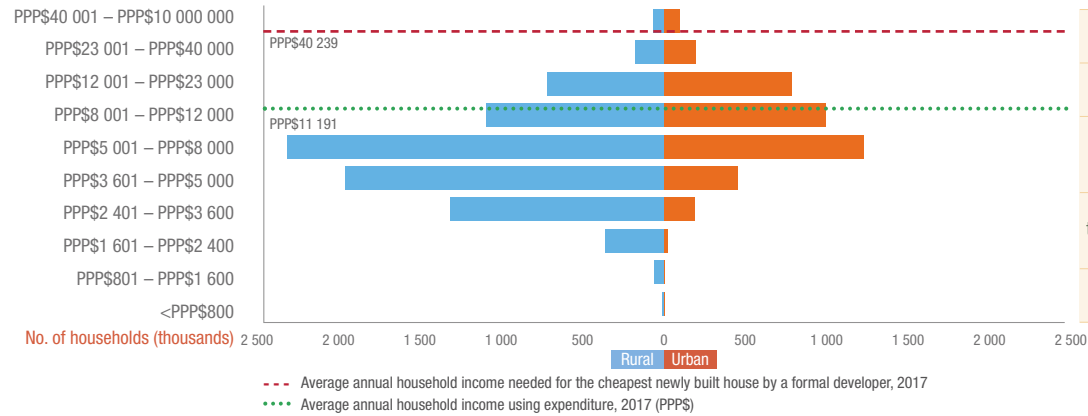
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	41 511 526
Urbanisation rate:	3.17%
Cost of cheapest newly built house:	190 000 SDG PPP\$46 341
Urban households that could afford this house with finance:	67.69%
1 PPP\$:	4.1 Sudanese pound

TANZANIA

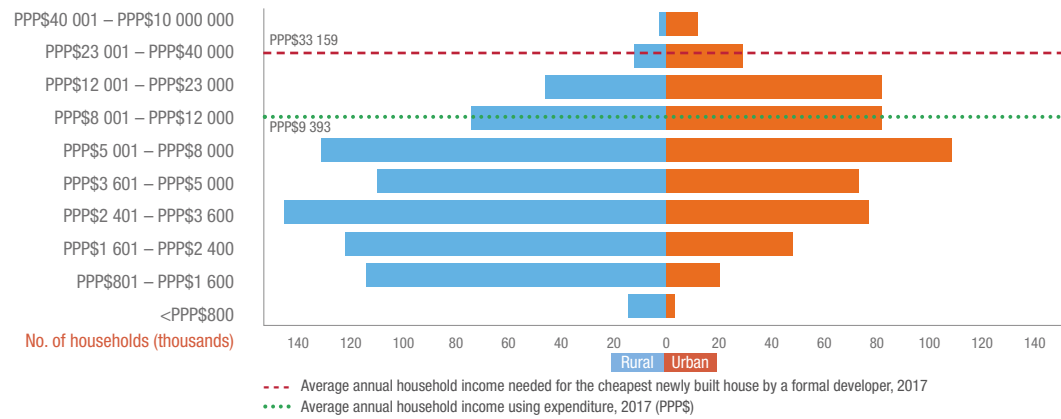
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	59 091 392
Urbanisation rate:	5.22%
Cost of cheapest newly built house:	37 966 108 TZS PPP\$53 594
Urban households that could afford this house with finance:	2.53%
1 PPP\$:	708.4 Tanzanian shilling

TOGO

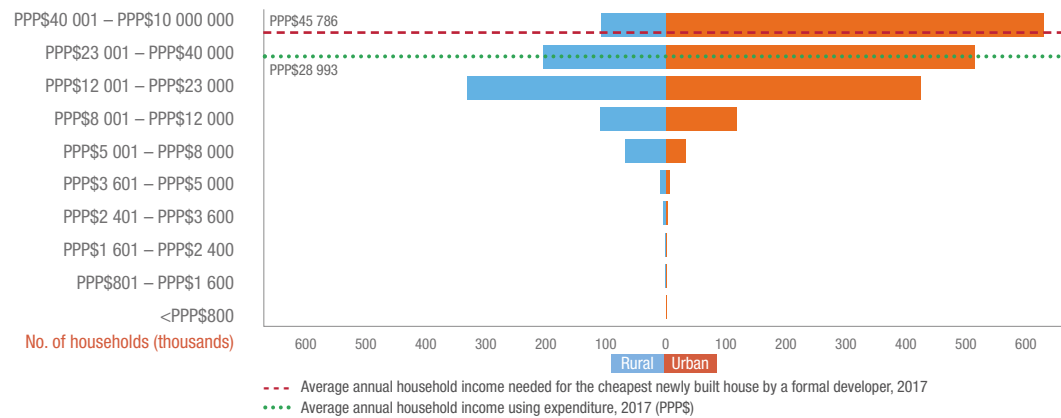
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	7 797 694
Urbanisation rate:	3.72%
Cost of cheapest newly built house:	7 000 000 XOF PPP\$30 581
Urban households that could afford this house with finance:	2.23%
1 PPP\$:	228.9 CFA franc

TUNISIA

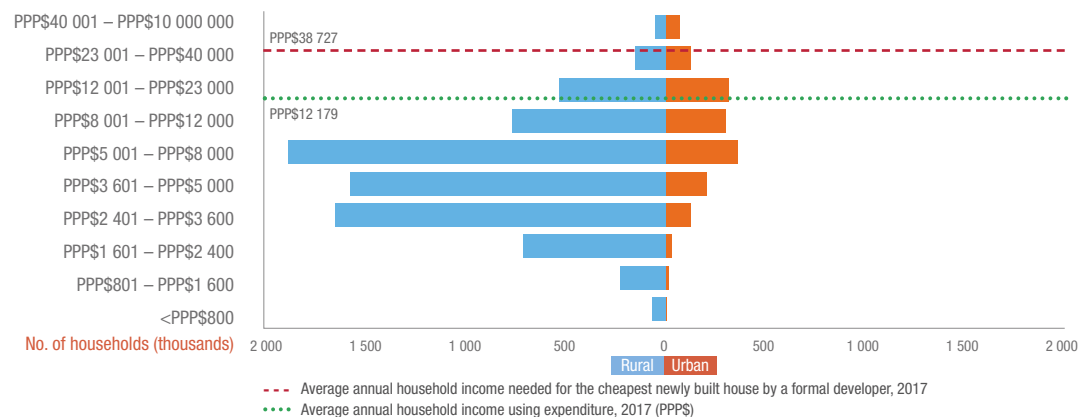
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	11 532 127
Urbanisation rate:	1.44%
Cost of cheapest newly built house:	69 870 TND PPP\$99 814
Urban households that could afford this house with finance:	36.32%
1 PPP\$:	0.7 Tunisian dinar

UGANDA

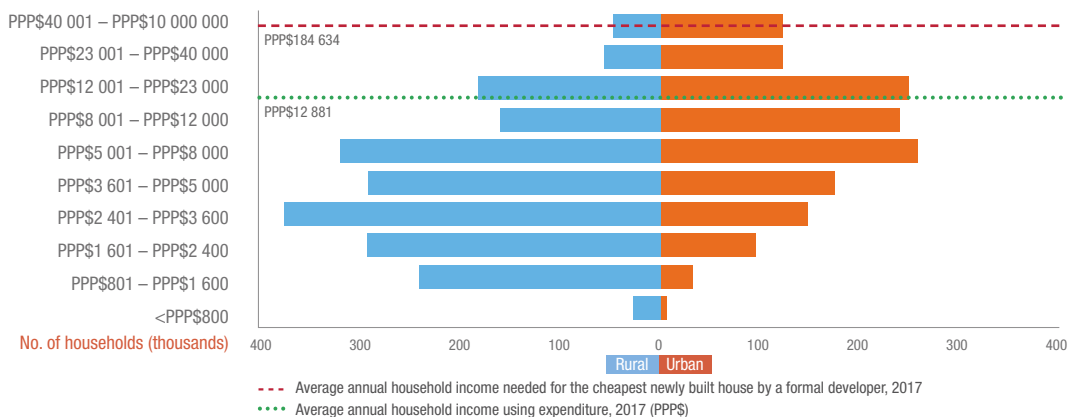
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	42 862 958
Urbanisation rate:	5.50%
Cost of cheapest newly built house:	76 000 000 UGX PPP\$66 463
Urban households that could afford this house with finance:	4.42%
1 PPP\$:	1 143.5 Ugandan shilling

ZAMBIA

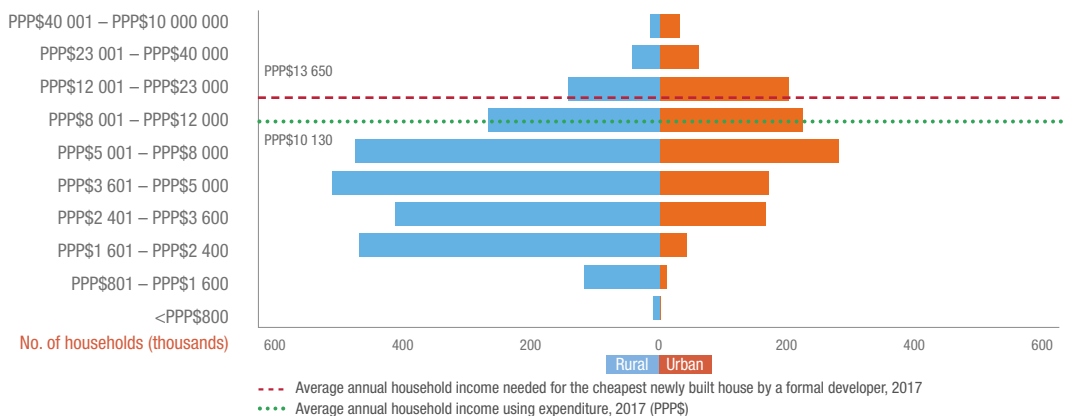
Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	17 094 130
Urbanisation rate:	4.23%
Cost of cheapest newly built house:	650 000 ZMW PPP\$185 714
Urban households that could afford this house with finance:	8.49%
1 PPP\$:	3.5 Zambian kwacha

ZIMBABWE

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	16 913 261
Urbanisation rate:	2.44%
Cost of cheapest newly built house:	18 000 ZBN PPP\$36 000
Urban households that could afford this house with finance:	24.66%
1 PPP\$:	0.5 Zimbabwean Bond notes

Explaining the indicators

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 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. The Housing Finance Information Network (HOFINET) is a global data gathering initiative, which the Centre for Affordable Housing Finance in Africa is proud to support, and it includes data for a number of African countries.

In this Yearbook, each of the country profiles includes a set of indicators, drawn from various sources, including the African Economic Outlook database, the World Bank's various databases, and UNDP's International Human Development Indicators. In addition, we present CAHF's own data, collected by our country specialists and a host of local data sources on key delivery and affordability indicators. In some cases, figures from different sources may differ for the same data point, which in itself highlights the challenges and difficulties faced in the sector with regard to obtaining accurate, updated information for some countries. To this end, CAHF continues to improve the data situation and build the baseline of information available to housing finance practitioners to encourage greater investment and enable better decision-making. Please visit our website www.housingfinanceafrica.org for details on our progress, or contact us directly.

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.

Indicator name	Description	Primary source	Additional comments
Main urban centre	The capital city of the country and any other large city.	Collected by CAHF	
Exchange rate	The rate for all currencies to the US dollar. For each country, the exchange rate used varies according to when the profile was written - generally between the months of July and September 2018. Note, however, that exchange rates can fluctuate widely.	Coinmill www.coinmill.com	Dates for the exchange rate to the US dollar are provided in the Key Figures table at the beginning of each country profile.
Purchase Power Parity (PPP\$) exchange rate	According to the International Monetary Fund (IMF), PPP is the rate at which the currency of one country would have to be converted into that of another country to buy the same amount of goods and services in each country. See explanation on PPP on page 21.	World Bank, International Comparison Program database https://data.worldbank.org/indicator/PA.NUS.PPP	
Inflation	Inflation, as measured by the consumer price index, reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly.	IMF World Economic Outlook (April 2018) https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC/	Highly reliable data, periodically updated and sourced from primary sources, national statistical offices, World Bank and other reliable sources.
Population	The number of 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. The values are mid-year estimates, drawn from the World Bank World Development Indicators.	World Bank World Development Indicators http://data.worldbank.org	World Bank World Development Indicators is a highly recommended economic data source. Data in this databank is sourced from national statistical offices and World Bank surveys. Highly reliable and periodically updated.
Urban population size	The number of 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 Urbanisation Prospects.	In some cases, we have used data from other sources, including national statistical offices, or central banks.	
Population growth rate	Rate of growth of population, measured mid-year, from one year to another.		
Urbanisation rate	The rate of increase in the country's urban population as defined by national statistical offices, expressed as a percentage.		

Indicator name	Description	Primary source	Additional comments
Percentage of total population below National Poverty Line	Nation-specific estimates of the percentage of the population falling below the national poverty line are generally based on surveys of sub-groups, with the results weighted by the number of people in each group. Definitions of poverty vary considerably among nations. For this reason, some countries have established national poverty lines that better reflect the reality of poverty in their own local economies.	Central Intelligence Agency: The World Factbook https://www.cia.gov/library/publications/the-world-factbook	Highly reliable data, periodically updated and sourced from primary sources, national statistical offices, World Bank and other reliable sources.
Unemployment rate (%)	Percentage of the labour force that is without work but available for and seeking employment. The number typically does not include discouraged job seekers.		
GDP (Current US\$)	The sum of all value added, or simply the gross value of output, by all resident producers in the respective country's economy without making deductions for the depreciation of assets or for depletion and degradation of natural resources, plus any product taxes and minus any subsidies not included in the value of the products.		
GDP growth rate annual	The annual percentage growth in GDP at market prices based on constant local currency. Aggregates are based on constant 2005 US dollars. The GDP growth rate measures the growth in the economy.	World Bank World Development Indicators http://data.worldbank.org	World Bank World Development Indicators is a highly recommended economic data source. Data in this databank is sourced from national statistical offices and World Bank surveys. Highly reliable and periodically updated.
GDP per capita (Current US\$)	Gross domestic product (GDP) divided by the mid-year population. Provides a rough indication of the residents' standard of living, but misses the important factor of inequality. It must therefore be read together with the Gini Coefficient and the percent of the population living below the poverty line.	In some cases, we have used data from other sources, including national statistical offices, or central banks.	
GNI per capita, Atlas method (current US\$)	Gross national income, converted to US dollars using the World Bank Atlas method, divided by the mid-year population. GNI includes 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. To smooth fluctuations in prices and exchange rates, a special Atlas method of conversion is used by the World Bank. Some argue that it is a better measure of the standard of living than GDP per capita.		
Gini co-efficient	Index measuring levels of inequality in a country, based on the 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.	World Bank Povcal tool https://data.worldbank.org/indicator/SI.POV.GINI In some cases, we have used data from national statistical offices, or central banks.	PovcalNet is an interactive computational tool that allows you to replicate the calculations made by the World Bank researchers in estimating the extent of absolute poverty in the world. PovcalNet also allows you to calculate the poverty measures under different assumptions. Data is collected by World Bank at different years for each country.
HDI (Global Ranking and Index)	The Human Development Index is a summary measure of average achievement in key dimensions of human development including life expectancy, education, and per capita income indicators. The HDI is the geometric mean of normalised indices for each of the three dimensions used to rank countries. The index score is drawn from the UN Development Programme. The global ranking is out of 187 countries.	UN Development Programme http://hdr.undp.org/en/statistics	The HDI was created to emphasise that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. Annual surveys and reports are published by the UNDP Human Development Report Office (HDRO).
Deeds registry	Is there a government office that maintains the public record of land rights in a country? Its existence enables property transactions, and is a pre-condition of a functioning mortgage market. A key challenge in many countries is the formal registration of land to enable mortgage lending, and the creation of an electronic deeds registry database.	Collected annually by CAHF's country profile authors.	CAHF collects this information annually by email questionnaires, through consultants working on profiles and sometimes from online sources.

Indicator name	Description	Primary source	Additional comments
Lending Interest Rate	Prevailing interest rate in the country, charged as a percentage of the loan amount, that usually meets the short- and medium-term financing needs of the private sector. While the rate offered will differ from one lender to the next, and be adjusted to the creditworthiness of borrowers and objectives of the loan, the number offered is indicative of the state of lending in the country.	World Bank World Development Indicators http://data.worldbank.org In some cases, we have used data from other sources, including national statistical offices, or central banks.	World Bank World Development Indicators is a highly recommended economic data source. Data in this databank is sourced from national statistical offices and the World Bank surveys. Highly reliable and periodically updated.
Mortgage interest rate	The rate of interest charged on a mortgage loan to purchase a property. Coupled with the mortgage term and the loan to value ratio, this determines loan affordability and the percentage of the population that can afford to participate in the housing market unassisted. The mortgage interest rate is usually linked to prime, and is influenced by the central bank rate in the country. The rate we've chosen is the benchmark for the nation. Pricing for risk, mortgage lenders vary the rate per customer depending on their risk profile.	Collected annually by CAHF's country profile authors. In some cases, we have used data from national statistical offices, or central banks and Statista.com https://www.statista.com/statistics/789843/mortgage-interest-rates-africa-by-country/	CAHF collects this information annually by email questionnaires, through consultants working on profiles and sometimes from online sources. Although very important, the samples used are usually very small and therefore, this data should be used only as indicative values.
Mortgage term (years)	Given the size of the loan, mortgage terms are generally long, and can be anywhere up to 30 years. Generally, mortgage terms across the African continent vary from five to 20 years.		
Downpayment	The initial payment the borrower makes to secure their rights to purchase a property. It is often required by a lender to demonstrate the borrower's own financial commitment, and is represented as a percentage of the purchase price of the property.		
Mortgage book as a percentage of GDP	The value of mortgages outstanding in a country as a percentage of GDP. Often regarded as a rough measure of the size of the mortgage market in a country relative to the size of the economy.	Various sources – central banks, World Bank research.	Data is sourced from central banks of the countries reported.
Estimated number of mortgages	The number of mortgages issued by financial institutions in the respective country.	Collected annually by CAHF's country profile authors.	CAHF collects this information annually by email questionnaires, through consultants working on profiles and sometimes from online sources.
Number of mortgage providers	Number of institutions that are granting mortgages.		
Price to rent ratio in city centre and outside city centre	The average house price divided by the average yearly rent price. This ratio provides a comparison between owning and renting properties in certain cities. In some cities, the ratio could vary drastically depending on location. Of course, this data is skewed towards the high income, formal market, but is nonetheless indicative of what is formally available.	Numbeo online property database http://www.numbeo.com/property-investment/	Numbeo is the world's largest database of user contributed data about cities and countries worldwide. This data fills in very important data gaps in the property market. However, sources should be used carefully and in limited circumstances, unless substantiated by other sources. This year, CAHF has initiated a project to better understand the rental data available in countries across Africa. See: http://housingfinanceafrica.org/projects/rental-housing-in-africa/
Gross rental yield in city centre and outside city centre	The amount of annual rent collected, expressed as a percentage of the total cost of the rental property. The ratio is used to compare properties in different locations against each other. Rental yields also signify the rate of return from investing in rental property. The yield may differ significantly between properties within city centre and away from the city centre. Again, the data is skewed towards the high income, formal market.		
Construction as percent of GDP	The value added by the construction industry as a percentage of the gross domestic product in the current year.	Trading Economics https://tradingeconomics.com/country-list/gdp-from-construction In some cases, we have used data from other sources, including national statistical offices, or central banks.	World Bank World Development Indicators is a highly recommended economic data source. Data in this databank is sourced from national statistical offices and the World Bank surveys. Highly reliable and periodically updated.

Indicator name	Description	Primary source	Additional comments
Cost of a standard 50kg bag of cement	This is a rough indicator of the relative cost of construction across countries.	Collected annually by CAHF's country profile authors.	CAHF collects this information annually by email questionnaires, through consultants working on profiles and sometimes from online sources. Although very important, the samples used are usually very small and therefore, this data should be used only as indicative values.
Price of the cheapest, newly built house by a formal developer or contractor	The price of the cheapest, newly built housing unit, by a formal developer. The indicator does not tell us how many of these houses are built annually, and only provides an indication of the cheapest house under construction in that particular year. It is indicative of the target of the construction industry.		
Size of the cheapest, newly built house by a formal developer (m²)	This indicator contextualises the indicator on price, and can also be a proxy for the typical, minimum size of a housing unit that formal developers are prepared to build.		
Minimum stand or plot size for residential property (m²)	Minimum size of a residential plot in the respective country.		
Ease of Doing Business Rank	Ease of Doing Business ranks economies from 1 to 190, with first place being the best. A high numerical rank means that the regulatory environment is not conducive to business operations. The index averages the country's percentile rankings on 10 topics covered in the World Bank Doing Business Survey, conducted annually. The ranking on each topic is the simple average of the percentile rankings on its component indicators. Property-related indicators are for commercial, not residential property, but are nonetheless a useful indicator.	World Bank Doing Business Survey http://www.doingbusiness.org	Highly reliable data, periodically updated and sourced from primary sources, national statistical offices, World Bank and other reliable sources.
Number of procedures to register property	Part of the Doing Business survey, this represents the number of procedures required for a business to secure rights to a commercial property.		
Time to register property	Part of the Doing Business survey, this represents the number of calendar days needed for businesses to secure rights to a commercial property.		
Cost to register property as percent of property value	Part of Doing Business survey, this represents the average cost incurred by a business to secure rights to a commercial property, expressed as a percentage of the property value.		
Number of households per income bracket (used to inform the affordability graphs on pages 21 – 35)	Provides the average income profile for the respective country per market segment identified, for both rural and urban areas. The intent is to understand affordability and illustrate market potential at each market segment.	Canback Global Income Distribution Database (C-GIDD) 2018 www.cgidd.com	This database contains selected macroeconomic data series which presents the analysis and projections of economic developments at the global level, updated annually. Data on rural and urban household income profiles was collected based on customised market segmentation.
Urban households that can afford the cheapest newly built house given prevailing mortgage terms	The indicative number of households in urban areas that could afford the cheapest newly built house by a formal developer in the respective country given the lending terms available. Calculated using the 'Price of the cheapest, newly built house by a formal developer or contractor' indicator against the lending terms' indicators (mortgage interest rate, term, downpayment) for each country where data is available and counted per market income segment for the urban household split. This indicator is a very rough estimate of housing affordability, assuming the availability of mortgage finance and of sufficient housing supply.	CAHF calculations	CAHF collects this information annually by email questionnaires, through consultants working on profiles and sometimes from online sources. The calculation should be treated as indicative with the intention of illustrating the case of affordability in the respective country.

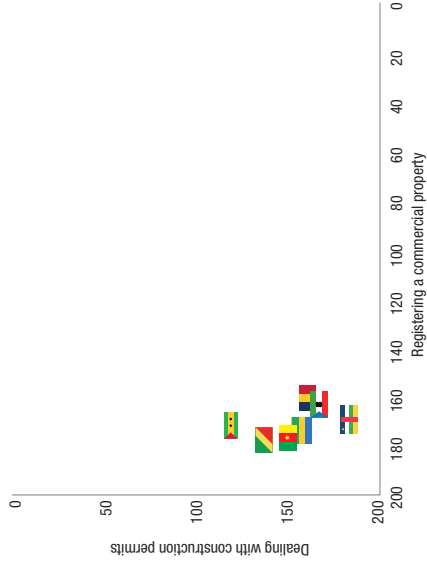
World Bank Doing Business global rank, 2018



The Doing Business indicators provide comprehensive and comparative global data tracking business and regulation environments over time. A high ease of doing business ranking means that the regulatory environment in that economy is more conducive to the starting and operation of a local firm.

The indicators for dealing with construction permits and registering a property both relate to commercial property. However, no similar indicators for residential property currently exist.

World Bank Doing Business rankings on selected indicators, 2018



Source: World Bank Doing Business Indicators - <http://www.doingbusiness.org/>

Mortgage lending, 2018

0% of countries in the region have available information on number of mortgages.

	Cameroon	Central African Republic	Chad	Congo Republic	Equatorial Guinea	Gabon	São Tomé and Príncipe
Number of mortgage providers	n/a	n/a	1	4	5	n/a	8
Estimated number of mortgages	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mortgage interest rate	20%	15%	8%	20%	15%	2.9%	12%
Downpayment	20%	30%	25%	n/a	50%	20%	n/a
Mortgage term (years)	20	7	5	12	20	25	15

Source: CMHF 2018 desktop surveys and country experts.

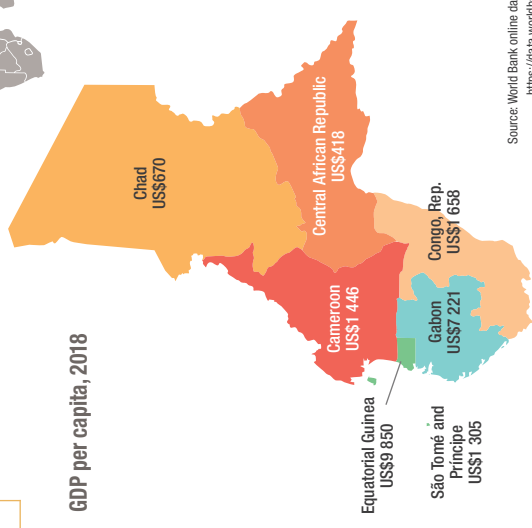
Number of households, 2018



Source: Canback Global Income Distribution Database (C-GIDD).

<https://www.cgidd.com/>

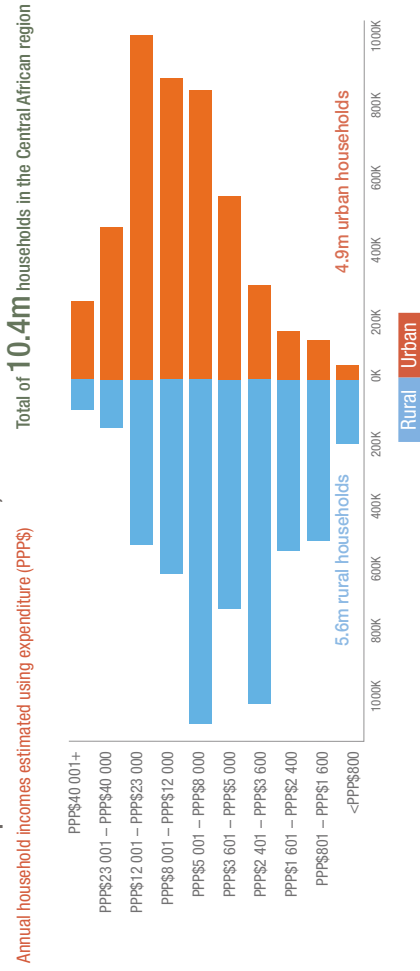
Central Africa



GDP per capita, 2018

Source: World Bank online database. <https://data.worldbank.org>

Annual income profile for rural and urban households, 2018



Source: Canback Global Income Distribution Database (C-GIDD).

<https://www.cgidd.com/>

Price and size of the cheapest newly built house by a private developer, 2018

Country	House price (US\$)	House size (sqm)	House type	House price (local currency)
Cameroon	582.1	100sqm	House icon	XAF 12 000 000
Central African Republic	582.1	50sqm	House icon	XAF 13 445 760
Chad	582.1	120sqm	House icon	XAF 30 000 000
Congo Republic	n/a	n/a	n/a	n/a
Equatorial Guinea	582.1	45sqm	House icon	XAF 20 513 058
Gabon	582.1	150sqm	House icon	XAF 21 916 150
São Tomé and Príncipe	21 835.6	110sqm	House icon	STD 1 508 364 000

Source: Mortgage terms, house prices & sizes from CMHF 2018 surveys. Household & income data drawn from C-GIDD (Canback Global Income Distribution Database).

US\$ exchange rate (28 July 2018)

% Urban who might afford house given prevailing mortgage terms

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, CEMAC) is made up of Cameroon, Central African Republic (CAR), Chad, Congo Republic, Gabon, and Equatorial Guinea. Its objective is to promote sustainable development of its member countries and to create a single market that will help promote sub-regional integration through the formation of a monetary union, with the Central African CFA franc (XAF) as a common currency.¹

CEMAC was created in 1994 and became operational after the treaty's ratification in 1999 in N'Djamena, Chad. The headquarters of the community are in Bangui, the capital of the Central African Republic. Because of the potential benefits that the free movement of goods and people across borders will bring to economic growth and social cohesion in the sub-region, the leaders of the countries in the region are making progress towards the creation of a single market and the facilitation of the free movement of people. The President of CEMAC announced in Douala in February 2018 that the free movement of people and goods in the region is real, and that the only obstacle is security.² This obstacle will be overcome with a biometric CEMAC passport. Greater integration and stronger regional institutions will improve the competitiveness of the region and support growth, according to a recent IMF report on the region.³ Also, the merger of the two stock exchanges in the region is recommended by a World Bank study. In the opinion of financial experts, the existence of the two stock exchanges does not allow a liquid and efficient market for securities in the sub-region. Because they considered competition between the exchanges is detrimental to the sub-region, the authorities decided in November 2017 to merge them.⁴

The treaty that specified the legal and institutional arrangements of CEMAC created the following four specialised institutions, each of which is regulated by a separate legal convention:

- Central African Economic Union (Union Economique de l'Afrique Central – UEAC) with an Executive Secretariat based in Bangui, CAR. The Customs Union is one of the central pillars of CEMAC. It has established a regime for trade between the countries and with other countries. Trade inside the community has been duty-free since 1998;
- The Central African Monetary Union (Union Monétaire de l'Afrique Centrale), specifies the responsibilities of the central bank, Banque des Etats d'Afrique Centrale (BEAC) and the Central African Banking Commission (COBAC). COBAC sets regulations and carries out on-site and off-site supervision of the region's banks and finance houses. BEAC is a single central bank for the region and there is a single currency (CFA franc, XAF) and defined criteria for macroeconomic convergence. It 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.

- The CEMAC parliament; and
- The Court of Justice in place in N'Djamena since 2000. It has a judicial and audit function.

The region has a population of over 52 million spread over 3.02 million km².⁵ Half of the population live in Cameroon and 65 percent are below 25 years of age. The average population growth rate is 2.2 percent. The combined 2016 GDP of US\$195 billion remained stagnant and inflation remains low. The short-term growth outcome of the region is weak (-0.5 percent in 2017) due to reduced public spending and further declines in oil production.⁶ Security concerns brought about by Boko Haram and civil unrest in the CAR, the flow of refugees, money laundering, and drought are additional threats to the region's GDP growth.⁷ Cameroon, CAR and Gabon grew their real GDP thanks to timber, agriculture exports and construction and services. The GDP is projected to grow to 2.7 percent in 2018.

Cameroon is the largest economy in the region, with half of the region's total financial assets.⁸ The mineral wealth includes gold, diamond, natural gas, oil, bauxite, aluminium, manganese and uranium. Other export products include natural rubber; tobacco, cocoa, coffee, sugar, and bananas. Due to inadequate private investment, there has been little exploitation of resources, except for oil and timber. Crude oil is an important resource for these countries, apart from the CAR, which is not an oil exporter; and it accounts for 87 percent of the community's exports.⁹ Timber is the community's second largest export product. All six countries continue to try to diversify their economies into tourism, agro production, financial services, mining, and petrochemicals to reduce dependency on oil revenues.

The countries in the region are about 52 percent urbanised. Gabon has the highest level of urbanisation at 87.2 percent, with 59 percent of the population living in Libreville and Port Gentil. The rate of urbanisation in the region is 2.7 percent.

Access to finance

The formal financial system across CEMAC countries is not well-developed. It is dominated by commercial banks and in some countries, large microfinance institutions (MFIs). The banking system currently comprises 52 active commercial banks with Cameroon having the most banks in the region.¹⁰ The banking sector contribution to the financing of the economy is small and half of the sector's assets are controlled by three banks per country and the other half by foreign banks. Access to finance is hampered by weak credit infrastructure and domestic credit is low at 15 percent of GDP in CAR and Cameroon, 14 percent in Gabon, 11 percent in the Republic of Congo and six percent in Chad.¹¹ This is due to multiple factors including: asymmetry of information, weak collateral and insolvency frameworks, and the absence of credit history records, for the majority of firms and people, which would allow them to apply for competitive interest rates.

Bank branches and ATMs are mostly concentrated in the urban and semi-urban areas.¹² Financial inclusion is limited and only 15 percent of adults hold bank accounts.¹³ Borrowing from family or friends is the common source of credit: 88 percent in Gabon, and 84 percent in Cameroon.¹⁴ Very few banks provide medium-term and long-term credit, such as the Gabonese Development Bank, the National Investment Company (in Gabon and Cameroon), Afrilands First Bank (Cameroon), and SOCOFIN in Congo Republic. The state plays an important role in the financial sector. For example, it controls two of the nine banks in Gabon and has a stake in most of the others.

The mortgage finance market is insignificant and non-existent in some countries. It is still in its infancy in Cameroon, Gabon and Congo. Mortgage finance is mostly granted by government agencies, government-controlled banks and a few large commercial banks. Most of the beneficiaries are government employees. Only a very small percentage of private sector employees can access mortgage finance from commercial banks. This percentage is most likely going to increase due to ongoing efforts by real estate companies in partnership with local commercial banks to extend end-user financing opportunities to the growing middle class. To increase access to finance in Gabon, the government has helped to set up a growth and development fund to support small and medium enterprises and promote

private investment. In the CAR, government has committed to support financial sector development and improve access to credit by: improving the legal and judiciary system to serve commercial matters; increasing bank capital; and adopting a microfinance sector development strategy. In Equatorial Guinea, a nation-wide ATM and credit card network and the creation of a credit fund and a government debt market is in place.

The informal sector and a large percentage of the middle class and lower income groups get housing finance from different forms of MFIs. There are over 800 MFIs in the region serving almost 1.8 million members.¹⁵ The microfinance sector has emerged in Gabon with few regulated and registered MFIs covering a growing segment of the population, and a substantial number of unregulated and unregistered MFIs. In Chad, the MFI sector still plays a marginal role in the financial system and is virtually unregulated. Government is regulating and improving access with a new microfinance strategy. Links with the traditional, formal banking sector are weak and the consolidation of micro lenders is not enough to allow for meaningful regulation and oversight, or the development of strong links with the banking sector. However, 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. Access to credit improved through amendments to the Uniform Act on Secured Transactions of the Organisation for the Harmonization of Business Law in Africa, known by its French acronym OHADA. The amendments 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. Capital markets are almost non-existent due to the coexistence of two competing stock exchanges; insurance and pension sectors remain underdeveloped.¹⁶

Affordability

In the CEMAC region, the state is officially the largest employer, offering average monthly salaries ranging from XAF75 000 (US\$134) to XAF300 000 (US\$536). Though rapidly growing, the formal private sector is still small. Most people are involved in the informal sector in subsistence agriculture and small to minor-scale trading, with a high percentage of people living under the poverty line. These people cannot afford to finance their homes through existing bank funding instruments. The microfinance sector has the potential to play a more significant role, however inadequate supervision of the sector remains a problem.¹⁷

Construction costs in the urban and semi-urban areas are high and increasing. It can cost up to XAF5 million (US\$8 926) to build a standard three-bedroom house in the main urban areas. This is mainly because of the high costs of inputs such as cement, sand, plates, iron, finishing and decorations. In Cameroon, the government has 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. There are also private sector investors who have set up factories to manufacture and distribute building materials, which will potentially reduce input costs. These materials are exported to other CEMAC countries. In the rural areas, the construction costs are lower as most of the houses built are semi-standard and sub-standard, with local materials such as sun-dried bricks made from clay.

Rental costs in the urban and semi-urban centres are also high. There is a huge disparity in rental costs between the CEMAC countries in the main urban areas. While it costs on average XAF125 000 (US\$223) a month to rent a standard three-bedroom house in the main urban areas in Cameroon, it is not the case in Luanda, N'djamena Libreville and Brazzaville, which are the sixth, eighth, 18th and 19th most expensive cities in the world for expatriates.¹⁸ It costs up to US\$6 500 to US\$8 500 a month for a standard three-bedroom apartment in these cities. In Brazzaville, it may cost up to US\$3 420 for a standard three-bedroom in the city centre or up to US\$1 134 outside the centre.¹⁹

Housing supply

The number of new housing units that enter the market annually for rental and purchase for ownership does not meet the demands of the increasingly urbanised population and the growing middle and upper-class population. The growing economies in the region have swelled a middle class that needs to be housed in the urban and semi-urban areas. A third of the Gabonese population lives in the

capital Libreville,²⁰ and 70 percent of the Congolese population in the capital Brazzaville,²¹ both cities with huge housing backlogs. Cameroon, CAR, Chad and Equatorial Guinea are increasingly urbanised. The demand for housing continues to increase without a corresponding increase in supply.²²

The current stock of housing units is produced mainly through incremental self-construction, government agencies, and private developers. There are an increasing number of international housing companies and developers from the USA, Canada, France, China and South Africa who are going into these markets using a Build, Operate and Transfer model. The poor live in sub-standard accommodation, often on land that is not well-serviced with poor infrastructure, such as no access to paved roads, no regular and clean water, no electricity and sewage disposal facilities.

There are ongoing efforts by governments to increase housing supply. For instance, the government of Italy through a partnership with the government of Cameroon plans to construct 10 000 houses in Mbankomo, Yaoundé; the local minister foresees the construction of houses in Bonapriso, Douala.²³ With the newly set up cement factories in Cameroon that also aim to service these markets, the cost of cement is decreasing, which may help to increase supply of new affordable housing units.²⁴ Also, under the Cameroon government project, some 1 500 low cost houses have been built by Chinese companies in Olembe, Mbanga Mwang, Baffoussam, Bamenda, Limbe and Sangmelima. The city council's housing project "Cite des cinquantenaires" in Djoungoulou has constructed 500 houses.²⁵ Together with international partners, the government of Gabon is building a new city called Libreville 2, which is 27km from the city of Libreville. With a total investment of US\$352 million, the new city will house 20 000 people and will help decongest the current city of Libreville. Green Planet Holdings is involved in an affordable housing project close to Libreville, while companies such as SCIH2GE have set up in Equatorial Guinea and are involved in real estate property investment, development and management.

International oil and construction companies such as Total and ExxonMobil have driven the demand for high quality residential units in Malabo and Bata, Equatorial Guinea. There has been a great deal of new 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 not affordable to the average local middle-class person. The central Klemat area in N'djamena, which is near the presidential palace, is also an important residential district with new developments. In Gabon, Congo and CAR, the new housing developments are driven by demand for high quality housing by expatriate communities and the growing middle class. In Gabon, the new government policy of urban rehabilitation and construction will see the government invest in and build housing for Gabonese citizens with the help of local and international partners.²⁶ A great deal of social housing is being built in Gabon, with Libreville's northern suburb of Angondje being designated by government as a key area for social housing development. This situation has improved with the recent interest and activity of new developers in the region.

Property market and opportunities

In all the CEMAC countries, land is owned by the state, but private ownership of land for private and commercial use is encouraged to boost economic activity. While the real estate market is growing in some of the CEMAC countries such as Cameroon, Gabon and Equatorial Guinea, it is still almost non-existent in CAR. The growth in the property market in the region has been driven mostly by growth in the energy and construction sectors, which led to an increase in demand and increased house prices for both ownership and rental.

According to the World Bank 2018 Doing Business Report, the cost of registering property as a percentage of the property value in the region is highest in Cameroon (19 percent) and lowest in Gabon (10.5 percent). The cost for the other countries is 11 percent (CAR), 12.5 percent (Eq. Guinea), 12.9 percent (Chad) and 16.1 percent (Congo Rep). The time it takes to register property is 102 days (Gabon), 86 days (Cameroon), 75 days (CAR), 55 days (Congo Rep), 44 days (Chad), and 23 days (Equatorial Guinea). The residential property market has seen a decline in some countries mainly because of the slowdown in economic growth. This has led to a decline in rental prices in some countries such as the Congo Republic, as well as slower growth in prices in other countries.

Policy and regulation

Governments in the CEMAC countries are now trying to put in place reforms that would address the constraints in this sector. The main constraints are in the areas of land ownership and property registration (getting land title certificates), access to serviced land, construction and development, and the availability of finance and access to credit.²⁷ According to the World Bank's 2018 Doing Business Report, when compared to the 2017 report, most of the countries in the region have made progress on ease of doing business, issuing construction permits, access to credit, and registering property, with improved rankings.

The Republic of Congo, Gabon and Chad made transferring property less costly by lowering the property transfer tax rate. Gabon made dealing with construction permits faster by streamlining the process and increased transparency by publishing regulations related to construction online free of charge.²⁸ It made paying taxes costlier for companies by reducing the depreciation rates for some fixed assets. Cameroon improved its credit information system by passing regulations that provide for the establishment and operation of a credit registry database.²⁹ The country made dealing with construction permits more complex by introducing inspection and notification requirements. Government also decentralised the process of obtaining building permits and by introducing strict time limits for processing the application and issuing the certificate of conformity. This will improve access to credit.

All the CEMAC governments are signatories to the OHADA Uniform Act on Secured Transactions, which broadened the scope of assets that can be used as collateral thereby helping to increase access to finance. As the CEMAC governments continue to introduce reforms on land administration, construction, property registration and access to housing finance, more opportunities will be created in the sector in every area of the value chain. The government of Cameroon has taken the step of providing sovereign guarantees to private developers. Reforms and policies should also focus on tapping into the potential of MFIs. Gabon has a new policy of urban renewal and construction.

Opportunities

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. This is mainly because of economic reforms, the strong demand for natural resources from emerging and developed economies, a growing middle class, increasingly urbanised populations, a huge housing backlog, and a large diaspora seeking to invest in real estate. There are also growing opportunities for retail, commercial and industrial real estate in the urban and semi-urban areas. The prospects for the property market are excellent and some global property development companies are taking advantage of existing opportunities in the region.

Sources

Cameroon Report (2018). Low Cost Houses to Solve Housing Problems in Cameroon. <https://cameroon-report.com/english/low-cost-houses-to-solve-housing-problems-in-cameroon/> (Accessed 19 September 2018).

Cemnet (2018). Cameroon to Build Fifth Cement Plant. <https://www.cemnet.com/News/story/164397/cameroon-to-build-fifth-cement-plant.html> (Accessed 19 September 2018).

First initiative (2017). Microfinance and Financial Consumer Protection in the CEMAC Region. <https://www.firstinitiative.org/projects/microfinance-and-financial-consumer-protection-cemac-region> (Accessed 17 September 2018).

The International Monetary Fund (2017). IMF Country Report 17/176. CEMAC. Staff Report on the Common Policies in Support of Member Countries Reform Programs.

<https://www.imf.org/en/Publications/SPROLLs/Central-African-Economic-and-Monetary-Community-Reports> (Accessed 17 September 2018).

The International Monetary Fund (2017). IMF Country Report No. 17/389. CEMAC. Common Policies of Member Countries, and Common Policies in Support of Member Countries Reform Programs-Press Release; Staff Report; and Statement by the Executive Director.

<https://www.imf.org/en/Publications/SPROLLs/Central-African-Economic-and-Monetary-Community-Reports> (Accessed 17 September 2018).

Journal du Cameroun (2018). Free Movement of People and Goods a Reality. <https://www.journalducameroun.com/en/free-movement-of-people-goods-a-reality-cemac-president/> (Accessed 17 September 2018).

Mercer (2018). Mercer's Annual Cost of Living Survey Finds Asian, European, And African Cities Most Expensive Locations for Employees.

<https://www.mercer.com/newsroom/cost-of-living-2018.html> (Accessed 19 September 2018).

Numbeo (2018). Cost of Living in Brazzaville. <https://www.numbeo.com/cost-of-living/in/Brazzaville-Congo> (Accessed 19 September 2018).

The Oxford Business Group (nda). Making Great Strides Investments are Forging ahead Despite Recent Challenges.

<https://oxfordbusinessgroup.com/overview/making-great-strides-investments-are-forging-ahead-despite-recent-challenges> (Accessed 19 September 2018).

The World Population Review (2018). Gabon Population.

<http://worldpopulationreview.com/countries/gabon-population/cities/> (Accessed 19 September 2018).

The World Population Review (2018). Republic of Congo Population.

<http://worldpopulationreview.com/countries/republic-of-the-congo-population/> (Accessed 19 September 2018).

The World Bank (2018). Dealing with Construction Permits.

<http://www.doingbusiness.org/en/data/exploretopics/dealing-with-construction-permits/reforms> (Accessed 19 September 2018).

The World Bank (2018). Strengthening the Capacity of Regional Financial Institutions in the CEMAC Region. PID/ISDS.

<http://documents.worldbank.org/curated/en/390661522173803460/text/Project-Information-Document-Integrated-Safeguards-Data-Sheet-Strengthening-the-Capacity-of-Regional-Financial-Institutions-in-the-CEMAC-Region-P161368.txt> (Accessed 17 September 2018).

World Bank Doing Business Report (2015). Business Reforms in Getting Credit. <http://www.doingbusiness.org/en/reforms/overview/topic/getting-credit> (Accessed 19 September 2018).

The World Data (nda). CEMAC Economies and Monetary Community of Central Africa. <https://www.worlddata.info/alliances/cemac-economic-and-monetary-community-of-central-africa.php> (Accessed 17 September 2018).

¹ The World Bank (2018). Strengthening the Capacity of Regional Financial Institutions in the CEMAC Region. PID/ISDS. Pg. 2.

² Journal du Cameroun (2018). Free Movement of People and Goods a Reality.

³ The International Monetary Fund (2017). IMF Country Report No. 17/176. Central African Economic and Monetary Community (CEMAC). Staff Report on the Common Policies in Support of Member Countries Reform Programs. Pg. 2.

⁴ The World Bank (2018). Pg. 3.

⁵ The World Data (nda). CEMAC Economies and Monetary Community of Central Africa.

⁶ The International Monetary Fund (2017). IMF Country Report No. 17/389. Central African Economic and Monetary Community (CEMAC). Common Policies of Member Countries, and Common Policies in Support of Member Countries Reform Programs-Press Release; Staff Report; and Statement by the Executive Director. Pg. 2.

⁷ The World Bank (2018). Pg. 2.

⁸ Cameroon contributes up 40 percent of the region's GDP; Gabon 19 percent, Equatorial Guinea 13 percent, Chad 14 percent, Republic of Congo 11 percent and CAR 2 percent.

⁹ The World Bank (2018). Pg. 1. Equatorial Guinea depends on it for 70 percent of its GDP; Congo, 65 percent; Gabon, 20 percent; Chad, 40 percent; and Cameroon, less than 10 percent in 2017.

¹⁰ The World Bank (2018). Pg. 3.

¹¹ Ibid.

¹² For example, in the CAR that has the smallest financial sector in the region, bank branches and ATMs are mostly concentrated in only three towns with 71 percent of total branches located in the capital Bangui.

¹³ World Bank (2018). Global Findex Database 2017. https://globalfindex.worldbank.org/#data_sec_focus

¹⁴ The World Bank (2018). Pg. 5.

¹⁵ The World Bank (2018). Pg. 3. With Cameroon having the most MFIs, followed by Chad, Congo, Central African Republic, Gabon and Equatorial Guinea respectively.

¹⁶ The World Bank (2018). Pg. 3.

¹⁷ First initiative (2017).

¹⁸ Mercer (2018).

¹⁹ Numbeo (2018). Cost of Living in Brazzaville.

²⁰ The World Population Review (2018). Gabon Population.

²¹ The World Population Review (2018). Republic of the Congo Population.

²² Conclusion drawn up from the analysis of the housing supply per country (Cameroon, Central African Republic, Chad, Congo Republic, Equatorial Guinea and Gabon) available in the CAHF yearbook 2017.

²³ Cameroon Report (2018).

²⁴ Cemnet (2018).

²⁵ Cameroon Report (2018).

²⁶ The Oxford Business Group (nda).

²⁷ Conclusion drawn up from the analysis of the housing supply per country (Cameroon, Central African Republic, Chad, Congo Republic, Equatorial Guinea and Gabon) available in the CAHF yearbook 2017.

²⁸ The World Bank (2018). Dealing with Construction Permits.

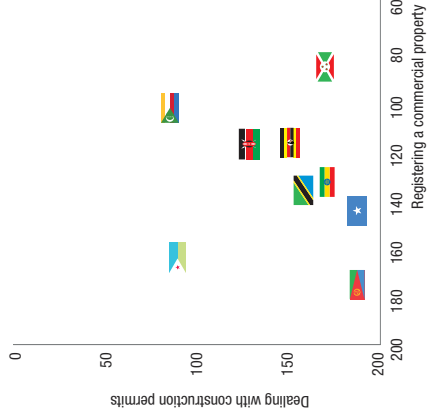
²⁹ World Bank Doing Business Report (2015). Business Reforms in Getting Credit.

World Bank Doing Business global rank, 2018

The Doing Business indicators provide comprehensive and comparative global data tracking business and regulation environments over time. A high ease of doing business ranking means that the regulatory environment in that economy is more conducive to the starting and operation of a local firm.

The indicators for dealing with construction permits and registering a property both relate to commercial property. However, no similar indicators for residential property currently exist.

World Bank Doing Business rankings on selected indicators, 2018



Source: World Bank Doing Business Indicators - <http://www.doingbusiness.org/>

Mortgage lending, 2018

Only 50% of countries in the region have available information on number of mortgages.

	Burundi	Comoros	Djibouti	Eritrea	Ethiopia	Kenya	Rwanda	Somalia	Tanzania	Uganda
Number of mortgage providers	5	5	n/a	n/a	4	35	10	n/a	31	6
Estimated number of mortgages	1 500	n/a	n/a	n/a	n/a	24 085	60 000	n/a	4 209	5 000
Mortgage interest rate	16%	11%	7%	9.5%	16%	13%	16.76%	7.5%	17%	18%
Downpayment	20%	20%	20%	n/a	10%	10%	20%	n/a	10%	15%
Mortgage term (years)	20	10	20	25	15	25	15	20	10	25

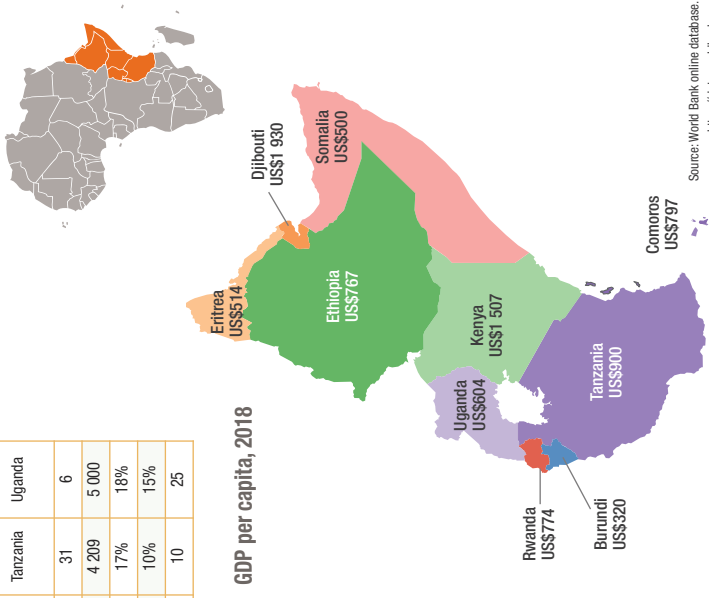
Source: CMHF 2018 desktop surveys and country experts.

Number of households, 2018



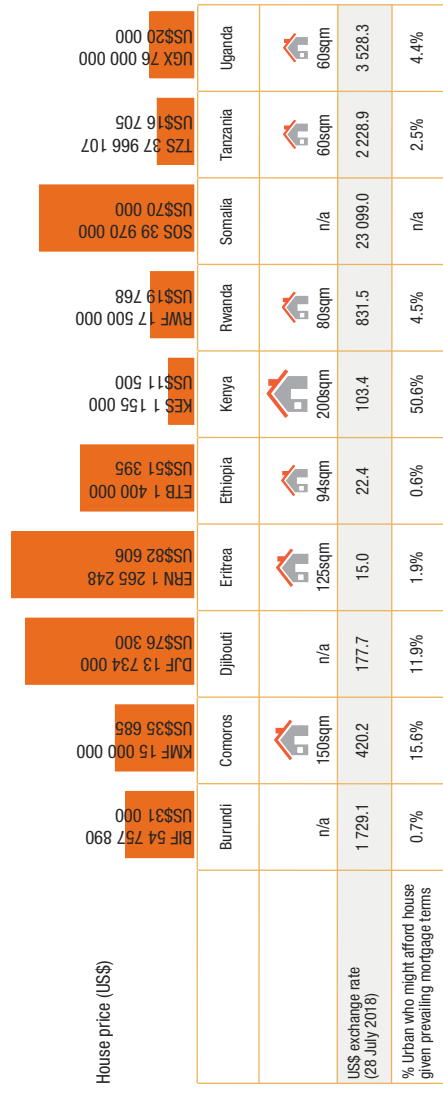
Source: Carback Global Income Distribution Database (C-GIDD). <https://www.cgidd.com/>

East Africa



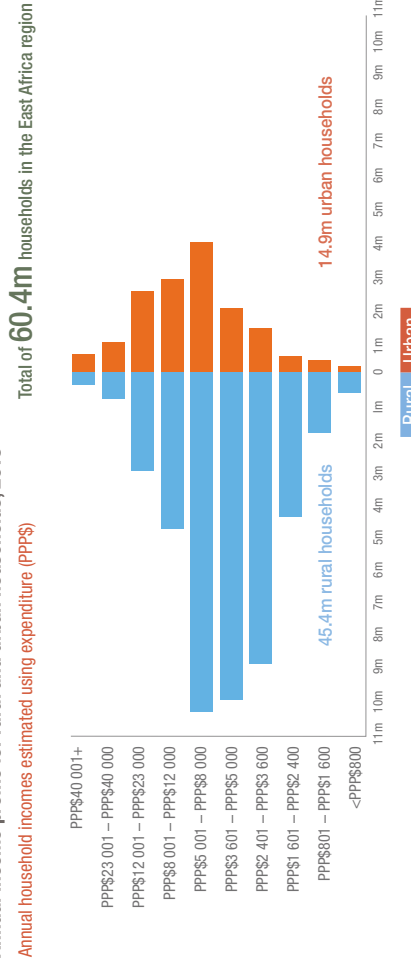
Source: World Bank online database. <https://data.worldbank.org>

Price and size of the cheapest newly built house by a private developer, 2018



Sources: Mortgage terms, house prices & sizes from CMHF 2018 surveys. Household & income data drawn from C-GIDD (Carback Global Income Distribution Database). <https://www.cgidd.com/>

Annual income profile for rural and urban households, 2018



Source: Carback Global Income Distribution Database (C-GIDD). <https://www.cgidd.com/>

The East African Community



Overview

The East African Community (EAC) economy achieved significant growth in 2017 and the first half of 2018. The average GDP growth rate of 5.9 percent for the region in 2017 was forecast to continue into 2019.¹ This was significantly higher than the Sub-Saharan Africa growth performance of 1.6 percent average GDP growth recorded in 2017.² This growth has been attributed to the macro-economic stability driving accelerated public and private investment in several sectors including public infrastructure, oil and gas, agriculture and the financial sector. Kenya is the first country in the region to produce oil exports. The country's production unit was commissioned in June 2018 and the first 2 000 barrels were shipped to Mombasa port for export. Uganda is steadily investing in public transportation infrastructure and an airport construction project is already underway in the oil-rich region of Hoima where a US\$4 billion (Ush15.12 trillion) refinery project is planned. Commencement of commercial oil extraction is likely to trigger large-scale developments in several sectors including housing and housing finance to cater for the accommodation needs of a growing, oil-linked labour force.

The region also noted a considerable decline in inflation rates in 2017, largely attributable to a good harvest and stable exchange rates. Headline inflation declined in the fourth quarter of 2017 from 7.5 percent to 5 percent in Kenya, 5.4 percent to 4 percent in Uganda, 5.1 to 4.5 percent in Tanzania, 3.9 to 2.2 percent in Rwanda and from 14.3 percent to 14.2 percent in Burundi. The relative decline in inflation resulted in a reduction in lending rates across the banking sectors with the exception of Burundi and South Sudan, where supply-side challenges continued to plague their financial sectors, due to fragile political contexts. Declining inflation rates have resulted in significant housing sector development in Uganda, Kenya and Tanzania. Low interest rates have also resulted in a rising demand for housing units. Central banks in the region have consistently reduced the benchmark Central Bank Rate (CBR) to illustrate their commitment to private sector-led growth in the region. The central banks of Rwanda, Kenya, Tanzania and Uganda maintained their policy rates at 6.0 percent, 10 percent, 12 percent and 10 percent respectively in the fourth quarter of 2017. 2018 saw further decreases in interest rates to 5.5 percent in Rwanda, 9.5 percent in Kenya, 9 percent in Tanzania and 9 percent in Uganda.³

Across the region, financial institutions continue to rely on customer deposits as their main source of funding. In Kenya, customer deposits accounted for 72.7 percent of the banking sector's total liabilities and shareholders' funds at the end of the fourth quarter of 2017, an increase from 71.9 percent recorded in the third quarter of 2017.⁴ Although still strong, the total loan-to-deposit liability value for Uganda declined to 64.1 percent in December 2017 from the four-year average of 74.2 percent.⁵ This was the result of subdued demand for credit arising out of slow growth in economic activities for the larger part of 2017, except the last quarter in which there was rebound economic activity across the region.

Access to finance

The six-member states of the EAC are generally well-served by formal financial institutions including commercial banks and microfinance institutions. In addition, large sections of both the rural and urban populace are members of savings and credit co-operatives (SACCOs). An important component of the improving levels of financial inclusion across the region relate to the development of mobile money services. Safaricom in Kenya, Vodafone in Tanzania as well as MTN in Uganda and Rwanda have introduced initiatives that enable subscribers to transfer funds, save and access small loans from their cellphones. In addition, the agent banking model recently implemented in Uganda, has gained momentum, with over 2 000 bank agents now in operation. Commercial banks, with approval from the Bank of Uganda, now appoint bank representatives from existing local businesses such as supermarkets, pharmacies, fuel stations and mobile money outlets to provide banking services in unserved areas of the country.⁶ With the implementation of such initiatives, the proportion of the region's population accessing financial services will most likely increase from 44 percent in 2011 to 75 percent by 2022.⁷

In Uganda, banks faced a challenging business environment with low credit growth in 2017, which rose by only 1.5 percent,⁸ far lower than the 6.1 percent growth recorded in the previous year. This marginal growth is attributable to slow economic recovery following the 2016 general elections. However, in the second half of 2017, indicators showed that domestic economic activity started to pick up, driven by an enabling monetary policy, public investments, increasing growth in consumption and improved agricultural productivity. There has been a notable rise in private sector credit (PSC), largely driven by a drop in interest rates. Credit growth by sector indicated that mortgage, construction and real estate, trade and commerce, household, agriculture and manufacturing continue to account for the bulk of private sector credit, constituting more than 70 percent of the total loan stock. The growth in credit also followed a period of general improvement in loan performance as evidenced by the reduction of the non-performing loan ratio from 10.5 percent in December 2016 to 5.6 percent in December 2017.⁹

Similarly, the banking industry in Kenya recorded a 2.6 percent rise in lending activities, from Ksh2 390.4 billion (US\$23 904 million) in the third quarter of 2017 to Ksh2 452.7 billion (US\$24 527 million) in the fourth quarter of 2017. The increase in gross loans and advances was largely attributable to growth in the real estate, manufacturing, trade, household, energy as well as building and construction sectors of the economy.¹⁰

Despite posting marginal growth figures for the larger part of 2017, the majority of commercial banks in the region remained adequately capitalised during the year. In Burundi, the return to relative stability in the political arena culminated in a marginal 8.2¹¹ percent rise in total loans by BIF795 480 million (US\$454 million) for the period to December 2017 compared to BIF735 126 million (US\$420 million) rise for the one-year period to December 2016. This marginal rise in private sector credit was recorded on the back of an 18.2 percent rise in total banking sector assets to BIF2 164.7 billion (US\$1 236 million) in December 2017 from BIF1 834.9 billion (US\$1 048 million) in 2016, highlighting the banks' preference for low-risk government securities as opposed to the highly risky private sector in an era of a fragile investment climate.

In Tanzania, the mortgage market registered a growth of 6 percent for the year 2017, compared to a growth rate of 16 percent in 2016. The market also witnessed the entry of three new mortgage lenders increasing the total number of lenders to 31. The new entrants in 2017 were Letshego Bank (T) Limited, Yetu Microfinance Bank PLC, and Mufindi Community Bank Ltd. The aggregate mortgage loan portfolio grew by a marginal 6.4 percent to TZS 344.84 billion (US\$152 million) in December 2017, up from TZS 324.08 billion (US\$142 million) in December 2016. The mortgage market in Tanzania is still dominated by five top lenders, who together command approximately 60 percent of the mortgage portfolio. Stanbic Bank commands 18 percent of the mortgage market share, followed by Bank M (16 percent), CRDB Bank (11 percent), Azania Bank (8 percent) and Commercial Bank of Africa (7 percent).¹²

Affordability

Housing affordability continues to be a challenge across the region, with three to four-bedroom housing units priced at approximately US\$50 000 (Ush200 million in Uganda,¹³ Ksh5 million in Kenya¹⁴ and Tzs115 million in Tanzania¹⁵), far out of reach of the majority. In Rwanda, Burundi and South Sudan, the average price of housing units is above US\$60 000 due to a high reliance on imported construction materials. These figures make housing inaccessible to the large majority of East African households.

Despite the slow growth rates posted by key trading partners in the East African region, attempts have been made in Uganda, Kenya, Tanzania and Rwanda to increase affordability of housing units. Burundi and South Sudan have made marginal, to no progress towards improving affordability, largely as a result of persistent political instability. However, a general reduction in the policy interest rates across the region should result in a reduction in the interest rate costs of housing finance over the medium term. Interest rates on mortgages have tended to be sticky and less affected by improvements in the reduction of NPL-driven costs. Most lenders consider the AAA mortgage loans' portfolio as relatively low risk and therefore not a key contributor to the general performance of the loan book. Additionally, because of the low risk grading for the portfolio, the pricing of mortgage loans is usually at the bottom of the bank's loan pricing tariff guide, leaving relatively less room for adjustments even in the face of general reductions in the central banks' policy rate.

In Uganda, the July 2017 amendment of the Income Tax Act provided for tax breaks on interest payments towards mortgages. Mortgage interest payments have been established as a tax deductible, incentivising investment in housing.

In Kenya, small and medium enterprises have been disproportionately affected by the law on interest rate capping. This is believed to be a consequence of tight lending criteria, with banks gravitating towards so-called safer borrowers who ordinarily attract low interest rate charges. This includes government officials and large corporations rather than small, ostensibly riskier individual borrowers. Interest rate caps have affected the profitability of commercial lenders with some experiencing a drop in revenue of up to 25 percent.¹⁶ As a reaction to this shortfall, several banking institutions in Kenya have resorted to cost reduction measures including closing branches and cutting jobs to offset the decline. Prior to the introduction of the cap, Kenyan banks charged an average 18 percent on loans.¹⁷ This has now declined to an average of 14 percent.

Housing supply

Across the region, housing backlogs are growing. The government in Kenya has estimated an urban housing need of 150 000 dwellings a year, against formal production of about 30 000 units annually.¹⁸ In Tanzania, the annual housing deficit is estimated at 200 000 units.¹⁹ Uganda, has a housing deficit of 1.6 million units, comprising an estimated 1.4 million units in rural areas and 210 000 units in urban centres.²⁰ Rwanda's annual housing deficit is estimated at 34 000 units.²¹ The capital cities of Nairobi, Kampala, Kigali and Bujumbura have each embarked on slum upgrading projects to provide decent residential housing estates, clean water and sanitation.

Against this background, there are some noteworthy efforts towards better targeted, affordable housing delivery. In Uganda, companies such as Comfort Homes and Universal Multipurpose Enterprises launched their first one-bedroom apartment projects at Ush70 million (US\$18 667) per unit. For both developers, the projects were highly successful, and all units were sold before construction was complete. They have since established the second phase of the two projects with a 23 percent increment in offer price at Ush86 million (US\$22 933). Most of the purchasers of these residential units appear to be investors, however; who offer the units for rent. Rental charges for one-bedroom apartments is approximately Ush400 000 (US\$105) per month. Additionally, developers are delivering two-bedroom apartments at a sale price of Ush165 million (US\$44 000) and three-bedroom apartments at Ush200 million (US\$53 333).²² Most of these projects are situated within a radius of 10 kilometers from Kampala city centre. Comfort Homes Uganda delivered their first phase of low-cost homes in Gayaza (16 kilometres from Kampala City) at Ush47 000 000 (US\$12 434) per unit and all apartments were sold out within six months of launching the project. Buyers are increasingly relying on home loan finance to fund the purchase of housing, illustrated in the rise in lending in the sector.

In Kenya, the Ministry of Transport, Infrastructure, Housing and Urban Development announced plans to enable the construction of 500 000 affordable housing units over the next five years as part of the government's four flagship projects. Phase I includes the delivery of 30 000 units in Nairobi using government land to reduce the delivery cost and boost affordability.²³ Eighty percent of the units will be priced between Ksh800 000 (US\$8 000) and Ksh1 million (US\$10 000). The remaining 20 percent of the units will be demarcated for social housing, consisting of urban slum upgrades and costing an average of Ksh650 000 (US\$6 500). Government-owned land in the five urban areas of Nairobi, Nakuru, Eldoret, Kisumu and Mombasa have been targeted for developments under various public private partnerships.

The Rwandan government has financed the delivery of housing through the Development Bank of Rwanda (BRD). The Rwandan government plans to deliver 15 000 housing units by 2024 with an investment of US\$250 million through BRD for project development and an additional US\$150 million for end-user finance from the World Bank for on-lending through commercial banks to support mortgages.²⁴ These banks will offer housing loans at a concessional rate of 10 percent as opposed to the market rate of 19 percent per annum. The Rugarama project in Nyarugenge is a 2 674 housing unit project which will be developed on 42 hectares of land, at a cost of US\$131 million. The Kimisangea project will consist of 150 housing units and cost US\$60 million. There are an additional 800 housing units in Busanza-Kicukiro district being delivered by Community Housing Limited (CHL). BRD is partnering with Bank of Africa to kick-start construction of the Ndera project by the fourth quarter of 2018. At a cost of US\$68 million and an area of 18.6 hectares, the project is planned to take a phased approach with the first phase costing US\$12.4 million. About 15 kilometres from Kigali in the Gasabo district, the project is expected to be completed by September 2019. The units will include two and three bedrooms apartments, constructed in several four story apartment blocks. The project targets households with an income of between Rwf261 000 (US\$301) and Rwf1.2 million (US\$1 398) a month. To achieve this, the project will have a strict screening process to ensure that the project units are not taken over by high income earners. Additionally, only 5 percent downpayment will be required from qualifying buyers. Eighty percent of the units will be delivered at a relatively affordable price range of between Rwf27 million (US\$31 468) and Rwf35 million (US\$40 792), while the remaining 20 percent will be priced higher for middle and high income earners.²⁵

In Tanzania, the National Housing Company (NHC) has several major projects in Dar-es-Salaam. This includes the Mwongozo Housing Estate located in Gezaulole Kibamboni which consists of 216 two to three bedroom houses. The NHC has also been involved in the sale of undeveloped land to prospective developers. The corporation has offered over 300 serviced plots for sale in the Mateves area close to Arusha catalyst for the development of satellite cities.²⁶

Property markets

Prices of residential properties in the EAC region have continued to rise, and in some cities, doubled after a five-year period. In Tanzania, new residential neighbourhoods have emerged around Dodoma when the country's administrative capital shifted to the area in 2017. Similarly, new areas have developed from the Kanombe airport towards the administrative capital of Kigali. In Kampala the construction of the Entebbe - Kampala highway has had a direct impact on the spatial growth pattern of the area.

A notable trend in Kampala has been the transformation of the formerly residential neighbourhoods of Kololo, Nakasero, Ntinda, Bugolobi, Kamwokya, Makerere, Nakawa, Kireka and others into commercial areas. Residential houses in these neighbourhoods have been modified and converted into office buildings and eateries.

Policy and regulation

A number of key regulatory reforms have affected housing and housing finance in the region. In Kenya, President Uhuru Kenyatta set affordable housing as one of key focus areas with a promise to deliver 500 000 new housing units by 2022. Towards this, the President signed an amendment to the Income Tax Act to establish an Affordable Housing Relief set at 15 percent of the gross emoluments. Prospective first-time home owners of affordable housing are now exempted from paying 15 percent tax on emoluments up to Ksh 108 000 (US\$1 080). The

amendment also doubled the tax deduction for depositors investing in Home Ownership Savings Plan (HOSP) schemes from Ksh48 000 (US\$480) per annum to Ksh96 000 (US\$ 960) per annum. In the same vein, the Stamp Duty Act²⁷ was amended to exempt first-time home buyers under the affordable housing scheme from stamp duty. The tax is charged on the market value of the property at the rate of four percent in urban areas and two percent in rural areas and must be paid to the Kenya Revenue Authority (KRA) within 30 days of concluding the property sales and transfer agreement.

Uganda has also amended its Income Tax Act to allow for tax relief on mortgage interest payments. It is hoped that such initiatives will enhance affordability of housing and housing related finance. Additionally, a 2016 amendment to the Financial Institutions Act (2004) created a regulatory environment for agent banking, Islamic banking, and bank assurance. It is hoped that such initiatives will support the financial inclusion agenda. More specifically, agent banking now enables borrowers to access disbursed loans at agent outlets nearest to their premises and also enables them repay installments through the same agent outlets. In less urban environments where the average distance to the nearest financial services point is 12 to 22 kilometers, the introduction of agent banking regulations is a welcome addition to the expansion of financial services.

Opportunities

All six countries in the EAC have similar challenges relating the supply of affordable housing. Demand for housing and appropriate housing finance products remain extremely high, but affordability is constrained by inadequate supply, and high interest rates on housing-related facilities. While the monetary authorities in the respective countries have achieved strong gains in reducing interest rate cost of housing finance from 22 – 25 percent in 2011 to the current 15 – 19 percent, these rates are still high. The reliance on bank deposits creates an opportunity for long-term investors to partner with financial institutions for increased affordability of loan products. Additionally, the establishment of mortgage refinance facilities would go a long way in encouraging commercial banks to enter the mortgage space by providing liquidity to these institutions. Within the region, the Tanzania Mortgage Refinance Company has been instrumental in growing the mortgage market, increasing the number of mortgage lenders from three to 31 over a six-year period. A similar "Kenya Mortgage Refinance Company" is being developed in Kenya, and discussions have also been held in Uganda and Rwanda along these lines. These initiatives signal Central Bank attention to the housing sector in the region, and very real opportunities for growth.

Additional sources

Banque de la République du Burundi. Annual Report 2016. <https://www.brbbi/en/content/annual-report> (Accessed 18 Sept 2018).
Sow, Marima (2015). "Foresight Africa 2016: Urbanization in the African context." 30 Dec 2015. Brookings Institute. www.brookings.edu/blog/africa-in-focus/2015/12/30/foresight-africa-2016-urbanization-in-the-african-context/ (Accessed 30 August 2018).

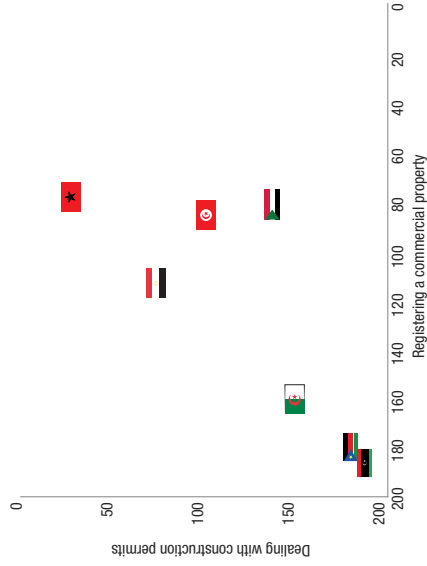
- 1 African Development Bank (2018). East Africa Economic Outlook 2018. <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-East-Africa.pdf> (Accessed 23 Sept 2018).
- 2 African Development Bank (2018). Southern Africa Economic Outlook 2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African_Economic_Outlook_2018_Southern-Africa.pdf (Accessed 23 Sept 2018).
- 3 Central Bank websites: Bank of Uganda (www.bou.orug); Bank of Tanzania (www.bot.gov.tz); National Bank of Rwanda (www.bnirw.gov.rw); Bank of Burundi (www.brbbi.gov.bj); Central Bank of Kenya (www.centralbank.go.ke/)
- 4 Central Bank of Kenya (2018). Monthly Economic Indicators – January 2018. https://www.centralbank.go.ke/uploads/monthly_economic_indicators/955854010_MEI%20Jan%202018%20Final.pdf (Accessed 23 Sept 2018). Pg. 8.
- 5 Bank of Uganda (2017). Annual supervision report – December 2017/Issue No. 8. <https://www.bou.orug/bou-downloads/asr/2017/Dec/Annual-Supervision-Report-2017.pdf> (Accessed 23 Sept 2018). Pg. 12.
- 6 National Financial Inclusion Strategy 2017-2022 – Uganda (October 2017). Pg. 9-12 and Pg. 34. https://www.bou.orug/bou-downloads/publications/special_pubs/2017/National-Financial-Inclusion-Strategy.pdf (Accessed 16 Sept 2018).
- 7 Ibid. Pg. 5.
- 8 Bank of Uganda (2017). Annual supervision report – December 2017/Issue No. 8. <https://www.bou.orug/bou-downloads/asr/2017/Dec/Annual-Supervision-Report-2017.pdf> (Accessed 23 Sept 2018) Pg. 12.
- 9 Bank of Uganda (2017). Annual supervision report – December 2017/Issue No. 8. <https://www.bou.orug/bou-downloads/asr/2017/Dec/Annual-Supervision-Report-2017.pdf> (Accessed 23 Sept 2018). Pg. 12.
- 10 Central Bank of Kenya (2018). Bank Supervision Annual Report – December 2017. https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/873911276_2017%20Annual%20Report.pdf (Accessed 23 Sept 2018).
- 11 National Bank of Burundi (2017). Monthly Bulletin (December 2017). https://www.brbbi/sites/default/files/BM%20N%2012%202017_English%20site_0.pdf (Accessed 23 Sept 2018). Pg. 11.
- 12 Tanzania Mortgage Refinance Company Limited (2017). Tanzania Mortgage Market Update – 31 December 2017. <http://www.tnmc.co.tz/index.php/highlights/view/tanzania-mortgage-market-update-31-december-2017> (Accessed 16 Sept 2018).
- 13 Interviews with developer firms (July 2018).
- 14 Kenya Ministry of Housing and Urban Development statistics (April 2018). Also: Munda, Constant (2018). "State says house to cost Sh1.5m in 'Big Four' plan." 5 April 2018. Business Daily Africa. <https://www.businessdailyafrica.com/economy/State-says-house-to-cost-Sh1-5m-in---Big-Four-plan/3946234-4374094-g0myb0/index.html>
- 15 Interview with key developer (August 2018).
- 16 Njini, Felix (2017). Kenya's Largest Bank Expects Rate-Cap Removal in Second Half. 11 May 2017. Bloomberg. <https://www.bloomberg.com/news/articles/2017-05-11/kenya-s-largest-bank-sees-rate-cap-being-removed-in-second-half> (Accessed 16 Sept 2018). And Mwaniki, Charles (2017). Big banks suffer biggest blow in interest rates cap. 27 Nov 2017. Business Daily. www.businessdailyafrica.com/markets/marketnews/Big-banks-suffer-biggest-blow-interest-rates-cap/3815534-4204212-serw37z/index.html
- 17 Central Bank of Kenya (March 2018). The Impact of Interest Rate Capping on the Kenyan Economy – Draft for Comments. www.centralbank.go.ke/wp-content/uploads/2018/03/Interest-Rate-Caps_-_March-2018final.pdf (Accessed 16 Sept 2018). Pg.10.
- 18 Ngugi, Brian (2018). Uhuru's plan to cut rents, home prices in Nairobi. 20 April 2018. Business Daily Africa. www.businessdailyafrica.com/news/Uhuru-plan-to-cut-rents-home-prices-in-Nairobi/539546-4489832-v9v4jc/index.html (Accessed 21 August 2018).
- 19 Tanzania Invest (2018). Tanzania real estate. www.tanzaniainvest.com/construction/realstate (Accessed 21 August 2018).
- 20 Uganda Ministry of Lands, Housing and Urban Development – National Housing Policy (May 2016). <http://mlhud.gov.ug/wp-content/uploads/2015/10/National-Housing-Policy-May-2016.pdf> (Accessed 23 Sept 2018). Pg.5.
- 21 Planet Consortium (2012). Housing Market Demand, Housing Finance, and Housing Preferences for the City of Kigali – Final Report. Planet Consortium. 29 June 2012. www.kigalicity.gov.rw/fileadmin/Template/Documents/reports/1_Executive_Summary_Synopsis_Housing_Demand_study.PDF (Accessed 30 Aug 2018).
- 22 Interviews with key developer firms (July 2018).
- 23 Otuki, Neville (2018). How State plans to deliver 500,000 homes in five years. 20 April 2018. Business Daily Africa. <https://www.businessdailyafrica.com/economy/How-State-plans-to-deliver-500-000-homes-in-five-years/3946234-4490336-yrk8cz/index.html> (Accessed 30 August 2018).
- 24 Mwai, Collins (2018). BRD explains its new housing project. 29 August 2018. The New Times. <https://www.newtimes.co.rw/news/brd-housing-project> (Accessed 23 Sept 2018)
- 25 Tabaro, Jean de la Croix (2018). "You Could Be Eligible for a House in Kigali". 16 July 2018. KT Press. <http://ktpress.rw/2018/07/you-could-be-eligible-for-a-house-in-kigali/> (Accessed 31 August 2018).
- 26 National Housing Corporation (2018). Safari City. <http://www.thesafaricity.com/about-us.php> (Accessed 20 August 2018).
- 27 Lang'at, Patrick (2018). "Homeowners can now enjoy 15pc tax relief." 19 July 2018. Daily Nation. <https://www.nation.co.ke/news/Homeowners-can-now-enjoy-15pc-tax-relief/1056-4670354-j3fo0z/index.html> (Accessed 20 August 2018).

World Bank Doing Business global rank, 2018

The Doing Business indicators provide comprehensive and comparative global data tracking business regulation environments over time. A high ease of doing business ranking means that the regulatory environment in that economy is more conducive to the starting and operation of a local firm.

The indicators for dealing with construction permits and registering a property both relate to commercial property. However, no similar indicators for residential property currently exist.

World Bank Doing Business rankings on selected indicators, 2018



Source: World Bank Doing Business indicators - <http://www.doingbusiness.org/>

Mortgage lending, 2018

Only 13% of countries in the region have available information on number of mortgages.

	Algeria	Egypt	Libya	Morocco	South Sudan	Sudan	Tunisia
Number of mortgage providers	n/a	52	n/a	16	n/a	n/a	n/a
Estimated number of mortgages	n/a	n/a	n/a	n/a	0	n/a	n/a
Mortgage interest rate	5.75%	6%	6%	4.96%	24%	12%	8%
Downpayment	20%	10%	n/a	20%	60%	50%	n/a
Mortgage term (years)	20	20	30	21	24	30	25

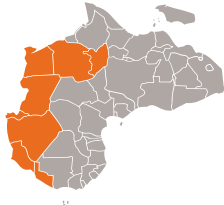
Source: CAHF 2018 desktop surveys and country experts.

Number of households, 2018

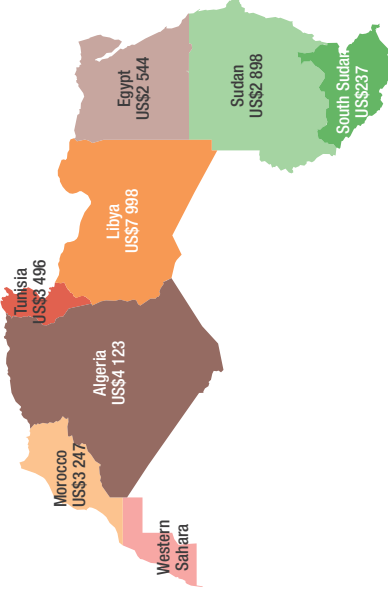


Source: Combank Global Income Distribution Database (C-GIDD). <https://www.cgidd.com/>

North Africa

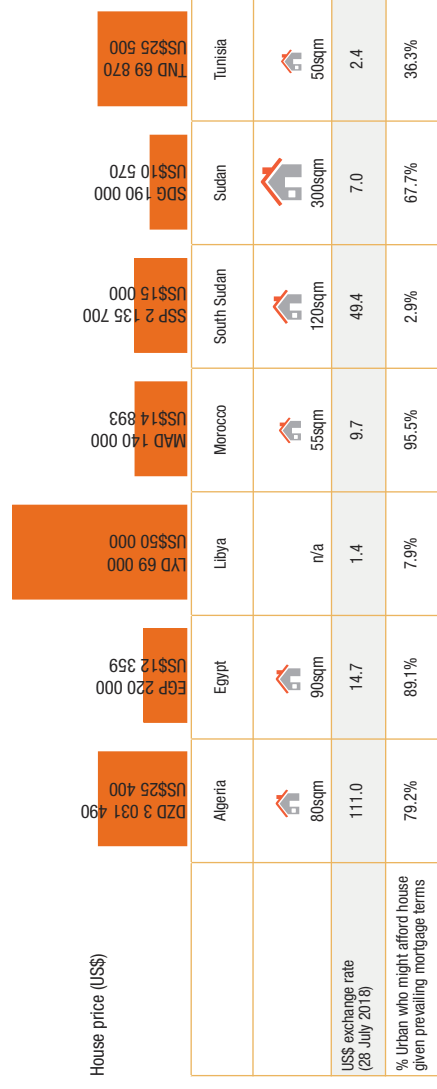


GDP per capita, 2018



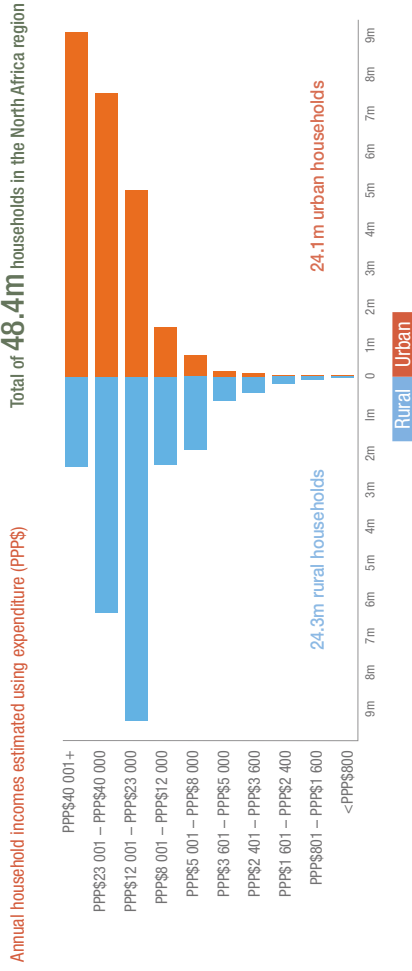
Source: World Bank online database. <https://data.worldbank.org>

Price and size of the cheapest newly built house by a private developer, 2018



Sources: Mortgage terms, house prices & sizes from CAHF 2018 surveys; Household & income data drawn from C-GIDD (Combank Global Income Distribution Database). <https://www.cgidd.com/>

Annual income profile for rural and urban households, 2018



Source: Combank Global Income Distribution Database (C-GIDD). <https://www.cgidd.com/>

North Africa Regional Profile



Overview

North Africa includes the five countries bordering the Mediterranean Sea: Morocco, Algeria, Tunisia, Libya, and Egypt. Together, they are home to 192 million people. After the Arab Spring in 2016, the North Africa region real GDP growth has improved and is estimated at 4.9 percent, up from 3.3 percent in 2016, which is higher than the African average of 3.6 percent. This is due to the return of political, economic and security stability in the region. This is clearly shown in the GDP growth rate in Morocco of 4.1 percent in 2017 compared to 1.2 in 2016. In addition, Egypt has supported the region's growth with a four percent rise in GDP as a result of its the economic reform program.

Growth prospects for 2018 and 2019 are positive, given reforms undertaken in all countries. The growth outlook for the region remains favourable relative to that of other regions (except East Africa) with an average growth projected at 5.0 percent in 2018 and 4.6 percent in 2019.¹ North Africa had an average human development index (HDI) of 0.667, ranking first in Africa, followed by Southern Africa (0.568), Central Africa (0.503), East Africa (0.496), and West Africa (0.461). However, major gaps exist between and within countries, and regional disparities in poverty and unemployment remain pervasive.

According to the African Economic Outlook, the region would need to accelerate its current pace of growth by approximately four percentage points every year for the next decade to alleviate poverty and reduce unemployment. The recovery of the North Africa region also depends partly on the performance of the Euro Zone, which represented 49.7 percent of the region's trade flows according to the United Nations Conference for Trade and Development (UNCTAD) data for 2012. The Euro Zone's recent recovery is good news for the region's exports. Growth in France, Germany, and Spain is expected to stimulate exports from North Africa to Europe.²

Access to finance

After the global financial crisis in 2008, which had devastating consequences for the financial markets of North African countries, most Middle East and North African (MENA) governments, including Algeria, Morocco and Tunisia relied on financial innovation and inclusion as a way of reducing poverty and inequality. In a joint Arab Monetary Fund-CGAP report on financial inclusion, Findex 2017 data highlights a large unmet demand for financial services.³ Many of the unbanked are economically active citizens. These figures suggest that financial service providers have the opportunity to meet a huge unmet demand across the Arab world, including in countries with more active financial markets.⁴

To close the severe gaps in financial inclusion in North Africa, governments are increasingly starting to develop national financial inclusion strategies driven by evidence-based dialogue among public and private stakeholders.⁵ Some reduction in income inequality has been registered in Morocco and Tunisia but not yet in Algeria, where poverty levels have remained high.⁶

In North Africa, opportunities to increase financial inclusion are particularly strong among women. Today 52 percent of men but only 35 percent of women in the region have a bank account, the largest gender gap in Africa. Relatively high mobile phone ownership offers an avenue for expanding financial inclusion among the unbanked: 86 percent of men and 75 percent of women have mobile phones. Up to 20 million unbanked adults in the region send or receive domestic remittances using cash or an over-the-counter service, including seven million in the Arab Republic of Egypt.⁷

The bond market is underdeveloped in the North African region except for Morocco and Tunisia, due to financial system reform. Despite that, the market in the two countries is suffering from low volumes, low liquidity and a strong tendency to "buy & hold". In order to raise the competitiveness and increase private sector participation in its financial sector, Egypt embarked on first generation and second-generation financial sector reforms.⁸ The second generation of the government's reforms were aimed at building up a financial system that is more inclusive, competitive and effective in financial intermediation, with sound banking and non-banking financial institutions. These reforms were led by the private sector.

In four of the North African countries where data is available (Algeria, Egypt, Morocco and Tunisia), the percentage of women with bank accounts at formal financial institutions ranges from 6.5 percent (women) and 12.8 percent (men) in Egypt and 26.7 percent (women) and 52 percent (men) in Morocco. A similar disparity can be traced with reference to the access to loans, with data ranging from 0.5 percent (women) and 2.5 percent (men) in Algeria and 3.6 percent (women) and 5.0 percent (men) in Morocco. Those who have an account to receive remittances constitute 0.2 percent (women) and 1.2 percent (men) in Egypt and 8.1 percent (women) and 12.1 percent (men) in Morocco.⁹

North Africa also saw the cost of risk roughly double to one percent, with high non-performing loan (NPL) ratios resulting from several major corporate bankruptcies in the oil, real estate, and maritime transportation sectors.¹⁰

Affordability

All North African countries are suffering from the lack of middle income housing supply and this is considered one of the major challenges facing the real estate industry. As population growth and urbanisation continue, countries across the region are facing growing pressure to accommodate the evolving needs of urban dwellers. This includes the need for more good quality, affordable accommodation within developed communities, for middle income individuals and households.¹¹

In response to these problems, governments in North Africa are trying to intervene to make housing habitable, affordable and accessible to low income households. This is especially true for the Moroccan, Algerian and Egyptian governments. In Morocco, the government has decided to stand as guarantor, which enables low income borrowers to borrow from banks. Algeria and Egypt are using other solutions such as building social housing units at low prices with payment facilities. In Algeria, the government is committed to building 1.6 million social housing units between 2015 and 2019.¹²

North Africa's rapid urbanisation and population growth has led to a severe affordable housing shortage and a rise in informal settlements. This is not equally distributed across the region, however. On one hand, a country like Tunisia has no housing deficit, while Egypt is estimated to have a housing shortage of at least 3.5 million units. The socio-economic impact of the housing shortage is clear. It causes overcrowding, increases the incidence of diseases, and hinders the provision of basic social and public services such as water, sanitation, education, and physical safety. In such a situation, high population growth and a youth bulge tend to be liabilities rather than dividends.¹³

In spite of the high levels of home ownership (up to 80 percent in Tunisia, and over 90 percent in Libya) and negative slum growth, affordability is a major problem across North Africa, particularly for low and middle income households. In Algeria, prices are rising and rental yields are expected to remain stable. In Tunisia, prices have risen at eight percent a year. In addition, Libya is facing the same problem,

with significant undersupply which is hampering affordability. The Libyan government is responding to an estimated shortage of approximately 350 000 units with large-scale residential projects to the value of US\$11 billion in the pipeline. Furthermore, the cost of formal housing in Egypt exceeds the payment capacity of the majority of households. Although 2017 has witnessed a positive boost in market trends, Egypt's population of over 90 million requires an additional 175 000 to 200 000 housing units a year to cater for population growth and the housing shortage of 3.5 million units. While there are 5.6 million vacant units nationwide, these properties are beyond the purchasing power of low and middle income groups.¹⁴

Housing supply

The North Africa region is suffering from a significant and growing shortage of middle income housing resulting in both economic and social challenges. The reasons for the shortage of affordable and adequate housing can be traced throughout the steps of the housing delivery value chains. Lack of urban planning and adequate building standards are causing a shortage of urban land, resulting in high prices and urban sprawl. Unresponsive and mismatched regulations create market failures that prevent the housing market from functioning properly as theory would suggest. An overreliance on imported building materials, and monopoly pricing in some cases, contribute to very high prices. The dominance of small- and medium-sized developers and artisanal construction methods with low capacity lengthens construction time, lowers quality, increases construction costs, and limits the supply of housing. Lack of financing for developers and housing customers, along with high financing costs for those that qualify for loans, add to the overall housing costs. All these issues are amplified by inadequate institutional and regulatory frameworks and poor governance. This constitutes an environment not conducive for reaping the demographic dividend.¹⁵

In Morocco the legacy deficit was estimated in 2010 at the time of the new government housing policy at 840 000 units or some 13 percent of the housing stock. That estimate ignores rural vacancies. Considering the scale of urban-rural migration, the World Bank estimates that over one million households will need a home in urban Morocco within the next five years. According to the 2014 census, Tunisia has eliminated its quantitative housing deficit and now has 580 000 more housing units than households, hence a 17.7 percent national vacancy rate. These vacancies reflect houses that are too dilapidated to be livable, second homes, units bought as a mere refuge investment, or left vacant for fear of rent controls. It is thus reasonable to assume a much lower surplus or even zero, as most of the vacant stock may not be put to housing use. Tunisian housing needs depend strongly on the household size and further rural-urban migration assumptions.¹⁶ This shortage threatens the long-term stability of the region. Governments across the region have acknowledged the seriousness of this problem and have implemented a range of policies to tackle the shortage. However, most of these initiatives are at the early stage of implementation and further efforts are needed to ensure the successful delivery of more affordable projects.

Property markets

A lack of private land supply is the main constraint in North Africa. Land is a bottleneck in the supply chain and the main cause of high real estate prices in the region. 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. 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. Most countries in North Africa ranked poorly in terms of property registration in the World Bank's 2018 Doing Business Report, with Morocco (86th), Tunisia (93th), Algeria (163rd), Egypt (119th), and Libya (187th) performing worst.

Urban informal settlements have been permitted to develop in Morocco while they are rare in Egypt. In Egypt, however, many urban multi-storey buildings were built outside formal processes and without permits during the years following the 2011 revolution, in particular on the outskirts of Cairo. Urban renewal policies that formalise informal settlements are most active in Tunisia and Morocco while Egypt has created high hurdles for action on formalisation. In Morocco the active government has yielded important results not only in the quantity of available housing, but also in the quality of the stock. Between 2004 and 2014, according to census results, the share of rural Moroccan households with access to electricity and running water has doubled (38 percent and 55 percent respectively in 2014).

The share of urban households living in slums, precarious or substandard homes reached a peak at 8.2 percent in 2004 with 420 000 units, declining to 5.6 percent in 2014. In Tunisia, the ratio of the statistically defined "rudimentary dwellings" has declined from almost 24 percent in 1975 to 4.9 percent in 1989 and to 0.3 percent in the 2009 census. However, the quality of the urban housing stock has been deteriorating due to the lack of proper maintenance. This is caused by several factors, including the absence of formal property titles in the traditional medinas, the poor management of the social housing and the insufficient returns of rental investment. Moreover, informal housing still represents an estimated 25 percent of the housing stock, and holds a significant share of the new construction in urban areas.¹⁷ Furthermore, roughly 20 private commercial banks in Tunisia have housing loan programmes for individuals, mainly targeting middle and upper income families. The average interest for mortgages from commercial banks is now 7.78 percent. Banks are allowed to issue mortgages of up to 25 years in duration but are obliged to fix the rates for mortgages which last more than 15 years, which makes financing them difficult. As a result most mortgages are for 15 years or less.¹⁸

There are many reasons behind informality in North African countries. Some of these drivers are poorly enforced regulations, shortages in housing supply, the lack of affordability, rapid urbanisation, low income and focusing on high luxury units. Most property markets in North Africa have limited international integration, so are somewhat shielded from international financial dynamics. Morocco is the exception, with its markets being much more open to foreign direct investment. As a result, Morocco experienced the impact of the global financial crisis and slow-down in the Euro-Zone to a greater extent. To help policy-makers and investors monitor these dynamics and develop resilience in the property market, Morocco was the first country in the region to introduce a real estate price index that is formulated quarterly by the Central Bank and National Land Agency.

Policy and regulation

Housing remains at the forefront of the agenda for most North African governments. The link between affordable housing, economic development and social inclusion has been clearly recognised, particularly as many protests across the region have been linked to poor living conditions caused by failures in housing policy.

North Africa's real estate and construction industry has undergone significant development over the last five years, offering interesting opportunities for economic operators across the industry, from lenders to contractors, sub-contractors, engineering and architectural firms. Remarkably, this trend is enduring despite the turmoil ensuing from the civil war in Libya, which has put a halt to a series of construction projects in that country, and the upheaval of Arab Spring and its aftermath. For instance, Algeria has launched a series of projects for the construction of public infrastructure, such as ports, roads, telecommunications and transport facilities, public housing projects and the development of renewable energies in an effort to diversify its power production by reducing reliance on fossil fuels and to promote economic development.

Another example of this trend is Egypt, which has embarked on large construction projects, including the excavation of a second shipping lane along part of the Suez Canal worth in excess of USD 8 billion, the creation of a new administrative capital city 45km east of Cairo that will house five million people and create 1.7 million new jobs, the construction of a major tourist resort on the Mediterranean coast near Alexandria, and several projects in the renewable energy sector. Similar projects have also been launched in Morocco and Tunisia. The construction and real estate industry in North Africa has thus proved its resilience and is in full expansion. Foreign contractors and sub-contractors are also faced with labour market regulations imposing restrictions and quotas on the hiring of expatriate personnel in favor of local workers (e.g. the mandatory domestic-to-foreign worker ratio under Egyptian law). Constraints of this kind can prove burdensome for contractors and sub-contractors that need specialised manpower that may not be available in the local labour market. It is thus important to identify business structures that may be totally or partially exempt from such constraints.¹⁹

Many North African governments fail to formulate and implement low income housing policies that stimulate diversified tenure, and to encourage the public, co-operative housing and sometimes private corporate housing institutions that could bundle the demand. The exception here is Morocco, which systematically supports low-cost housing supply. Finally, the lack of empowerment of the demand-side

contributes to supply-side dysfunctionality and uniformity. Morocco's direct tax support measures stimulated both the delivery of affordable housing and the emergence of a low-cost developer market. However, the model is currently approaching its limits due to the oversupply it created in a number of cities; a lack of diversification of building designs and incongruence between house price limits and local construction.

In Tunisia, the public sector, which was responsible for 60 percent of the production in the 1970s, today represents a mere one percent. Currently, 80 percent of new homes are self-built in progressive mode, with a growing proportion that is built informally. The government is trying to address this imbalance by reviving some of the proactive housing policy of the past. A set of agencies have been created to stimulate or develop new housing, including for social housing (SNIT), for other rental solutions (SPROLS), and for the acquisition of land banks and the development of urban land 'Agence Foncière d'Habitation' (AFH). Tunisia also plans to enhance the social housing sector under a special programme 'Programme Spécial de Logement Populaire,' which aims at replacing or renovating 10 000 dwellings in substandard conditions and building 20 000 social housing units to be sold to low income households, with large financial support from the State. In addition, fiscal incentives are provided for specific purposes, such as student housing and rental investment for low income tenants.

Relative to other countries in the region, Morocco offers a positive legal and financial environment for mortgage lending, in particular a reliable – but incomplete – property registration system, as well as mortgage execution mechanisms that are more expedient (i.e. 12 to 18 months for the judicial process) than in many other countries. Amendments to the land law have been passed (law 14-07 of November 24, 2011) which make the initial registration of customary or informally held properties compulsory. This affects areas where the government, through the land administration agency 'Agence Nationale de la Conservation Foncière, du Cadastre et de la Cartographie' (ANCFCC), deems the formalisation of rights a priority.²⁰

The housing sector in North Africa still tends to be over-regulated with the public sector playing a primary role. Home ownership is prioritised over rental or alternative tenure options, which has resulted in small rental markets. However, there is growing interest in lease-to-own programmes, such as those being used and expanded in Algeria as a response to difficulties in accessing mortgage finance.

Opportunities

The North African region needs to have more social housing programmes and give incentives for contractors to build middle income housing. In addition, housing policies need to be shifted from supply-side support to direct demand-side subsidies, although the allocation of government-owned land remains critical to achieving low-cost levels. Furthermore, the high level of linkages with other sectors means that investments in housing yield high benefits throughout the economy.

Given the environment of low oil prices, governments are focusing more on different sectors such as urban construction and utilities. An increasing population and urbanisation are driving many of the construction projects in the region. The demand for infrastructure and housing is growing in highly urbanised countries such as Algeria and in densely populated cities such as Cairo. To improve the lives of urban dwellers, create jobs, and enhance productivity, North African countries need to reduce the housing backlog. Because of its extensive linkages with manufacturing, the financial sector, and other service subsectors, residential housing construction in developing countries is very labor-intensive and has high output multiplier effects. To address bottlenecks in the sector, better urban planning with adapted building codes, efficient regulation with reduced procedures and costs, improved governance, and better coordination between stakeholders will be necessary. Moreover, capacity building and financing for small and medium-sized developers can improve their productivity and their ability to deliver large-scale housing programmes.

Additional sources

African Development Bank (2013). The African Development Bank Group in North Africa: Resilient Growth and Integration. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/The_AfDB_Group_in_North_Africa_2013.pdf (Accessed 25 Sept 2018).

United Nations Development Programme (2018). Human Development Index. <http://hdr.undp.org/en/content/human-development-index-hdi> (Accessed 17 September 2018).

UN-HABITAT (2012). The State of Arab Cities. <https://unhabitat.org/books/the-state-of-arab-cities-2012-challenges-of-urban-transition/> (Accessed 17 September 2018).

World Bank Group (2018). Doing Business 2018: Reforming to create jobs. Region Profile of Middle East and North Africa (MENA).

<http://www.doingbusiness.org/content/dam/doingBusiness/media/Profiles/Region%20MENA.pdf> (Accessed 25 Sept 2018).

World Economic Forum (2017). The Africa Competitiveness Report 2017. <https://www.weforum.org/reports/africa-competitiveness-report-2017> (Accessed 5 Sept 2018).

Websites

www.theafricareport.com/

www.iut.nu

www.afrbiz.info

www.economonitor.com

www.libya-businessnews.com

www.hofinet.com

<http://www.mfw4a.org/>

¹ African Development Bank Group (2018). North Africa Economic Outlook 2018. <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-North-Africa.pdf> (Accessed 16 Sept 2018).

² African Development Bank Group (2018). North Africa Economic Outlook 2018. <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-North-Africa.pdf> (Accessed 16 Sept 2018).

³ The World Bank. Global Findex Database 2017. <https://globalfindex.worldbank.org/> (Accessed 5 Sept 2018).

⁴ Chehade, N (2017). To the Future and Back: Financial Inclusion in the Arab World. 13 March 2017. CGAP <http://www.cgap.org/blog/future-and-back-financial-inclusion-arab-world/> (Accessed 20 July 2017).

⁵ Matthias Range and Atilla Kaiser-Yücel (2016). "Better Understanding the Demand for Islamic Microfinance." 16 Sept 2016. CGAP. <http://www.cgap.org/blog/better-understanding-demand-islamic-microfinance> (Accessed 5 July 2018).

⁶ Neaime, S (2018). Financial inclusion, financial stability and inequality. 30 Jan 2018. The forum, ERF Policy Portal. <https://theforum.erf.org/2018/01/29/financial-inclusion-financial-stability-inequality/> (Accessed 16 Sept 2018).

⁷ The World Bank (2018). "Financial Inclusion on the Rise, But Gaps Remain, Global Findex Database Shows" 19 April 2018. <http://www.worldbank.org/en/news/press-release/2018/04/19/financial-inclusion-on-the-rise-but-gaps-remain-global-findex-database-shows> (Accessed 9 July 2018)

⁸ African Financial Markets Initiative. North Africa Overview. <https://www.africanbondmarkets.org/en/country-profiles/north-africa/> (Accessed 9 July 2018).

⁹ Africa Platform for Development Effectiveness-NEPAD. Overview of Access to Finance. <http://www.africa-platform.org/overview-access-finance> (Accessed 23 July 2018).

¹⁰ Chironga, Mutsa et al. (February 2018). Roaring to life: Growth and innovation in African retail banking. McKinsey & Company. <https://www.mckinsey.com/~media/mckinsey/industries/financial%20services/our%20insights/african%20retail%20bankings%20next%20growth%20frontier/roaring-to-life-growth-and-innovation-in-african-retail-banking-web-final.slxh> (Accessed 6 Sept 2018).

¹¹ JLL. Progress and Priorities: Middle Income Housing in the Middle East and North Africa. <http://www.jll-mena.com/mena/en-gb/research/middle-income-housing-report> (Accessed 6 Sept 2018).

¹² The Africa Report (2013). "Africa's Social Housing: Homes for all." 2 October 2013. <http://www.theafricareport.com/North-Africa/africas-social-housing-homes-for-all.html> (Accessed 20 July 2018).

¹³ The Africa Competitiveness Report 2017. World Economic Forum (Accessed 7 July 2018).

¹⁴ Khaled, F. (2018). "A Good Year for Real Estate." 1 January 2018. Egypt Today. <http://www.egypttoday.com/Article/3/39037/A-Good-Year-for-Real-Estate> (Accessed 22 July 2018).

¹⁵ Ibid.

¹⁶ Dübel, H and Hassler, O (2016). Housing Finance in the Middle East and North Africa. SANAD Housing Finance Study. http://www.finpolconsult.de/mediapool/16/169624/data/Housing_Finance/Middle_East/SANAD_Fund_for_MSME_Housing_Finance_in_the_MENA_Region.pdf (Accessed 16 Sept 2018).

¹⁷ Dübel, H and Hassler, O (2016). Housing Finance in the Middle East and North Africa. SANAD Housing Finance Study. http://www.finpolconsult.de/mediapool/16/169624/data/Housing_Finance/Middle_East/SANAD_Fund_for_MSME_Housing_Finance_in_the_MENA_Region.pdf (Accessed 16 Sept 2018).

¹⁸ Global Property Guide. "Tunisia property prices rising, but fears of terrorism have hit tourism." 20 March 2017. <https://www.globalpropertyguide.com/Middle-East/Tunisia/Price-History> (Accessed 18 July 2018).

¹⁹ Biccato, R and Melchionda, L. (2016). Common problems and possible solutions in real estate and construction in North Africa. 15 September 2016. African Law and Business. <https://www.africanlawbusiness.com/news/6695-common-problems-and-possible-solutions-in-real-estate-and-construction-in-north-africa> (Accessed 6 Sept 2018).

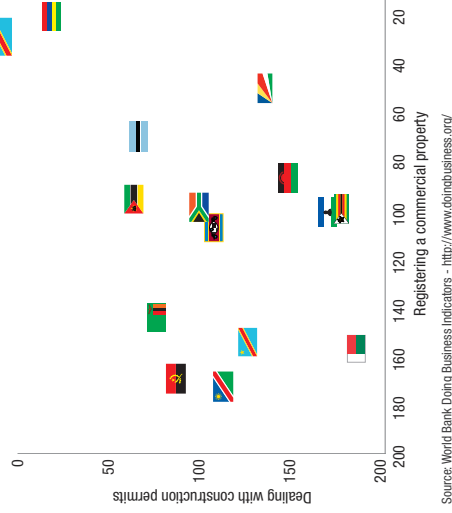
²⁰ Dübel, H. and Hassler, O. (2016). Housing Finance in the Middle East and North Africa. SANAD Housing Finance Study.

World Bank Doing Business global rank, 2018

The Doing Business indicators provide comprehensive and comparative global data tracking business regulation environments over time. A high ease of doing business ranking means that the regulatory environment in that economy is more conducive to the starting and operation of a local firm.

The indicators for dealing with construction permits and registering a property both relate to commercial property. However, no similar indicators for residential property currently exist.

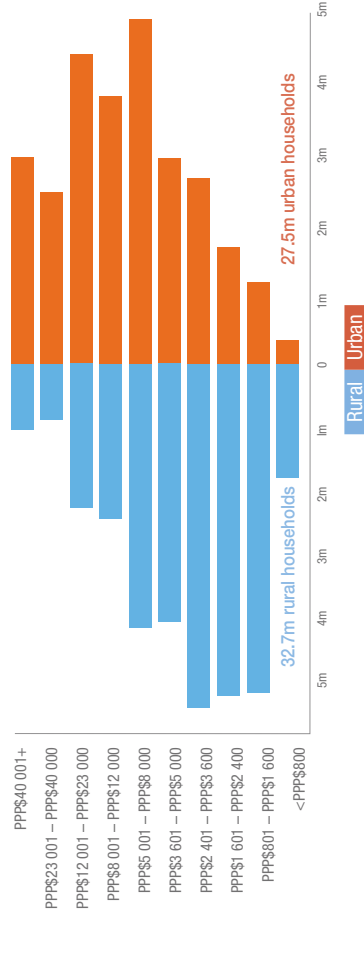
World Bank Doing Business rankings on selected indicators, 2018



Source: World Bank Doing Business Indicators - <http://www.doingbusiness.org/>

Annual income profile for rural and urban households, 2018

Annual household incomes estimated using expenditure (PPP\$)



Source: Cambridge Global Income Distribution Database (C-GIDD). <https://www.cgidd.com/>

Mortgage lending, 2018

Only 21% of countries in the region have available information on number of mortgages.

Country	Number of mortgage providers	Estimated number of mortgages	Mortgage interest rate	Downpayment	Mortgage term (years)
Angola	5	n/a	25.64%	20%	20
Botswana	n/a	17 500	8.42%	10%	25
DRC	6	v	14%	n/a	15
Lesotho	3	n/a	11.87%	15%	20
Madagascar	n/a	n/a	19%	n/a	20
Malawi	n/a	n/a	36%	n/a	10
Mauritius	20	n/a	5.50%	10%	30
Mozambique	43	600	11.50%	20%	20
Namibia	n/a	n/a	0%	0%	20
Seychelles	1	n/a	7.9%	10%	20
South Africa	n/a	2 387 796	10%	10%	20
eSwatini	n/a	n/a	8%	n/a	n/a
Zambia	9	n/a	31%	20%	25
Zimbabwe	17	n/a	12%	25%	25

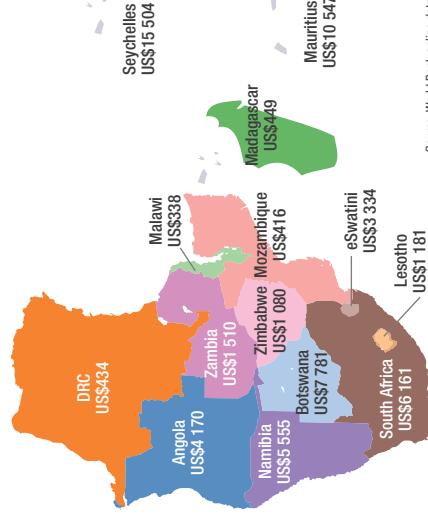
Source: CAHF 2018 desktop surveys and country experts.

Number of households, 2018



Source: Cambridge Global Income Distribution Database (C-GIDD). <https://www.cgidd.com/>

GDP per capita, 2018



Source: World Bank online database. <https://data.worldbank.org>

Southern Africa



Price and size of the cheapest newly built house by a private developer, 2018

Country	House price (US\$)	House size (sqm)	House price per sqm (US\$)	% Urban who might afford house given prevailing mortgage terms
Angola	US\$6 860	60sqm	165.9	9.7%
Botswana	US\$4 210	67sqm	10.3	20.0%
DRC	US\$20 000	85sqm	1 480.2	2.5%
Lesotho	US\$14 615	40sqm	13.3	17.8%
Madagascar	US\$50 000	n/a	3 116.1	1.3%
Malawi	US\$20 657	75sqm	730.3	1.4%
Mauritius	US\$33 382	50sqm	34.5	93.7%
Mozambique	US\$5 000	65sqm	63.6	1.3%
Namibia	US\$20 896	n/a	13.3	48.0%
Seychelles	US\$750 000	150sqm	13.6	55.1%
South Africa	US\$23 327	40sqm	13.3	34.4%
eSwatini	US\$50 000	n/a	13.3	34.4%
Zambia	US\$65 000	70sqm	9.5	8.5%
Zimbabwe	US\$18 000	150sqm	1.0	24.7%

Sources: Mortgage terms, house prices & sizes from CAHF 2018 surveys; Household & income data drawn from C-GIDD (Cambridge Global Income Distribution Database).

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 16 member states: Angola, Botswana, Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, eSwatini, United Republic of Tanzania, Zambia, Zimbabwe and the newest member, Comoros.

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 socio-economic 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".¹

In 2017, SADC had a total population of approximately 343 million people making up 32 percent of Sub-Saharan Africa's population.² In the same year, 42 percent of the population were residing in urban areas, while the average urban population growth rate across the region was 3.3 percent.³

While still low, the average real GDP growth rate across SADC increased to 2.2 percent in 2017, up from 1.7 percent in 2016. Within SADC, Tanzania recorded the highest real GDP growth rate in 2017 at 6.0 percent, followed by Seychelles at 4.2 percent, and Madagascar and Malawi at 4.0 percent respectively. Namibia recorded negative growth in the same year (-1.2 percent), while eSwatini (Swaziland) registered near zero growth at 0.2 percent.⁴ The following factors contributed to the region's growth in 2017: improved weather conditions across most parts of the region leading to increased agriculture output; the recovery of commodity prices; and an improved global economic outlook.⁵ However major challenges still exist for most member countries, including but not limited to, the economic policy and political uncertainty in South Africa leading to weakened business confidence and investment, structural and fiscal constraints in Angola driven by their reliance on the oil price, as well as a challenging business environment in Zimbabwe as a result of the country's political transition.⁶ Despite this, economic growth in SADC is expected to increase in the short-term with real GDP growth forecasted to be 3.0 percent in 2019. This is lower than the forecasted growth for Sub-Saharan Africa at 3.7 percent. In addition, SADC predicts that none of the member states will reach the regional target of 7 percent growth in the short to medium term.⁷

Long-term growth prospect across the region remain subdued due to several factors, most notably the high fiscal deficits and growing debt levels in many member states. In 2017, SADC's fiscal deficit as a percentage of GDP increased to 5.0 percent, up from 4.5 percent in 2016. Botswana was the only country to register a fiscal surplus

in 2017, while the Comoros and Malawi registered double digit fiscal deficits in the same year. In 2017, South Africa's fiscal deficit increased to 4.5 percent of GDP, up from 4.1 percent in 2016.⁸ As the region's largest economy,⁹ South Africa's poor fiscal performance remains a risk to SADC's overall macroeconomic performance.

In terms of government debt, the four countries (Angola, Seychelles, Mozambique and Zimbabwe) exceeded the regional government debt to GDP target of 60 percent in 2017. Mozambique and Zimbabwe are considered to be in "debt distress" with debt-to-GDP ratios sitting at 102 percent and 78 percent respectively, while Zambia is considered to be in "high risk of debt distress" with a ratio of 62 percent in 2017.¹⁰

A key challenge faced by most SADC countries is the need to diversify their economies away from commodity-led sectors to higher-productivity sectors such as manufacturing and services, particularly to allow SADC to benefit from its trade agreements. Data from the United Nations Conference on Trade and Development (UNCTD) indicates that 11 of the 16 SADC member countries are categorised as having "low economic diversification", while the remaining four (South Africa, Namibia, Tanzania and Mauritius) are classified as having "medium economic diversification".¹¹

The European Union (EU) remains SADC's largest trading partner with total exports in 2016 reaching US\$42 billion, while total imports into SADC was US\$35 billion. The top three exports from SADC included gold, diamonds and oil.¹² Six SADC member countries benefit from their membership to the Economic Partnership Agreement (EPA) signed in 2016. The EPA provides Botswana, Lesotho, Mozambique, Namibia, South Africa and eSwatini guaranteed access to the EU market without any duties or quotas. Angola also has the option to join the EPA at a later stage.¹³ This free trade agreement offers significant potential to boost member countries long-term macroeconomic performance.

In terms of the potential for future foreign investment into SADC, Rand Merchant Bank (RMB) Annual Investment Attractiveness Index provides a good measure of this. The RBM Investment Attractiveness Index looks at both the economic activity and operating environment in a country and scores countries from 1 to 10 (with 10 being the best). Based on the 2017 index, South Africa is the most attractive SADC country to invest in with a score of 6.3, followed by Tanzania (5.6) and Botswana (5.4). The SADC member countries that score the lowest on the index include Comoros (2.7), Zimbabwe (3.0) and eSwatini (3.5).

Despite being an attractive economy, South Africa's sluggish growth, political uncertainty and poor performing state-owned enterprises continue to weaken the country's sovereign ratings and, as of 2018, the country remains off the list of investment grade countries. However, of the four countries in Africa that have investment-grade ratings, three are in SADC including Botswana, Mauritius and Namibia.¹⁴

South Africa also dropped in the Global Competitiveness report in 2017/18 dropping 14 places to 61st out of 137 countries. Mauritius maintains its position as the most competitive economy in SADC and Sub-Saharan Africa with an overall position of 45 out of 137. Madagascar was the most improved economy in 2017/18 having increased seven positions to 121st out of 137. This improvement was largely driven by Madagascar's improved macroeconomic performance in recent years.¹⁵

With a young, increasing mobile and urban population, future prospects for the SADC region rest on its ability to tap into the entrepreneurial spirit of the urban youth. This was one of the key messages of the 38th Ordinary Summit of the Heads of State and Government of the Southern African Development Community (SADC) which took place in Namibia in August 2018. As the outgoing chair, President Cyril Ramaphosa stressed the importance of creating a conducive environment for public sector investment, prioritising infrastructure development for the benefit of all member states and investing in the region's youth.¹⁶

Access to finance

According to a 2018 RMB report, access to finance is the single biggest problem for doing business in seven of the 16 SADC member countries including: the

Democratic Republic of Congo (DRC), Lesotho, Malawi, Namibia, Seychelles, Zambia and Zimbabwe.¹⁷ While there are intentions for regional financial integration, the 16 member states currently function as independent economies with their own independent financial systems. However, efforts to improve the flow of money between member states have made good progress.

The SADC Integrated Regional Electronic Settlement System (SIRESS), established in 2013, facilitates intra-SADC transactions without the need for an external clearinghouse. This has generated significant cost and time efficiencies for transactions within the region. Furthermore, with the recent development to include US dollars as currency in the SIRESS, transactions are said to become even faster. The SIRESS system is reported to have reduced the intra-SADC transaction time from approximately two to three days, to just 24 hours.¹⁸ This project, which is run by the SADC Banking Association, forms part of a greater strategy to improve regional cooperation in the finance and investment sectors and is in line with the region's Protocol on Finance and Investment.

A further effort by the region aimed at mobilising much-needed funds for infrastructure development projects is the proposed SADC Regional Development Fund (SADC-RDF). Members states are reported to have signed the agreement in 2016, although as at June 2018 there were still calls for some countries to sign and complete the agreement by depositing the necessary funds in the RDF.¹⁹ Operationalising the SADC-RDF will be a major step forward towards decreasing the infrastructure financing gap on the continent which the African Development Bank estimates is between US\$67.6 and US\$107.5 billion per annum. However, concerns about member states' ability to contribute funds remain.²⁰

The banking sector is highly concentrated across the region. South African banks tend to dominate with most of the major South African based banks operating subsidiaries across SADC. For example, Standard Bank operates in all SADC countries, except for the Comoros, Madagascar and Seychelles. First National Bank (FNB) operates in Botswana, Lesotho, Namibia, eSwatini, Tanzania, Mozambique and Zambia. While ABSA also operates in Botswana, Mozambique, Zambia, Seychelles, Tanzania, Mauritius and Namibia.

According to IMF data, banking sector assets as a percentage of GDP vary considerably across the region from over 300 percent in the case of Mauritius to less than 50 percent in four member states (Comoros, Lesotho, eSwatini and Zambia). A significant risk to the regional banking sector is the rise in non-performing loans in many member states – most notably in Angola with non-performing loans (NPLs) reaching over 25 percent in 2017 and Tanzania and Zambia with over 10 percent NPLs to total loans.²¹

Levels of financial inclusion also vary across the region. According to the latest available data (FinScope 2015) 66 percent of adults in the region are financially included amounting to approximately 83.5 million people. Mauritius has the highest percentage of financially-included adults at 90 percent, followed by South Africa at 86 percent and the lowest is Mozambique with 40 percent. While only 36 percent of adults are banked across SADC member states, this is a significant increase from 24 percent in 2011, indicating progress in financial inclusion in the region. Still, exclusion rates are high at 34 percent (41.9 million people), hampering access to credit from formal institutions. Twelve percent of adults rely on informal mechanisms and 18 percent use formal non-bank products/services. Of the 83.4 million adults who are financially included in the region, 53 percent say they have access to, and use, credit products.

The Findex survey explores use of loans for housing (whether they are secured or unsecured was not specified in the questionnaire). According to the latest survey (2017), the proportion of adults over the age of 15 that had an outstanding home loan in the SADC region ranged from 12.9 percent in Mauritius to 1.9 percent in the Democratic Republic of Congo. The proportion of adults with an outstanding housing loan in Botswana decreased from 9.6 percent in 2014 to 3.0 percent in 2017.²² This follows a general decrease in commercial bank lending to households in the country.

Mortgage markets across the region are in part constrained due to high interest rates. In at least five member states, interest rates on mortgage loans exceed 20 percent per annum.²³ Mauritius and Botswana charge the lowest interest rates at 5.5 percent and 8.8 percent respectively.

Among other areas for improvement, improving access to formal credit is a key priority of the SADC Financial Inclusion Strategy for the period 2016 to 2021. Current barriers to credit market development in the region, and financial inclusion more broadly, include small capital markets, limited and/or unreliable borrower information, and lack of collateral or assets, among other reasons.²⁴

Affordability

With persistent poverty across the region, affordability remains a constraint to housing supply and delivery. According to IMF data, the Seychelles has the highest GDP per capita in the SADC region at US\$16 427 while Mozambique has the lowest at US\$472. Mauritius, Botswana and South Africa have the second, third and fourth highest GDP per capita in the SADC region, respectively.²⁵

While inflation rates across SADC vary considerably, they are typically high which further affects households' purchasing power. The average annual regional inflation rate, measured by the harmonised consumer price indices (HCPI), was recorded at 9.3 percent in February 2018, with 11 states recording rates below the regional average.²⁶ Angola, DRC, Malawi and Mauritius recorded rates higher than the regional average. The DRC recorded the highest annual inflation rate of 51.9 percent as at February 2018, while Zambia recorded a rate of -1 percent over the same period.

Providing access to affordable, well-located housing remains a major challenge across the SADC region. The prices of the cheapest newly built houses by a private developer in the SADC region range from approximately US\$14 615 in Lesotho to US\$65 000 in Zambia. eSwatini, Madagascar, Seychelles, Botswana, Angola, Namibia and Zambia have some of the least affordable houses with the price of a newly built house starting at US\$50 000.²⁷

Housing supply

Large housing deficits exist across the SADC region with demand far outweighing housing supply and delivery. In the Democratic Republic of Congo, the housing backlog is estimated to be close to four million housing units, while three million units are required in Tanzania. Zimbabwe is estimated to need 20 years to clear the backlog of over one million houses, while Zambia needs to build 46 000 units per year until 2030 to clear their backlog.

In an effort to clear the backlog, deliver affordable housing and improve the living conditions of the poor, a number of initiatives are taking place.²⁸ Some of these efforts are focused on specific segments of the market, such as civil servants. Two examples in this regard include the Watumishi Housing Company (WHC) in Tanzania and the Institutional Housing Project (IHP) in eSwatini. By April 2018, the WHC in Tanzania is reported to have delivered 631 housing units out of a total of 50 000 units promised under the Public Servants Housing Scheme, while 390 housing units are reported to have been completed under the IHP in eSwatini.

Public sector support for affordable housing delivery also continues in some countries. For example, in Namibia, the City of Windhoek has pledged US\$11 million to build 1 200 housing units and in Mauritius the government has set aside a budget in 2018-29 for the construction of 1 000 low cost housing units. However, in some countries, such as the DRC, there remains little government support for low income housing.

South Africa still has the most comprehensive subsidised housing programme, however given the large expenditure required and the country's low growth prospects, the programme is widely viewed as unsustainable in the long term. Given South Africa's experience, it is unsurprising that the recent announcement by Zimbabwe's new ruling party to deliver 1.5 million houses by 2023 has been met with scepticism.

NGOs continue to play a major role in the development of improved living conditions in the region. One example is Habitat for Humanity's work in Lesotho. The organisation is reported to have helped over 2 700 households in the country. Many other organisations are also continuing their good work across the region including UK-based Reall, which has recently approved housing and improved sanitation projects in Zimbabwe, among others. Private sector development of affordable housing still remains relatively low across the region, though there is a growing awareness of the gap market and its opportunities, particularly in countries such as South Africa.

Policy and regulation

The SADC Protocol on Finance and Investment (FIP) remains the key instrument to facilitate regional integration and aims at making the SADC region an attractive destination for FDI and regional investment. The FIP's key strategies in this regard include the harmonisation of tax policies, macroeconomic convergence in the region, liberalisation of capital and current accounts, as well as alignment of the Central Bank's policies amongst other issues.

While not legally-binding, another noteworthy agreement among SADC member states is the Regional Indicative Strategic Development Plan (RISDP) for the period 2015 to 2020. The RISDP sets out the key priorities and specific objectives of SADC and focuses on four key areas: industrial development, market integration, infrastructure in support of regional integration, and peace and security cooperation. In addition, the SADC Industrialisation Strategy and Roadmap 2015 – 2065, approved in 2015, seeks to achieve economic transformation by encouraging regional integration and economic and technological transformation through enhancing its competitive and comparative advantages. This has direct implications for housing and human settlement development as increased employment-generating activity will increase demand for housing. Furthermore, diversifying the economy and increasing production rates will create an attractive investor destination. This will in turn spur demand for accommodation.

Several member states' housing policies require attention in order for their housing markets to develop further. In addition, policy and regulatory bodies require improved capacity to manage their land and housing markets efficiently. For example, Zimbabwe faces numerous challenges with housing despite having relatively updated, progressive housing policies and laws. This stems from inadequate institutional capacity to support the country's housing laws.²⁹ Zambia provides another example where delays in the approval of the Draft Land and National Urbanisation Policy act as a barrier to the implementation of a nation-wide housing delivery programme. However, many countries have implemented reforms that have a direct impact on the housing market, as noted in more detail below.

Property market and opportunities

According to the World Bank Doing Business Index, fifteen out of 16 countries improved their position between 2016 and 2018. South Africa was the only country in the SADC region to decrease its position over the same period. Malawi is one of the most improved countries in the ranking, jumping 31 positions to 110th since 2016. During the year, Malawi operationalised a new credit bureau, Credit Data CRB, and established rules for bankruptcy procedures, which contributed to its success in the ranking. The country also halved the fees charged by the city council to process building plan approvals.

Several member states also implemented reforms to their credit sector. eSwatini adopted the Consumer Credit Act 2016 guaranteeing borrowers' right to inspect their own data, while Zambia strengthened access to credit by adopting a new Movable Property Act and by setting up a new collateral registry. Madagascar consolidated microfinance and bank credit registries, expanding the number of borrowers in the registry to more than 5 percent of the adult population, while Zimbabwe launched a new credit registry but discontinued credit scoring. Other countries implemented changes, both positive and negative, to the building permit

and property registration process. Mauritius reduced the time to provide a sewage connection and eliminated the transfer tax and registration duty, implementing a complaint mechanism and publishing service standards, making it easier to transfer property. Angola made dealing with construction permits easier by improving its system for building permit applications, while the Seychelles improved the quality of its land administration system by digitizing its maps and introducing a complaint mechanism. Tanzania implemented a one-stop shop which streamlines the building permit process, but also increased the land and property registration fee. Botswana made registering property (temporarily) more difficult by reducing the efficiency of its Registrar of Deeds as it implements the computerisation of manual records, while the Democratic Republic of Congo made dealing with construction permits more expensive by revising the formula to assess building permit fees.

Chinese-owned firms still dominate the construction and real estate sector in Africa. According to RMB's Where to Invest in Africa Report, Chinese firms account for approximately 50 percent of Africa's internationally contracted construction and real estate projects with annual revenues in Africa estimated at US\$40 billion.³⁰ Overall, 40.6 percent of all foreign direct investment in Africa was directed towards the real estate, construction and hospitality sectors.³¹ Ranked by amount invested, three SADC countries, namely Angola, South Africa and Mozambique, were listed in the top 10 receivers of FDI in 2016.³²

Real Estate Investment Trusts (REITs) are still gaining momentum in SADC countries such as South Africa and Zambia and Tanzania. A REIT acts as an investment vehicle that aggregates diverse sources of funding from international and institutional investors through to individuals, and channels the funds into real estate portfolios comprising of mortgages and/or large developments. REITs offer investors a more diverse real estate investment package than the alternative option of investing in an individual project. South Africa has at least 25 publicly traded REITs with a total market capitalisation of over US\$20 billion in 2018.³³ In 2017, the market capitalisation of Tanzania's REIT was US\$40 million. While REITs have typically focused more on commercial developments, residential-specific REITs are emerging and creating an opportunity to diversify 'risky' housing investment portfolios.³⁴

With renewed focus on growing private sector investment by creating conducive environments for businesses to flourish, increasing inter-regional trade, routing out corruption and strengthening judicial and oversight systems, SADC member states maintain their commitment to driving economic development across the region. In addition, the focus on operationalising the SADC Regional Development Fund in the near future shows promise for infrastructure development across the region. This in turn should create a more attractive environment for future investors. Still, the region faces major macroeconomic challenges, more specifically high levels of debt and growing fiscal deficits. This, among other challenges, presents risks for future public sector investments aimed at alleviating the large (and growing) housing backlogs and the sub-standard living conditions characteristic of the region's urban centres.

Websites

www.doingbusiness.org www.finmark.org.za
www.saiia.org.za www.sadc.int
www.tralac.org

¹ SADC (2012). SADC Mission. <https://www.sadc.int/about-sadc/overview/sadc-mission/> (Accessed 3 October 2018).

² The World Bank (2018). World Development Indicators. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators#> (Accessed 1 October 2018).

³ Ibid.

⁴ IMF (2018). Regional Economic Outlook. Sub-Saharan Africa. April 2018. <https://www.imf.org/~media/Files/Publications/REO/AFR/2018/May/pdf/sreo0518ashx> (Accessed 1 October 2018), Pg. 93.

⁵ United Nations Economic and Social Council (2018). Recent economic and social conditions in Southern Africa in 2017, and prospects for 2018. <https://www.tralac.org/documents/news/2195-recent-economic-and-social-conditions-in-southern-africa-in-2017-and-prospects-for-2018-unece-september-2018/file.html> (Accessed 1 October 2018), Pg. 4.

⁶ United Nations Economic and Social Council (2018), Pg. 5.

⁷ United Nations Economic and Social Council (2018), Pg. 4.

⁸ IMF (2018), Pg. 101.

⁹ According to the World Bank Development Indicators, in 2017, South Africa contributed 51 percent of SADC's overall GDP figures.

¹⁰ IMF (2018), Pg. 11 & 104.

¹¹ RMB (2018). Where to invest in Africa 2018. <https://www.rmb.co.za/where-to-invest-in-africa-2018-edition/> (Accessed 1 October 2018), Pg. 59.

¹² Tralac (2018). Trade Data Analysis. EU-Africa trading relationship. <https://www.tralac.org/resources/our-resources/11938-european-union-africa-trading-relationship.html> (Accessed 1 October 2018).

¹³ European Commission (2018). Southern African Development Community (SADC). <http://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/> (Accessed 1 October 2018).

¹⁴ RMB (2018). Where to invest in Africa 2018. <https://www.rmb.co.za/where-to-invest-in-africa-2018-edition/> (Accessed 1 October 2018).

¹⁵ World Economic Forum (2018). Global Competitiveness Report 2017/18. <http://reports.weforum.org/global-competitiveness-index-2017-2018/sub-saharan-africa/> (Accessed 1 October 2018).

¹⁶ Tralac (2018). SADC should push for industrial growth: Ramaphosa. <https://www.tralac.org/news/article/13376-sadc-should-push-for-industrial-growth-ramaphosa.html> (Accessed 2 October 2018).

¹⁷ RMB (2018), Pgs. 137 – 163.

¹⁸ Majaha, D. (2018). SADC moves towards multi-currency regional payment system. 18 August 2018. <https://www.tralac.org/news/article/13372-sadc-moves-towards-multi-currency-regional-payment-settlement-system.html> (Accessed 1 October 2018).

¹⁹ Trade Law Centre (Tralac) (2018). SADC Committee of Ministers of Finance and Investment meet in Johannesburg. 11 July 2018. <https://www.tralac.org/news/article/13251-sadc-committee-of-ministers-of-finance-and-investment-meets-in-johannesburg> (Accessed 1 October 2018).

²⁰ Markowitz, C. (2018). Operationalising the SADC Regional Development Fund. July 2018. http://saiia.org.za/wp-content/uploads/2018/08/GA_Th1_PB-markowitz-wentworth-grobbelaar_20180716.pdf (Accessed 2 October 2018).

²¹ IMF (2018). Regional Economic Outlook. Sub-Saharan Africa. Pg. 13.

²² The World Bank (2018). Global Financial Inclusion. <http://databank.worldbank.org/data/reports.aspx?source=global-financial-inclusion#> (Accessed 2 October 2018).

²³ Includes Angola, Democratic Republic of Congo, Malawi, Zambia, and Tanzania. See respective country profiles for data sources.

²⁴ SADC (2016). SADC Financial Inclusion Strategy. <http://finmark.org.za/wp-content/uploads/2018/07/160312-FI-strategy-SADC-final-updated-sources.pdf> (Accessed 2 October 2018).

²⁵ IMF (2018). IMF DataMapper. <https://www.imf.org/external/datamapper/NGDPDP@WE/OEMDC/ADVEC/WEOWORLD> (Accessed 2 October 2018).

²⁶ SADC (2018). SADC Harmonised Consumer Price Indices. https://www.sadc.int/files/2415/2396/0574/SADC_HCPI_February_2018.pdf (Accessed 2 October 2018).

²⁷ Data from respective country profiles.

²⁸ For more details and source information on specific profiles, refer to the respective country profiles.

²⁹ See Zimbabwe country profile for more information.

³⁰ RMB (2018), Pg. 86.

³¹ Ernst and Young (2017). EY's Attractiveness Program Africa [https://www.ey.com/Publication/vwLUAssets/ey-africa-attractiveness-report/\\$FILE/ey-africa-attractiveness-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-africa-attractiveness-report/$FILE/ey-africa-attractiveness-report.pdf) (Accessed 2 October 2018), Pg. 22.

³² RMB (2018), Pg. 81.

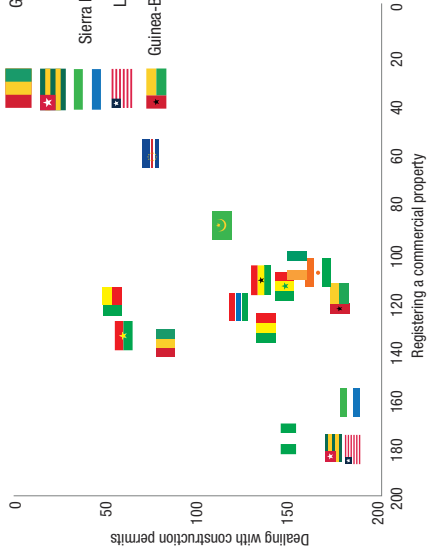
³³ SA REIT Association (2018). Monthly Chart Book September 2018. http://www.sareit.com/docs/chartbooks/2018/09/Chartbook_Sep_2018.pdf (Accessed 2 October 2018).

World Bank Doing Business global rank, 2018

The Doing Business indicators provide comprehensive and comparative global data tracking business regulation environments over time. A high ease of doing business ranking means that the regulatory environment in that economy is more conducive to the starting and operation of a local firm.

The indicators for dealing with construction permits and registering a property both relate to commercial property. However, no similar indicators for residential property currently exist.

World Bank Doing Business rankings on selected indicators, 2018



Source: World Bank Doing Business indicators - <http://www.doingbusiness.org/>

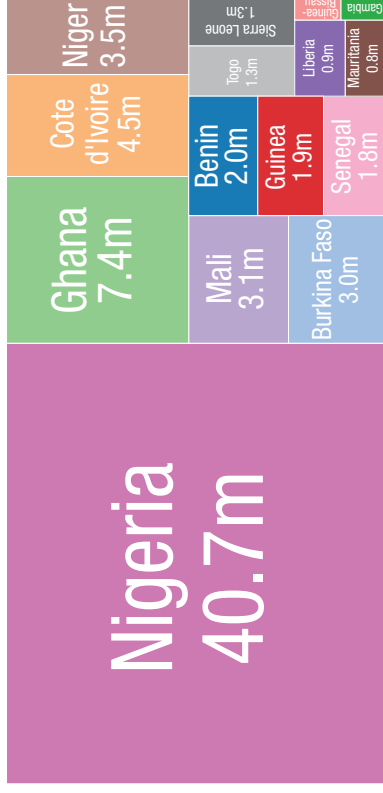
Mortgage lending, 2018

Only 56% of countries in the region have available information on number of mortgages.

	Benin	Burkina Faso	Cape Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Liberia	Mali	Mauritania	Niger	Nigeria	Senegal	Sierra Leone	Togo
Number of mortgage providers	7	1	5	n/a	4	15	n/a	n/a	1	9	n/a	1	61	1	n/a	n/a
Estimated number of mortgages	4 000	974	116 469	n/a	n/a	n/a	n/a	n/a	300	452	n/a	174	24 414	40 000	n/a	2 923
Mortgage interest rate	8.47%	6%	14.5%	8.38%	20%	28.7%	2.5%	11%	13.33%	9%	8%	10.5%	19.5%	7.62%	n/a	n/a
Downpayment	n/a	n/a	20%	n/a	40%	20%	33%	n/a	30%	n/a	35%	n/a	25%	n/a	40%	n/a
Mortgage term (years)	7	15	20	25	10	20	2	15	8	6	10	9	20	15	15	5

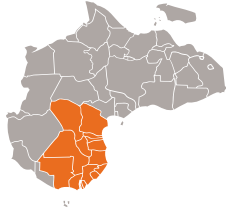
Source: CAHF 2018 desktop surveys and country experts.

Number of households, 2018

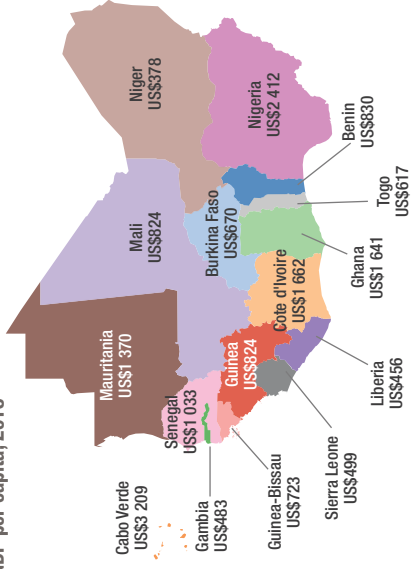


Source: Canback Global Income Distribution Database (C-GIDD). <https://www.cgidd.com/>

West Africa



GDP per capita, 2018



Source: World Bank online database. <https://data.worldbank.org>

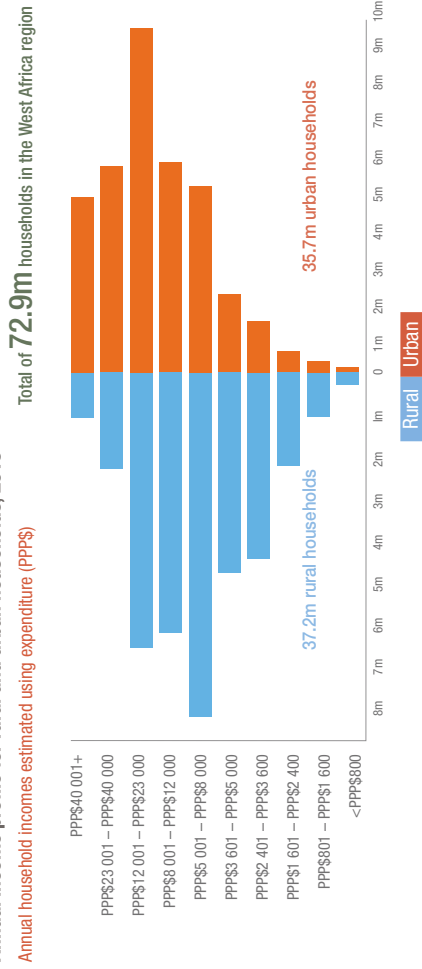
Price and size of the cheapest newly built house by a private developer, 2018

Country	House price (US\$)	House size (sqm)	% Urban who might afford house given prevailing mortgage terms
Benin	XOF 8 900 000	40sqm	9.0%
Burkina Faso	XOF 5 500 000	n/a	34.9%
Cape Verde	CVE 2 912 634	n/a	29.7%
Côte d'Ivoire	XOF 12 500 000	n/a	19.5%
Gambia	GMD 947 743	49sqm	3.3%
Ghana	GHS 100 000	54sqm	7.4%
Guinea	GNF 180 000 000	90sqm	12.3%
Guinea-Bissau	XOF 985 153 921	85sqm	3.1%
Liberia	LRD 1 200 000	194sqm	0.0%
Mali	XOF 13 577 850	n/a	2.3%
Mauritania	MRO 10 371 229	n/a	2.9%
Niger	XOF 7 500 000	n/a	1.7%
Nigeria	NGN 6 000 097	62sqm	38.9%
Senegal	XOF 10 000 000	65sqm	63.7%
Sierra Leone	SLL 150 000 000	n/a	7.5%
Togo	XOF 7 000 000	32sqm	2.2%

Sources: Mortgage terms, house prices & sizes from CAHF 2018 surveys; Household & income data drawn from C-GIDD (Canback Global Income Distribution Database).

Annual income profile for rural and urban households, 2018

Annual household incomes estimated using expenditure (PPP\$)



Source: Canback Global Income Distribution Database (C-GIDD). <https://www.cgidd.com/>

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, namely Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. They share the same currency, the West African franc (CFA Franc), monetary policies, and French as an official language, with Portuguese for Guinea Bissau. 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 semi-arid countries.

The economy is predominantly agricultural. Cocoa, coffee, timber, cotton, onions, sesame seeds, peanuts, gum arabic and cashew nuts are among the cash crops produced and exported by the union. All member states have some manufacturing activities, especially in the agro-industries, but in an embryonic stage. Currently, each member state has a development programme to promote industrialisation to modernise the existing agro-industries and develop logistics infrastructure to facilitate access to the rural zones where most of the agricultural activities are concentrated. Cote d'Ivoire, which represents the largest economy of the union, has some agro-industries. Niger, Mali, and Burkina Faso have mining industries, with uranium, gold and petroleum in Niger; gold in Mali and Burkina Faso; phosphate in Togo and Senegal; and iron in Benin. Animal rearing is still in the traditional mode, but it promises to be a significant economic activity if modernised. This includes milk and dairy produce, meat production for local consumption and export, tannery and hides, and skin industries. Other activities are artisanal mining of minerals used in construction - artisanal fishing and artisanal food transformation and cosmetics. These activities represent a massive potential to be developed and industrialised.

Prior to 2010, on average, the populations of the coastal countries mostly lived in the urban areas, compared to the landlocked countries where the population is primarily rural. Both population growth and urbanisation within each country is accelerating at one of the fastest rates in the world. The average urban population of the union has practically doubled, from 19.8 percent of the total population in 1975 to 39.2 percent in 2016.¹ In some of the urban centres, particularly in Abidjan, the capital of Cote d'Ivoire, the annual urbanisation rate is 4.6 percent. The fastest growing urban areas include Abidjan, Dakar, Lomé, Cotonou, Bamako, Niamey, Bissau and Ouagadougou. Approximately 110 million people currently live in the union; over the next 20 years another 100 million will be born.² Most of them will reside in urban areas.³

As a result of decentralisation and democratisation, cities are emerging from rural towns, and capital cities are undergoing modernisation, with a number of infrastructure projects underway in practically all the member states of the union. Other projects include industrialization and transportation; housing remains a

priority with each member state driving an ambitious housing programme. The current economic dynamism of the union is an asset for modernising the construction and housing sectors of the economy. Reforms in the financial sector and business environment also serve to promote mortgage activities and develop the property market.

According to the Central Bank of the Union, (Banque Centrale Des Etats de l'Afrique de l'Ouest, or BCEAO), the economic drive initiated since 2012 within the WAEMU has been maintained in 2017, thanks to the gradual improvement of the international and internal economic environment of the member states. At the international level, the union has benefited from the revival of activities in Nigeria, the main trading partner of some of these states.⁴ The steady pace of growth in the union is due to public and private infrastructure investment, productivity in the construction and building sectors, booming agriculture, a better business climate, and improvement in the broader socio-political climate. Real GDP growth was 6.7 percent in 2017.⁵

Economic growth is expected to continue because of good agricultural harvests, execution of some regional and national socioeconomic infrastructure, and improvement in the political stability of some of the member countries, particularly those countries with forthcoming elections. Insecurity in the northern part of Mali, northeast of Niger; and terrorist attacks in Cote d'Ivoire and Burkina Faso are of great concern, however. The union has minimized the average annual inflation rate to 0.8 percent in 2017.⁶

Access to finance

Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) is a unique central bank for the eight countries and governs the financial institutions across the union. The BCEAO headquarters are in Dakar, Senegal, and each country hosts a national agency. The formal financial system of the union is developing, and the banking network is growing. Three new banks and three financial institutions were added to the network in 2017, making a total of 126 banks and 18 financial institutions operating in the union by the end of 2017.⁷ The three new banks were established respectively in Burkina Faso, Cote d'Ivoire and Senegal. Most of the banking activities are concentrated in three to six commercial banks in the majority of the countries. Although the banking rate in the union remains one of the lowest in the world, access to banking services in the last decade has significantly increased and the number of banks and micro-finance institutions has grown. According to BCEAO, at the end of June 2017, there were 623 microfinance institutions in the Union, with 4 853 branches, CFA 1 216.1 billion (US\$2.1 billion) deposits, 13.6 million depositors and CFA 1 142.2 billion (US\$1.98 billion) worth of loans.⁸

BCEAO continues its efforts in promoting financial inclusion and diversifying financial instruments by promoting new products among which are leasing, participative finance (SUKUK) and modernising the banking information system (digital banking).

The housing finance market in UEMOA countries is under-developed. Few long-term mortgage vehicles exist; those that do belong to government. Only a few of the member countries have mortgage banks. These include: Banque de l'Habitat du Bénin, created in 2003 with operations starting in 2004; Banque de l'Habitat du Burkina Faso, created in 2005; Banque de l'Habitat de Côte d'Ivoire, created in 1994; Banque de l'Habitat du Mali created in 1996; Banque de l'Habitat du Niger created in 2010 and not yet operating; and Banque de l'Habitat du Senegal (BHS) created in 1979. BHS is the most active of the mortgage banks of the union and represents 50 percent of the demand for mortgages authorised in 2014 and 30 percent of the disbursed loans (CFA 60.4 billion; US\$105 million).⁹ (More recent data is not available.) The bank continues to maintain its leadership position in the union by diversifying its sources of financing and innovating its products. In October 2017 BHS and ECOWAS Bank for Investment and Development signed a CFA 7 billion (US\$12.2 million) credit for boosting housing production in Senegal.

The average interest rate in the union in 2013 was 7.44 percent; Senegal had the lowest rate at 6.81 percent.¹⁰ The average interest rate in the union is 7.53 percent since December 2017.¹¹

A study by BCEAO in 2014 demonstrated that housing loans as of percentage of total loans disbursed between 2005 and 2012 was very low (less than 2 percent).¹² Analysing the union data between 2013 and 2017, housing loans as of percentage of total loans disbursed still remain low.¹³ To promote mortgage activities and access to mortgages, a regional mortgage institution, Caisse Régionale de Refinancement Hypothécaire-UEMOA (CRRH-UEMOA), was created in 2010 by the BCEAO, Banque Ouest Africaine de Développement (BOAD) and Conseil Régional de l'épargne Publique et des Marchés Financiers. The mission of the institution is to promote easy access to long-term financing to its member commercial banks to enable them to finance housing loans. The total capital of CRRH-UEMOA as of 31 December 2017 is CFA 8 993 970 000 (US\$15 641 687), 41.73 percent of which belongs to financial institutions and 64.9 percent to commercial banks, 17.16 percent to BOAD, the majority shareholder, and 13.90 percent to International Finance Corporation, the second major shareholder. The CRRH headquarters are in Lomé, Togo. The regional institution's goal is to promote mortgage development urgently needed in the UEMOA countries. In February 2017 CRRH signed an agreement of CFA 1.25 billion (US\$2.175 million) with the International Finance Corporation, IFC and BOAD, making the IFC the second largest institutional shareholder in CRRH-UEMOA.

CRRH-UEMOA, as expected, is reinforcing the capacity of commercial banks, unleashing construction activities, fostering housing development, generating investments, employment opportunities and raising incomes, as currently illustrated by the increase in the number of members' banks (shareholders), now 54, and its success in bringing in IFC as a shareholder in 2017. It is expected that CRRH-UEMOA's success in mobilising funds will accelerate the development of mortgage activities in the union.

Among the institution's 2017 activities was a workshop entitled "Financing of Affordable Housing in UEMOA" (Etudes Sur le Financement Du Logement Abordable dans l'UEMOA) held in February 2017. The workshop formulated recommendations relevant to boosting production of decent and affordable houses, producing relevant information for the development of effective policies, and improving urban and land management. Among the recommendations to boost supply are the creation of liquidity funds for affordable housing and capacity-building of construction professionals.

Furthermore, at country level, the governments of all the member states continue to promote housing finance through different mechanisms, among which are the establishment of mortgage banks, housing development agencies, and fiscal incentives for private companies and developers. Some commercial banks and members of CRRH-UEMOA are now promoting housing loans to individuals.

Total UEMOA loans and home loans 2013-2017 (CFA and US\$ billions)					
	2013	2014	2015	2016	2017
Total loans					
CFA billions	9 210.00	10 708.90	11 976.40	12 376.80	12 376.80
US\$ billions	16.03	18.63	20.84	21.54	22.43
Housing loans					
CFA billions	203.70	181.20	136.50	261.70	288.0
US\$ billions	0.35	0.32	0.24	0.46	0.50
Home loans as share of total loans					
	2.18%	1.72%	1.15%	2.14%	2.22%

Source: BCEAO (July 2018). Rapport sur les conditions de banque dans l'UEMOA, En 2017. Tables 2-9.

Affordability

Despite the union's economic growth, affordability is still a challenge and depends on each country's economic environment. The population of the union is estimated at 110 million; approximately 43 million live below the extreme poverty line and have little or no capacity to finance their homes.¹⁴ To tackle these affordability challenges, some initiatives are being implemented, including plans to secure funds at competitive prices in the financial markets. The creation of CRRH-UEMOA has facilitated access to financing for its members to improve banking conditions for mortgage loans. Although average interest rates dropped from 9.78 percent in 2005 to 7.44 percent in 2013¹⁵ and 8.04 percent in 2017,¹⁶ these are still relatively high compared to other countries. In October 2017, CRRH-UEMOA, BOAD and the World Bank signed a project of US\$155 million to support the development of affordable housing finance in the union. According to the World Bank, the

project will solve the problem of the chronic shortage of housing across the union by expanding access to long-term housing finance for households with modest and irregular incomes.

Approximately 800 000 housing units are needed every year to take care of the chronic shortage.¹⁷ Yet UEMOA banks only issued approximately 15 000 new mortgages per year – an insignificant fraction of the estimated needs. The project will facilitate 50 000 new mortgages and leverage greater amounts of investment from the private sector.¹⁸

To boost affordability, each member state has a series of housing projects and provides fiscal incentives to foreign and local investors. These incentives are intended to promote local small and medium enterprises, and include mutual funds for housing in Senegal, the allocation of free land, fiscal incentives and property registration reforms in all the member states of the union. Other measures include the promotion of industrialisation of local resources, leading to new cement factories being established, and old factories upgraded, in Senegal, Benin and Cote d'Ivoire.

These efforts have had some impact on the price of cement, which has been on the rise since early 2018.¹⁹ A 50kg bag of cement at CFA4 500 (US\$7.83) five years ago cost on average CFA3 450 (US\$6.00) in 2018 and suddenly went up to CFA4 000 in July 2018 in Benin. Prices went down in Senegal to CFA2 900 (US\$5.04) and is now going up to CFA3 250 (US\$ 5.65). Prices in other countries are on the rise: Cote d'Ivoire and Mali CFA4 500 (US\$7.85); and Burkina Faso and Niger CFA5 000 (US\$8.70); and Togo CFA4 000 (US\$6.96). Prices differ from one country to another and sometimes within the country depending on the geographical location.

In addition to individual state measures, the union has adopted common measures, including reinforcement of the capacity of mortgage banks, the promotion of savings for housing, and mortgage guarantees. Nevertheless, there is a need to support the private sector to develop the construction industry and make housing finance affordable for the majority of the population in the UEMOA countries.

Housing supply

Rates of housing supply differ from one country to the other but overall this is still dominated by incremental, self-construction and informal entrepreneurship. Most of the supply is produced by informal entrepreneurs. Some of the upper-middle class can use government housing development agency services and to some extent, private developers. On the whole, the upper and middle class live in residential zones, while the poor live in slums. Little data on the stock of houses in the union is available.

In every UEMOA country, the housing supply is insufficient to meet demand. As has been noted, high population growth rates of the eight countries mean the population will more than double over the next 20 years, with most of the newcomers adding to the urban population.²⁰ The housing deficit in the union is estimated at 3.5 million units.²¹ To face this challenge, some of the presidents have established ambitious housing programmes as part of their presidential campaigns. Alassan Ouattara of Cote d'Ivoire announced a programme of 50 000 houses for five years at a rate of 10 000 houses a year; the number has changed over time, increasing to 60 000 in 2012, and to 150 000 to be delivered by 2020. Issoufou Mahamadou of Niger has promised more than 40 000 houses all over Niger. Other promised housing numbers are for Mali 50 000, Guinea Bissau 1 000, and Benin 10 000.

Despite considerable efforts, the programmes are not yet fully implemented. In Cote d'Ivoire, a total of 46 developers, 42 domestic and four foreign, have signed up to build projects under the programme, with a combined 72 social housing projects in progress as of January 2016. Among the developers were Société Ivoirienne de Construction et de Gestion Immobilière. They teamed up with partners from Benin, China, South Africa, and the Netherlands to build 20 000 units around Abidjan. Two Moroccan construction groups – Addoha and Alliances – were reportedly between them building 19 000 affordable homes in and around Abidjan, with the first units planned to be completed in July 2015. However in spite of the various projects, construction has been proceeding at a slower pace than expected, with less than 10% of the target completed as of the end of 2015.²²

In addition to presidential programmes, all member states have ambitious housing programmes and innovative solutions for the deficit, such as the creation of new urban zones in Senegal and Burkina Faso, and the construction of 20 000 rent-to-own houses (lodgement location-vente) in Benin and 1 000 houses in Guinea Bissau. As of 2015, most commercial banks of the union have been offering housing loans and private developers are offering various housing schemes.²³ This is attributed to the union's economic growth, and the support of CRRH-UEMOA. Nevertheless, the gap between the supply and the demand persists.

Union member governments are focusing their efforts on improving the business environment and sourcing foreign investment to develop urban infrastructure and housing. To this end, the UEMOA is initiating a series of investment forums to source diversified investors. The result is illustrated through the different housing programmes under construction in the entire union and the progress accomplished by some of the states as measured in the 2018 World Bank Doing Business Report. For example, Benin ranks 46 out of 190 countries in dealing with construction permits: 13 procedures and 88 days for obtaining a construction permit, compared to the sub-Saharan average of 147.5 days. It is expected that the result of the efforts and the success of CRRH-UEMOA will favour the development of mortgage activities and boost housing supply across the union.

Policy and regulation

There have been reforms in land administration, but the registration of properties to obtain full ownership rights – Titre Foncier – remains a challenge in all UEMOA countries. In 2016, the CRRH-UEMOA proposed to undertake a regional study of the different regulations concerning full ownership rights in all its member countries with the aim of proposing a unique framework to be recognised and accepted by all the member states. There is no further information regarding the study to date.

One of the recommendations to CRRH-UEMOA during the February 2017 workshop on affordable housing finance within UEMOA was to promote a land and real estate observatory to the UEMOA Commission to provide necessary information for the development of effective policies and improvement of urban and land management. To date the observatory has not been established. Other recommendations concern: investment in slum upgrading and basic infrastructure for the poor; promoting accessibility to housing finance by reducing the cost of construction; increasing the maturity term of housing loans; and a lower interest rate. Creation of an Affordable Liquidity Fund within the CRRH-UEMOA that will initiate and support growth of affordable housing finance in the union was proposed.²⁴

The 2018 World Bank Doing Business Report indicates that some of the reforms implemented by some member countries are yielding results.²⁵ For example, Cote d'Ivoire and Burkina Faso obtained good scores in dealing with construction permits among the member countries of the Union, however some difficulties persist, one of which is the high cost of construction. The recommendation is to improve regulations on urban planning and construction and access to land.²⁶ This will have a great impact on the procedures and delays associated with obtaining a construction permit.

Additional updated information is difficult to obtain. However, CRRH-UEMOA has been busy mobilising funds and hopefully in the future it will provide necessary information for the development of effective policies.

Property market and opportunities

UEMOA countries are witnessing social and economic changes, primarily due to the economic boom, political and economic reforms, and the development of infrastructure such as roads, highways and secondary roads and telecommunications, and increased investment. This has facilitated improved access to rural areas, resulting in high demand for land and properties. Decentralisation and the high demand for land and roads are accelerating the urbanisation of villages around the capitals and other internal cities. Incentives are also stimulating local and foreign investors to participate in the development of housing and other urban infrastructure.

Each member state has housing on the priority list of its agenda and the government is promoting public private partnerships for housing development and fiscal incentives for businesses. Investment interests from foreign countries both in and outside Africa are present in all the member states of the union. Dangote Group has plans to produce cement in Niger;²⁷ and the Adoha Group, a Moroccan group in housing development, is now present in Cote d'Ivoire and Senegal.²⁸

In summary, UEMOA's property market is promising. The market is practically untapped and there is demand for all sectors of the market, industrial, hospitality, commercial, offices, and residential, fuelled by the rate of urbanisation. The union's rapid urbanisation is aggravating housing deficits, thus increasing interest in the residential market, especially housing for lower income groups. The yield on investment according to Knight Frank is in the range of 7-9 percent, one of the highest in the world. Various development programmes, such as urban infrastructure, electrification of new cities and rural areas, and housing 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.

Additional sources

African Development Bank Group. African Economic Outlook: 2018. <https://www.afdb.org/en/knowledge/publications/african-economic-outlook/> (Accessed 26 Sept 2018).

BCEAO (2018). Rapport sur les conditions de banque dans l'UEMOA - 2017. 14 August 2018. <https://www.bceao.int/fr/publications/rapport-sur-les-conditions-de-banque-dans-luemoa-2017> (Accessed 11 Sept 2018).

International Monetary Fund (April 2017). IMF Country Report N° 17/99 West African Economic and Monetary Union. <http://www.imf.org/en/Publications/CR/Issues/2917/04/26/West-African-Economic-and-Monetary-Union-Common-Policies-of-Member-Countries-Press-release-44867> (Accessed 7 September 2018).

Websites

www.afdb.org
www.bhci.ci
<http://crrhuemoa.org/>

www.africaneconomicoutlook.org
www.bhs.sn
www.uemoa.int

¹ Updated data for 2017 and 2018 is not available.

² The World Bank Group. "Press Release: World Bank Group Supports Access to Affordable Housing Finance in West Africa." 13 October 2017. <https://www.worldbank.org/en/news/press-release/2017/10/13/world-bank-group-supports-access-to-affordable-housing-finance-in-west-africa> (Accessed 15 August 2018).

³ Banque Centrale Des Etats de l'Afrique de l'Ouest (BCEAO)(2014). Notes d'Analyse sur les Conditions de Financement Bancaire de l'Habitat dans les pays de l'UEMOA. <https://www.bceao.int/fr/publications/notes-danalyse-sur-les-conditions-de-financement-bancaire-de-lhabitat-dans-les-pays-de> (Accessed 11 Sept 2018).

⁴ BCEAO (2017). Rapport Annuel de la BCEAO 2017. https://www.bceao.int/sites/default/files/2018-07/Rapport_annuel_2017.pdf (Accessed 11 Sept 2018), Pg. 15.

⁵ Ibid.

⁶ BCEAO (2017). Rapport Annuel de la BCEAO 2017.

⁷ BCEAO (July 2018). Rapport sur les conditions de banque dans l'UEMOA, En 2017. <https://www.bceao.int/fr/publications/rapport-sur-les-conditions-de-banque-dans-luemoa-2017> (Accessed 7 Sept 2018).

⁸ BCEAO (2017). Rapport Annuel de la BCEAO 2017. Pg. 30.

⁹ BCEAO (2014). Note d'Analyse sur les conditions de Financement Bancaire de l'Habitat dans les pays de l'UEMOA. Pg. 5.

¹⁰ BCEAO (2014). Note d'Analyse sur les Conditions de Financement Bancaires de l'Habitat dans l'UEMOA. Pg. 16.

¹¹ BCEAO (2018). Rapport sur les conditions de banques dans l'UEMOA. Tables I.2.2.

¹² BCEAO (2014). Note d'Analyse sur les Conditions de Financement Bancaires de l'Habitat dans l'UEMOA. Pg. 5.

¹³ BCEAO (2018). Rapport sur les conditions de banques dans l'UEMOA.

¹⁴ The World Bank Group. "Press Release: World Bank Group Supports Access to Affordable Housing Finance in West Africa." 13 October 2017.

¹⁵ BCEAO (2014). Notes d'Analyse sur les Conditions de Financement Bancaire de l'Habitat dans les pays de l'UEMOA.

¹⁶ BCEAO (2018). Rapport sur les conditions de banques dans l'UEMOA. Pg. 13.

¹⁷ The World Bank Group. "Press Release: World Bank Group Supports Access to Affordable Housing Finance in West Africa." 13 October 2017.

¹⁸ Ibid.

¹⁹ Senenews (2018). "Hausse du prix de la tonne de ciment : Les industries de cimenteries ajoutent 5.000f à la tonne." 30 May 2018. https://www.senenews.com/actualites/hausse-du-prix-de-la-tonne-de-ciment-les-industries-de-cimenteries-ajoutent-5-000f-a-la-tonne_234759.html (Accessed 11 Sept 2018).

²⁰ The World Bank Group. "Press Release: World Bank Group Supports Access to Affordable Housing Finance in West Africa." 13 October 2017.

²¹ Olivia Caldwell. Affordable Housing Institute (2 March 2017). Etats des Lieux Logement Abordable dans l'UEMOA. http://crrhuemoa.org/wp-content/uploads/2017/03/Etats-des-Lieux-Logement-abordable-dans-l%E2%80%99UEMOA_OLIVIA-CALDWELL.pdf (Accessed 15 August 2018).

²² Oxford Business Group (2016). "La Côte d'Ivoire s'attaque au déficit de logements." 29 June 2016. <https://oxfordbusinessgroup.com/news/la-cote-divoire-sattaque-au-deficit-de-logements> (Accessed 2 August 2018).

²³ Institutional advertisements in local media.

²⁴ Olivia Caldwell. Affordable Housing Institute (2 March 2017). Etats des Lieux Logement Abordable dans l'UEMOA.

²⁵ Burkina Faso improved its score in dealing with construction, ranking 53rd out of 190 countries.

²⁶ Simon Walley. (The World Bank-IFC) Financement du Logement Abordable Dans l'UEMOA Atelier Lomé 28 février 2017.

²⁷ Jeune Afrique. "Dangote veut construire une cimenterie au Niger." 17 Oct 2013. <http://www.jeuneafrique.com/15570/economie/dangote-veut-construire-une-cimenterie-au-niger/> (Accessed 7 September 2018).

²⁸ CimENTS de l'Afrique. <http://www.cimaf-ci.com/qui-sommes-nous/> (Accessed 7 Sept 2018).



Algeria



Overview

With a population of 42 million living on 2 381 000 km², the People's Democratic Republic of Algeria is the largest country in Africa. In 2018, the urban population is estimated at 71.8 percent while the population growth rate stands at 1.67 percent, a slight decrease from 1.84 percent and 1.75 percent in 2016 and 2017 respectively.¹

The country has experienced fluctuating economic growth rates over the past decade. The average annual GP growth rate from 2007 to 2017 was 3 percent.² The peak was achieved in 2014 at 3.8 percent. This was followed by a sharp decrease in economic growth to 2.1 percent in 2017. The World Bank forecasts improved growth prospects for Algeria in 2018 as the government implements new public investments.³ However, despite this improvement, economic growth is expected to fall short of the 2 percent threshold for 2019/2020. This is due to the limited impact of oil prices on the real sector with price fluctuations in oil prices mostly impacting on public and external accounts.⁴ Despite this outlook, the 2017 Finance Law banks on a 3.9 percent growth rate with increased taxation to compensate for the shortfall in oil and gas revenues.⁵

GNI per capita has risen steadily since 2000, reaching a peak of DZD604 097 (US\$5 520) in 2013. However, this fell to DZD532 962 (US\$4 870) in 2015, and dropped further to DZD465 211 (US\$3 960) in 2017 due to low oil prices.⁶ Inflation decreased to 5.5 percent in 2017 from an annual average of 6.4 percent in 2016.

With a two thirds share of public revenues and 95 percent of export earnings, the petroleum industry plays a pivotal role in Algeria's economy. Global oil prices have increased in 2017, improving the country's fiscal and external balances. Prior to 2017, government's current account deficit had grown from 4.3 percent of GDP in 2014 to 16.4 percent of GDP in 2016.⁷ However the current account deficit decreased to an estimated 9.8 percent of GDP in 2017. The 2018 projections are showing an expected deficit of 5.6 percent of GDP.⁸ The government's budget is expected to improve as a result of fiscal consolidation although there are growing seigniorage concerns. Algeria's fiscal deficit doubled from 7 percent of GDP in 2015 to 15 percent of GDP in 2016. Tight control of overspending will hopefully see the fiscal deficit decline to less than a projected 5 percent in 2017 and under 1 percent by 2019. Despite these positive developments, government reserves continue to decrease: to DZD10 572 billion (US\$90 billion) in May 2018, and expected to drop to DZD9 985 billion (US\$85 billion) by the end of 2018.⁹

KEY FIGURES

Main urban centres	Algiers Oran
Exchange rate: 1 US\$ = [a] 24 Aug 2018	119.35 Algerian dinar
PPP Exchange rate (Local currency/PPP\$) 1 Algerian dinar = [b]	30.00
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	6.4 5.59 7.4
Population [d] Urban population size [e]	42 091 478 30 852 336
Population growth rate [e] Urbanisation rate [f]	1.67% 2.26%
Percentage of the total population below National Poverty Line [f]	23.0%
Unemployment rate 2006 [f]	11.7%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$170 371 million 1.70%
GDP per capita (Current US\$) 2017 [b]	US\$4 123
GNI per capita (Current US\$) 2017 [b]	US\$3 960
Gini co-efficient [g]	27.60
HDI global ranking 2015 [h] HDI country index score 2015 [h]	83 0.418
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [i]	8.00%
Mortgage interest rate [j] Mortgage term (years) [j]	5.75% 20
Downpayment [k]	20%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre [i] Outside City Centre [i]	36.04 33.87
Gross Rental Yield in City Centre [i] Outside City Centre [i]	2.77% 2.05%
Construction as a % of GDP 2017 [l]	3.00%
What is the cost of standard 50kg bag of cement? [m]	US\$7.16
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [m]	3 031 490 Algerian dinar
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [m]	US\$25 400
What is the size of this house (m ²)? [m]	80m ²
What is the average rental price for this unit (US\$)? [m]	US\$270
What is the minimum stand or plot size for residential property?	80m ²
Ease of Doing Business Rank [n]	166
Number of procedures to register property [n]	10
Time to register property (days) [n]	55 days
Cost to register property (as % of property value) [n]	15.90%

NB: Figures are for 2018 unless stated otherwise.

[a]	Xe.com
[b]	World Bank World Development Indicators
[c]	IMF World Economic Outlook Database
[d]	Worldpopulationreview.com
[e]	Worldometers
[f]	Indexmundi
[g]	Knoema.com
[h]	UNDP Development Indicators
[i]	CEICdata.com
[j]	Numbeo
[k]	Arab Bank Algeria
[l]	Trading Economics
[m]	CAHF Yearbook 2017
[n]	World Bank Doing Business

Overall, government's fiscal consolidation comes with significant trade-offs in the economy. In the real sector, government has reduced its spending on equipment by approximately 28 percent, while some capital projects which were approved in the 2014-2019 budget have now been halted. This reduces the government's capacity to deliver on its large-scale social housing programmes. These programmes remain an urgent priority as housing is a significant social and economic issue for many Algerians. According to the real estate portal Lkeria.com, the average price to rent an apartment between 60-100m² in Algiers is DZD60 000 (US\$548) per month, more than three times the National Minimum Wage Guaranteed (Salaire National Minimum Garantie, SNMG) which is only DZD18 000 (US\$164) per month.

Access to finance

Six state-owned banks dominate the banking system in Algeria: Banque Exterieur d'Algerie (BEA); Banque Nationale d'Algerie (BNA); Banque de l'Agriculture et du Developpement Rural (BADR); CNEP Bank; BDL Bank; and CPA Bank - which controls almost 90 percent of banking assets and 80 percent of all loans and

continues to play a key role in the financing of government-prioritised projects. The government banks are interconnected with five major finance companies: Algerian Bank of Development (BAD); SOFINANCE (created in affiliation with BAD); FINALEP; SRH; and SALEM.¹⁰ The central bank, Bank of Algeria, also oversees 14 privately-owned banks, nine non-bank financial institutions and 23 insurance companies.

Overall, the banking sector has consistently increased lending although there are concerns that fiscal consolidation may reduce banks cashflows thus reducing their intermediation capacity in the future. Domestic credit to the private sector has increased rapidly over the past years, rising from 44.5 percent of GDP in 2015 to 66.8 percent of GDP in 2017. Outstanding bank loans reached DZD8 000 billion (US\$73 billion) in 2017¹¹ (45 percent of GDP). Housing finance is still an underdeveloped sector, despite the liquidity of the banking sector. However, access to finance is increasing due to government programmes that offer subsidised mortgages, the Rural Housing Programme and the Assisted Housing Programme (LPA). Households who build or improve their house in a rural area can benefit from a subsidised interest rate on their mortgage through the Rural Housing Programme. The LPA programme also facilitates home ownership with a subsidised loan for households who acquire a new housing unit in a multi-family complex. Euromonitor reported a 16.3 percent expansion in the number of households accessing a mortgage in 2017.¹² Nevertheless, access to credit is difficult due to the lack of credit bureaus and registries. Commercial real estate finance in Algeria represents a larger share of total bank lending than retail housing finance.

State-owned banks make up nearly all mortgage loans, more than 60 percent of which are attributable to the Caisse National d'Épargne de Prévoyance (CNEP). Housing finance products are offered at a rate of 8 percent and for terms ranging from 20 – 40 years. The maximum loan-to-value ratio for non-government programmes is capped at 70 percent of the total unit cost. The government offers up-front downpayment assistance for households qualifying for social housing programmes, amounting to a maximum of 20 percent of the value of the unit.

The level of non-performing loans (NPLs) has been very high in the past, although it has decreased from 21 percent in 2009 to 11.4 percent in 2016. This figure is still higher than the 9.8 percent NPLs achieved in 2015. Until now, rather than repossessing homes, most NPLs have usually been restructured, either through swaps for T-bonds (in public sector banks) or rescheduling repayment schedules, the costs of which have been absorbed by the state. FINALEP and SALEM, are also dealing with refinancing on homes, leasing equipment to developing businesses, or re-establishing loans to start-up businesses.¹³

A mortgage refinancing facility was created in 1997, known as Société de Refinancement Hypothécaire (SRH), whose goal was 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. SRH was initially capitalised with a fund of DZD5.7 billion (US\$52.3 million) held at the treasury, and DZD1.4 billion (US\$12.5 million) of its own funds. The SRH facility was complemented by the Law n° 06-05 on the securitisation of mortgages that came into force in 2006. The objective of the legislation was to free up capital to support banks to fund housing construction, yet the expansion of secondary mortgage markets has been limited by the lack of development of primary mortgage markets and historically high rates of NPLs. In 2016, SRH announced that it was exploring a bond issuance to diversify its financial resources and reduce reliance on the Treasury for funding.

The main institution providing microfinance services is Algérie Poste, which was set up as a government corporation in 2002 to provide both postal and financial services. There are no specialised housing microfinance products, but Algérie Poste offers two types of savings accounts for housing, the *livret d'épargne logement* (LEL) with two percent interest, and the *livret d'épargne populaire* (LEP) with 2.5 percent interest. Algérie Poste acts as a service branch for 4.1 million CNEP accounts, Algeria's largest housing finance lender.

In addition to Algérie Poste, there are approximately 15 major non-governmental organisations (NGOs) working in the country with Touiza being the major NGO providing services to small enterprises and entrepreneurs since 1962.¹⁴

Affordability

The World Bank forecasts that 10 percent of the total population might fall back under the poverty threshold in 2020 due to growth of the unemployment rate (10.5 percent in September 2016, reaching 12 percent in 2018), slower GDP growth and higher inflation. Therefore housing affordability is a critical issue 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 bottom 60 percent of the population. It is therefore extremely difficult for low and middle income households to access housing on the private market.

In 2017, the average price per square meter of an apartment in Algiers was DZD220 000 (US\$2 008), a 20 percent increase compared to 2016. The price per square meter of an apartment in secondary cities such as Boumerdès, Blida, Tipaza, Béjaïa and Oran was DZD130 000 (US\$1 187).¹⁵ In 2015, the ONS reported the average annual income was DZD 39 200 (US\$358). Despite the 4 percent increase from 2014, the average earnings of private sector workers (DZD32 100; US\$ 293) are below that of public sector employees (DZD 54 700; US\$500).

While Algeria has a relatively low rate of inequality with a Gini coefficient of 36.06 (2010), the price of housing remains beyond the means of most households. According to a 2017 study by the real estate portal Lkeria.com, average rents have decreased between 2016 and 2017 in at least 10 provinces, including in: Boumerdas which has seen reductions by 20 percent – from DZD39 500 (US\$335) in 2016 to DZD32 000 (US\$271); Tizi Ouzou which has seen reductions by 20 percent from DZD35 000 (US\$297) in 2016 to DZD27 600 (US\$234) in 2017; Tipaza which has seen 16 percent reductions; Skikda 16 percent reductions; Sidi Bel Abbas 8 percent reductions; and Bejaia 8 percent reductions. On the other hand, rental prices in the bigger cities such as Algiers and Oran remained stable. The reduction in rental is mainly attributed to public housing programmes delivered during this period, but is also due to various relocation operations.

Housing policy is focussed on building a large amount of very low-cost rental and subsidised housing units, yet government supply is not able to respond to demand. Population growth at 1.9 percent per annum, and an urbanisation rate of 2.7 percent per annum in 2015, are fuelling new demand for housing units in cities, with 70 percent of the total population living in cities. Waiting lists are long and the downpayment on homes can also be prohibitive. For households to qualify for the middle income housing programme (Agence de l'Amélioration et du Développement du Logement (AADL) lease-to-own programme), a personal contribution of DZD700 000 – DZD1 million (US\$6 390 – US\$9 128) is required up front.¹⁶

Housing supply

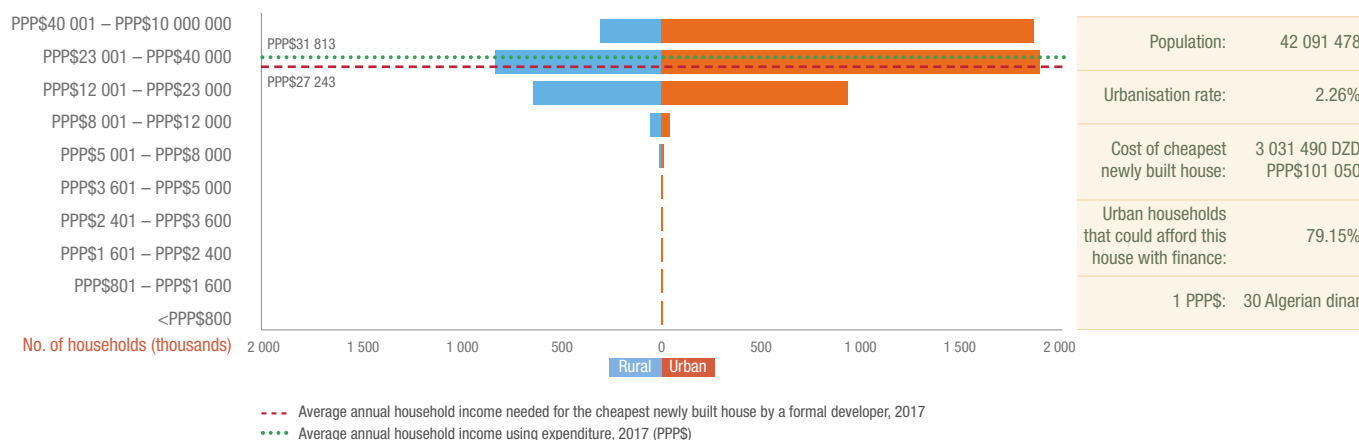
Euromonitor estimates that the mortgage market will grow by approximately 16 percent in 2017, making it the second fastest growing mortgage market in Africa.¹⁷ This however does not address the shortages in the housing market. There are approximately 500 000 precarious dwellings and at least two million units are in poor condition, having been constructed prior to independence in 1962. Annual supply is estimated at 80 000 dwellings, while annual demand is estimated at 300 000 units.

The state is the major supplier of housing, delivering 165 000 housing units per year; and 2.2 million housing units over 14 years. However, with less means at their disposal, households also account as another main house provider.¹⁸ In 2014, the Ministry of Housing and Settlements (MoHS) announced a target of 1.6 million units from 2015 - 2019 with an estimated cost of DZD6 123 billion (US\$56 billion) for social housing, part of the government's five-year investment plan (2015-2019). By 2017, only 693 000 units of the 1.2 million units planned were actually built. Lengthy administrative processes and disputes over some project sites and mismanagement of funds contributed to the shortfall, with the number of completions per annum falling below 100 000 units. Moreover, serious deficiencies have been reported about the units under construction such as the lack of technical inspection, delivery delays, unfulfilled commitments, and manufacturing defects.¹⁹

There have been initiatives to 'clean up' informal settlements with the slum eradication project *Résorption de l'Habitat Précaire*, a programme that included slum upgrading, redevelopment or resettlement. Started in 1999, with a World

ALGERIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Bank loan of US\$150 million, this programme initially identified 65 target sites, accounting for 30 390 inadequate units, housing 172 000 residents. In July 2014, this programme gained a further commitment of US\$90 million from the new government for the improvement of inadequate units. As a result, between June 2014 and May 2016, 39 000 families were relocated to new units, with 9 000 households participating in government programmes to build their new homes, and the rest being allocated public rental housing. The Algiers province secured another 180 hectares to allocate to new affordable housing projects of all types, including lease-to-own, public rental and subsidised for-sale units.²⁰

In September 2017, the government has reactivated the Promotional Housing Helped (LPA) programme under the scrutiny of the Minister of Housing Abdelwahid Temmar. The Promotional Housing Helped (LPA) is tailored for middle income households. The project involves the construction of new housing by a private developer according to specific techniques; and financial terms both from the client and the State.²¹ The building of 12 400 housing units in the capital began in November 2017 under the rent-to-own housing project monitored by l'Agence d'Amélioration et de Développement du Logement (AADL). The sites are respectively in Baba Hassen (construction of 2 400 units and 3 000 units) and in Douera (construction of 3 746 units and 3 254 units). The first project will be delivered by Atlas, a Turkish developer, while the remainder have been allotted to CSCCEC, a Chinese developer within a timeframe of 30 months.²²

Property markets

Limited land availability has severely restricted the growth of the formal real estate market. The state is the primary owner of land and only very limited amounts are made accessible to private individuals or developers. Homeownership is high, due to the cultural importance of owning a home, yet low supply has pushed up prices beyond the affordability threshold of many households. As a result, the rental market is growing.

There is a deeds registry, although the land registration system is cumbersome and unclear: Algeria has continued to maintain a low ranking of 163th in the 2018 World Bank Doing Business report for registering property, with 10 procedures taking an average of 55 days, and costing 7.1 percent of the property value.²³ In 2016, Algeria made dealing with construction permits easier by eliminating the legal requirement to provide a certified copy of property title when applying for a building permit. In 2017, Algeria went a step further and imposed deadlines for construction permit applications, considerably reducing processing times. Algeria moved up 42 positions in the construction permits ranking and is now ranked 77th out of 190. The process includes 17 procedures and takes an estimated 130 days.

A 5 percent transfer fee is charged on the transaction of immovable property, plus a 1 percent registration fee. The government has attempted to increase the supply of land by offering a tax rebate if the land is sold for housing. However, this measure has primarily benefitted high income groups, and is regressive in that the higher the purchase price, the larger the tax rebate.

Most households rely on public housing programmes. Other strategies of the urban poor include self-building on informally-squatted government land and buying units in the informal market. Due to the enormous price gaps between the private property market and affordable housing developed by the state, many of the social housing units are quickly released into a thriving black market, where title transfer is not formally registered.

Policy and regulation

In October 2017, the government stressed that housing and infrastructure development are key priorities, and the 2018 budget will see an 8 percent increase from 2017 in funding allocated to social transfers, including social housing. In the Finance Law of 2018, DZD384.9 billion was allocated to housing.

The government has five types of housing programmes, each targeted at different groups. The demand for all these programmes far exceeds the supply. Allocation procedures have come under scrutiny for mismanagement.

Funding for these programs has been problematic in 2017. State-owned banks promised DZD1 200 billion (US\$11 billion) in 2013 to finance the government's housing programmes²⁶ but have only disbursed DZD150 billion (US\$1.38 billion) for the completion of two housing projects: 100 000 units in 2013 and 80 000 units in 2015. Additionally, between January and May 2017, foreign companies halted construction works for LPP, social housing, the AADL, and the rural programme due to DZD120 billion (US\$1.1 billion) in unpaid receivables. This resulted in the delivery of 164 000 housing units being disrupted.²⁷ The state-owned banks, CPA and CNEP, refused to pay the Chinese and Turkish companies responsible for the construction due to liquidity constraints,²⁸ and in May 2017, the CNL had to disburse DZD134 billion (US\$1.22 billion) to pay off arrears.

However, a reorganisation of the sector is underway. The government is exploring the possibility of creating a Housing Bank (Banque de l'Habitat) with joint administration under the CNEP and CNL.²⁹ This new organisation would see banks as mortgage providers, and the CNL providing construction finance through the Banque de l'Habitat.

Opportunities

The outlook for growth in the Algerian housing finance sector remains largely positive, given the development of a stronger legal framework for mortgages and a growing number of banks who are offering varied housing finance options. Although the improved fiscal and external balances and growth prospects appeared to have paved the way for the uninterrupted rollout of housing projects, the implementation of large scale projects is now uncertain as the government failed to pay some of the project implementers on time due to budgetary constraints and low reserves.

There are positive developments in the housing sector which point to key opportunities in the future. The Groupe Industriel des Ciments d'Algérie (GICA)

Target Group by income	Income Level (DZD)	Income Level (US\$)	Programme	
Rental programme	< 1.5 SNMG ²⁴	< 24 000	< 220	Public Rental Housing: For households earning less than 1.5 times the minimum wage, in which construction is entirely publicly financed on government land and rent is extremely low, at approximately DZD1 095 – DZD2 300 (US\$10–US\$21) per month. To make the allocation more transparent, the government has created a scoring system for applicants. ²⁵
Home Ownership programmes (Aide à l'accès à la propriété)	1 – 6 SNMG	18 000 – 108 000	165 – 9850	The Rural Housing Programme: A household receives a subsidy of DZD 700 000 – DZD 1 million (US\$6 390 – US\$9 128) for home improvement or new home construction, which is disbursed as progress is made.
	1.5 – 6 SMIG	24 000 – 108 000	220 – 985	AADL (Agence de l'Amélioration et du Développement du Logement): Introduced in 2001, AADL operates a lease-to-own programme for households with little downpayment capacity. Small up-front payments are required for entry, and then the lease is guaranteed 100 percent by the state on a zero interest basis.
	1.5 – 6 SMIG	24 000 – 108 000	220 – 985	LPA (Logement Promotionnel Aidé): The Assisted Housing Programme: Started in 2010, the LPA aims to facilitate home ownership for households earning up to six times the minimum wage. There is an up-front grant of either DZD 395 000 (US\$3 600) or DZD 702 000 (US\$6 400) to assist with downpayments and subsidised loan finance with interest rates of 1 to 3 percent.
	Civil Servants	NA	N/A	Government Employees are also offered low-cost finance, at 1 percent for a house up to approximately DZD8.1 million (US\$80 000) for senior staff, and DZD5.5 million (US\$50 000) for others.

group is planning to increase its annual production to 20 million tons of cement by 2019–2020 with the expansion of three factories and the creation of two new ones in Sigus and Béchar.³⁰ Furthermore, the government continues to place great importance on rental housing by shifting housing delivery emphasis from the provision of public housing towards the facilitation of privately-developed affordable housing. The government also intends to facilitate private development of homeownership programmes financed through long-term mortgage loans. Public and private partnerships are expected to compensate for decreasing budgets for the housing sector.

Additional sources

Algerian Government (2014). National Report on Housing for Habitat III. <http://habitat3.org/wp-content/uploads/National-Report-Africa-Algeria-Final-in-English.pdf> (Accessed 19 Sept 2018).

Belkalem, M., Laghouati, S., Ghorbal, Y., & Larbi, A. (2006). The 2006 Global Securitisation Guide: Algeria, Morocco and Tunisia.

Bellal, T. (2009). Housing Supply in Algeria: Affordability Matters Rather Than Availability. Algiers: University of Setif.

Euromonitor International (2014). World Consumer Income and Expenditure Patterns: 14th Edition.

Hassler, O. (2011). Housing and Real Estate Finance in Middle East and North African Countries. World Bank. <http://siteresources.worldbank.org/INTMNAREGTPOVRED/Resources/MENAFflagshipHousingFinance.pdf> (Accessed 18 Sept 2018).

International Monetary Fund (2014). Algeria: Financial System Stability Assessment, IMF Country Report No. 14/161. <https://www.imf.org/external/pubs/ft/scri/2014/cr14161.pdf> (Accessed 19 Sept 2018).

IMF (2016). World Economic Outlook. <http://www.imf.org/en/publications/weo> (Accessed 17 July 2017).

IMF (2017). Algeria, Selected Issues, IMF Country Report No. 17/142, file:///Z:/Clients/079%20CAHF/079_4%20Country%20Profiles/04_Project%20Work/Algeria/00_Old/cr17142.pdf (Accessed 20 July 2017).

Lohoues, H. and Benbahmed, T. (2017). Algeria Profile 2017, African Economic Outlook 2017, Entrepreneurship and industrialisation.

Oxford Business Group (2014). The Report: Algeria 2014.

United Nations Human Rights Council (2012). Report of the Special Rapporteur on Adequate Housing.

The World Bank (2017). Doing Business 2017, Equal Opportunity for All. <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf> (Accessed 18 July 2017).

World Bank (2017). World Development Indicators. <http://databank.worldbank.org/data/reports.aspx?source=2&country=DZA>, (Accessed 17 July 2017).

Websites

www.cgap.org
 www.lkeria.com
 www.ons.dz
 www.letempsdz.com/
 www.agenceecofin.com,
 www.lkeria.com
 www.euromonitor.com

www.cnl.gov.dz
 www.mhuv.gov.dz
 www.srh-dz.org
 www.mdipi.gov.dz/
 www.mhuv.gov.dz
 www.algerieeco.com
 www.etd.fcla.edu

¹ Worldometers (2018). Population of Algeria 2018. <http://www.worldometers.info/world-population/algeria-population/> (Accessed 18 Sept 2018).

² World Bank. World Development Indicators Databank. <http://databank.worldbank.org/data/reports.aspx?source=2&country=DZA> (Accessed 25 July 2018).

³ World Bank (2018). Algeria's Economic Outlook 2018. <https://www.worldbank.org/en/country/algeria/publication/economic-outlook-april-2018> (Accessed 25 July 2018).

⁴ African Development Bank Group (2018). Algeria Economic Outlook <https://www.afdb.org/en/countries/north-africa/algeria/algeria-economic-outlook/> (Accessed 25 July 2018).

⁵ Bakermckenzie.com (2017). Algeria: The 2017 Finance Law | Insight | Baker McKenzie. 1 Jan 2017. <http://www.bakermckenzie.com/en/insight/publications/2017/01/the-2017-finance-law/> (Accessed 2 Aug 2017).

⁶ World Bank. World Development Indicators Databank.

⁷ Oxford Business Group (2018). The Report: Algeria. <https://oxfordbusinessgroup.com/algeria-2017> (Accessed 25 July 2018).

⁸ Oxford Business Group (2018).

⁹ Reuters (2017). "Algeria foreign reserves to stay over \$100 bln this year PM." 6 March 2017. <http://af.reuters.com/article/algeriaNews/idAFLN1GJ42S> (Accessed 20 July 2017).

¹⁰ Chamberlain, Elaine (2015). Microfinance in Algeria, Tunisia and Lebanon. Thesis submitted at the University of Central Florida, Orlando, Florida. http://etd.fcla.edu/CF/CFH0004831/Chamberlain_Elaine_L_201504_BA.pdf (Accessed 30 July 2018). Pg. 23.

¹¹ Bank of Algeria (2017). Quarterly Statistical Bulletin, n° 37, March 2017. http://www.bank-of-algeria.dz/pdf/Bulletin_37e.pdf (Accessed 18 Sept 2018).

¹² Euromonitor website, 2017. <http://www.euromonitor.com/>

¹³ Chamberlain (2015). Pg. 24.

¹⁴ Chamberlain (2015). Pg. 22.

¹⁵ EuroAlgeria (2017). "Immobilier: combien coûte un appartement en Algérie?" Euro Algérie. 11 January 2017. <http://www.euroalgerie.org/2017/01/11/immobilier-combien-coute-un-appartement-en-algerie/> (Accessed 18 Sept 2018).

¹⁶ Liberté Algérie (2011). "L'habitat précaire résorbé et la crise du logement alléguée d'ici 2014." 21 June 2011. <http://www.liberte-algerie.com/actualite/les-effets-dannances-des-pouvoirs-publics-93416/print/1> (Accessed 8 August 2017).

¹⁷ Euromonitor (2018). Top three mortgage growth markets. <https://blog.euromonitor.com/2017/03/top-3-mortgage-growth-markets-2017-egypt-algeria-nigeria.html> (Accessed 25 July 2018).

¹⁸ Grim, Nordine (2017). « Construction et accès au logement: La fin de l'état providence. » 13 May 2017. Algérie Eco. <https://www.algerie-eco.com/2017/05/13/construction-acces-logement-fin-de-letat-providence/> (Accessed 30 July 2018).

¹⁹ Ministry of Housing and Urban Planning (2016). "Programme LSP: 11 promoteurs immobiliers sur la liste noire." April 2016. <http://www.mhuv.gov.dz/Pages/DetailActualite.aspx?a=460> (Accessed 19 Sept 2018).

²⁰ World Bank (2018). Doing Business: Algeria. <http://www.doingbusiness.org/data/exploreconomies/algeria#getting-credit> (Accessed 19 Sept 2018).

²¹ Lkeria (2018). "LPA Algérie le Nouveau Prix 2018." 2 April 2018. <https://www.lkeria.com/Logement-Promotionnel-Aide-LPA-LSpphp> (Accessed 30 July 2018).

²² Ministère de l'Habitat, de l'Urbanisme et de la Ville (2017). "Les travaux de réalisation de 12.400 logements dans la capitale ont été lancés mardi dans le cadre du programme de logements de la formule de location-vente supervisée par l'Agence d'amélioration et de développement du logement (AADL)." 7 November 2017. <http://www.mhuv.gov.dz/Pages/DetailActualite.aspx?a=498> (Accessed 30 July 2018).

²³ The World Bank. (2017). Doing Business 2017: Equal Opportunity for All. <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf> (Accessed 18 July 2017).

²⁴ National minimum wage guaranteed (Salaire National Minimum Garanti).

²⁵ The scoring system gives preference to families based on their income, current living situation, and familial situation, and improves transparency. Specific issues to resolve are the verification of applicants' eligibility. As waitlists are managed locally, there can be duplication of applications across regions, people may already own property, or move to precarious housing in shantytowns simply to qualify for government assistance. In addition, there are challenges around fraudulent identification documents and false accommodation certificates.

²⁶ Agence Ecofin (2013). "Algérie : les banques publiques vont financer la construction de 300 000 logements pour 12 milliards €." 14 May 2013. <http://www.agenceecofin.com/investissement/1405-10882-algerie-les-banques-publiques-vont-financer-la-construction-de-300-000-logements-pour-12-milliards> (Accessed 19 July 2017).

²⁷ Ministry of Housing and Urban Planning Press Release, May 2017.

²⁸ Le Temps (2017). "Règlement des impayés des entreprises du bâtiment: Lorsque Tebboune se dit impuisant." 18 May 2017. <https://www.letempsdz.com/index.php/132-actualite/190286-+%C3%A8glement-des-impay%C3%A9s-des-entreprises-du-batiment-lorsque-tebboune-se-dit-impuisant> (Accessed 8 August 2017).

²⁹ TSA (2017). "Tebboune, le CPA et la « Banque de l'habitat »." 4 July 2017. <https://www.tsa-algerie.com/tebboune-le-cpa-et-la-banque-de-lhabitat/> (Accessed 20 July 2017).

³⁰ Ministry of Industry Press Release (2017). "Ciment : baisse sensible des prix grâce aux mesures prises par Monsieur le Ministre de l'Industrie et des Mines." 12 July 2017. <http://www.mdipi.gov.dz/?Ciment-baisse-sensible-des-prix> (Accessed 19 Sept 2018).

Angola



Overview

Angola's economy is highly concentrated around the oil industry, which comprises about a third of its GDP and around 95 percent of exports, despite the global downturn and decrease in oil prices.¹ Oil revenues and oil-backed loans have allowed for large-scale state investments in the construction and rehabilitation of public infrastructure, including the implementation of an ambitious housing programme to meet the country's massive housing deficit, which is growing rapidly in a context of rapid urbanisation. Currently Angola is said to be one of the fastest urbanising countries in Africa with more than 62 percent of its population living in cities.²

After 38 years in office, Jose Eduardo dos Santos stepped down as president in August 2017. João Lourenço was elected as his successor. President Lourenço has begun to implement reforms in his initial year in office. His ambitious agenda includes fighting corruption, eliminating nepotism, diversifying and opening up the economy, and promoting the private sector. While the new government had initially intended to continue major infrastructure projects, some of these were delayed or suspended as a result of budget cuts³ when the magnitude of the debt of over US\$40 billion inherited from the previous regime became apparent.

While the housing programme over the last decade has contributed to an increase of the country's housing stock through the state-led construction of new towns or *centralidades*, it has failed to create an enabling environment for housing development by the private sector, cooperatives and citizens. For the majority of Angolans, informal and incremental self-built housing remains the predominant method of housing development. The new government's decentralisation reforms and promised revision of planning and land legislation offer some optimism for an improvement in the real estate environment.

Access to finance

The Angolan banking sector is now the third largest in Sub-Saharan Africa (SSA) after Nigeria and South Africa.⁴ As of April 2018, there were 29 commercial banks⁵ authorised to operate in the country.⁶ The Angolan banking sector has mounted a campaign in recent years to increase its client base, with the objective of capturing savings. The Bankita programme, launched by the Banco Nacional de Angola (BNA) in partnership with most of the commercial banks that operate in Angola, is an effort to improve access to banking services among low income

KEY FIGURES

Main urban centres	Luanda Huambo
Exchange rate: 1 US\$ = [a] 24 Aug 2018	250.41 Kwanza
PPP Exchange rate (Local currency/PPP\$) 1 Kwanza = [b]	108.3
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	19.85 30.51 2.78
Population [b] Urban population size [b]	29 784 193 13 575 039
Population growth rate [d] Urbanisation rate [b]	3.30% 4.99%
Percentage of the total population below National Poverty Line	36.6%
Unemployment rate 2017 [c]	20%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$124 209 million 0.72%
GDP per capita (Current US\$) 2017 [b]	US\$4 170
GNI per capita (Current US\$) 2017 [b]	US\$3 330
Gini co-efficient 2017 [h]	58.6
HDI global ranking 2005 [i] HDI country index score 2005 [i]	150 0.533
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	29.67%
Mortgage interest rate Mortgage term (years)	25.64% 20 years
Downpayment	20%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre [j] Outside City Centre [j]	18.09 5.3
Gross Rental Yield in City Centre [j] Outside City Centre [j]	5.53% 18.86%
Construction as a % of GDP 2015 [c]	15.57%
What is the cost of standard 50kg bag of cement?	US\$12
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	14 000 000 Kwanza
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$56 860
What is the size of this house (m ²)?	60m ²
What is the average rental price for this unit (US\$)?	US\$500
What is the minimum stand or plot size for residential property?	250m ²
Ease of Doing Business Rank [k]	175
Number of procedures to register property [k]	7
Time to register property (days) [k]	190 days
Cost to register property (as % of property value) [k]	2.90%

NB: Figures are for 2018 unless stated otherwise.

[a]	Xe.com
[b]	World Bank World Development Indicators
[c]	Trading Economics
[d]	Statista.com
[e]	Angola 2014 Census
[f]	World Population Review
[g]	Development Workshop
[h]	UNICEF
[i]	UNDP Human Development Reports
[j]	Numbeo
[k]	World Bank Doing Business

households by lowering the threshold to a nominal initial deposit. By 2018, 52.3 percent of the Angolan adult population held bank accounts. However, access to credit remains difficult with Angola registering in the bottom five percent of countries for that indicator in the 2018 World Bank Doing Business Report, with a score of 183.⁷

The post-war construction boom has resulted in a growing interest in the mortgage market and several large banks have started offering loans for housing. For example, Standard Bank offers average loans of about US\$210 000 with a typical loan-to-value at origination of 70 percent. Banks in Angola rarely extend unsecured credit. If they do, it is highly collateralised (125 percent) in the form of property, or dollar deposits from the borrower.⁸ The lack of credit information and national identification systems to gauge the creditworthiness of prospective borrowers means that collateral is required for nearly all loans. Banks have actually reduced credit access for clients since 2014, justifying their reluctance with the increasing percentage of loan defaults and a reported decrease in client demand. The emphasis of bank efforts appears to be to capture deposits, which they invest in treasury bills issued by the National Bank of Angola, earning interest at up to 24 percent annually, often indexed to the US Dollar. Commercial banks have

earned substantial profits of up to 40 percent in 2017, the only sector of the Angolan economy not to show a decline.

Angola's non-bank financial sector remains small, with the combined assets of insurance, pension funds and microcredit institutions being equivalent to only two percent of GDP. Nevertheless, the increase in the number of non-banking institutions in the past year was significant. As of 2018, Angola counted 40 authorised microfinance institutions (MFIs) and four credit cooperatives.⁹ However, the penetration rate of MFIs remains low, with little more than 30 000 active clients. Of the MFIs currently registered with the BNA, KixiCredito remains the only institution reporting up to date information with MIX Market, an online source of microfinance performance data and analysis.¹⁰

KixiCredito is the largest non-bank microfinancier, launched by local non-governmental organisation Development Workshop Angola. In 2017, KixiCredito had a staff of almost 300 and 22 000 clients with 21 branches in 17 of Angola's 18 provinces. With the devaluation of Angola's currency against the US Dollar, the value of KixiCredito's gross loan portfolio reduced to US\$10 million from US\$15 million in 2015.¹¹ In addition to microfinance for small business, it also offers a housing microfinance product called KixiCasa. The product enables groups of three to five people to access 36-month loans from US\$1 000 to US\$6 000. In 2012, the Community-Led Infrastructure Finance Facility provided a line of financing for a new social housing project in Huambo province through the provision of end-user finance for incremental housing by KixiCasa. These loans put the construction of a three to four-bedroom house with a total cost of up to US\$30 000 in different loan cycles within reach of low income households.¹²

Affordability

Sixty-two percent of the Angolan population is urban; the median age is 18 years and the average household has five members. The basic living income required for an Angolan family is estimated to be Kz13 9400 (US\$555)¹³ a month. The monthly minimum wage, while remaining unchanged in Angolan currency at Kz15 003, has lost value and buying power due to its devaluation from about US\$90 to US\$60¹⁴, but skilled private sector employees generally earn over 20 times more than those in the lowest income bracket.¹⁵ For expatriate oil company employees, this income is even higher; with employers generally picking up the bill for accommodation. The Angolanisation of petroleum sector employment has resulted in significant reduction of demand for expatriate housing. Although high-end housing prices have fallen by approximately 30 percent since 2016,¹⁶ Mercer's annual survey found in 2018 that Luanda was still the sixth most expensive city globally and the most expensive African city.¹⁷

By 2017, the cost of a new two-bedroom apartment of about 180m² in downtown Luanda reached US\$4500/m². An existing two-bedroom apartment went for about US\$3000/m², or US\$500 000 per unit, while a three-bedroom house of about 190m² in a residential compound in the suburb of Luanda Sul cost US\$570 000 per unit or US\$3 000/m².¹⁸ A lack of public transport means that many residents who have moved to the suburbs rely on costly private transport, effectively adding to their household costs.

In 2009, the Angolan government created a Housing Development Fund (FFH) (Decree 54/09 of 2009) to support the financing of social housing for low income households. However, the portfolio of the FFH remains limited to providing subsidised loans for public servants in state housing projects. Loans are extended for up to 30 years with a three percent interest rate. To facilitate access to other prospective inhabitants, in 2013 the government launched subsidised rent-to-buy schemes, now managed through Imogestin, a public-private partnership real-estate company, open to those with formal employment, a national identity card and a tax-payer card. Apartments in these projects were initially priced between US\$125 000 and US\$200 000 a unit. These schemes reduced apartment prices to US\$80 000 for a three bedroom apartment through 20-year mortgages with a three percent interest rate and monthly payments of the equivalent of US\$390 which was fixed in national currency at the 2017 rate. This brought ownership within the reach of early career professionals and mid-level civil servants earning over US\$1 000 a month. However, government housing projects, while highly subsidised, still remain unaffordable for low income households. By 2018 a significant proportion of clients of the rent-to-buy schemes have lost their capacity to make their monthly payments and have entered into default. Imogestin, the contract holder, has not been authorised to carry out reposessions.

Housing supply

Luanda's housing stock consists largely of a dilapidated urban core of colonial-era buildings surrounded by sprawling slums. Several government housing projects were developed for low income households and public servants. These included projects such as Kilamba, Zango, Panguila and Nova Vida in Luanda. However, rapid urbanisation has meant that these projects contributed little to overcoming the housing deficit, estimated by the Ministry of Urbanisation at 1.2 million units in 2012.¹⁹ According to Angola's National Statistics Institute,²⁰ as much as 90.9 percent of the urban population reported living in inappropriate conditions with limited access to sanitation, water and electricity.

The 2008 pre-election announcement that the State aimed to produce one million homes under the slogan "My Dream, My Home" (*Meu Sonho, Minha Casa*), was formally adopted in 2009 as the National Urbanism and Housing Programme (PNHU) (Resolution 20/09 of 2009), the implementation of which is ongoing, with an extended timeframe beyond 2012. The most successful element of the programme, up until 2016, had been the delivery of state-built housing, with almost 152 000 units having been delivered through financing from the state budget.²¹ This includes the construction of new urban centres such as the "new city" of Kilamba, including the *centralidades* of Sequele (formerly known as Cacuaco), Capari, Km 44 and Condomínio Vida Pacífica (Zango), all financed by oil-backed credit lines and built by Chinese companies on the outskirts of Luanda and other cities throughout the country. In 2018, as previously funded housing continues to be released in the new urban centres, project plans continue to be announced, but budget restrictions have halted the programme.

By 2018 the PNHU has delivered a total of 218 418 houses including those built through state-funded public-private partnerships and cooperatives. While the Government has expressed satisfaction with the work being done, it was admitted that external infrastructure, including the lack of water and sanitation connections, remains a concern involving various ministries.²² The role of the private sector in the housing programme has been limited due to their reluctance to invest their own capital, given the high material and administrative costs of construction, the lack of a unified, functioning and up-to-date property registration system and legal guarantees to allow banks to recover assets on defaulted housing loans. As a result, the private sector has focused on the development of high-end housing, or, in state-financed projects, limiting its role to that of contractor and/or manager.

Despite the identification of housing cooperatives as one of the key actors responsible for housing delivery, legislation to regulate the activities of cooperatives was only adopted in 2015 (Law 23/15 of 2015). To date, there are still only a few active housing cooperatives in Angola, and these have experienced difficulties with regard to infrastructure provision, land titling, default in payments by members, and reduced interest in the cooperative model, in the face of state housing projects. So far, housing cooperatives have built 12 000 out of 80 000 originally planned units. Although assisted self-help building was meant to be the largest component of housing delivery under the government's housing programme, it has received the least resources: 131 624 plots have been distributed, mainly to accommodate resettled people, but little progress has been made in large-scale land titling, infrastructure provision or housing finance for low income households. Hence, self-built stock continues to be predominantly informal. Over 20 000 units were built at the same time through social production, outside the PNHU, and using largely informal market mechanisms, almost matching the Government's delivery of housing.²³ While much of the Government's housing programme was contracted to international firms from China, Israel and Brazil, the social production of housing created a significant amount of employment. The National Housing Directorate estimates that 1.22 jobs are created by each house constructed.

The Angolan government has created a state-owned land management company Empresa Gastora de Terrenos Infra-estruturados (EGTI). The public company's primary mandate is to carry out a more rational and economic driven process of urbanisation in the country.²⁴ EGTI was expected to earn US\$773 million by 2020 just by selling land in two towns built from scratch in Luanda Province.²⁵ EGTI was also awarded management authority of the new land in Luanda and 20 other real estate developments in various parts of the country. EGTI has been formally awarded mussequ/slum land with a high real estate value appropriated from former residents in the Sambizanga district in the heart of Luanda. The domestic construction and the local building material sectors remain underdeveloped. As a result, foreign firms and imported building materials dominate the market, making

ANGOLA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

construction very expensive. Currently, Angola has three main cement producers and two new plants in the pipeline. In line with the poor state of the general economy, depressed by low oil prices, the Angolan cement market contracted in 2016 by two percent to 3.9/mt. The ban on imports reduced prices from over US\$20 in 2007 to about US\$7 in 2015, which has remained the official cost in 2017. However, the economic crisis has pushed up prices in the informal market where cement is more readily available, to about US\$15.

Property markets

Angola's formal real estate market remains in its infancy, with most properties being bought new or off-plan and few transactions in formal property titles. Property rights are ill-defined and land titles difficult to obtain, frequently complicating and lengthening the process of applying for a mortgage.²⁶ Although under the Angolan constitution the state originally owns all the land, most people access land informally, with less than 10 percent of land parcels outside the Luanda's urban core having legal titles²⁷ and only a few thousand properties out of Luanda's one million formal dwellings being fully registered. This significantly limits the extent to which the government is able to collect land and property taxes.

A new law on urban property tax (Law 18/11 of 2011) reduced the cost of transferring property from 10 percent to 2 percent, eliminating transfer costs altogether for low cost housing. Since 2016 the government has campaigned for payment of property taxes on the basis of occupation or use of land. However, the message is weakened by the authorities' assertion that the payment of tax does not guarantee tenure rights. The incentive to pay property taxes is therefore undermined. Property taxes still account for only 1.28 percent of the state's income.²⁸

Angola has made efforts to reform the administrative processes for registering and transferring property through the creation of a *Guiché Único* (Presidential Decree 52/11 of 2011) in 2011, a one-stop-shop for property registration. New laws on notaries and realtors (Law 8/11 of 2011 and Law 14/12 of 2012) have liberalised the property market, allowing for the private exercise of this profession alongside state officials. Stamp duties were reduced from 0.5 percent to 0.3 percent, tax on housing credit from 0.3 percent to 0.1 percent, and land registry fees have been reduced by half with a continuing positive effect on the administrative processes of registering property. As a result, the cost of transferring property was reduced from 11.5 percent of the property value in 2005 to 2.9 percent in 2015, and this remains applicable in 2018. According to the World Bank's Ease of Doing Business ranking, on average, it takes 190 days to register commercial property.²⁹

New laws for rentals and the transfer of housing have also been adopted to make investment in rental housing more attractive and to offer more protection for tenants. This includes a new urban rental law (Law 26/15 of 2015), approved in

October 2015, which requires that rental payments be in the Angolan currency instead of US dollars and that downpayments should be limited to a maximum of six months. Previously, it was common for landlords to demand downpayments of two years.

Obtaining the official permits and licences necessary to operate in Angola remains costly and time-consuming. According to the World Bank's 2018 Ease of Doing Business indicators, construction permits take on average 173 days. A mortgage law that would allow financial institutions to guarantee loans backed up by a lien on the property being purchased has been proposed by the Angolan Association of Real Estate Professionals (APIMA). The proposal would permit the recovery of property in case of a default on a loan, avoiding lengthy court delays. The law has not yet been approved by the Council of Ministers. According to APIMA, it takes three years for banks to confiscate mortgaged real estate through the courts.³⁰

Policy and regulation

In post-war years, the Angolan government has adopted an extensive legal and institutional framework to regulate the land, housing and financial sector. This includes the adoption of a new land law (Law 9/04 of 2004), which establishes the different types of land rights that can be granted by the state and stipulates that informally occupied land needs to be regularised within three years after the approval of the law (a deadline that has since been extended after expiring in 2010). A territorial planning law (Law 3/04 of 2004) calls for the creation of national, provincial and municipal development plans to allow for more orderly planning. An official housing policy (Resolution 60/06 of 2006) guarantees the universal right to housing. A framework law for housing (Law 3/07 of 2007) defines the different instruments that are to be used to guarantee this right, such as the creation of a system of credit for housing. This law represents the statutory basis for the FFH.

The Angolan government has also created a new Ministry of Territorial Planning and Housing, a National Housing Institute, and a Ministry of Construction, which in addition to local government, are expected to contribute to fulfilling the government's policy objectives. However, property rights remain highly problematic in Angola. The territorial planning law mentioned above has had a mixed reception. Provisions giving individuals and communities the right to legally register ownership of previously informally occupied land were positively received in rural areas, whereas where urban development and standard real estate lending prices were concerned, distortions were noted, largely caused by legal misinterpretations. The government is still reviewing existing legislation on land and property through the consultation with stakeholders such as APIMA to fast track land and property regularisation. Major political reforms are planned for 2020 with the election of municipal councils and the creation of a new autonomous level of governance. The management of local land, housing and basic services will be the responsibility of the municipalities, including the right to raise



local taxes, fees, make budgets and control finances. It is expected that municipalisation will provide an incentive to local real estate markets when land cadastres and fiscal matters will be locally administered.

Opportunities

Although subsidised state-led housing construction remains a government priority, budget constraints resulting from the global economic downturn continue to limit the extent to which the government is able to invest in housing development. Prospective legal reforms in land and property, including the approval of a draft law on mortgages that would allow financial institutions to acquire liens on real estate, should facilitate private sector investment, and also generate tax revenues which can be allocated to further develop the housing sector.

So far the lower income segment of the population remains virtually untouched by housing finance and development initiatives, in spite of the existence of the FFH and a legislative regime which regulates cooperatives and microfinance institutions. Hopes for a post-war peace dividend, electoral promises and the large state investments in housing has produced high expectations with a significant demand from those at the "bottom of the pyramid" who have been bypassed by the PNHU. Evidence that people are prepared to invest their own savings through the social production of housing have demonstrated that there is a significant unmet potential for investment by households themselves. Best practices and innovations developed by players such as KixiCrédito offer demonstrations on how opportunities can be built on and further expanded.

Additional sources

Abacus (2015). Property market report Angola. <https://media.egorealestate.com/ORIGINAL/1cc5/3565b98c-6424-4ea6-92e8-3e66f1271cc5.pdf>. (Accessed 19 August 2018).

ANGOP, Angola: BIC Bank joins BODIVA (27 April 2016) http://www.angop.ao/angola/pt_pt/noticias/economia/2016/3/17/Angola-BIC-torna-membro-BODIVA,2ab57a96-12f3-4735-9642-84ebfa3847a7.html. (Accessed 19 August 2018).

ANGOP. Securities code in place since 31 August. 4 September 2015. http://www.angop.ao/angola/en_us/noticias/economia/2015/8/36/Securities-code-place-since-August,0de19499-b2fa-4fbd-af5b-3c3c05e9a210.html. (Accessed 19 August 2018).

Development Workshop (2016). Angola's housing sectors: understanding market dynamics, performance, and opportunities. <http://www.housingfinanceafrica.org/document/angolas-housing-sectors-understanding-market-dynamics-performance-and-opportunities/>. (Accessed 19 August 2018).

Expresso (2015). Negócio imobiliário angolano em queda livre 20 September 2015. <https://expresso.sapo.pt/economia/2015-09-20-Negocio-imobiliario-angolano-em-queda-livre-#gs.qTREIME>. (Accessed 19 August 2018).

Knight Frank (2018) Africa Report 2017/18. <https://content.knightfrank.com/research/155/documents/en/africa-report-201718-4576.pdf>. (Accessed 2 September 2018).

LUSA (2017). Dívida pública angolana financia nova Empresa Gestora de Terrenos Infraestruturados - 03 August 2017. <https://www.dn.pt/lusa/interior/divida-publica-angolana-financia-nova-empresa-gestora-de-terrenos-infraestruturados-8682554.html>. (Accessed 19 August 2018).

National Institute of Statistics (2015). Inquérito Integrado sobre o Bem Estar da População (IBEP) 2008-09. Luanda, August 2010. Development Workshop Angola, Report on the Housing Finance Roundtable Strategies for a sustainable sector in the face of an economic crisis (25 September 2015).

National Institute of Statistics (INE). Recenseamento Geral da População e Habitação. Resultados definitivos (March 2016).

Websites:

www.24.sapo.pt/
www.angop.ao/
www.bna.ao/
www.cemnet.com/
www.consumidorbancario.bna.ao/
www.datatopics.worldbank.org/financialinclusion/country/angola
<http://www.dw.angonet.org/>
www.observador.pt/
www.opais.co.ao/
www.themix.org/mixmarket/countries-regions/angola
www.slideshare.net/DevelopmentWorkshopAngola/

¹ The World Bank (2018). The World Bank in Angola. <http://www.worldbank.org/en/country/angola/overview>

² ANGOP (2017). "Angola among fastest urbanization in Africa." 26 April 2017. http://m.portalangop.co.ao/angola/en_us/noticias/sociedade/2017/3/17/Angola-among-fastest-urbanisation-rates-Africa-minister?eeb5f47-5bc9-4216-9df7-561f034fda05.html (Accessed 28 August 2018).

³ LazardNet (2018). Emerging Markets Sovereign Outlook: Angola. <http://www.lazardnet.com/us/emd/docs/sp0/9709/EmergingMarketsSovereign-Angola> (Accessed 28 August 2018).

⁴ KPMG (2015). Angola banking survey. <https://www.kpmg.com/PT/en/IssuesAndInsights/Documents/bank-ao-2015-en.pdf>

⁵ <http://www.capitalmarketsinafrica.com/angola> (Accessed 19 August 2018).

⁶ Banco Nacional de Angola (2018). Lista de instituições financeiras autorizadas, as of 18 May 2018. http://www.bna.ao/Conteudos/Artigos/lista_artigos_medias.aspx?idc=142&ids=834&id=1 (Accessed 19 August 2018).

⁷ The World Bank (2018). Doing Business in Angola. <http://www.doingbusiness.org/reports/globalreports/~media/giawb/doing%20business/documents/profiles/country/AGO.pdf> (Accessed 19 August 2018).

⁸ Export.gov (2017). Angola Country Commercial Guide, 7/7/2017. https://www.export.gov/article?series=a0pt00000000PA9AAG&type=Country_Commercial__kav (Accessed 19 August 2018).

⁹ Banco Nacional de Angola (2018).

¹⁰ The MIX Market (2018). Angola Country Profile. <https://www.themix.org/mixmarket/countries-regions/angola> (Accessed 19 August 2018).

¹¹ The MIX Market (2018). KixiCredito Data. <https://www.themix.org/mixmarket/profiles/kixicredito>

¹² Development Workshop (2016). Strategies for a sustainable sector in the face of an economic crisis. http://housingfinanceafrica.org/app/uploads/Strategies-for-a-sustainable-sector-in-the-face-of-an-economic-crisis_Angola.pdf

¹³ Trading Economics (2018). Angola - Economic Indicators. <https://tradingeconomics.com/angola/indicators> (Accessed 19 August 2018).

¹⁴ Trading Economics (2018). Angola Minimum Wages. <https://tradingeconomics.com/angola/minimum-wages>

¹⁵ Centro de Estudos e Investigação Científica (CEIC) (2015). Relatório Económico Anual 2014. Luanda: Universidade Católica de Angola. http://www.ceic-ucan.org/wp-content/uploads/2017/02/RELATORIO_ECON_2015.pdf (Accessed 19 August 2018).

¹⁶ Martins Chambassuco (2018). Expansão 09 February 2018.

¹⁷ Mercer (2018). "Mercer's annual cost of living survey finds Asian, European, and African cities most expensive locations for employees." <https://www.mercer.com/newsroom/cost-of-living-2018.html> (Accessed 1 September 2018)

¹⁸ Knight Frank (2018). Africa Report 2017/18. <https://content.knightfrank.com/research/155/documents/en/africa-repor-201718-4576.pdf> (Accessed 2 September 2018).

¹⁹ Ministerio do Urbanismo e Habitação (2015). Programa de Habitação Social em Angola. <http://www.slideshare.net/DevelopmentWorkshopAngola/programa-de-habita--social-em-angola> (Accessed 19 August 2018).

²⁰ National Institute of Statistics (2010). Inquérito Integrado sobre o Bem Estar da População (IBEP) 2008-09. Luanda, August 2010.

²¹ Government of Angola (2016). Angolan National Report for Habitat III. <http://habitat3.org/wp-content/uploads/Angola-Habitat-III-Final-Report-English.pdf> (Accessed 19 August 2018).

²² Construction review online (2016). Government of Angola working to provide social housing to population, October 3, 2016. Government of Angola working to provide social housing to population. <https://constructionreviewonline.com/> (Accessed 19 August 2018).

²³ Development Workshop (2008). Direito à Cidade em Angola e a Produção Social de Habitat - 28 March 2018. <http://www.dw.angonet.org/forumitem/direito-cidade-e-produca-o-social-de-habitat-0>

²⁴ LUSA (2017). Dívida pública angolana financia nova Empresa Gestora de Terrenos Infraestruturados - 03 August 2017. <https://www.dn.pt/lusa/interior/divida-publica-angolana-financia-nova-empresa-gestora-de-terrenos-infraestruturados-8682554.html>.

²⁵ Paulo Cunha/LUSA (2017). 'Imobiliária' do Estado angolano quer vender 710 milhões em terrenos em Luanda. <http://observadorpt/2017/03/30/imobiliaria-do-estado-angolano-quer-vender-710-milhoes-em-terrenos-em-luanda/>. (Accessed 19 August 2018).

²⁶ Export.gov (2017). Angola Country Commercial Guide, 7/7/2017. https://www.export.gov/article?series=a0pt00000000PA9AAG&type=Country_Commercial__kav

²⁷ Development Workshop (2011). "The Case of Angola: Strengthening Citizenship through Upgrading of Informal Settlements Cross Country Initiative." Final Synthesis Report TF 0901110 presented to the World Bank, Luanda 30 June 2011.

²⁸ Development Workshop (2017). Angola's new housing finance reforms. http://www.dw.angonet.org/sites/default/files/20170115_-_blog_on_new_angolan_housing_financial_reforms_1.pdf

²⁹ The World Bank (2018). Country Profile.

³⁰ APIMA (2012). Diagnóstico do sector imobiliário em Angola. <http://www.slideshare.net/DevelopmentWorkshopAngola/financeiro-da-habitao-workshop-diagnostico-sector-imobiliario-em-angola-associacao-de-profissionais-imobiliarios-de-angola-apima-01-junho-2012> (Accessed 19 August 2018).

Benin



Overview

Benin is a small country in the West African Economic and Monetary Union (WAEMU). Benin's economy also depends significantly on that of its giant east neighbour, Nigeria, its main trade partner, especially for re-exportation.

Economic growth has slowed down over the past four years, with a decrease from 6.5 percent in 2014 to 5.2 percent in 2015, and four percent in 2016,¹ mainly due to a slowdown in economic activity in Nigeria. GDP growth for 2017 reached 5.5 percent and is projected to reach 6.1 percent in 2018 and 6.5 percent in 2019.² This is mainly due to key public finance management reforms. Also, activities in the cotton production sub-sector have improved particularly since the 2016-2017 season, with a record production of 451 000 tons in 2016, and an expected new record of more than 500 000 tons in 2018. Inflation was kept low at 0.6 percent, but poverty remains a serious concern, as four in 10 households were living below the poverty line in 2015 (the latest figure available). Benin's public finance is recovering from severe stress because of the 2015-2017 recession in Nigeria, and changes in trade policy in Nigeria, which significantly reduced re-exportation taxes on rice and several imported products (including second-hand cars) transiting through Benin.

According to the 2013 general Census, Benin's population has reached 10.5 million. This figure is projected to have increased to 11.2 million in 2017, while the urban population reached 47 percent of the total population in 2017 and grows at a steady 3.77 percent a year.³

The newly elected President's promise to develop a new housing programme took shape, with the preparation of a CFA 347 billion (US\$604 million) housing programme covering 16 cities and towns, with the goal of delivering 20 000 housing units by 2021. Also, in line with its Africa Housing Strategy, in October 2017, the World Bank Group signed the Financial Agreement for a regional project to expand access to long-term affordable housing finance in WAEMU. The agreement secured a US\$130 million loan and US\$25 million grant for the benefit of under-served households, through a partnership with the Cuisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH-UEMOA), a regional mortgage refinancing facility, and the West African Development Bank (BOAD). This represents a major development in the housing finance sector in the country and the region.

KEY FIGURES

Main urban centres	Port-Nove Cotonou
Exchange rate: 1 US\$ = [a] 10 Sept 2018	574.39 CFA franc
PPP Exchange rate (Local currency/PPP\$) 1 CFA franc = [b]	212.70
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018 [b]	-0.8 0.6 3.00
Population [b] Urban population size [b]	11 175 692 5 011 963
Population growth rate [c] Urbanisation rate [b]	2.75% 3.77%
Percentage of the total population below National Poverty Line 2015 [c]	40.10%
Unemployment rate [c]	0.73%
GDP (Current US\$) 2017 [a] GDP growth rate annual 2017 [b]	US\$9 273 million 5.58%
GDP per capita (Current US\$) 2017 [b]	US\$830
GNI per capita (Current US\$) 2017 [b]	US\$829
Gini co-efficient 2015 [b]	47.80
HDI global ranking [d] HDI country index score [d]	167 0.485
Is there a deeds registry?	yes
Number of residential properties that have a title deed [e]	40 000
Lending interest rate [f]	6.07%
Mortgage interest rate [f] Mortgage term (years) [f]	8.47% 7
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages [f]	539
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$5.75
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	8 900 000 CFA franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$15 495
What is the size of this house (m ²)?	40m ²
What is the average rental price for this unit (US\$)?	US\$44
What is the minimum stand or plot size for residential property?	150m ²
Ease of Doing Business Rank [g]	151
Number of procedures to register property [g]	4
Time to register property (days) [g]	120 days
Cost to register property (as % of property value) [g]	3.50%

NB: Figures are for 2018 unless stated otherwise.

- [a] Coinmill.com
- [b] World Bank World Development Indicators
- [c] Benin - National Institute of Statistics and Economic Analysis
- [d] World Bank Open Data
- [e] UNDP Development Indicators (2015)
- [f] Benin Ministry of Economics and Finance
- [g] Central Bank of West African States
- [h] World Bank Doing Business

Access to finance

The country's financial sector is concentrated in commercial banks; other sectors are still in their infancy. At the end of 2017, there were 16 banks⁴ with about 202 branches and 312 ATM machines, for approximately 11 million inhabitants.⁵ In December 2017, loans disbursed were estimated at CFA 1 215 billion (US\$2.12 billion),⁶ a slight increase from its 2016 level. Access to credit as measured by credit to the economy was 22 percent of GDP in 2015 and 25 percent in 2016.⁷ Lending rates remain moderate, but are among the highest in the region, averaging 8.5 percent in 2013. Digital finance is making its way in the financial landscape with the support of the United Nations Capital Development Fund's Mobile Money for the Poor programme covering Benin and three other African countries. Mobile money grew by 19 percent between 2016 and 2017.⁸ Despite the creation in 2010 of the CRRH-UEMOA, lack of long-term financing remains the main reason for the low provision of long-term credit. Ambitious reforms were adopted in 2016 by the central bank (the Central Bank of West African States – BCEAO) to strengthen bank supervision (transition to Basel II and III, consolidated supervision, tightening of single exposure limit), and to strengthen liquidity requirements and incentivise banks to seek long-term funding.

Housing finance has been growing over the past decade, driven mainly by banks with donors, such as the West African Development Bank and the Islamic Development Bank showing some interest through the financing of the

government housing programme. Most housing loans are provided in two forms to individuals with regular employment who use their salaries as collateral: medium-term construction material loans, and group lending. The medium-term construction material loans are granted to individuals at an interest rate of 10.5 percent to 11 percent, and a repayment term from three to five years. The group lending products are usually granted to private organisations or to parastatals to distribute to their employees, where the organisation is responsible for repayment of the loans. Products such as consumption loans (with a two-year maximum term) or equipment loans up to CFA 5 million (US\$8 705) on average (with a five-year maximum term), are often used as housing finance, and often for home improvements.

Some banks have designed specific housing finance products, such as the housing savings plan of Ecobank Benin, which provides access to housing loans for savers with relatively lower interest rates. Ecobank and other commercial banks are also developing creative partnerships with local construction material wholesalers or retailers to offer housing finance products. In 2015, Ecobank partnered with construction material retail firm Batimat to offer up to CFA 10 million in loans in construction materials. In return, the firm offers a 20 percent rebate on materials purchased in its shops. In 2012, Bank of Africa Benin launched, in partnership with the Benin Housing Bank (BHB), the housing loan, a new product specifically targeted at those looking for long-term housing finance. The term of this loan can go up to 20 years, with an interest rate as low as 6.5 percent and is secured by a first order mortgage on the house for which the loan is requested. In general, individuals with no regular income (especially from the informal sector, which makes up to 65 percent of the Benin economy, and 90 percent of the labour force) are excluded from the housing finance sector.

The first of its kind in the country, BHB was founded in 2004 by a public private partnership between the government and private stakeholders, including the Bank of Africa, to provide solutions for the demand for housing finance in the country. The BHB was capitalised at CFA 5 billion (US\$8.7 million) with the Bank of Africa Group as the main shareholder at 77 percent. It was expected to provide 50 percent of its loans to affordable housing projects. Unfortunately, after a little more than a decade of operation, the BHB has been absorbed by the BMCE Bank of Africa Group.

Lending rates offered by banks in Benin are among the highest in the WAEMU region. In 2013 the average interest rate was around 8.5 percent, down from 2012. This confirms the downward tendency noticed in recent years (as low as 6.5 percent for long-term loans) as the macroeconomic and political environment remain stable and competition increases in the banking sector.

A study by BCEAO in 2014 estimated that the average term for a housing loan was around 86 months at an interest rate of 8.47 percent a year, and an average loan size of CFA five million (US\$8 705).⁹

The savings culture of the Beninese has driven the growth of microfinance, making it a significant player in the country's financial system. As of December 2017, there are 66¹⁰ registered microfinance institutions networks. A sampling of 14 microfinance institutions representing 90 percent of these networks showed that they had 473 service points, and were serving 1 937 338 million clients, for a total deposit of CFA 102 218 million (US\$177.96 million) and a total outstanding debt of CFA 125 458 million (US\$218.42 million).¹¹ The Fédération des Caisses d'Épargne et de Crédit Agricole Mutuel (FECECAM) is the biggest network, gathering more than 80 percent of clients. The penetration rate of microfinance reached in Benin is high, at more than 85 percent.

Since its creation in 2010, CRRH-UEMOA has regularly mobilised resources on the regional financial market through bonds. Total resources mobilised reached CFA 132 billion with the successful conclusion of its seventh bonds in November 2017. CRRH-UEMOA has recently attracted interest from development partners, especially the World Bank Group, and signed a US\$155 million financial agreement with the BOAD, the CRRH-UEMOA and the WAEMU Commission. US\$130 million of the proceeds of the agreement will be go to the CRRH-UEMOA to refinance banks in the WAEMU economic space, for them to improve access to affordable housing finance, including for low and non-regular income households. The expected effect of this financing is to increase the maturity period of

mortgages up to 15-20 years, and lower interest rates to around seven percent a year. In February 2017, the CRRH-UEMOA signed the first CFA 3.75 billion (US\$3 million) agreement with the International Finance Corporation (IFC) and BOAD, positioning IFC as the second main institutional shareholder of the CRRH-UEMOA. A second agreement for US\$9 million was concluded later in 2017, which allowed IFC to acquire CRRH-UEMOA bonds, as a way to attract private investments up to US\$500 million, through the new Maximize Financing for Development approach of the World Bank Group.

Affordability

Affordability remains a serious issue since incomes are relatively low compared to housing unit prices. The cheapest properties cost about CFA 8.9 million (US\$15 495)¹² for houses built under the Government Affordable Housing Program, or 18 times the per capita gross national income estimated at US\$820 in 2017. However, in 2016, a new actor entered the housing construction market, and is driving prices down. Global Service Immo, a private firm, is now offering to construct basic one-bedroom units for as low as CFA 2 million (US\$3 482)¹³ for those who already own a piece of land. It is expected that this new trend will continue in the future, all things being equal. Global Service Immo also offers empty plots for sale across the country.

Unfortunately, and in the absence of adequate public policy, affordability of housing is exacerbated by rapid escalations in land prices, especially in newly urbanised areas. Speculation also drives prices up, with more intermediaries positioning themselves between property owners and buyers. Increasing land prices have driven lower and middle income people to move further from the inner city to where they can afford land. The minimum plot size for residential property in urban areas is 250m².

Cement prices, which dropped to as low as CFA 3 300 (US\$5.75) for a 50kg bag in 2017 increased to CFA 4 500 (US\$7.83), before dropping again to CFA 3 450 (US\$6.01) recently. However, the price of other construction materials has not changed much. A standard sheet of corrugated iron costs US\$5.40.

Housing supply

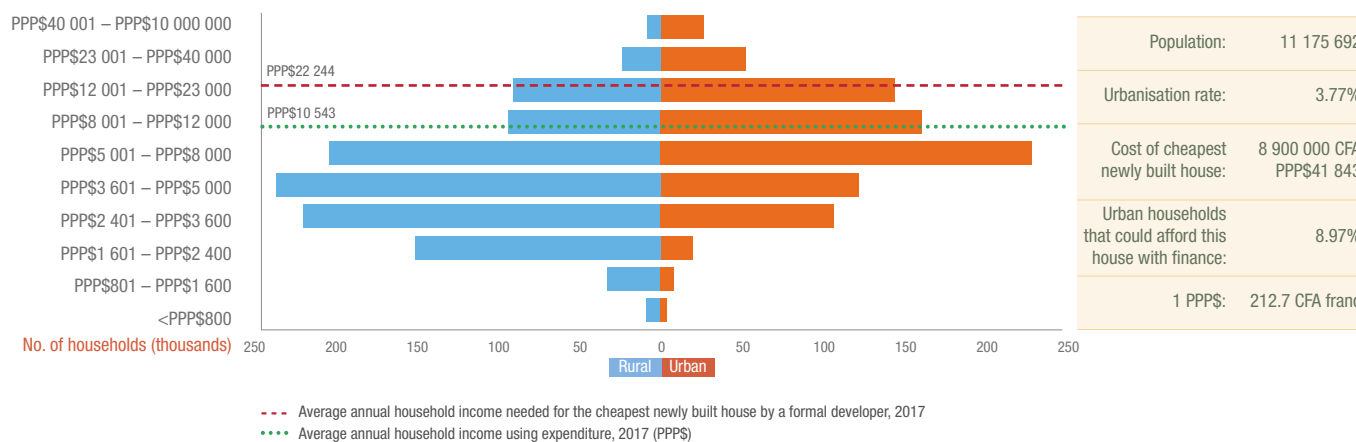
Despite the absence of reliable information on the demand for housing in Benin, it is obvious that housing supply is way below the demand. The Ministry of Living Environment and Sustainable Development estimates the overall housing demand at about 320 000 units between 2010 and 2020. There are four major contributors to meet the demand for housing and increase the housing stock in the country – households through self-construction using imported as well as local materials, government agencies, public private partnerships, and private developers.

The presence of formal developers is minimal. Major formal housing supply was spearheaded over the past years by the government's 10 000 Affordable Housing Units Programme, which was planned over the whole country. The first phase of the programme was supposed to deliver 2 100 units between 2008 and 2011, with the support of BHB and the Atlantique Bank, as well as a few selected private developers. However, a 2017 evaluation by the Ministry of Living Environment and Sustainable Development showed that, after eight years of implementation, of the 2 100 units planned for the first phase, only 893 were completed and sold, while 650 were never completed.

Learning from the failure of the previous programme, government launched in 2017 a new 20 000 housing unit programme over the period 2017-2021 for a total of CFA 347 billion (US\$604 million). The new programme covers 16 cities and towns all over the country, with the city of Abomey-Calavi hosting 11 500 or about 60 percent of the programme. The government has already signed a partnership with Polimeks, a Turkish company, to deliver the housing units by the set deadline. The new programme will deliver exclusively F4 (three-bedroom units) in a combination of standalone units and apartment complexes, costing between CFA 15.7 million (US\$27 333) for the apartment units and CFA 19.2 million (US\$33 427) for standalone housing units. The programme is specifically targeted at middle income households, for example civil servants. Future homeowners on the programme can pay back their properties over 17 years through mortgages to be negotiated with commercial banks and insurance

BENIN

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

companies, which are part of a complex partnership to be set up. The overall management of the programme is entrusted to the newly created Living Environment Agency (Agence du Cadre de Vie) and a new joint-stock company. In 2018, the government secured CFA 66 billion from the Islamic Development and the West African Development Bank to finance the programme.

Other actors in the housing supply chain in Benin include the Executing Agency of Public Interest Works in Benin (Agence de Gestion des Travaux d'Intérêt Public, or AGETIP-Benin) with its development programme, Villa de l'Atlantique, a 120 housing unit development costing between CFA 76 million and CFA 126 million (US\$138 610 to US\$229 790). AGETIP is also active in the production and the sale of new empty serviced plots in the cities of Cotonou and Abomey-Calavi, costing between CFA 2 000 (US\$3.48) and CFA 20 000 (US\$34.82) a square meter. As mentioned, Global Service Immo is also a private company specialising in the production and sale of empty plots.

Property markets

In Benin, property markets are dominated by the trade of empty plots between individuals and businesses. However, most land belongs to individuals who can trade them as they wish. Until recently, trade of land has taken place in a context in which there is neither a deeds registry, nor a cadastre. Land titling is thus a major challenge, despite the numerous efforts deployed by the government over the past years to improve land security. However, the new government, under the leadership of the National Agency for Domains and Land (Agence nationale du domaine et du foncier – ANDF) put in place steps to create a national cadastre and strengthen the deeds registry. But for now, the quality of land administration is rated at 6.5 compared to a regional average of 8.6 on a 0-30 scale by the 2018 Doing Business Report, according to which Benin ranks 127 out of 190 countries on the registering a property indicator. It currently takes an average of 120 days and four procedures, and costs 3.5 percent of the property value to register a property in Benin. Property registration fees have been abolished on private properties since 2016.

Trade of built housing units is limited, with only a few high-end units (built in preparation for the Community of Sahelo-Saharan States summit in 2008) on the market. A few private actors are positioning themselves in the property market landscape, with their speciality being the brokering of empty plots (exclusively between private owners) and a few houses: Global Services Immo, Immo-Benin, Benin-Immo, Dommus Immo and West Coast Property are a few examples of those actors which advertise plots to sell or rent on their regularly updated websites. While Benin-Immo operates mostly in Cotonou and its surroundings, Global Service Immo covers the whole country with its activities. Global Service Immo is gaining recognition for selling only secured properties. West Coast Property, which has international span, specialises in the trade of high-end luxury apartments and houses in and around Cotonou.

The sale of the first units made available through the government's 10 000 affordable housing units programme started in 2012. Since then, the 893 completed units have been sold, some through leasing. The main problem remains affordability, even for civil servants who find it difficult to afford the required 30 percent downpayment.

Even though the Benin culture encourages homeownership, the rental segment is still dominant in the property market, with prices increasing, especially in urban areas where the demand for housing is very high. Rental housing prices are also driven up by land speculation. Over the past years, for example, land prices have gone up by more 50 percent.

Policy and regulation

Benin has several policies and regulations in place to support land development and housing. Among the most important are: (i) the 2005 National Housing Policy which led to the creation of the Benin Housing Bank; (ii) the 2002 National Land Use Planning Policy with the objectives of promoting land use planning and the rational management of resources, as well as strengthening basic infrastructure at the local level; (iii) the 2013 Land Code; and most recently (iv) the 2016 Spatial Planning Framework Law aiming at better organising spatial planning which may open up opportunities for new developments in the coming years. The 2013 Land Code, along with its implementing Decrees, represent a significant development of the regulatory environment in Benin. The 2013 Land Code reorganised land property rights and put an end to the legal dualism inherited from the colonial era, creating a unified land tenure system. The Act also created two major agencies in the institutional architecture of land administration: ANDF and the Land Compensation Fund (Fonds de dédommagement foncier) under the Ministry of Finance.

Communes (local governments) were also empowered on land administration with the enactment of decentralised organisations for land administration, among which are the Commune's Land Administration Commissions and the Communal Domain and Land Bureaus (Bureau Communal du Domaine et du Foncier – BDCF). As of July 2017, 14 out of 77 BDCF were created to cover all the country. This will help Communes to fully exercise their prerogatives in land administration as devolved by the decentralisation laws. Among areas covered by these decrees are the shared property rights for high-rise buildings, modalities for the division and reunion of property rights, arrangements for exercising the right of first refusal and leasing of preempted or expropriated buildings. The ANDF is specifically tasked with the mission of developing a transparent, accessible and up-to-date national land management information system. These are important for the protection of property rights in the Republic of Benin.

The 2016 government continued along the same line of strengthening the regulatory and policy framework through a number of measures aiming at: (i) encouraging the formalisation of property transactions; (ii) facilitating asset transfers; (iii) revitalising the property market; (iv) facilitating access to bank credits;

(v) developing the Benin mortgage market; and (vi) eliminating the undervaluation of properties. Likewise, a first revision was introduced to the 2013 Land Code in May 2017 to clarify some of its provisions and ease its implementation. One of the most important changes pertains to the replacement of the certificate of land ownership by the title deed, which is more aligned with the Organization for the Harmonization of Business Law in Africa (OHADA) Treaty.

Opportunities

Benin is one of the most stable democracies in Africa, with a strong macroeconomic environment and solid institutions and regular elections since 1990. People in Benin take pride in owning their house. The government estimated the demand for housing at about 320 000 units for the period 2010–2020 and has taken steps to respond to such demand by initiating several housing programmes in the past. Unfortunately, these programmes failed to deliver on their promises. The new government, which took office in April 2016, demonstrates the same commitment and has launched an ambitious programme with the goal of delivering 20 000 economic and social housing units by 2021. The government has also taken significant steps to strengthen land security and property rights by, among other things: (i) revising the 2013 Land Code to strengthen land titling; (ii) taking several measures to ease land property registration which is now free of charge; (iii) improving the institutional framework, with the creation of new institutions for land administration (the ANDF), including at the decentralised level (the BCDFs); and (iii) launching the development of a national cadastre under the administration of the ANDF.

At the regional level, access to housing finance will improve with the launching of US\$150 million International Development Association (IDA)-funded project, which will increase access to housing finance for households with modest revenues. Despite these new developments, Benin's real estate developers' market is still in need of intervention. The housing development market in Benin is almost untapped, thus presenting opportunities for developers and financiers, especially in a context where the government is under pressure to mobilise the required resources and deliver 20 000 economic and social housing units in the next 30 months.

Sources

- African Development Bank (2018). African Economic Outlook 2018: Benin Country Profile.
- BCEAO (2015). Note d'analyse sur les conditions de financement de l'habitat dans les pays de l'UEMOA.
- BCEAO (2017). edenpub.bceao.int/ (Accessed 20 August 2018).
- BCEAO (2018). Annuaire Statistique 2017. BCEAO: Dakar, August 2018.
- BCEAO (2018). Principaux Indicateurs des SFD de l'UMOA au 31 mars 2018. BCEAO: Dakar, Mars 2018. <https://www.bceao.int/sites/default/files/2018-04/Indicateurs%20%C3%A0%20fin%20d%C3%A9cembre%202017.pdf> (Accessed 20 August 2018).
- BCEAO (2018). Annuaire des Banques et Etablissements Financiers de l'UMOA 2017. BCEAO: Dakar, Août 2018. <https://www.bceao.int/sites/default/files/2018-08/Annuaire%20des%20banques%20et%20%C3%A9tablissements%20financiers%20de%20l'UMOA%202017.pdf> (Accessed 20 August 2018).
- Boko, J. (Unpublished 2011). Access to Housing Finance in Africa: Exploring the Issues. (No 15. Benin Republic). Study commissioned by FinMark Trust with support from the African Union for Housing Finance.
- Finclusion.org (2018). Benin. finclusionlab.org/country/Benin (Accessed 19 August 2018).
- Global Service Immo (2018). "Villas modernes de type F2 – 40 m²". http://www.globalserviceimmo.com/images/VILLAS_F2_de_40m_2.pdf (Accessed 20 August 2018).
- United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision.
- World Bank (2018). Doing Business 2018: Reforming to Create Jobs. Washington, DC.

Websites

- www.bceao.int
- simaubenin.com
- www.gcitt.com
- www.benin-immo.org
- www.globalserviceimmo.com
- www.immobenin.com
- www.wcphouseressort.com
- www.beninfinancier.bj
- andf.bj/index.php

¹ AfDB (2018). African Economic Outlook 2018: Benin Country Profile. Pg. 2.

² AfDB (2018). African Economic Outlook 2018: Benin Country Profile. Pg. 128.

³ United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision.

⁴ Only the Bank of Africa and Benin Housing Bank formally offer mortgages. However, several of them offer products close to mortgages.

⁵ BCEAO (2018). Annuaire des Banques et Etablissements Financiers de l'UMOA 2017. BCEAO: Dakar, Août 2018. Also author's compilations and calculations.

⁶ All conversion of CFA Francs to US\$ are based on the conversion rate of US\$ 1 = CFA Francs 574.39, as of 19 August 2018 on coinmill.com.

⁷ BCEAO (2017). edenpub.bceao.int/ (Accessed 20 August 2018). Also author's calculation.

⁸ Finclusion.org (2018).

⁹ BCEAO (2015). Note d'analyse sur les conditions de financement de l'habitat dans les pays de l'UEMOA. Pgs. 12, 15 and 17.

¹⁰ This excludes affiliated micro savings institutions.

¹¹ BCEAO (2018). Principaux Indicateurs des SFD de l'UMOA au 31 décembre 2017. BCEAO: Dakar, Mars 2018.

¹² The government has changed the prices once in 2011. Since then those prices remained the same to keep them "affordable" to low income households.

¹³ Global Service Immo (2018). "Villas modernes de type F2 – 40 m²".

Botswana



Overview

Botswana is a country in Southern Africa, with a population of just over two million people. It mainly depends on mining and natural resources, especially diamonds and tourism. In the past, Botswana has been one of the fastest growing economies in the region. The global financial crisis of 2008/09 had a major impact on diamonds and other exports, leading to a contraction in GDP of 7.7 percent in 2009. However, the economy recovered and grew on average by 6.9 percent a year from 2010-2014. In 2015, the economy contracted by 1.7 percent due to weak diamond sales, but recovered in 2016, recording real growth of 4.3 percent, supported by improvements in diamond sales. The economy is forecast to grow by 4.7 and 5.3 percent in 2017/18 and 2018/19 respectively.

Inflation remained low in 2017, finishing the year at 3.0 percent, which is the lower end of the Bank of Botswana's inflation objective range of 3.0 to 6.0 percent. To help boost growth, the bank rate was reduced by 50 basis points in October 2017 from 5.5 percent to 5.0 percent. This is expected to help boost economic growth. Two major developments in 2017 were the launch of the Vision 2036, which succeeds Vision 2016, and the launch of the Botswana Sustainable Development Goals (SDGs). Vision 2036 is aligned to the SDGs and both documents aim for a Botswana with decent, affordable housing and economic opportunities for all. Thus, the implementation of programmes and policies aimed at achieving the objectives of Vision 2036 and SDGs is expected to improve the performance of the property market in Botswana.

Botswana is increasingly urbanised, with approximately 65 percent of the population living in settlements officially classified as urban, and almost a quarter living in the greater Gaborone area.

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 (US\$7 674 in 2017). According to the third FinScope survey undertaken in Botswana in 2014,¹ 68 percent of the population was financially served, using either formal and/or informal products, while 50 percent of the population was formally banked, and 24 percent was financially excluded (not using either formal or informal financial products). This notwithstanding, a 2017 study suggests that Botswana is among the African countries with high access to finance.²

KEY FIGURES

Main urban centres	Gaborone Francistown
Exchange rate: 1 US\$ = [a] 12 Jul 2018	10.27 Pula
PPP Exchange rate (Local currency/PPP\$) 1 Pula = [b]	4.50
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [a]	2.7 3.1 3.1
Population [c] Urban population size [c]	2 024 787 1 214 872
Population growth rate [c] Urbanisation rate 2017 [b]	2.00% 2.30%
Percentage of the total population below National Poverty Line [d]	16.30%
Unemployment rate [c]	18.0%
GDP (Current US\$) 2017 [a] GDP growth rate annual 2017 [a]	US\$17 538 million 2.3%
GDP per capita (Current US\$) 2017 [c]	US\$7 781
GNI per capita (Current US\$) 2017 [b]	US\$6 820
Gini co-efficient 2017 [b]	61.00
HDI global ranking 2017 [d] HDI country index score 2017 [d]	108 0.700
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [e]	8.42%
Mortgage interest rate [e] Mortgage term (years) [e]	8.42% 25
Downpayment [e]	10%
Mortgage book as a percentage of the GDP [f]	8.00%
Estimated number of mortgages [f]	17 500
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP [c]	7.50%
What is the cost of standard 50kg bag of cement?	US\$5.36
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [g]	556 740 Pula
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [g]	US\$54 210
What is the size of this house (m ²)? [g]	67m ²
What is the average rental price for this unit (US\$)? [g]	US\$340
What is the minimum stand or plot size for residential property?	400m ²
Ease of Doing Business Rank [h]	81
Number of procedures to register property [h]	4
Time to register property (days) [h]	27 days
Cost to register property (as % of property value) [h]	5.00%

NB: Figures are for 2018 unless stated otherwise.

- [a] Bank of Botswana
- [b] World Bank World Development Indicators
- [c] Statistics Botswana
- [d] UNDP Development Indicators
- [e] First National Bank Botswana
- [f] Econsult Botswana - 2017 Economic Review
- [g] Botswana Housing Corporation
- [h] World Bank Doing Business

Member organisations of the African Union for Housing Finance (AUHF):

- Botswana Building Society
- Botswana Housing Corporation

Commercial banks in Botswana are small by international standards. There are 10 commercial banks, namely, Barclays, Standard Chartered, Stanbic, First National Bank, Bank Gaborone, Bank of Baroda, Capital Bank, BancABC, State Bank of India and Bank of India. In addition, there are two other deposit-taking institutions, including a statutory bank, the Botswana Savings Bank (BSB), and the Botswana Building Society (BBS), and a non-deposit taking development finance institution, the National Development Bank (NDB). Most of the banks, as well as BSB, BBS and NDB, offer long-term residential mortgages.

The average interest rate on household mortgages from banks is 8.81 percent, and the average down payment required is 10 percent of the value. Mortgages are available for up to 25 years, or up to the age of 60 years. Mortgages are typically provided at an interest rate of prime to prime plus six percent (the prime rate is currently 6.5 percent).

Annual growth in commercial bank credit fell from 6.9 percent in 2015 to 5.4 percent in 2016, before falling further to 5.1 percent in 2017, mainly due to a



decline in growth of lending to households. As at December 2016, the share of household credit in total private commercial bank credit was 60.1 percent. Bank mortgage lending to households grew by 5.3 percent in 2017, down from 5.5 percent in 2016. There are an estimated 17 000 mortgages from banks in Botswana, with an average size of approximately P750 000 (US\$75 000), plus another 5 500 from BBS. The banks have been keen to extend mortgage lending and compete on loan-to-value ratios, sometimes offering more than 100 percent to provide a contribution to property transfer fees and minimise the deposit required from borrowers.

On the supply side, growth in loanable funds has been weak in recent years, which suppressed credit growth through tighter lending conditions. The slowdown in mortgage lending appeared to be consistent with other indications for slower growth in incomes.

In a sign of slowing growth in the banking sector, the ratio of commercial bank assets to nominal GDP declined from 53 percent in 2015 to 48 percent in 2016, and declined further to 46.3 percent in 2017.

Government assists Botswana citizens to purchase or develop properties by guaranteeing 25 percent of each mortgage delivered through the BBS. In addition, government employees can obtain housing loans from BBS.

Botswana has a large microlending industry, which provides short- to medium-term loans, mostly to those employed in the public sector. Although there are cases when loans from microlenders have been used to purchase land, such loans have generally been used to finance consumer spending, education expenses and emergencies. The largest microlender is Letshego, which has expanded from its Botswana base to 10 other African countries. There is no specialised housing microfinance. However, Letshego has a dedicated housing finance scheme, in collaboration with Debswana, a major mining company, which offers loans from P80 000 (US\$7 804) upwards, repayable over 10 years at an interest rate of 17 percent.

Botswana has a large pensions sector, with total assets equivalent to approximately 45 percent of GDP, almost as large as those of the banking sector. Approximately 62 percent of pension fund assets are held offshore. Pension-backed housing loans are legally permissible; however, the industry is rather conservative and in practice does not provide members with housing loans or allow third party loans secured by pensions.

Affordability

Twenty percent of adults in Botswana do not earn an income, while another third earn less than P500 (US\$48.7) a month.³ Approximately half of urban households (49 percent) have only one income earner; in 28 percent of households there are two income earners, and in 15 percent there are three or more income earners. Approximately eight percent of urban households and 13 percent of rural households have no income earners.

The most recent nationwide household income and expenditure survey, carried out in 2009/10, showed that approximately 50 percent of households then had a monthly consumption expenditure of P1 600 (at that time, approximately US\$240) or less. Using a benchmark that housing costs should not exceed 40 percent of household income, and updating these survey results to reflect growth and inflation to 2017, an average household can afford to spend approximately P1 067 (US\$104) a month on housing – meaning that half of all households can afford less than this. Even if formal mortgages were available to such households, there is no affordable property that is available to them – or at least not property that would be acceptable security to mortgage lending institutions. Mortgages from banks and other formal financial institutions would only be relevant to the top 25 percent of the income distribution. Banks also prefer to finance the purchase of ready-built structures rather than providing loans for housing construction.

Housing affordability for households in the lower 50 percent of the income distribution is a major challenge in Botswana. Such households cannot afford a modern, completed house, even at the lower end of the market, and hence are restricted to informal or semi-formal, incremental housing.

Hence government support for low income housing is a crucial issue, and various forms of subsidies are provided. These include the Home Improvement Loan, Turnkey Housing, the Integrated Poverty Alleviation and Housing programme, the Public Officers Housing Initiative (POHI), the Instalment Purchase Scheme (IPS Tenant Purchase Scheme) and Youth Housing (all under the Ministry of Infrastructure and Housing (MIH). In addition, the Self-Help Housing Agency (Ministry of Local Government) provides subsidised serviced plots. Of particular interest is the Youth Housing Scheme which provides high-density and multi-residential units for the youth and first-time homeowners earning between P3 000 (US\$292) and P7 000 (US\$682.50). The first 750 units are currently being constructed in Gaborone.

Home improvement loans are made available by government to low and moderate income households (those earning between P367 (US\$35.7) and P4 300 (US\$419) a month), up to a value of P60 000 (US\$5 850), repayable over 20 years at P250 (US\$24.2) a month, interest free. Repayment on this loan has not been good, however, and the capacity to enforce repayment is limited. Given the high level of subsidy entailed, demand is high, and supply is limited by the availability of funding (approximately 1 000 loans are available each year).

Government also provides housing through the turnkey scheme. The standard dwelling is a “two and a half” house, comprising two rooms (bedroom/living room), toilet/bathroom and a cooking area, including basic electrical fittings and running water. Beneficiaries receive an interest-free loan of P90 000 (US\$8 780.5), repayable at P375 (US\$36.5) a month over a period of 20 years. The houses are constructed by the government-owned Botswana Housing Corporation (BHC) at a cost to government of P123 000 (US\$12 000). Income qualification criteria are the same as for the home improvement loan, and applicants should already own a residential plot. The initial subsidy of P33 000 (US\$3 219) plus the interest free nature of the loan means that the effective subsidy rate is very high. The number of turnkey housing loans provided by government is limited to approximately 1 000 a year countrywide, and the waiting list is currently 4 452. There are calls to increase the value of this facility, in part due to increases in construction costs.

Under the Integrated Poverty Alleviation and Housing Programme, low income households are assisted to establish brick making projects and can use the money earned and skills learnt from these projects to construct their own houses. Other initiatives to provide housing for low income households include the Destitute Housing Programme and the President’s Housing Appeal. These initiatives are all targeted at remote area communities or settlements.

The MIH has commissioned a national housing needs assessment to guide future housing provision and policy, which was expected to be completed before the end of 2017. The results of this assessment are yet to be made public.

Housing supply

According to the 2011 Population and Housing Census, traditional housing units decreased from 64 percent to 13 percent of the total between 1991 and 2011. Most Botswana traditionally maintained three residences – in a village/city/town, at the “lands” (for arable agriculture) and at the cattle post; however, the core residence is in the villages or cities/towns. The type of housing structure is even changing at the lands and cattle post, mostly because of the durability of the materials used for a modern house.

According to the Population and Housing Census there were 550 846 housing units in Botswana in 2011. Out of these, 357 567 were in urban areas and 193 379 in rural areas. The average household size in Botswana has been declining over the years, from 5.5 in 1981 to 3.7 in 2011; many are single member households (27.8 percent).

The BHC, established in 1971, is the primary housing developer in Botswana. Historically it provided for the housing needs of government, local authorities and the general public by providing rental housing, although in recent years it has also been offering houses for sale. BHC has a large estate of flats and town houses, with a mix of high, medium and low income houses spread throughout the country, with concentrations in Gaborone and Francistown. BHC’s smallest housing product is a 58m² house on a plot of 400m² or larger. Such a house would typically

BOTSWANA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

be priced from P600 000 (US\$58 422) upwards. BHC suggests that the minimum mortgage instalment for such a house is P5 500 (US\$536), which means that a household would have to earn at least P13 750 (approximately US\$1 317) a month for this to be affordable – which would imply a household in the top 10 percent of the national income distribution. The rentals charged by BHC for tenanted accommodation are subsidised – as a matter of government policy – but even so, BHC properties are still more suited to the formally employed than low income households.

In April 2012, the BHC's mandate was expanded to operate as government's single housing authority. As a result, BHC is now also responsible for the construction of turnkey housing units and is in charge of implementing the POHI, the IPS and Youth Housing. In 2017, a total of 1 924 houses were started by BHC and 1 889 delivered. The highest number of houses delivered was turnkey houses at 1 376 houses followed by POHI at 177. About 372 IPS houses were started in 2016, however, they have not been delivered. The IPS targets the youth and middle income groups with monthly incomes of P3 000 (US\$292.5) to P7 000 (US\$682.5).

Besides the BHC, few private sector developers are providing housing for sale. Indicative prices are that building costs for a 60m² house would be between P4 000 and P5 000 a m² (US\$390-US\$487), with a total cost of P240 000-P300 000 (US\$23 414-US\$29 268). The cost of land servicing (providing basic roads, water, electricity and water-borne sewerage connections) varies by location, but is typically in the range of P200-P300 (US\$19.5-US\$29.3) a m². However, housing provision by private developers is typically aimed at upper middle and high income households, with incomes of P10 000 (US\$975) a month or more.

Homeownership is important to Botswana, and the 2011 Census data shows that 57 percent of housing units were owner-occupied. Most of the remainder were rented privately, but approximately a quarter of rented accommodation was provided by government or its agencies.

Land tenure in Botswana is divided into three types: (i) freehold; (ii) state land; and (iii) tribal land. Freehold land can be freely bought and sold (although with some restrictions on the purchase of freehold agricultural land by non-citizens). While state land and tribal land cannot be bought and sold, leasehold tenure is available. State land leases are freely marketable, while tribal land leases are generally only available to citizens. Every Botswana citizen is entitled to a residential plot on tribal land. Such plots are available either free (for unserviced land) or at a heavily subsidised price (for serviced land); for instance, a serviced Self Help Housing Agency plot in urban areas is sold for P15-P22 a m², compared to a servicing cost of approximately P350 a m². In addition, citizens are entitled to free land for agricultural purposes. This system means that there are very few, if any, landless Botswana. However, not all land is equal, and there is excess demand for subsidised residential plots in or around urban areas, especially close to Gaborone, whereas

residential plots are readily available in smaller and more distant villages. Tribal Land is administered by statutory Land Boards. The (theoretical) availability of subsidised land means there are long waiting lists for tribal plots in peri-urban areas. However, this does not necessarily represent genuine demand for housing plots, rather the fact that those who are lucky enough to obtain such plots can re-sell them at a substantial profit. In fact, many of land applications are for speculative purposes, where plots are sold once an allocation is made.

In addition to the BHC, there are also private developers, the biggest being Premier Properties, Universal Estates, Sheldon Properties and Time Projects. For example, Time Projects reports that the company purchased 55ha of land in the early 1990s in the south of Gaborone and designed the residential suburb known as KgaleView thereon.⁴ The project was completed within budget and substantially ahead of schedule. Time Projects installed the infrastructure for 800 plots and constructed 400 houses purchased by government. Private sector housing was later developed on the remaining 400 plots. The contribution of private developers to the supply of housing in Botswana is summarised by a 2013 study by University of Pretoria scholars, which concludes that the performance of private developers has been generally good with annual turnover of those companies interviewed averaging between P5 million (US\$47 000) and P10 million (US\$98 000).⁵

Property markets

Most residential property is built for owner occupation. However, residential property has also been seen as a good investment by both commercial investors and individuals. There is a significant build-to-let market, extending from high cost (upmarket) housing down to small, low cost, one-room accommodation for individuals. Commercial investors provide only upmarket accommodation, whereas individuals operate across the entire spectrum. High rates of rural-urban migration and rising urbanisation have fuelled the demand for rented accommodation. Buying and selling property is still relatively unusual. According to the 2009/10 Botswana Core Welfare Indicators Survey, 50 percent of households lived in self-built accommodation, while 42.5 percent lived in rental or institutional accommodation. Only 3.3 percent of households lived in a house that they had bought. The small number of residential mortgages – approximately 17 000 in 2016, out of approximately 500 000 households in the country – reflects the limited size of the formal property market. Secondary property markets are limited by the shortage of stock that can be mortgaged, a preference for self-built accommodation (which sometimes is not of an adequate standard to be mortgaged), as well as more generally by slowing economic growth and the high rate of unemployment. At present there is no comprehensive nationwide land and property registry.

In an effort to increase tenure security and support enhanced access to mortgage finance, the government is implementing a nationwide land registration system, the Land Administration Procedures Capacity and Systems, to improve information

on land and property ownership. All plots in tribal land have been surveyed and data capturing is ongoing. Different land boards nationwide are at different stages of completing data capture.

Policy and regulation

Several reforms have taken place to improve the land administration system. In the 2017 Doing Business review, Botswana improved in getting construction permits, which had previously been subject to lengthy processes and delays. Its Distance to Frontier improved by 0.7 points from 72.20 in 2017 to 72.27 in 2018. The adoption of the 2015 Land Policy also helped with land transfers and conversion from tribal to common law land as required for mortgage lending. The principle of "one person one plot" was revived, to improve the distribution of land ownership. This meant an individual is only entitled to be allocated a plot once by the land boards on tribal land (although they can purchase additional land on the open market). Botswana has several policies and acts for land management and administration. The main policies are the National Settlement Policy (1998), the National Policy on Housing (2000), Revised National Policy for Rural Development (2002) and Land Policy (2015). The only recent Act related to land and housing is the Sectional Titles Act (2003), which provides for the division of buildings into sections for the acquisition of separate ownership of building blocks.

Opportunities

Botswana has a relatively stable, well-managed economy that has shown significant growth over the past few years. Finance for self-built housing still offers significant prospects for growth, due to this being the preferred method of building, even among the middle and higher income categories. Mortgage lending has been increasing, and while there is limited demand given low income levels, it also has potential for growth, given the introduction of new programmes such as the implementation of SDGs and the eleventh National Development Plan (NDP 11). Interest rates are low by historical standards, which assists with access to mortgages. However, most households will never be able to access conventional mortgage finance, and there is potential to explore and develop microfinance opportunities. In addition, the implementation of the NDP 11, SDGs, Vision 2036 and the performance of private developers also provide impetus for broader economic growth and that of the housing sector.

The state has recognised the need to reform in key areas, such as land administration, and is also meeting the costs of land servicing in many areas. There is demand for student accommodation and low cost housing in urban areas due to the high levels of urbanisation. However, the overriding issue will continue to be affordability; most households are not able to afford formal housing and are unattractive customers for formal financial institutions. Hence, the majority of low income housing is incremental, self-built or informally built, and is contingent on access to free unserviced land or subsidised serviced land. In this situation, the demands on government to provide housing subsidies in one form or another are high, and potentially very expensive, and hence need to be provided on a rational, analytically sound basis. At present, access to subsidised housing is determined by various rationing mechanisms, but there is a need for a more efficient mechanism to deliver targeted housing subsidies.

Sources

- Babajide Fowowe (2017). Access to Finance and Firm Performance: Evidence from African Countries, *Review of Development Finance*, Volume 7, Issue 1, June 2017. Pgs. 6-17.
<https://www.sciencedirect.com/science/article/pii/S1879933717300106> (Accessed 20 Aug 2018).
- Bank of Botswana (2016). Annual Report. Bank of Botswana.
- Bank of Botswana (2018). Botswana Financial Statistics.
http://www.bankofbotswana.bw/assets/uploaded/BFS%20JUNE%202018%20WEBSITE%20PAGE_1.xls (Accessed 12 July 2018).
- Botswana Housing Corporation (2017). Annual Report.
http://www.bhc.bw/sites/default/files/BHC%20Annual%20Report_2017%20%28web%29.pdf (Accessed 16 August 2018).
- Econsult Botswana Economic Review (2015). "Housing Finance in Botswana".
<http://housingfinanceafrica.org/app/uploads/Econsult-Review-2015-2nd-quarter-final.pdf> (Accessed 10 July 2018).
- Government of Botswana (2015). Botswana Land Policy 2015. Government Printers.
- Government of Botswana (2016). Vision 2036 - Achieving Prosperity for All. Government Printers.
- Government of Botswana (2016). National Development Plan 11 (April 2017 – March 2023). Government Printers.
- Mutsonziwa, K, Motsomi A, and Khumalo J. (2014). "FinScope Consumer Survey Botswana 2014." http://www.finmark.org.za/wp-content/uploads/2015/07/Brochure_FS_Botswana_2014_Consumer1.pdf (Accessed 10 July 2018).
- Non-Bank Financial Institutions Regulatory Authority. (2017). Annual Report.
<https://www.nbfira.org/bw/annual-report-2017-0> (Accessed 11 July 2018).
- Statistics Botswana (2011). 2011 Population and Housing Census.
<http://www.statsbots.org/bw/sites/default/files/2011%20Population%20and%20Housing%20Census%20%28Results%29.pdf> (Accessed 10 July 2018).

¹ FinMark Trust released the results of its third FinScope Consumer Botswana 2014 survey results on 14 July 2015. The FinScope Survey, developed by FinMark Trust, is a research tool to assess financial access in a country and to identify the constraints that prevent financial service providers from reaching the financially under- and unserved people.

² Babajide Fowowe (2017).

³ Mutsonziwa, K, Motsomi A, and Khumalo J (2015).

⁴ Time Projects (2018). Building Botswana for 30 years. <https://www.time.co.bw>

⁵ Kachepa S, Pienar J, and Boshoff D (2013). "Urban Housing Provision In Botswana: A Critical Analysis of Gaborone", 2nd Virtual International Conference on Advanced Research in Scientific Fields, University of Pretoria.

Burkina Faso



Overview

Burkina Faso is a landlocked country in West Africa and is a member of the West African Economic and Monetary Union (UEMOA). It has a population of 20.2 million people¹ and is one of the least urbanised countries in the world. Burkina Faso is recovering from a turbulent political and social environment, which slowed the rate of economic growth in 2014-2015. The country's economic prospects for 2017 and 2018 are good. The real growth rate is estimated at 6.7 percent in 2017 and 6.6 percent in 2018 due to a major public investment programme in the 2016-2020 National Economic and Social Development Plan (NESDP) or Plan National Du Développement Economique Et Social (PNDES) which covers energy, hydro-agricultural development, roads and telecommunication. Inflation is expected to remain below 2 percent in 2018-2019 and higher prices for commodities are projected to boost the economy. Strong political support for public investment programmes under the PNDES will contribute to a robust economic recovery.² Notwithstanding these prospects, there are socio-political threats due to terrorist activities, which are a challenge to the national budget. The economic prospects depend on the ability of the government to foster political peace, ensure institutional stability, and curtail threats from religious extremists especially after a series of terrorist attacks in 2016 and 2017.³

Nevertheless, Burkina Faso's cities are growing. The urbanisation rate is estimated at 31.5 percent in 2016 with an urban population that grows twice as fast as the national population. Some 62 percent of the population live in the regions of Ouagadougou and Bobo-Doulasso, resulting in the growing shortage of housing and the proliferation of squatter housing.⁴ According to the National Institute of statistics, more than 72 percent of households live in unplanned areas.⁵ Inequality persists, and poverty remains high although the poverty rate decreased from 46.7 percent in 2009 to 40.1 percent in 2014.⁶ This is a challenge that Burkina NESDP is addressing. The Plan aims to improve the living environment, access to water, sanitation and good quality energy services. Planned and controlled access to decent housing and public buildings is guaranteed for all.⁷ Currently, the government is accelerating construction of 40 000 units of social housing, and promoting structural reforms to improve the business environment and increase access to finance, particularly housing finance.

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,

KEY FIGURES

Main urban centres	Ouagadougou
Exchange rate: 1 US\$ = [a] 21 Sept 2018	556.98 CFA franc
PPP Exchange rate (Local currency/PPP\$) 1 CFA franc = [b]	208.90
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	-0.25 0.40 2.00
Population 2017 [b] Urban population size 2017 [b]	19 193 382 6 048 027
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	2.89% 5.54%
Percentage of the total population below National Poverty Line 2009 [d]	40.10%
Unemployment rate [e]	6.3%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$12 873 million 6.74%
GDP per capita (Current US\$) 2017 [b]	US\$670
GNI per capita (Current US\$) 2017 [b]	US\$610
Gini co-efficient 2014 [c]	35.30
HDI global ranking 2015 [f] HDI country index score 2015 [f]	185 0.402
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate [b]	5.30%
Mortgage interest rate [g] Mortgage term (years)	6% 15
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages [g]	974
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? [h]	US\$10.12
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [i]	5 500 000 CFA franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [i]	US\$9 565
What is the size of this house (m ²)?	n/a
What is the average rental price for this unit (US\$)?	US\$500
What is the minimum stand or plot size for residential property?	200m ²
Ease of Doing Business Rank [j]	148
Number of procedures to register property [j]	4
Time to register property (days) [j]	67 days
Cost to register property (as % of property value) [j]	12.00%

NB: Figures are for 2018 unless stated otherwise.

- [a] Coinmill.com
- [b] World Bank World Development Indicators
- [c] IMF World Economic Outlook Database
- [d] Central Intelligence Agency (CIA) World Factbook
- [e] Trading Economics
- [f] UNDP Development Indicators
- [g] Central Bank of West African States
- [h] CAHF Yearbook 2017
- [i] Agence Ecofin
- [j] World Bank Doing Business

Senegal and Togo). The financial sector of Burkina Faso is dominated by 13 commercial banks and five credit institutions as reported by BCEAO in 2018.⁸ Access to finance in the country is improving - almost 43 percent of the country's population over the age of 15 have a bank account, compared to 14 percent in 2014. Twelve percent have savings and 10 percent have loans as stated in Global Findex 2018.⁹ There are 62 Financial Service Providers listed on the MIX Market, an online repository of microfinance performance data and analysis, with US\$232 million worth of loans dispersed to 204 000 active borrowers, US\$280 million deposits and 1.434 million depositors in 2018. La Fatiere des Caisse populaires or Réseau des Caisses Populaires du Burkina (RCPB) remains the leader with a gross loan portfolio of US\$175.5 million, gross deposits of US\$253.15 million, 80 700 active borrowers and 1 159 190 depositors.¹⁰

The Housing Bank of Burkina Faso (Banque de l'Habitat du Burkina Faso, or BHBF) started operating in 2006; it was created to facilitate access to housing finance for low and middle income earning households. At the end of 2016, BHBF's shareholding was as follows: national institutions represented 49.5 percent, international institutions 25.33 percent, and other private banks held 25.11 percent. The bank offers two types of mortgages for public and private sector workers:



social housing loans (Prêt Immobilier Social) and ordinary housing loans (Prêt Immobilier Ordinaire). They both allow borrowers to purchase land and/or to build a home. The Social Housing Loan has some specific requirements: very low monthly revenue equal or less than CFA 200 (US\$348); a reduced interest rate of 5 percent; and a maturity of up to 20 years. To qualify, the borrower must be a client of BHBf. Borrowers are required to provide a 10 percent downpayment of the property value and dispose of regular and sufficient revenue for reimbursement. For the ordinary housing loan, the maturity is shorter (15 years) with the possibility of supervising the project and technical assistance from BHBf. The borrowers must have regular and sufficient revenue for reimbursement and pay 20 percent downpayment of the value of the property. The average mortgage distributed in 2013 cost CFA 48 745 000, the average bond term was 7.8 years and the average interest rate was 6.73 percent.¹¹

By 2016, all the commercial banks in Burkina Faso had introduced mortgage finance in their portfolios as was done by RCPB,¹² the biggest microfinance institution in the country. Currently RCPB offers a housing finance product called “Crédit Immobilier”.

Although commercial banks and RCPB offer mortgage products, access remains limited because the majority of Burkinabes do not have bank accounts and the commercial banks dispose of short term deposits while mortgages require long term deposits. The creation of a regional mortgage refinance fund called Caisse Régionale de Refinancement Hypothécaire (CRRH), by UMEOA, is contributing to the development of mortgage activities in the country.

Affordability

Housing affordability is a major concern for the people and government of Burkina Faso given the deficit of supply and the economic status of most of the population who earn less than US\$3.10 a day. The government has, through the national development plan (PNDES), initiated an ambitious housing programme to boost housing production and employment and stimulate the country's economic growth. Currently only about 14.5 percent of households, representing the well-off population, have access to property in the main cities with most housing delivery and finance products designed for their needs. However, lower income households struggle. To be eligible for government-subsidised housing, a person must earn between one to eight times the minimum wage for employees in the formal sector; CFA 30,648 (US\$ 53).¹³ Government-subsidised housing is delivered at the minimum housing standard defined by ministerial decree as including residential space of at least 9m² and some sanitary provision. This costs approximately CFA 5.5 million (US\$9 565),¹⁴ but even this is out of reach for most low income households.

The new housing programme, according to M. Maurice Dieudonné Bonanet, the minister responsible for housing, is intended to improve the present situation by offering a variety of decent and affordable houses for different categories of the population.¹⁵ The programme involves 40 000 units to be constructed all over the country in 351 urban and rural communities. The 40 000 units is in addition to the ongoing project of 14 000 units in Bassinko. All Burkinabe including the diaspora are entitled if the criteria of eligibility is met.¹⁶

The government expects that the different housing projects and other economic reforms will have a positive impact on the national economy, improve the economic status of the majority and boost affordability.

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 a year in Ouagadougou and 6 000 units a year in the country's second largest city, Bobo Dioulasso.¹⁷ An analysis from 2014 national census and housing survey demonstrated that 72 percent of households live in unplanned areas. 77 percent of households live in dwellings made of precarious materials.¹⁸

The government has been a key promoter of housing delivery for many decades. The 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. In 2014 CEGECI was empowered to effectively control the delivery schedule of government-subsidised houses and the supply of electricity and water; and social amenities such as health and recreation centres. 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, can be considered high quality and comes with a 10-year warranty on the floor, walls and roof.

Since 2008, the government has developed a multi-year social housing programme.¹⁹ The delivery target is 10 000 subsidised houses. The programme involves experimentation with local building materials to improve affordability while maintaining quality. The programme is funded entirely by the state, with 75 percent of the total delivery cost funded by the Housing Bank and the remaining 25 percent 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. As from 2014, the programme has gained large publicity in Cote d'Ivoire where there is a sizeable community of Burkinabe nationals (as Burkinabe diaspora is also eligible).

In an effort to improve affordability, the government initiated a series of projects among which are the construction of 14 000 affordable houses to accommodate 84 000 people in Bassinko, a village situated 15 kilometres from Ouagadougou. Other measures are to accelerate the implementation and completion of all on-going projects which did not meet their delivery schedule. To this end CEGECI, the public institution that implements the government housing objectives, is mandated by the government to take over the management of all the government housing projects and to assure the distribution of the completed houses to their beneficiaries.

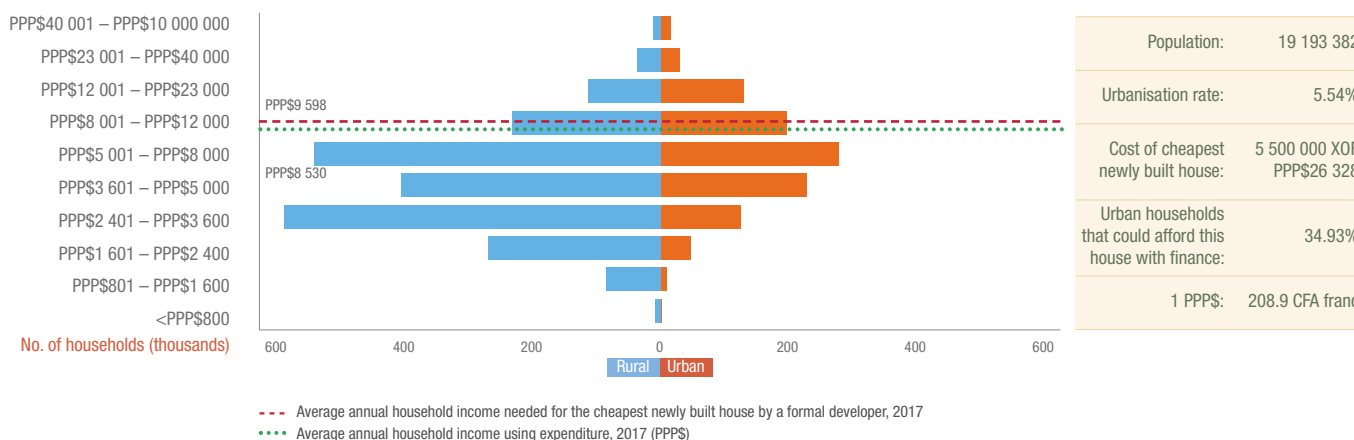
The government is accelerating the development of the new urban pole of Bassinko. The 14 000 houses mentioned previously will be constructed by different private companies. These companies include: Societe Immobiliere Wend-Panga which is building 300 units of one to three bedrooms, prices range from FCFA 5.5 million to FCFA 7.5 million (US\$9 570 to US\$13 050); and CGE Immobilier which has a programme of 1 232 units consisting of social, economic, medium standing houses ranging from FCFA 8.5 million to FCFA 25.5 million (US\$14 790 to US\$44 370) built on 300 m² each. The Bassinko project is the second largest housing project after the “projet de zone commerciale and administrative, ZACA” in the heart of city of Ouagadougou, the capital. Eight developers are already implementing the programme, including P&N Burkina Faso, a subsidiary of P&N Holding Group, a Spanish real estate development company. P&N is producing 1 000 bioclimatic houses that range in prices from the minimum FCFA 7.5 million (US\$13 050) to maximum of FCFA 12 million (US\$20 880). The houses are social and economic houses with land awarded by the government to the developers; water, and sewage and electricity connection are also provided by the government. The houses are commercialised through the Bank of Habitat and participating commercial banks. To date 4 500 have been delivered by different developers in Bassinko and the government has invested FCFA 85 billion (US\$147.9 million) to upgrade amenities such as land, services, water and electricity installation, roads and sewage.²⁰

In 2017 the government initiated a new programme of 40 000 houses and apartments in different main cities and urban communities.²¹ The programme's main objective is to boost production and affordability. The programme is estimated to total FCFA 348.5 billion (US\$606.4 million). The subscription was from 5 April to May 2017.²²

The innovation of the programme is that subscription is done online but subscribers from the communities without internet can register with their city council or community council – this has allowed the reality of need to be measured. There have been more than 100 000 subscriptions for more than 40 000 units. In May 2018 the government announced that 15 000 serviced plots and 1 260 units out of the 40 000 are ready to be distributed. Eligible

BURKINA FASO

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

households are invited to register for a raffle which will take place in 2018. Registration started on 22 May 2018 and ended 2 June 2018. The units are mainly (Type F3) two bedrooms, one living room, and one bathroom. The price is FCFA 7.5 million (US\$13 050).²³

Property markets

Law No 014/96/ADP of 23 May 1996 (J.O 1996 NO32) regulates the real estate development business in Burkina Faso. According to the government of Burkina Faso, the sector has been growing at a rate of 7.5 percent per year since 2009.

There is no formal market for real estate. Informal developers dominate the market although there is an emergence of private formal developers. In most cases, private developers act in partnership with the government to participate in the construction of different ongoing housing programmes in the country. Although there has been an improvement in accessibility, housing programmes still target primarily Burkinabe senior civil servants and those employed by the formal private sector as illustrated by the criteria of obtaining housing loans from banks. Houses developed by the formal sector come with a certificate of ownership which ensures security of tenure.

The rental market is not regulated in Burkina Faso; as a result, a lot of speculation occurs, especially in the low income zones. A room in a multi-room house in the popular zone such as Karpala or Patte d'oie goes for FCFA 25 000 – FCFA 40 000 (US\$44-US\$70). A villa in a residential zone costs FCFA 350 000 (US\$609) and a luxurious villa costs approximately FCFA 2 000 000 (US\$3 480). There is a strong rental market in Ouagadougou although Burkinabes prefer to be homeowners. Purchasing or building a house is not accessible to an average Burkinabe.

Property prices have risen steadily over the past decade especially in Ouagadougou and other urban centres, given an increase in the demand for houses due to the rate of urbanisation, growth of non-governmental organisations and other development agencies present in Burkina Faso. The growth is projected to continue and offers opportunities for the different sectors of real estate, commercial, residential, and industrial.

According to the 2018 World Bank Doing Business Report, Burkina Faso ranks relatively high in the Dealing with Construction Permits index. The country improved its score again and ranked 53rd out of 190 countries, a relatively good score in the UEMOA member states. It takes 67 days and four procedures to register a property in Burkina Faso, and costs 12.1 percent of the property value (above the Sub-Saharan average of 8 percent).

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. The national policy framework, commonly called (RAF) "reorganisation agraire et fonciere", was

created by "la loi du 23 mai 1996" and enacted by national decree on 6 February 1997. 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 at 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.

Law NO 103-2015/CNT (Loi N°-103-2015/CNT portant bail d'habitation privé au Burkina Faso)²⁴ proposed during the transition was aimed at regulating the price of rents; however the law remained non-applicable since 2015. Considering the rate of speculation and increases in rental amounts, public opinion is putting pressure on the government to enact the law by ministerial decree accordingly and ensure its application.²⁵ The following are other laws with relevance to the housing sector:

- Law No 014/96/ADP of 23rd of May 1996: Puts an urbanisation strategy in the centre of the country's economic growth plans, and explicitly addresses the potential for real estate development to contribute towards growth.
- Law No 057-2008/AN of 20 November 2008: Promotes real estate development in the country and regulates property development activities.
- Law 034-2009 (Regime Foncier Rural) Rural Land Tenure: Officially recognised customary rights of land and transfers the management to the local authorities.
- Law N° 17-2006/AN: Defines the code for urbanisation planning and construction in Burkina Faso.

Opportunities

The establishment of the Department of Housing and Urbanisation, and consequently of the Housing Bank of Burkina Faso in 1995, demonstrated the commitment of government to promote the housing sector and to champion housing for low income earners. The country offers immense opportunities for housing development, especially for affordable housing, given the economic status of most of the population. The law 057 of November 2008,²⁶ which promotes and regulates property development activities, is an advantage for developers and a tool for the government to encourage national informal practitioners to formalise and seize the opportunities offered by the government in mass construction of affordable houses. The different ongoing housing programmes and the latest programme of 40 000 units launched in April 2017 by the government are also opportunities for local and foreign investors and developers. This is a positive sign for housing development and housing finance in Burkina Faso.

Despite its status as a heavily-indebted country, Burkina Faso has enjoyed strong growth in the past few years, largely because of political stability, good

macroeconomic management and a diversifying economy. The country is recovering from political instability since it has organised a peaceful and successful presidential and legislative election and the democratic institutions of the country are in place. Economic prospects for the future are promising with the implementation of the PNDES and a growth forecast for 6.6 percent in 2018.²⁷ The country needs modern commercial outlets, offices and industrial buildings because of an emerging private sector dominated by small and medium enterprises. There is also the need to satisfy the demand for affordable and upscale residential units for renting. All these needs are opportunities. The Sub-Saharan region according to Knight Frank offers relatively high yields on real estate.²⁸

In summary, if there is political stability and economic growth, the country's housing opportunities are promising for the following reasons: a huge demand of affordable houses to satisfy, an accelerating rate of urbanisation, an increase in middle class revenues and an ambitious government housing programme.

Additional sources

- African Development Bank (2018). African Economic Outlook 2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf (Accessed 16 Sept 2018).
- Government Information Service (2013). Enjeux politiques des lotissements au Burkina Faso : dans la dynamique d'une bonne gouvernance foncière publiée le mardi 8 octobre 2013.
- Burkina Faso Ministère de l'Habitat et de l'Urbanisme (2008). Politique nationale de l'habitat et du développement urbain.
- BCEAO (2016). Annuaire des Banques et Etablissement Financiers de l'UEMOA.
- BCEAO (2017). Rapport Annuel de la BCEAO 2017. https://www.bceao.int/sites/default/files/2018-07/Rapport_annuel_2017.pdf (Accessed 11 Sept 2018). Pg. 15.
- World Bank (2018). Doing Business: Burkina Faso. <http://documents.worldbank.org/curated/en/618741509607914341/pdf/120832-WP-PUBLIC-DC18-BFA.pdf> (Accessed 27 Sept 2018).

¹ Institut national de statistique et de la démographie. www.insd.bf (Accessed 23 Aug 2018).

² African Development Bank (2018). African Economic Outlook 2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf (Accessed 16 Sept 2018). Pg. 130.

³ Ibid.

⁴ Burkina Faso (2016-2020). Plan National Du Développement Economique Et Social, PNDES. Pg.6.

⁵ Institut national de statistiques et de la démographie (INSD) (2015). Enquête multisectorielle continue (EMC). Habitat, assainissement Et accès à l'eau potable. http://www.insd.bf/n/content/enquetes_recensements/Enq_EMCHabitat_Assainissement_et_Acces_a_eau.pdf (Accessed 10 Sept 2018).

⁶ World Bank Data (2018). Burkina Faso. <https://data.worldbank.org/country/burkina-faso?view=chart> (Accessed 22 Aug 2018).

⁷ Burkina Faso (2016-2020). Plan National Du Développement Economique Et Social, PNDES. Pg.6.

⁸ BCEAO (July 2018). Rapport sur les conditions de banque dans l'UEMOA, En 2017. <https://www.bceao.int/fr/publications/rapport-sur-les-conditions-de-banque-dans-luemoa-2017> (Accessed 7 Sept 2018). Tableau 2.

⁹ World Bank (2018). The Little Data Book on Financial Inclusion 2018.

<https://openknowledge.worldbank.org/handle/10986/29654> (Accessed 18 Sept 2018). Pg. 38.

¹⁰ Mix (2018). Burkina Faso. <https://www.themix.org/mixmarket/countries-regions/burkina-faso> (Accessed 24 Aug 2018).

¹¹ BCEAO (2014). Notes d'Analyse sur les Conditions de Financement Bancaire de l'Habitat dans les Pays de l'UEMO. 31 Oct 2014. <https://www.bceao.int/fr/publications/note-danalyse-sur-les-conditions-de-financement-bancaire-de-lhabitat-dans-les-pays-de> (Accessed 16 Sept 2018). Tables 2 and 3.

¹² Réseau des Caisses populaires du Burkina (2018). "Nos produits d'épargne." <https://www.rcpb.bf/en/produits-services/produits-d-epargne> (Accessed 10 Sept 2018).

¹³ Labourepresse (2017). "Burkina Faso : mécanismes de calcul du montant de la pension retraite à la CNSS." 28 June 2017. <http://www.labourepresse.net/burkina-faso-mecanismes-de-calcul-du-montant-de-la-pension-retraite-a-la-cnss/> (Accessed 10 Sept 2018).

¹⁴ Happy in Africa (2017). "Burkina Faso : des logements pour tous." 28 Oct 2017. <https://happyinfrance.com/business-fr/burkina-faso-logements> (Accessed 10 Sept 2018).

¹⁵ Ibid.

¹⁶ Les Echos du Faso (2017). "Programme de construction de 40 000 logements: 27 198 burkinabè se sont déjà inscrits." 21 April 2017. <http://lesechosdufaso.net/programme-de-construction-de-40-000-logements-27-198-burkinabe-se-sont-deja-inscrits/> (Accessed 10 Sept 2018).

¹⁷ Ministère de l'Urbanisme et de l'Habitat: 10 000 logements (2018). <http://www.mhu.gov.bf/index.php/2014-09-18-15-34-51/nos-projets/10-000-logements> (Accessed 11 Sept 2018).

¹⁸ Institut national de statistiques et de la démographie (INSD) (2015). Enquête multisectorielle continue (EMC). Habitat, assainissement Et accès à l'eau potable.

¹⁹ Lefaso.net (2017). "Urbanisation et habitat au Burkina : Le ministre Dieudonné Maurice Bonanet fait le point de la politique étatique." 11 Dec 2017. <http://lefaso.net/spip.php?article80893> (Accessed 16 Sept 2018).

²⁰ Happy in Africa (2017). "Burkina Faso : des logements pour tous." 28 Oct 2017.

²¹ "Entretien avec le ministre de l'urbanisme et de l'habitat: Relever le défi du logement au Burkina." 5 Jan 2018. <http://www.me.bf/fr/content/entretien-avec-le-ministre-de-%E2%80%99urbanisme-et-de-%E2%80%99habitat-relever-le-d%C3%A9fi-du-logement-au> (Accessed 10 Sept 2018).

²² "Du 5 avril au 5 mai 2017 lancement de la campagne de souscription pour les 40.000 logements." 3 April 2017. <https://www.faso-actu.net/actualites/du-5-avril-au-5-mai-2017-lancement-de-la-campagne-de-souscription-pour-les-40-000-logements> (Accessed 10 Sept 2018).

²³ Ibid.

²⁴ La Voix du Juriste (2018). "Burkina Faso: Du bail à usage d'habitation, que faut-il savoir?" 25 Jan 2018. <https://lavoixdujuriste.com/tag/loi-n-103-2015-cnt/> (Accessed 10 September).

²⁵ Mutations (2018). "Loi sur le Bail locatif: Place à la bataille de l'application." 25 June 2018. <http://mutationsbfinfo/loi-bail-locatif-place-a-bataille-de-lapplication/> (Accessed 8 Sept 2018).

²⁶ Lefaso.net (2018). "Promotion immobilière : Le cadrage d'un secteur d'avenir." 30 Sept 2010. <http://lefaso.net/spip.php?article38730> (Accessed 10 Sept 2018).

²⁷ African Development Bank (2018). African Economic Outlook 2018. Pg. 130.

²⁸ Knight Frank (2018). Africa Report 2017/18: Real Estate Market in a Continent of Growth and Opportunity.

Burundi



Overview

Burundi's economy has seen slowed growth because of civil strife arising from the 2015 disputed election of President Pierre Nkurunziza. There has been a slowdown in economic activity in agriculture, which contributes more than 40 percent of national output and employs close to 90 per cent of the population. Real per capita GDP declined by 1.6 percent in 2016 and the economy contracted by 1.3 percent in 2017. The agricultural exports of coffee and tea, which account for over 60 percent of total exports, have also declined in value because of low production. Specifically, the 2017-2018 coffee season produced 15 824 tons of the expected 20 000 tons.¹ Foreign aid from donor agencies including the European Union was withdrawn because of accusations of human rights violations. This points the country towards increased reliance on domestic tax collection and modest revenues from coffee and tea exports.

Several reforms were implemented in 2017, leading to higher than budgeted tax revenue with the intent of boosting local revenue mobilisation. These revenue collection measures include a fuel and mobile phone tax increment. In addition, government spending relating to recurrent and capital expenditure was restrained. This has led to the narrowing of the fiscal deficit to approximately 5.7 percent of GDP in 2017 from 6.1 percent in 2016.² This deficit was largely financed through the issuance of government treasury bills.

The economy is expected to grow 1.9 percent in 2018 from an estimated 0.5 percent in 2017³ with a boost provided by the May 2018 political referendum that re-affirmed the continuity of relative peace by approving constitutional amendments that scrapped the presidential term limits, paving way for the anticipated peaceful elections of 2020.

The return to political calmness presents a foundation upon which renewed growth efforts can be built. This growth will be supported by a rise in government spending for defence, energy, agriculture and infrastructure projects. The 2018/19 national budget was approved in June 2018 indicating an increment in spending from BIF 1.32 trillion in 2017 to BIF 1.4 trillion (\$795 million) for the 2018/19 financial year.⁴ About 81 percent of the budget will be sourced internally, and the fiscal deficit is expected to reduce to BIF 164 billion, down from BIF 174 billion in 2017. The country's inflation rate rose from 5.6 percent in 2016 to 16.6 percent in 2017. This was mainly due to a rise in food and fuel costs, with food inflation recorded at 22.7 percent over the same period. Inflation is expected to rise in

KEY FIGURES

Main urban centres	Bujumbura Ruyigi
Exchange rate: 1 US\$ = [a] 8 Aug 2018	1781.45 Burundi franc
PPP Exchange rate (Local currency/PPP\$) 1 Burundi franc = [b]	717.9
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	5.6 16.6 12.7
Population [b] Urban population size [b]	10 864 245 13 76 174
Population growth rate [b] Urbanisation rate [b]	3.18% 5.64%
Percentage of the total population below National Poverty Line [d]	65%
Unemployment rate [d]	7%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$3 478 million 0.52%
GDP per capita (Current US\$) 2017 [b]	US\$320
GNI per capita (Current US\$) 2017 [b]	US\$290
Gini co-efficient [b]	38.6
HDI global ranking 2017 [e] HDI country index score 2017 [e]	180 0.417
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate Q3 2016 [a]	16.43%
Mortgage interest rate Mortgage term (years)	16% 20 years
Downpayment	20%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	1 500
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre [e] Outside City Centre [e]	36% 57%
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$25
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	54 757 890 Burundi franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$31 000
What is the size of this house (m ²)?	60m ²
What is the average rental price for this unit (US\$)?	US\$500
What is the minimum stand or plot size for residential property?	250m ²
Ease of Doing Business Rank [f]	164
Number of procedures to register property [f]	5
Time to register property (days) [f]	23 days
Cost to register property (as % of property value) [f]	3.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	Bank of the Republic of Burundi
[b]	World Bank World Development Indicators
[c]	IMF World Economic Outlook Database
[d]	Central Intelligence Agency (CIA) World Factbook
[e]	UNDP Human Development Reports
[f]	World Bank Doing Business

2018 with an expansionary fiscal policy financed by domestic borrowing. With limited external borrowing options, Burundi carries a heavy debt burden amounting to 47.6 percent of total public debt to GDP in 2016, slightly declining to 41 percent in 2017 because of improved domestic revenue collection. This improvement has also been reflected in the current account deficit standing at 10.8 percent of GDP in 2017, down from 11.8 percent in 2016.

This general improvement in economic performance is also reflected in the growth of private sector credit to business entities and households. There has been a 10.9 percent growth in banking sector loans from BIF 731 099.6 million in March 2017, to BIF 810 749.5 million in March 2018.⁵

Although the increase in private sector credit is significant in real terms, the period 2017 to 2018 witnessed a drop in the share of private sector loans in the total banking assets portfolio from 39.4 percent to 35.8 percent at the end of March 2018. The preference for most lenders has been an uptake of government securities because of a higher credit risk associated with private sector projects during fragile political periods. Indeed, there was a notable increase in the deterioration of loan portfolio quality across housing-related finance and other sectors. General banking assets impairment increased from 20.8 percent in March 2017 to 22.1 percent in March 2018. Over the same period, overdue loans increased by 17.9 percent, from BIF 152 027.7 million to BIF 179 260.5 million in March 2018.⁶

The impairment rate of loans in the construction sector was 15.3 percent and the tourism and hotel sector hit a record 38.8 percent. This was significantly higher than the impairment rate in the agriculture and trade sectors, which recorded 10.9 percent and 15.3 percent respectively. Against this background, lenders have been cautious about lending to the private sector and have increased their interest in treasury securities, increasing their share of these government securities from 24.9 percent in March 2017 to 31.6 percent in March 2018.

Access to finance

Access to financial services continues to be a key development challenge in Burundi with only 12.5 percent of the country's adult population operating accounts in formal financial institutions. This low level of financial inclusion in the country is attributed to lower incomes, low levels of financial education as well as limited coverage of financial institutions in areas outside the capital city of Bujumbura. To improve this, the government of Burundi signed a US\$24.9 million grant agreement with the International Fund for Agricultural Development (IFAD) in October 2017 with the objective of enhancing the availability of financial services in rural areas where demand far outstrips supply. Key beneficiaries of the grant will be the most vulnerable groups, including women and young people.

The Financial Inclusion in Burundi (PAIFAR-B) project is expected to aid a total of 99 200 Burundian rural households in 17 provinces. The total cost of the project is US\$38.6 million, including a US\$24.9 million Debt Sustainability Framework grant from IFAD. The project will be co-financed by the Government of Burundi (US\$2.6 million) and by the project beneficiaries (US\$2.1 million). The agreement aims to provide access to financial and other diversified services, and to foster the emergence of a wide range of income-generating enterprises, with a focus on assisting the rural poor. The project will be implemented through several partners including the Bank of the Republic of Burundi for regulatory issues, as well as the private banking sector for managing funds and refinancing the microfinance establishments (MFEs).

The MFEs will finance the small-scale farmers, traders, processors, craftsmen and the cooperatives working in the agricultural and non-agricultural rural sector. The project will also help strengthen the Bank of the Republic of Burundi's microfinance technical capacity. The MFEs will also be in position to provide a more complete range of services that are adapted to the needs of rural communities, and to sustainably expand their scope in rural areas.

The banking system has continued to stabilise with an 18 percent rise in the total balance sheet of banking sector assets between December 2016 and December 2017, mainly due to a rise in total deposits and private sector credit. Total deposits rose by 23.2 percent over the same period, thereby enabling banks to create more assets on the loan side. The rise in deposits was supplemented by Central Bank refinancing, which increased by 93.9 percent between December 2016 and December 2017.

The sector assets were largely comprised of credit to the private sector and credit to government through treasury securities. Private sector credit constituted 36.8 percent of total bank lending while the banking sector holding of government securities was to the tune of 29.7 percent of the total banking assets in December 2017. The rise in the domestic Public Sector Borrowing Requirement (PSBR) translated into a 46.9 percent increment in the value of commercial banks' lending to government against a modest 8.2 percent rise in credit to the private sector over the same period. The observed banks' preference to increase the low risk government securities' holding against private sector credit partly indicates their level of confidence in the economy influenced by a sluggish return to political normalcy.

The cautious approach to credit approval for the private sector could be attributed to the increase in credit risk arising from low productivity, slow economic growth and a less favourable trading environment. Indeed, non-performing loans increased from 18.9 percent to 19.8 percent between December 2016 and December 2017. Banks have continued to write off loss loans, even in 2018, to bring the non-performing loan figure down to 12.3 percent. In line with the regulatory requirements, loan loss impairment provisions have significantly risen for tourism, housing and hostel facilities over the year.

The mortgage market in Burundi is still dominated by three financial institutions. Burundi Bank of Commerce and Investment, Ecobank Burundi and KCB Bank offer mortgage facilities alongside the second-tier Fund for Promotion of Urban Housing and the National Bank for Economic Development. These lenders offer housing and real estate loans ranging between BIF 500 000 (US\$282.4) for small home improvement facilities and BIF 50 million (US\$28 243.8) for home construction finance. On average, the tenure allowed ranges between 4 and 20 years. Interest rates on housing loans have been relatively high, averaging between 16 percent and 19 percent. Medium-term mortgages (maturing in two to seven years) account for 13.6 percent of the total stock of loans granted by the institutions in March 2018, rising marginally from 12.5 percent in March 2017.

Overall, the housing loan portfolio in the country has increased by 17.5 percent from BIF 94.2 billion (US\$53.2 million) in March 2017 to BIF 110.5 billion (US\$62.42 million) in March 2018. This is attributable to the emerging gain in confidence as a result of the country's slowly returning peaceful political state. Owing to the collateralized nature of lending to the housing sector, banks have preferred housing loans as a relatively safer investment avenue compared to the business sector during this era of slow gains in political and economic stability.

Affordability

Burundi's GDP per capita is estimated at US\$320.1 in 2017, positioning the country as the poorest in the world.⁷ For the past five years, Burundi has consistently been ranked as a low human development country, with a Human Development Index of 0.417 in 2017. With an agrarian economy and struggling industrial and services sector, the affordability of housing finance has been significantly affected.

The escalation of inflation and interest rates has pushed several households out of the housing affordability bracket. In the fourth quarter of 2017, the lending interest rate on outstanding loans slightly increased to 16.16 percent from 16.13 percent the previous quarter. This is compared to 16.77 percent recorded in the fourth quarter of 2016. Similarly, the interest rate on new loans slightly increased to 17.17 percent in December 2017 from 17.14 in December 2016.⁸ The lending interest rate has remained high, averaging 17.32 percent over the first quarter of 2018, compared to 16.43 percent recorded in December 2017. The rise in lending interest rates can be partly attributed to the increased credit risk from the lenders' perspective as evidenced by the upward movement of non-performing loans to 16.8 percent in March 2018 against 14.1 percent recorded in December 2017.⁹ Worryingly, the loan loss category of non-performing loans has risen sharply to 42.3 percent of overdue loans from the previous year of 34.9 percent. Banks therefore continue to write off the loss loans, affecting their profitability and ability to extend further credit to this growing economy.

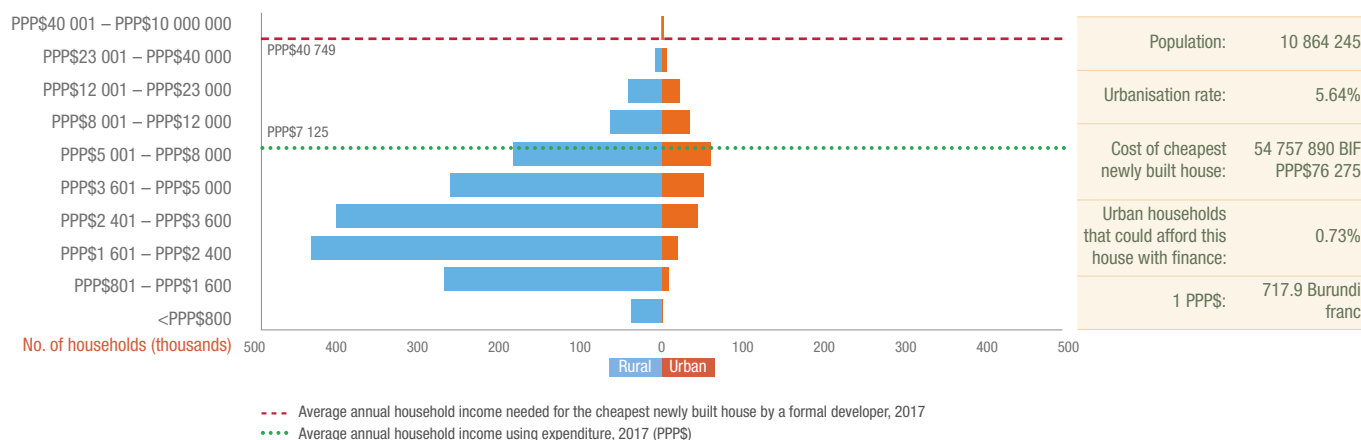
Owing to the slow return to political and economic normalcy in Burundi, commercial banks have been increasing their asset holdings in treasury bills which are considered less risky than most personal or business loans. This effectively reduces the volume of funds available for incremental home construction through personal unsecured loans taken by retail borrowers. With the growth rate in per capita terms remaining modest over 2017 and 2018, the poverty incidence is projected to increase to 84.1 percent in 2018 from 65 percent in 2017.¹⁰

Burundi suffers from low household incomes that greatly affect affordability for housing units and eligibility for housing finance in the country. Modest income households earning between BIF 4 000 (US\$3.3) and BIF50 000 (US\$42) per week constitute 81 percent of the working population. Sadly, the country's high annual population growth of 3.2 percent and the youthfulness of the population underline a demographic challenge for the country's undeveloped housing and housing finance sector/industry.

Given that the average monthly net salary (after tax) for Burundians is US\$64.98, it is unlikely that low income earners can afford a two-bedroom house, at about US\$25 000 on the property market. Regrettably, prospective individual developers would struggle to put up a similar two-bedroom house at the lower side of US\$15 000. Acquiring a mortgage will also be an uphill task for most Bujumbura low income earners, given the mortgage interest rate is at an average 16 percent and their incomes are below the minimum BIF 1 million required by banks to offer mortgage finance. Less than 0.1 percent of the population earn above BIF 1 million.

BURUNDI

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

For those in the middle and high income brackets (above BIF 1.5 million), the average mortgage taken up from financial institutions is about US\$30 000. Through subsidies from the government and development partners such as Habitat for Humanity, complemented by beneficiaries (in-kind contribution), 39 460 households were able to purchase a dwelling and use rehabilitated social facilities. With the political situation easing, another 1 000 households have been aided by the Swedish International Development Cooperation Agency (SIDA) to return to their communities following the decommissioning and closure of four displacement camps in Burundi. A decommissioning process began in January 2018 to improve the living conditions of internally displaced persons (IDPs) in the camps of Mush Asha I and Mushasha II, Giada and Cashi. The International Organization for Migration (IOM), with the support of SIDA, provided aid aimed at enabling displaced households to transition from the camps. The support included construction of semi-permanent shelters and the provision of rental support to the affected households. Several households that had been displaced by floods and other natural disasters were key beneficiaries of this programme. The programme was structured to involve the government, IOM and local households as stakeholders.

Households earlier displaced from rental units were offered rental support while those with land titles in relatively safer areas were provided with transitional shelter. Households without land and without clear income sources to support rental payments were provided with transitional shelter on plots provided by the government of Burundi. To support settlements in the new areas, all households were provided with aid packages containing blankets, mosquito nets and floor mats among other household items. To boost their income-earning potential, households earmarked for rental support were also provided with agricultural kits in the areas of Gautama and Rumonge province, along the shores of Lake Tanganyika. In this province, 159 housing units were built at sites for resettlement of households from the decommissioned camps. It is hoped that the agricultural kit initiative will complement other projects, such as the IFAD-funded project, to boost rural productivity, enhance household income and work towards poverty alleviation.

Notably, however, more than 500 000 families are still internally displaced or likely to return from abroad without homes to go to and income sources to support their livelihoods. There is therefore an urgent need for additional housing solutions for the internally displaced in Burundi. A related challenge to affordable housing is the need for appropriately packed financing solutions. IDPs have no significant income sources and are unable to attract lenders. Grant and concessional finance could be an alternative to conventional financing options in Burundi.

Housing supply

Delivery of new housing unit stock in Burundi is still below the demand in the affordable housing space. The country has had a few private developers individually setting up an average of five housing units for sale over the past year. These developers normally target the middle to high-end income earners for

housing units constructed in areas including Kavuma, Mboza, Byenzi, Mutanga, Rohero, Bwiza, Nyakabiga and Nyamitanga.

The challenge of large-scale delivery of housing units remains as no single developer has the capacity to deliver projects of more than 30 units. The sluggish return to a stable political state has not favoured regional developers due to the absence of a vibrant services sector that would attract a labour force with strong salaried income to rely on for downpayments. The government has also not realised its goal of setting up housing units for civil servants, mainly because of budgetary constraints. A new 10-year national strategic plan (2018 - 2027) was launched on 2 July 2018 with renewed focus on consolidating independence and reducing reliance on external parties for development support.

Across the East African region, recent delivery of housing units has mainly been through the construction of high-rise apartments sold off with condominium titles. Although this approach tends to be costlier than the construction of ground-based bungalows, most developers have preferred the high-rise structures because of significant land-use efficiencies realised through such settlements. Burundi presents a unique challenge in making its legal framework support the creation of condominium titles.

High interest rates and immature mortgage markets in Burundi have hampered sales volumes. Interest rates have remained high at 16.5 percent, impeding affordability for low income households. Banks are reluctant to finance developers because of the difficulties in off-loading stocks of houses, given the low level of incomes and the weakness of developers (with respect to cash flow analysis and marketing budgeting). This has led to a stagnation of development projects, particularly in the mid-market segment. The exception is high-end residential property sales. For example, the civil servants housing project, of about 2 000 units, by Biz Planners, has been on halt since 2014. Each house was planned at US\$30 000.

Construction costs are relatively high as most of the building materials such as cement, steel bars and roofing iron sheets are imported, and overland transport costs are relatively high. For instance, the cost of a 50kg bag of cement is US\$25 compared to US\$8.9 for the same 32.5 grade 50kg bag in Uganda. For the delivery of housing units, this high cost translates into over US\$31 000 for a one-bedroom structure compared to US\$20 000 for a similar unit in Uganda.

Furthermore, the poor quality of construction in commercial as well as residential space has resulted in lesser take-up of such properties, leading to dead supply stock in the market. For example, 27 three-bedroom houses, by Aggjobu Ltd, have been on the market for over three years. The houses cost between US\$205 000 and US\$225 000.

To respond to the need for more housing units, a new and attractive social housing project – the New Rugo – has been kickstarted with a blend of modern and

traditional building style. It combines the tenets of traditional design and modern parameters to achieve social housing concepts that cut across the low income to middle income markets.

The Rugo is the traditional Burundi and Rwanda house and is the backbone of the New Rugo project. New Rugo is mainly a low-cost housing project that draws its inspiration from vernacular solutions. It typically comprises three houses that can be valued independently at an average price in the region of US\$35 000. With low-cost technologies and cultural appropriateness, the developed housing is aimed at empowering fragile communities in Burundi.

Property markets

Eighty percent of the property market in Burundi is residential. Bujumbura, the capital city, has traditionally been occupied by nearly 50 percent non-Burundians who are mostly nationals of neighbouring countries such as Tanzania, the Democratic Republic of Congo, and Uganda, as well as Europe.

Monthly rent for 85m² furnished accommodation in a prime area in Bujumbura is estimated at about BIF 3 million a month. A 45m² furnished studio in a similar area is estimated at about BIF 0.5 million. The cost of utilities (heating, electricity, and gas) for one month in a 45m² studio is BIF 100 000 per person. Yet, the average monthly income for a renting household is about BIF 45000.

The market space for land, residential, and commercial real estate in Burundi remains both underdeveloped and depressed. The country suffers from a dearth of real estate listing agencies. Most agencies available are based in neighbouring countries including Kenya and Rwanda. Property valuation firms are also in short supply. Knight Frank in Uganda has been the leading provider of real estate valuation services in Burundi for a long time. Large-scale construction projects are dominated by foreign firms, most of which are from China. The country's property market is still in its infancy. There are a limited number of market participants on the supply side, largely due to low levels of market demand as determined by the low income levels of more than 60 percent of the country's population.

Targeted construction and delivery of low-priced housing units would be appropriate in such a market. However, in the absence of appropriately positioned developers and sizeable government incentives, delivery of affordable housing may remain unachievable in the short to medium term. Additionally, a reduction in budget support and foreign aid has incapacitated the government and decreased its ability to build support infrastructure for the housing sector in terms of energy and transport facilities. With half of the country's budget slashed because of reduced foreign aid, government investments for housing infrastructure are likely to be affected, translating into slow growth in property markets in the country.

Policy and regulation

Burundi's National Urban Planning and Housing Policy provides the regulatory framework for the management of water, environment, land and urban developments. The policy was introduced with the core objectives of promoting a coordinated management of the environment, sound management of land, water, forests, and air; and the preservation of ecological balance.

The policy is intended to promote social development and allow each Burundian to have access to high-quality housing and basic services. In formulating this policy, the government intended to create an enabling framework for the development of 855 hectares of land and the construction of 26 000 homes annually. In addition

to the policy, the government issued a decree in January 2014 on the structure of the National Commission on Land and Other Assets (CNTB). The CNTB, established in 2006, is authorised to resettle refugees who return and to resolve land disputes. Since its inception, over 38 000 cases have been handled and determined. The commission has been instrumental in determining land ownership and therefore housing developments on such land for the past decade.

Opportunities

The 2018 referendum in Burundi re-affirmed the continuity of relative peace, a much-needed foundation on which the national 10-year strategic plan and Vision Burundi 2025 are to be built. The three core objectives of installation of good governance within the rule of law, development of a strong and competitive economy, and improvement of the living conditions of the people of Burundi, all entrenched in the Vision 2025 are supportive of a conducive housing investment climate and improved income levels to provide effective demand for new housing units.

Initiatives towards actualising some of the objectives have already commenced with construction and renovation of elementary schools, a move aimed at raising the literacy rate through universal primary education to reduce the adult illiteracy rate to under 20 percent and create skilled professionals through modernising agricultural production alongside the development of a strong service industry.

With such developments in place, it is envisaged that by 2025, the rate of economic growth will have reached an average of 10 percent and this will translate into a perceptible increase in incomes to US\$720 per capita and poverty will be reduced by 50 percent. Development of a vibrant financial sector will be critical in ensuring availability of the relevant credit and insurance support to the rapidly growing economy. International investors will, however, be cautious in their approach as the country prepares for the next general elections in 2020.

Additional sources

Bank of the Republic of Burundi (2018). Annual Report, April 2018. <https://www.brb.bi/en> (Accessed 6 Aug 2018).

Bank of the Republic of Burundi (2018). Quarterly Note, March 2018. <https://www.brb.bi/en> (Accessed 2 Aug 2018).

Bank of the Republic of Burundi (2018). Quarterly Report, March 2018. <https://www.brb.bi/sites/default/files/MPC%20Q-1-2018%20cor.pdf> (Accessed 2 Aug 2018).

Bank of the Republic of Burundi (2018). Private sector credit data. <https://www.brb.bi/en/content/money-and-credit> (Accessed 2 Aug 2018).

International Monetary Fund (2018). Burundi and the IMF. 28 June 2018. <https://www.imf.org/external/country/BDI/index.htm?type=42> (Accessed 6 Aug 2018).

The World Bank (2018). Country Report: Burundi. <https://data.worldbank.org/country/burundi> (Accessed 2 Aug 2018).

¹ Uwimana, Diane (2018). "Burundi: Coffee harvest campaign to be run until August 5". 27 July 2018. IWACU English News. <http://www.iwacu-burundi.org/englishnews/burundi-coffee-harvest-campaign-to-be-run-until-august-5/> (Accessed 2 Aug 2018). Also Bank of the Republic of Burundi (2018). Real Sector. <https://www.brb.bi/en/content/real-sector> (Accessed 2 Aug 2018).

² World Bank Macro Poverty Outlook Report – Burundi (2018). <http://pubdocs.worldbank.org/en/708231492188151479/mpo-bdi.pdf> (Accessed 02 Aug 2018). Pg. 1.

³ World Bank Macro Poverty Outlook Report – Burundi (2018). Pgs. 1-2.

⁴ Reuters (2017). "Burundi expects econ growth, spending to pick up in 2018." 13 December 2017. <https://af.reuters.com/article/africaTech/idAFL8N1OD4C1> (Accessed 2 Aug 2018).

⁵ Bank of the Republic of Burundi (2018). Monthly Bulletin, March 2018. https://www.brb.bi/sites/default/files/BM%20N%2C%2003%202018_English.pdf (Accessed 3 Aug 2018). Pg. 16.

⁶ Bank of the Republic of Burundi (March 2018). Monetary Policy Committee Report - Quarter 1. <https://www.brb.bi/sites/default/files/MPC%20Q-1-2018%20cor.pdf> (Accessed 4 Aug 2018). Pg. 25.

⁷ World Bank (2018). World Development Indicators: Burundi. <http://databank.worldbank.org/data/source/world-development-indicators> (Accessed 20 Sept 2018).

⁸ Ibid. Pg. 21.

⁹ Ibid. Pg. 25.

¹⁰ World Bank Macro Poverty Outlook Report – Burundi (2018). Pgs. 1-2.

¹¹ International Organization for Migration (2018). "Press release: 5000 displaced Burundians move to long-term housing as four displacement camps close". 29 March 2018. <https://www.iom.int/news/5000-displaced-burundians-move-long-term-housing-four-displacement-camps-close> (Accessed 6 Aug 2018).

Cabo Verde (Cape Verde)



Overview

Located 500km off the west coast of Africa, Cabo Verde is an archipelago of 10 islands, only nine of which are inhabited.¹ It is a relatively stable multiparty democracy with a recognised record for good governance² and a highly sensitive economic outlook constrained by limited resources, making the country highly susceptible to external shocks and reliant on public spending, international aid, the diaspora, and tourism.³ According to the National Statistics Institute (INE), in 2017 the national economy experienced its fastest growth since 2011 (3.8 percent), growing to 3.9 percent.

The local currency Cabo Verdeans Escudo (CVE) is pegged to the Euro. In support of the state fiscal policy, tax reforms have been introduced, including tax exemption during the start-up period of a business as well as tax incentives provided to emigrants, to further encourage private and economic investment initiatives.⁴ The economy is highly dependent on tourism, accounting for 47 percent of exported goods and services.⁵ There is a projected rise in foreign direct investment (FDI) and an expected expansion in the manufacturing and catering sectors over the next three years.⁶ The Sustainable Development Strategic Plan 2017-2021 (PEDS) is intended to support and drive medium-term economic diversification, stimulating economic transformation and diversification,⁷ improving resilience to climate change, and strengthening regional integration within the Economic Community of West African States.⁸

Despite attempts to strengthen the economy, government debt has increased from 57 percent in 2008 to 125.3 percent of GDP in 2018, with a projected increase to roughly 142 percent in 2020.⁹ Government intends to alter the trends by mobilising domestic resources, maximising public expenditure through increased efficiency and decreasing public enterprise debts from state-owned enterprises such as the Cabo Verde Airlines and *Imobiliária Fundiária e Habitat* (IFH) Social Housing Company, the combined debts of which are close to 20 percent of the GDP.¹⁰

The inflation rate estimated at 1.1 percent in 2017 is expected to rise to two percent by 2019.¹¹ The central bank, *Banco de Cabo Verde* (BCV), has slowly undertaken an expansionary monetary policy, reducing reserve levels and the central bank lending rate in a bid to boost the rate of inflation and economic growth. There is limited data around the mortgage contribution toward the economy, however it is constrained by the performance of the finance sector; the

KEY FIGURES

Main urban centres	Praia
Exchange rate: 1 US\$ = [a] 13 Jul 2018	94.26 Cape Verdean Escudo
PPP Exchange rate (Local currency/PPP\$) 1 Cape Verdean Escudo = [b]	46
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [d]	-1.40 0.80 1.10
Population [e] Urban population size [e]	560 899 368 511
Population growth rate [e] Urbanisation rate [e]	1.33% 1.97%
Percentage of the total population below National Poverty Line [d]	27.00%
Unemployment rate [d]	12.20%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$1 754 million 3.89%
GDP per capita (Current US\$) 2017 [b]	US\$3 209
GNI per capita (Current US\$) 2017 [b]	US\$2 990
Gini co-efficient 2017 [d]	47.2
HDI global ranking 2016 [f] HDI country index score 2016 [f]	122 0.648
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	114 469
Lending interest rate	16.43%
Mortgage interest rate [g] Mortgage term (years) [g]	14.5% 20 years
Downpayment	20.00%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre [g] Outside City Centre [g]	13.46 16.67
Gross Rental Yield in City Centre [g] Outside City Centre [g]	7.43% 6.00%
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? [h]	US\$8.21
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [h]	2 912 634 Cape Verdean Escudo
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$30 900
What is the size of this house (m ²)?	n/a
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [i]	127
Number of procedures to register property [i]	6
Time to register property (days) [i]	22 days
Cost to register property (as % of property value) [i]	20.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Knoema.com
[d]	Trading Economics
[e]	Central Intelligence Agency (CIA) World Factbook
[f]	UNDP Development Indicators
[g]	Numbeo
[h]	CAHF Yearbook 2017
[i]	World Bank Doing Business

lack of economies of scale, a necessary dependence on imports for construction materials, and recent economic performance.¹²

Access to finance

The Cabo Verdean finance sector is dominated by banks, which are liquid but risk averse.¹³ The banking sector is highly concentrated,¹⁴ with more than 85 percent of total financial sector assets, with two of seven licensed banks, *Banco Comercial do Atlântico* (BCA), and *Caixa Económica de Cabo Verde*, dominating the credit and deposit markets with a combined market share of almost 70 percent. Bank liabilities are primarily deposits from residents, migrants, and government.¹⁵

Banking institutions within Cabo Verde grapple with low asset quality, low profitability, and limited capital buffers. Following the global economic downturn and the subsequent impact on tourism and real estate, the level of non-performing loans (NPLs) increased to 15.5 percent of total loans as of the end of 2016. The average return on assets from 2011-16 was only 0.3 percent, and capital was only 7.7 percent of total assets at end-2016, varying across the banks, with some experiencing capital constraints.¹⁶ In March 2017, the BCV had to respond to the insolvency of the state-owned bank (Novo Banco) which was established in 2010 to support MSME finance and low-income housing, resulting in the BCV

revoking Novo Banco's license in June 2017. In order to diminish future risks, the BCV is strengthening its banking supervision capacity, increasing the frequency of on-site audits, and urging banks and corporates to recognise and address NPLs while rebuilding capital buffers.¹⁷

Within Cabo Verde, access to finance is a significant constraint. Domestic credit to the private sector has dropped as banks increased the share of their assets deposited with the BCV and lent to the government and State-Owned Enterprises (SOEs). This reflects both a higher risk aversion by banks and the lack of viable investment opportunities: in 2015 there were only 189 commercial bank borrowers per 1 000 adults. Finance costs are on average high, with lending rates of approximately 10 percent for loans of up to one year. Following previous failed attempts at monetary easing, the BCV introduced more aggressive monetary stimulus measures in 2017, which saw the reduction of the benchmark interest rate from 3.50 to 1.50 percent. In general, the cost-to-income ratios, given the archipelago's lack of economies of scale, are very high (an average of 69 percent over the last five years), indicating room for improvement in banking sector efficiency.¹⁸

With an approximate client base of 50 000, the microfinance sector remains small.¹⁹ The sector has limited penetration and visibility. Studies indicate that about 75 percent of the unemployed population eligible for financial services offered by microfinance institutions (MFIs) are unaware of either MFIs in general or the services they offer.²⁰

BCA, the largest bank in the country, provides mortgages for up to CVE 30 million (US\$316 000) for terms up to 30 years. BCA offers both fixed and variable rate mortgages: the nominal fixed rate is between 8 and 11.5 percent and the nominal variable rate has a floor of 7.7 percent, is based on BCA index rate, and has a range of 3.5 percent.²¹ This translates into an effective rate of 12.04 percent for a variable rate mortgage and 12.3 percent for a fixed rate mortgage, compared to the 15.11 percent offered for consumer loans. BCA also charges a fee equivalent to 3.5 percent of the mortgage value, which is not capped but is at a minimum CVE 20 000 (US\$210). Caixa offers mortgages for up to 30 years and charges a fee of 1.26 percent of the mortgage, which must be at least CVE 10 000 (US\$105).²² The nominal interest rate on mortgages is 10.75 percent, equivalent to an effective rate of 11.4 percent. For loans to purchase land, Caixa offers a nominal interest rate of 9 percent on a sixty-month loan. Banco Interatlântico (BI) offers mortgages to purchase or construct a house at 90 percent of property value.²³ Banco Internacional de Cabo Verde offers mortgages for terms up to 25 years, with a loan-to-value ratio of up to 70 percent. First-time home buyers are exempt from taxes on the interest portion of mortgage repayments.²⁴

The credit market is inhibited by the absence of a credit bureau to regulate and monitor the sector; however there have been substantial legal and systematic reforms intended to strengthen efficiency and private sector growth, providing an optimistic outlook for the financial sector.²⁵

Affordability

There is economic disparity within Cabo Verde, with 1 79 909 people making up 33 percent of the total population living in absolute poverty, of whom 54 395 are in extreme poverty, and of which 54 percent are women.²⁶ The unemployment rate sits at 12.2 percent as at 2017, down from 15 percent in 2016.²⁷

On average an apartment within the city centre costs CVE 89 000 (US\$936) per square meter. Comparably purchasing outside the centre, the per square meter average is CVE 65 000 (US\$684). The rental market for a one-bedroom apartment in the city centre is CVE 29 000 (US\$305) and outside the city centre the average is CVE 18 333 (US\$193).²⁸ The affordability of housing is however reflected in the fact that the average net monthly income is CVE 27 500 (US\$289) so the lowest affordable rental would be 66 percent of an average income.²⁹

The BCA mortgage calculator works on monthly repayments for a mortgage worth CVE 2 million (US\$21 039), over a term of 30 years and an interest rate of 11.5 percent, at CVE 19 000 (US\$200).³⁰ Considering that generally it is advised that no more than a third of income is spent on housing, the household would have to earn CVE 60 000 (US\$631) a month, or CVE 720 000 (US\$7 574) a year to afford a 30m² one-bedroom apartment.

Housing supply

A component of the PEDS, which has yet to be completed, is focused on an assessment of the housing situation within Cabo Verde, intended to review the basic and extended housing deficit as well as the definition of a new national housing policy. In Cabo Verde, only 1.4 percent of households live in non-traditional housing, which includes shanties. Most, 98.6 percent, live in independent housing or apartments. In general households have electricity, piped water and sanitation facilities, and at least two out of three households occupy and own their own dwellings, (with the largest numbers among the poor); 72 out of every 100 poor households occupy homes that they own, as compared to 63 percent of non-poor households.³¹

The core issue within the Cabo Verdean housing sector is less about access and more in relation to quality. There is a pressing need to address housing insecurity in relation to the degradation of housing, especially in rural areas. Nationally 49 out of every 100 households live in homes with roof problems and 52 out of every 100 have infiltration and moisture problems in their walls. This situation is particularly serious among the poor; as 64 out of every 100 people live in houses with roof infiltration problems and 65 out of every 100 dwellings have problems with infiltration and moisture in the walls, the costs of repairs often beyond the means of most households.³²

Despite the relatively low percentage of households living in informal settlements, with an urban population of around 68 percent, there is a concern around the proliferation of housing which has no access to water or sanitation services. In response to this growing trend, UN Habitat and the Ministry of Environment, Housing and Territorial Planning have initiated the Participatory Slum Upgrading Programme (PSUP) intended to strengthen community, city and national key stakeholders' capacities in participatory slum upgrading, particularly in the selected cities of Praia, Pedra Badejo and Espargos. The project was initiated in 2008 and completed in 2015. It received US\$135 000 in funding to build intergovernmental and organisational partnerships and develop strategies for tackling the physical and social inequalities inherent in the identified areas. Thus far there is no evidence to suggest that it has translated into any built developments.³³

The INE survey data shows that 78.6 percent of households live in free-standing houses, compared to 20 percent who live in apartments. In terms of building materials, 84.4 percent of residents live in units that are constructed out of reinforced concrete, while 50 percent of residents have cement floors and 48.8 percent have mosaic flooring.³⁴ The majority of the houses have three rooms or divisions. A few have five or more.

There have been attempts to encourage social and sustainable development goals. For example, in 2009 the *Sistema Nacional de Habitacao de Interesse Social* (SNHIS) (National System of Housing for Social Interests) was launched, informally known as *Casa Para Todos* (Houses for All). The programme was intended to reduce the national housing deficit standing at 40 776 dwellings in terms of quantity and a further 66 013 dwellings in relation to the quality.³⁵

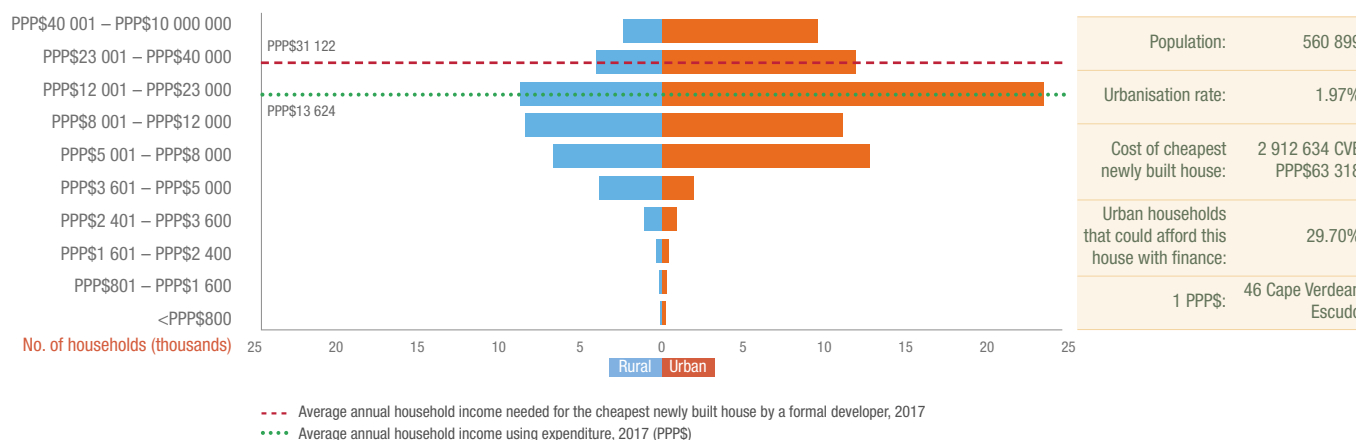
The subprograms of SNHIS included: Habitar CV which intended to deliver 8 496 housing units, Pro Habitar expected to build 1 000 homes in rural areas, and Reabilitar aimed at rehabilitating 16 000 households.³⁶ The Casa Para Todos programme was however marred by scandal. In 2016 it was revealed that although 83 percent of the EUR 200 million (US\$234 699 964) credit line from the Portuguese government funding the program through the IFH had been spent, less than half of the proposed target of dwellings had been completed. Further the IFH was reported to be in technical bankruptcy, with a debt of roughly CVE 2 billion (US\$0.21 billion). Assessments by the IMF have made recommendation for "deepening fiscal consolidation efforts" and accelerating the restructuring of SOEs, thereby eliminating the need for government support for bodies such as the IFH. This is seen as a mechanism for increasing the speed of growth in credit to the private sector, thus boosting investor confidence and accelerating medium-term growth, cutting public debt, and reducing the risk of external debt distress.³⁷ However, the SNHIS, which was enshrined in legislation in 2010 and updated in 2014, continues today to provide an interest rate subsidy for mortgages.

Property markets

Cabo Verde has an efficient property registration system. Registering a property takes 22 days, the same as OECD high income countries and more efficient than

CABO VERDE

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

the regional average of 59.3 days, and costs 2.3 percent of the property value, below both the OECD (4.2 percent) and Sub-Saharan Africa (7.8 percent) rates.³⁸ The country has a functional deeds registry, which takes between one and three days to obtain a certificate proving ownership of a property at a cost of CVE 1 130 (US\$11.89) and seven days to register a new public deed with the property registry at a cost of CVE 24 150 (US\$254). Act 9 Decree of law 10/2010 specifies the law governing the *Conservatoria do Registo Predial* (Land Registry), for which there is an electronic database, and which does not yet include all properties in Cabo Verde. The database can be checked for mortgages on the property, but there is no electronic record on cadastral information.³⁹

There are a number of established estate agents offering rentals and properties at a wide variety of price points. They are relatively formal and operate on Cabo Verde's larger islands. However, they are largely focused on catering to international demands, which are seen as a means of adding to the economy. To further grow this sector, permanent residence permits are issued to foreign nationals who acquire properties worth a minimum of EUR 80 000 (US\$94 000) in municipalities where GDP per capita is lower than the national average and for more than to EUR 120 000 (US\$141 000) where GDP per capita is higher than the national average. The policy includes the exemption of Single Property Tax for the property involved as well as a further 50 percent reduction in the tax due over the next 10 years. Further, retired resident card holders with incomes generated outside Cabo Verde are exempt from Personal Income Tax.⁴⁰

Property development and investment is dominated by, and caters to, the luxury and resort development portfolio. This supports the objectives of the government to foster economic stability and FDI, however there is hardly any detailed information around the actual delivery of affordable, low-cost or social housing. The housing market is driven and dominated by the expatriate and tourism sector. Furthermore, the financial burden of the ineffective IFH on the government reflects a poorly operated mechanism for housing programme development.

Policy and regulation

The reforms pursued by the government since the economic slowdown have been extensive and varied. On the regulatory side, new laws have been passed for the financial sector (Lei n. 61/VIII/2014 and Lei n. 62/VIII/2014) and microfinance sector (Lei n. 83/VIII/2015), and for urban planning (Lei n. 60/VIII/2014) and are under consideration for a deposit guarantee fund and land use management.

Law 83/VIII/2015, relates to MFIs, allowing for three types: deposit-taking, community savings and credit cooperatives, and financial intermediaries for the diaspora.⁴¹ The establishment of the law was expected to increase the number of commercial MFIs in a sector that has been largely driven by the non-profit sector. There are five MFIs registered under the BCV,⁴² of which the *Associação de Apoio às Iniciativas de Autopromoção Familiar*, the Association to Support Family Self-Improvement Initiatives, is the only MFI providing loans for housing, although

more detailed information as to the specific nature of these loans and conditions was not available.

The rental market is regulated, allowing for a maximum increase of rent by 8.3 percent a year. The tenant has the right to reject a suggested rental increase and terminate the rental agreement with one month notice if this happens. In addition, if the contract does not explicitly stipulate future possible rental increases, the landlord may not raise rentals for a period of five years. Landlords are not allowed to demand more than a month's rental upfront and can only evict a tenant with permission from a court. The rental legislation is Decree-Law 47.344, of 25 November 1966, as amended by Decree-Law 12-C/97, of 30 June 1997.

Another important regulation is the requirement for tax clearance to be issued to purchase property, as the municipality will only transfer the deed once property taxes are paid. All transfers involve site inspections by municipalities. In 2013, Cabo Verde introduced tax incentives for large investments, and in 2014, it commenced with the digitisation of its deeds registry.

Opportunities

Cabo Verde faces the enormous challenge of building an economy with a high level of sustainable and inclusive growth to overcome key constraints, structural vulnerabilities, external dependence, unemployment, poverty, inequality in income distribution, and reduced opportunities for emigration and consequent drop in remittances, on which there is high reliance.⁴³ The country is constrained by natural vulnerabilities related to its volcanic origin, its island-made nature, its location in the Sahel region, scarcity of rainfall and lack of mineral resources.⁴⁴ Any real development opportunities which could be explored will be constrained by Cabo Verde's small territorial, demographic and economic size and its isolation from the African continent.

The financial sector is risk averse and as such leans more toward a select proportion of the economy and foreign nationals looking to purchase second homes. The high-end housing market revolves around an encouragement of spending within the tourism sector and developing stock to cater for further growth in that market.

Given the geography and high cost of construction due to a dependence on imports, a large-scale housing development is unlikely to be an effective solution. Through more extensive studies on the status of housing within the affordable and low income sector; it may be found necessary to reinforce subsidies and funding support programmes for the refurbishment and maintenance of existing, degrading stock and a means of reinforcing the access to services in less formal settlements. The core opportunities for housing development should also be focused or localised around the urban centers, where there is a growing demand for housing supply at this level.

Sources

African Development Bank Group (2018). Cabo Verde Economic Outlook. <https://www.afdb.org/en/countries/west-africa/cabo-verde/cabo-verde-economic-outlook/> (Accessed 31 July 2018).

African Development Bank (2014). Cabo Verde Country Strategy Paper 2014-2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/2014-2018_-_Cape_Verde_Country_Strategy_Paper.pdf (Accessed 31 July 2018).

BCA (2018). Crédito Habitação. <http://www.bca.cv/Servicos/Simuladores/Credito.aspx?sidc=0&idc=339&idl=1> (Accessed 31 July 2018).

BCV (2016). Financial Stability Report. <http://www.bcv.cv/SiteCollectionDocuments/2017/Financal%20Stability%20Report%202016.pdf> (Accessed 31 July 2018).

Banco de Cabo Verde (2018). Monetary Policy Report April 2018. http://www.bcv.cv/SiteCollectionDocuments/2018/RPM_ABRIL%20VI%202018.pdf (Accessed 23 August 2018).

Banco de Cabo Verde (2016). Relatório de Estabilidade Financeira 2016.

Banco Comercial do Atlântico (BCA) (2017). Folheto de Comissões e Despesas e Folhetos de Taxas.Caixa.

Banco Internacional de Cabo Verde (n.d). Crédito à Habitação BI Casa.

Caixa Económica de Cabo Verde (Caixa) (2017). Precário: Entrada em VÍgo: 02 de Maio de 2017.

Coface (2018). Economic Studies and Country Risks - Cabo Verde. <http://coface.org/Economic-Studies-and-Country-Risks/Cape-Verde> (Accessed 31 July 2018).

Development Initiatives (2017). Country Profiles - Cape Verde <http://data.devinit.org/pdf/20170331/Cape-Verde.pdf> (Accessed 1 August 2018). Pg. 4.

Doing Business (2018). Ease of Doing Business in Cape Verde. <http://www.doingbusiness.org/data/exploreeconomies/cabo-verde> (Accessed 31 July 2018).

Fouda, L M (2018). IMF Press Release No. 18/27 IMF Staff Completes 2018 Article IV Discussions with Cabo Verde. <https://www.imf.org/en/News/Articles/2018/01/26/pr1827-imf-staff-completes-2018-article-iv-discussions-with-cabo-verde> (Accessed 31 July 2018).

Global Property Guide (2017). Cape Verde's tourism boom to continue. <https://www.globalpropertyguide.com/Africa/Cape-Verde> (Accessed 10 Sept 2018).

Instituto Nacional de Estatística (2016). Famílias e Condições de Vida_IMC2016.

National Directorate of Planning (2018). Sustainable Development Goals-Voluntary National Report on the Implementation of the 2030 Agenda for Sustainable Development. https://sustainabledevelopment.un.org/content/documents/19580Cabo_Verde_VNR_SDG_Cabo_Verde_2018_ING_final_NU_280618.pdf (Accessed 2 September 2018).

Nshimyumuremyi, A. (2018). African Economic Outlook Cabo Verde. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/Cabo_Verde_country_note.pdf (Accessed 31 July 2018).

Numbeo (2018). Cost Of Living. https://www.numbeo.com/cost-of-living/country_result.jsp?country=Cape+Verde (Accessed 31 July 2018).

Making Finance Work for Africa (2018). Cape Verde – Financial Sector Profile. <https://www.mfw4a.org/index.php?id=283> (Accessed 31 July 2018).

Oricco, I. (2015). O Microcrédito Em Cabo Verde: Importância do Microcrédito na Criação de Negócios Locais na Ilha De Santiago. Dissertação, Instituto Politécnico do Lisboa.

Trading Economics (2018). Cabo Verde Indicators. <https://tradingeconomics.com/cape-verde/indicators> (Accessed 31 July 2018).

UN Habitat (2018). Cape Verde. https://unhabitat.org/cape_verde/ (Accessed 2 September 2018).

The World Bank (2017). Cabo Verde: Access to Finance for MSMEs (PI63015). <http://documents.worldbank.org/curated/en/825171511262268770/pdf/Project-Information-Documents-Integrated-Safeguards-Data-Sheet-Cabo-Verde-Access-to-Finance-for-MSMEs-PI63015-Sequence-No-00.pdf> (Accessed 2 September 2018).

The World Bank (2018). Overview. <http://www.worldbank.org/en/country/caboverde/overview> (Accessed 31 July 2018).

¹ The World Bank (2018). Overview. <http://www.worldbank.org/en/country/caboverde/overview> (Accessed 31 July 2018).

² African Development Bank (2014). Cabo Verde Country Strategy Paper 2014-2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/2014-2018_-_Cape_Verde_Country_Strategy_Paper.pdf (Accessed 31 July 2018). Pg. 4.

³ Coface (2018). Economic Studies and Country Risks- Cabo Verde. <http://coface.org/Economic-Studies-and-Country-Risks/Cape-Verde>. (Accessed 31 July 2018).

⁴ Corface (2018).

⁵ African Development Bank Group (2018). Cabo Verde Economic Outlook. <https://www.afdb.org/en/countries/west-africa/cabo-verde/cabo-verde-economic-outlook/> (Accessed 31 July 2018).

⁶ African Development Bank Group (2018).

⁷ Nshimyumuremyi, A. (2018). African Economic Outlook Cabo Verde. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/Cabo_Verde_country_note.pdf (Accessed 31 July 2018). Pg. 2.

⁸ Nshimyumuremyi, A. (2018). Pg. 2.

⁹ Trading Economics (2018). Cabo Verde Indicators. <https://tradingeconomics.com/cape-verde/indicators> (Accessed 31 July 2018).

¹⁰ African Development Bank Group (2018).

¹¹ Ibid.

¹² Nshimyumuremyi, A. (2018).

¹³ The World Bank (2017). Cabo Verde: Access to Finance for MSMEs (PI63015). <http://documents.worldbank.org/curated/en/825171511262268770/pdf/Project-Information-Documents-Integrated-Safeguards-Data-Sheet-Cabo-Verde-Access-to-Finance-for-MSMEs-PI63015-Sequence-No-00.pdf> (Accessed 2 September 2018). Pg. 5.

¹⁴ Banco de Cabo Verde (2016b). Relatório de Estabilidade Financeira 2016. Pg.23.

¹⁵ The World Bank (2017). Pg. 5.

¹⁶ Ibid.

¹⁷ Nshimyumuremyi, A. (2018). Pg. 6.

¹⁸ The World Bank (2017). Pg.5.

¹⁹ Making Finance Work for Africa (2018). Cape Verde – Financial Sector Profile. <https://www.mfw4a.org/index.php?id=283> (Accessed 31 July 2018).

²⁰ Making Finance Work for Africa (2018).

²¹ Banco Comercial do Atlântico (BCA) (2017). Pg. 37.

²² Caixa Económica de Cabo Verde (Caixa) (2017). Precário: Entrada em VÍgo: 02 de Maio de 2017. Pg.62.

²³ Banco Interatlântico (BI). (n.d) Crédito à Habitação BI Casa.

²⁴ Ibid.

²⁵ Doing Business (2018). <http://www.doingbusiness.org/data/exploreeconomies/cabo-verde> (Accessed 31 July 2018).

²⁶ National Directorate of Planning (2018). Voluntary National Report on The Implementation of The 2030 Agenda For Sustainable Development. https://sustainabledevelopment.un.org/content/documents/19580Cabo_Verde_VNR_SDG_Cabo_Verde_2018_ING_final_NU_280618.pdf (Accessed 2 September 2018). Pg. 8.

²⁷ National Directorate of Planning (2018). Pg. 14.

²⁸ Numbeo (2018). Cost Of Living. https://www.numbeo.com/cost-of-living/country_result.jsp?country=Cape+Verde (Accessed 31 July 2018).

²⁹ Numbeo (2018).

³⁰ BCA (2018). Crédito Habitação. <http://www.bca.cv/Servicos/Simuladores/Credito.aspx?sidc=0&idc=339&idl=1> (Accessed 31 July 2018).

³¹ National Directorate of Planning (2018). Pg. 88.

³² Ibid.

³³ UNHabitat (2018). Cape Verde. https://unhabitat.org/cape_verde/ (Accessed 2 September 2018).

³⁴ Instituto Nacional de Estatística (INE) (2016).

³⁵ Global Property Guide (2017). Cape Verde's tourism boom to continue. <https://www.globalpropertyguide.com/Africa/Cape-Verde>

³⁶ Global Property Guide (2017).

³⁷ Fouda, L M (2018). IMF Press Release No. 18/27 IMF Staff Completes 2018 Article IV Discussions with Cabo Verde. <https://www.imf.org/en/News/Articles/2018/01/26/pr1827-imf-staff-completes-2018-article-iv-discussions-with-cabo-verde> (Accessed 31 July 2018).

³⁸ Doing Business (2018).

³⁹ Doing Business (2018).

⁴⁰ Global Property Guide (2017).

⁴¹ Oricco, I. (2015). O Microcrédito Em Cabo Verde: Importância do Microcrédito na Criação de Negócios Locais na Ilha De Santiago. Dissertação, Instituto Politécnico do Lisboa. Pg. 64.

⁴² BCV (2018). Supervision of Micro Finance- Registered Institutions. <http://www.bcv.cv/vEN/supervision/supervisionofmicrofinance/registere dinstituitions/Paginas/Instituicoesinscritis.aspx> (Accessed 2 September 2018).

⁴³ National Directorate of Planning (2018). Sustainable Development Goals - Voluntary National Report on the Implementation of the 2030 Agenda for Sustainable Development. https://sustainabledevelopment.un.org/content/documents/19580Cabo_Verde_VNR_SDG_Cabo_Verde_2018_ING_final_NU_280618.pdf. (Accessed 2 September 2018). Pg.8.

⁴⁴ National Directorate of Planning (2018). Pg. 8.

Cameroon



Overview

Cameroon is the dominant economy and most significant market in the Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale, or CEMAC) because of the size of its economy and its growing population. It is located in Central Africa and shares a border with Chad, Central Africa Republic, Equatorial Guinea, Gabon and Nigeria.¹ It is a low to middle income country with a population of just below 25 million people, and an annual 2017 population growth rate of 2.62 percent.²

Cameroon was colonised by Britain and France. French Cameroon became independent in 1960 as the Republic of Cameroon. The following year, British trust territory of Southern Cameroons voted to merge with French Cameroon to form the Federal Republic of Cameroon. In 1972, a new constitution replaced the federation with a unitary state, the United Republic of Cameroon.³ The name of the country was later changed by presidential decree to The Republic of Cameroon. Southern Cameroon is currently engaged in a protracted battle with the government of Cameroon as it seeks to separate from the rest of the country. If these tensions do not ease, they could lead to a civil war in the country.

Cameroon's economy – CEMAC's engine for agricultural/industrial production and commercial services – saw a slowdown in economic activity and growth in 2017 due to a sharp decline in oil production and the unrest in the two English-speaking regions of the country. Economic growth is projected to reach four percent in 2018 mainly due to the start of natural gas production and construction work for the upcoming Africa Cup of Nations tournament.⁴ Cameroon achieved an improved ranking of 163 in the 2018 Doing Business Report for ease of doing business.⁵ Economic growth, increasing local and foreign direct investments, and a growth in population have created a growing middle class with a strong demand for products and services, including housing.

Modest oil and other mineral resources as well as favourable agricultural conditions provide Cameroon with one of the best-endowed primary commodity economies in Sub-Saharan Africa. It has the most diverse economy in the CEMAC region with a vision to become an upper middle income economy by 2035.⁶ According to the World Bank, for this vision to be realised, it will have to increase productivity, unleash the potential of its private sector and grow its GDP by eight percent between 2015 to 2035. As part of its industrialisation efforts, efforts to develop

KEY FIGURES

Main urban centres	Yaounde Douala
Exchange rate: 1 US\$ = [a] 25 Jul 2018	560.24 Central African CFA
PPP Exchange rate (Local currency/PPP\$) 1 CFA = [b]	228.00
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	0.87 0.64 1.14
Population [d] Urban population size [d]	24 994 885 14 097 115
Population growth rate [d] Urbanisation rate [d]	2.6% 3.63%
Percentage of the total population below National Poverty Line [e]	37.50%
Unemployment rate [b]	4.3%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$34 799 million 3.18%
GDP per capita (Current US\$) 2017 [b]	US\$1 446
GNI per capita (Current US\$) 2017 [b]	US\$1 360
Gini co-efficient [f]	46.50
HDI global ranking [g] HDI country index score [g]	153 0.518
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [d]	13.50%
Mortgage interest rate [h] Mortgage term (years) [h]	20% 20
Downpayment	20%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP [i]	3.40%
What is the cost of standard 50kg bag of cement?	US\$7.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	12 000 000 Central African CFA
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$21 600
What is the size of this house (m ²)?	100m ²
What is the average rental price for this unit (US\$)?	US\$360
What is the minimum stand or plot size for residential property?	50m ²
Ease of Doing Business Rank [j]	163
Number of procedures to register property [j]	5
Time to register property (days) [j]	86 days
Cost to register property (as % of property value) [j]	19.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Statista.com
[d]	Central Intelligence Agency (CIA) World Factbook
[e]	Trading Economics
[f]	Indexmundi
[g]	UNDP Development Indicators
[h]	Banque Internationale du Cameroun Pour l'Épargne et le Crédit
[i]	African Development Bank

agricultural, forestry and pastoral production are increasing. The mining industry has huge potential with new deposits continuously discovered, creating new opportunities for construction and the provision of subsidised, affordable housing. Major industries include petroleum production and refining, aluminium production, food processing, light consumer goods, textiles, lumber and ship repairs. However, huge investments in infrastructure and enhancement of the business environment are required to increase this sector's value. This is being addressed by the government with ongoing projects to increase electricity supply through the construction of new hydroelectricity power plants and incentives to encourage private sector investment in specific manufacturing sectors such as the deep sea port in Kribi and the Lom Pangar hydropower project. A natural gas-powered electricity generating plant has also been opened to diversify the energy sector. Growth in this sector and the increasing investments in infrastructure will enable the expansion of the residential real estate market.

The services sector is dynamic and dominated by transport, business and mobile telecommunications, construction, retail trading, hotel and catering and the financial services industry. The growth of these sectors alongside a growing middle class presents new opportunities for subsidised affordable housing and housing finance given the current inadequate end-user housing finance opportunities.

Access to finance

Though Cameroon's financial system is the largest in the CEMAC region, it is still in its infancy. There are 14 commercial banks and 412 licensed microfinance institutions (MFIs),⁷ as well as non-banking financial establishments and foreign exchange bureaus. There is also the Douala Stock Exchange.⁸ The banking sector is highly concentrated in the main urban areas and dominated by foreign commercial banks. Banks readily lend to government, multinationals and businesses but neglect retail and small businesses. Cameroon has a large unbanked population as only 15 percent of the population bank with commercial banks. Some commercial banks provide some housing-related finance in the way of mortgage loans.

According to the 2018 Doing Business Report, Cameroon's ranking significantly improved to 68th in the ease of getting credit.⁹ Mobile banking is increasing financial accessibility with companies such as MTN and Orange offering this service.

The Bank of Central African States (Banque des États d'Afrique Centrale/BEAC) regulates the banking and MFI sectors through the Central African Banking Commission (COBAC). Both COBAC and the Ministry of Finance and Budget license 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, government and medium to high net-worth individuals. The long-term credit market remains underdeveloped. The distribution of banks is heavily skewed towards the main urban and semi-urban centres, with a significant part of the semi-urban and rural parts of the country denied access to formal banking facilities. This is a gap that MFIs are exploiting.

Access to housing finance is very low, available mainly to government employees through the government agency, Crédit Foncier du Cameroun. Only about five percent of Cameroonians have access to mortgage finance from the formal private banking system. The government continues to inject more funds into Crédit Foncier, and has instituted reforms such as providing financial guarantees and broadening assets that can be used as collateral to make it easier to access housing finance. Property developers and private equity funds with money are getting into local partnerships to provide end-user financing for housing. A few partnerships are already in place: Ecobank and Crédit Foncier du Cameroun,¹⁰ and China Development Bank and Afriland First Bank,¹¹ which help provide end-user financing to individuals to buy or build houses. Title deeds are attached to only a small percentage of land because implementing the legal provisions on land ownership has been impeded by jurisdictional disputes as well as the high cost of title deeds. In 2012, Cameroon 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, making it easier for people to access finance.

Microfinance is mainly managed by associations, or savings and credit institutions and co-operatives. The licensed establishments have many branches across the country, a growing client base, and total savings of more than US\$1 billion.¹² About half of the MFIs belong to the largest network of MFIs, the Cameroon Cooperative Credit Union League (CamCCUL). While MFIs have become increasingly important, their development has been hampered by a loose regulatory and supervisory framework. The conditions to carry out microfinance activities are defined at the sub-regional level by CEMAC.

Liquidity is a problem, and many MFIs are only able to satisfy a third of their customers at any time, depending on their credit requirements. To address the liquidity issue and to make more funds available to finance activities, including providing housing finance, the government has established a wholesale fund, financed by the African Development Bank (AfDB). The fund is worth CFA 21 billion (US\$40 million) and has helped to usher in financial reforms.

Under Article 5 of the governing regulations, an MFI may be classified as category one, two or three.¹³ Category one are co-operative institutions that provide savings opportunities exclusively to members, cannot seek profits and exist solely to empower their members. Category two are profit-seeking MFIs that offer savings and credit facilities to the public. Category three MFIs are profit-seeking and provide credit services to the public but do not accept savings.

The most popular credit institution is called *njangi* by English-speaking people and *tontines* by French-speaking people. This rotating savings model is usually made up of people of the same social class, same community or same cultural affiliation who have similar incomes or who engage in similar activities. Two types are commonly used for housing purposes: rotating funds, and savings and loans funds.

Rotating funds involve groups of individuals who come together on a regular basis with agreed fixed sums of money that is interest-free. At each meeting, a lump sum is given to one of the group members. The member who receives the money is agreed in advance by consensus among the group, and the number of members determines the loan period. 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 loan funds allow members to contribute more than the agreed regular sum of money into a savings fund that is then loaned to other members in need with interest of 10 percent to 15 percent. The saver may withdraw the money but only after sufficient notification has been given to the association. This money earns interest for the saver.

Affordability

The unemployment rate in Cameroon is 4.2¹⁴ percent as of 2017, with underemployment reported to be about 76 percent, which may worsen given the current socioeconomic and political situation in the country. The population below the poverty line is reported to be 37.5 percent as of 2014. The national Gini-index is 46.5 suggesting relatively high levels of inequality.¹⁵ Cameroon has a Human Development Index value of 0.556.¹⁶ This puts the country in the Medium Human Development category. Most people (70 percent) earn an income or survive in the informal economy through subsistence agriculture and small, micro and medium-scale businesses. The formal private sector is not well developed, employing a very small percentage of the labour force. The government, through its agencies and parastatals, is the largest formal sector employer. The average monthly income per household in the formal public sector is CFA 150 000 (US\$270), which is slightly lower than the average income per household in the private sector at CFA 175 000 (US\$315). Average rental prices for three-bedroom accommodation range from CFA 60 000 (US\$108) to CFA 125 000 (US\$225) on average in urban and semi-urban areas respectively. Most families receive monthly remittance from the growing population in the diaspora. Remittance inflows from the diaspora into Cameroon continue to increase. In 2016, the value for personal remittances received in US dollars was estimated at 242 billion.¹⁷ These funds are used primarily for the basic needs of families back in Cameroon and to fund projects for those in the diaspora.

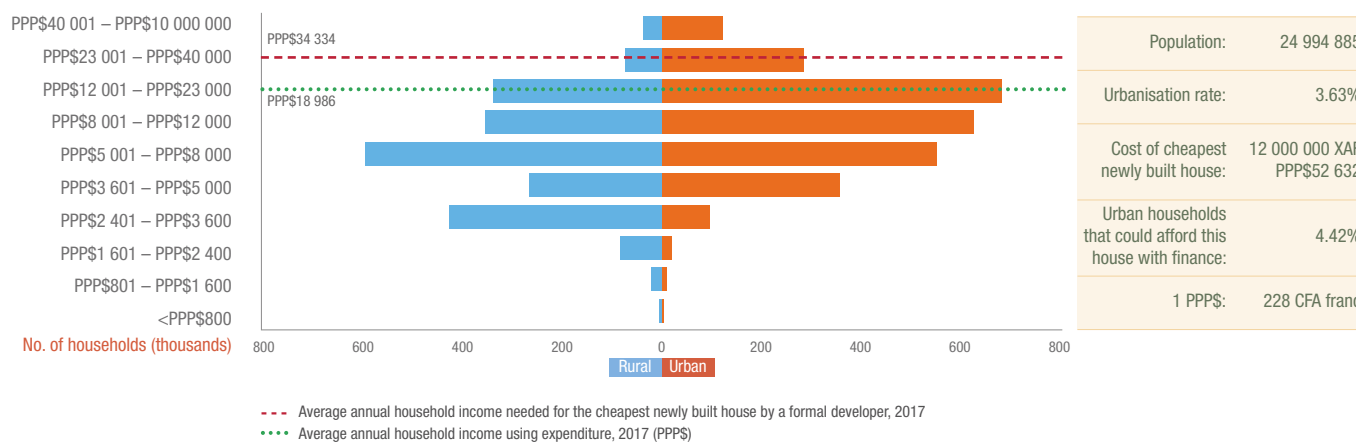
Building costs are high. It is difficult to build houses with uniform standards at a cost accessible to lower and middle income people. This has led to a discrepancy between production costs and purchasing power. Government has helped to reduce housing production costs to make housing more affordable by establishing government agencies such as Maetur to encourage the use of local materials and to reduce the price of land and inputs such as cement and sand. It has also stepped up funding for government agencies in this sector. Companies such as Quality Habitat Corp have set up factories to manufacture building materials, which should reduce cost of inputs. The government is also rolling out affordable housing projects across the country. Individuals provide 20 percent as their equity investment upfront and take a loan for the remaining 80 percent, which the government guarantees.¹⁸ Though at a very slow pace, this is helping to improve access to quality housing as individuals in the private and informal sectors are also beneficiaries.

Housing supply

With a population growth rate of 2.62 percent¹⁹ and an urbanisation growth rate of 3.63 percent,²⁰ in 2017 Cameroon is 56.4 percent²¹ urbanised. The challenge is to provide housing for this growing and urbanising population, almost half of which live in informal dwellings and settlements. The opportunity is to establish partnerships across the housing value chain to meet the increasing demand for high-end and affordable housing in urban, semi-urban and rural areas of the country. In 2014, an estimated 55 percent of households owned their own homes, 33 percent were tenants and 11 percent were accommodated free of charge.²² As the middle class grows, and rate of urbanisation increases, there is a shift from

CAMEROON

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

ownership towards rentals especially for first time or new entrants in the urban and semi-urban areas.

Despite ongoing efforts towards increasing housing supply, Cameroon's housing backlog is still significant. Government, private companies and individual investors (both local and in the diaspora) are looking to overcome the growing deficit of more than 100 000 units a year through ongoing investments in housing. A few years ago, the government estimated that up to one million homes needed to be built within a 10-year period to adequately house the growing population. Of these, 300 000 are needed in the main cities of Douala and Yaoundé. Demand for housing in the lower and upper ends of the market increases by up to 10 percent annually. Government is using a public private partnership approach in projects to build new social housing units countrywide.

The housing market is not well developed. The main players include the state-owned Cameroon Real Estate Corporation (Société Immobilière du Cameroun/SIC), founded in October 1952 as a centrally funded company in charge of social housing and developing the real estate market for government. It works in partnership with local and foreign private construction companies to handle large-scale projects and train the local workforce. SIC aims to build 100 000 new houses by 2022, 50 000 of which have already been built.²³ Crédit Foncier du Cameroun, a building and loan association, is the top mortgage bank and provides funds for social housing to individuals and developers. The National Investment Corporation of Cameroon (Société Nationale d'Investissement du Cameroun) invests government funds in profitable projects in different sectors.

Maetur acquires and develops land, which is sold to willing buyers at affordable prices. Mipromalo, the local material promotion authority, develops local materials for use by construction companies to reduce the cost of inputs and cost of housing. The three new cement companies established in 2015 have helped to increase the supply of cement, currently estimated at 3.5 million tonnes a year, short of the required domestic demand estimated at five million tonnes a year.

The number of private developers is increasing. Options for Homes in Cameroon, a local subsidiary of a Canadian Housing company, is involved in a mixed-use development in the coastal city of Limbe aimed at high income earners. Phases I and II, a total of 102 units of its current development, have been completed and sold out. Phase III of the project will be completed by the end of 2018.²⁴ Quality Habitat Corp, a Cameroon subsidiary of a US-based company, has a plan to build 2 000 houses annually. MG Constructions, a builder and property developer, has two major developments in the heart of Yaoundé and also in Douala, to be completed by September 2019.²⁵ Individuals (both locally and in the diaspora) are also heavily investing in housing, building standalone houses, mini cities and small estates. Most private developers build and sell houses to the upper middle income and high-end market through the BOT (Build, Operate and Transfer) model. Private developers also partner with municipalities and communities to build affordable housing.

There are institutional problems, and although Cameroon has developed catalytic real estate institutions, they suffer from dwindling public finance. New strategies are urgently needed for the effective functioning of these institutions. Government together with its partners (local councils, energy utility company Eneo, the National Water Supply Company of Cameroon, SIC and Crédit Foncier), launched a project in Douala and Yaoundé in 2009 to build 10 000 houses for low and middle income earners.²⁶ This project is now completed. There are many new housing units built by individuals entering the market for ownership and rental.

Phase I of a city council of Douala project which started in 2012 to build more than 1 000 social, affordable and private houses along with community, commercial, retail and leisure facilities in the Mbanga-Japoma area of the Douala III council, at a cost of CFA 122.23 billion (US\$220 million), is complete. It consists of 50 buildings, comprising 300 apartments with one parlour and four bedrooms, and 700 apartments with one sitting room and three bedrooms. The city council of Douala also has a project to deliver 2 500 affordable houses in Bonamatoumbe, with Phase I complete and Phase II ongoing.²⁷

Government policy has placed more emphasis on homeownership. However, a growing proportion of the population especially in the urban and semi-urban areas are seeking rental housing, while there is a huge shortage of rental housing units. Government has recognised the benefits of regulating and supporting rental markets to complement ownership.

Property markets

The formal real estate market is concentrated in urban and peri-urban areas such as Yaoundé, Douala and Limbe, and churn is concentrated in the middle-to-higher value market. Fifty-three percent of people own their own homes, which is mostly self-built while 30 percent are tenants. Both housing for ownership and rental is in high demand. Despite the focus on ownership, there are increasing opportunities for rental accommodation. Because supply increasingly lags behind demand, there is a constant minimum 10 percent year-on-year increase in house prices for rental. On average, it takes up to one month to find quality accommodation in Douala, Yaoundé and other main cities. This time has not decreased even with the increasing number of new housing units on the market. A growing number of real estate companies are providing buying/rental/management services to clients. On average, it can cost up to CFA 125 000 (US\$225) a month to rent a standard three-bedroom house in Douala and Yaoundé. This amount is about 20 percent cheaper in the smaller cities such as Buea, Limbe, and Bamenda. It costs up to CFA 10 million (US\$17 885) to build a standard three-bedroom house, excluding the cost of land in the main cities like Douala and Yaoundé. This cost is about the same and can even be more expensive in the smaller cities due to input costs. The cost of standard inputs increases the further away from Douala as most of the standard inputs are imported or manufactured around the main cities. The cost can be cheaper in the smaller cities depending on the inputs used. The average size of a standard three-bedroom house is 300m². The cost of a serviced 500m² piece of land in the urban areas is

CFA five million (US\$9 000). This cost drops in smaller cities such as Buea, Limbe and Bamenda.

There is a deeds registry but accurate figures on the number of deeds is not available. With an ease to register property rank of 176, it takes 86 days to register property, and the cost to register is 19 percent of the property value with five processes to register the property.²⁸

Policy and regulation

The national housing policy in Cameroon has evolved through three discernible periods: 1950-1976; 1977-2003/4; and 2004 to date.²⁹ During the first phase, emphasis was on direct construction of houses by the government. During the second phase, emphasis and focus shifted from housing as shelter to developing the total housing environment including providing and improving housing services and infrastructure. The current policy phase is focused on reassessing the habitat agenda. Emphasis is on construction of social infrastructural amenities and provision/upgrading of basic services in informal settlements in partnership with local and international private sector partners.

Land tenure is still characterised by the coexistence of a traditional or customary land tenure system, and a modern land tenure system. 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. Decree No. 2005/178 of 27 May 2005 organises the Ministry of State Property and Land Tenure, 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 constitute the institutional framework for the implementation of land legislation. The delay in implementing this framework is the main reason for the chaotic nature of land reform and the fact that title deeds are attached to only a very small percentage of land.

A credit registry database was established through legislation. This is improving the credit information system. Government also passed legislation that requires inspection and notification before construction permits are issued. Government has decentralised the process of obtaining building permits with a time limit of 90 days. This is yet to be achieved as it still takes up to 135 days to obtain a building permit.

Opportunities

Cameroon's housing sector continues to attract investment as there is a huge need for housing in all segments of the market and housing value chain. Private companies such as Options for Homes in Africa, Quality Habitat Corporation, Cameroon Property Company, MG Constructions and Ottiz Real Estate as well as an increasing number of individuals both local and in the diaspora are investing in the sector. Organised communities, NGOs and government at all levels (municipal, provincial, national) are also investing in the sector, mainly to provide social housing. The government continues to implement reforms recommended by the AfDB. Better regulation is making it easier for people to get title deeds for

their land, enhancing security of tenure and additional investment. Financial market reforms are continuously being implemented to play an enabling role in developing the housing sector. These reforms have helped to alleviate the problems related to the lack of serviceable land, delays in issuing construction permits and property registration, undeveloped capital markets and an unresponsive banking sector. Government should continue with reforms, 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 housing finance and housing development.

With economic growth, a huge and increasing housing backlog in all segments of the housing market, growing middle and upper classes, increasing capital inflows from Cameroonians in the diaspora and other international investors, increased local investment and better legislation and reforms, the housing market is destined for sustainable growth. As a result of the social, economic and political situation in the mainly English-speaking part of the country, there has been a slowdown in current and new projects as individuals and institutional investors are discouraged from further investments.

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, there is still a shortage of prime real estate. There are also new and emerging developers who are focusing on the middle class and lower income groups, as this presents the biggest opportunity for development and financing now and in the future.

Additional sources

- Ah-Yohoo (2018). "Strategic Position – Gateway to CEMAC Region." <http://ahyohoo.com/5-reasons-to-invest-in-cameroon-today/strategic-position-gateway-to-cemac-region> (Accessed 11 Sept 2018).
- African Development Bank Group (2018). Cameroon Economic Outlook. <https://www.afdb.org/en/countries/central-africa/cameroon/cameroon-economic-outlook/> (Accessed 11 Sept 2018).
- Afriland First Group (2018). "Afriland First Bank Cameroun signe un accord-cadre de 26 milliards FCFA avec la China Development Bank." <http://www.afrilandfirstgroup.com/index.php/fr/actualite-medias/5002-afriland-first-bank-cameroun-signer-un-accord-cadre-de-26-milliards-fcfa-avec-la-china-development-bank> (Accessed 11 Sept 2018).
- Djoumessi, E. (2009). Financial Development and Economic Growth: A Comparative Study between Cameroon and South Africa.
- Fotabong, A.L. (2012). The Microfinance Market of Cameroon: Analysing Trends and Current Developments.
- Ofeh, M.A. and Zangue Nguekeu J. (2017). Financial Performances of Microfinance Institutions in Cameroon: Case of CamCCUL Ltd. International Journal of Economics and Finance. Vol 9. No. 4.

Websites

- <http://www.beincameroon.com/en/>
- www.cameroonpropertyagent.com
- www.creditfoncier.cm
- www.investiraucameroun.com/
- www.statistics-cameroon.org
- www.minhdu.gov.cm
- www.cemac.int
- www.habitatcameroon.com
- <https://www.sni.cm/index.php?lang=fr>

¹ The World Bank (2018). The World Bank in Cameroon. <http://www.worldbank.org/en/country/cameroon/overview> (Accessed 10 Sept 2018).

² Ibid.

³ Central Intelligence Agency (CIA) (2018). World Factbook: Cameroon. <https://www.cia.gov/library/publications/the-world-factbook/geos/cm.html> (Accessed 15 Sept 2018).

⁴ Reuters (2018). "IMF says Cameroon's economic growth to rise to 4 percent in 2018." 7 July 2018. <https://uk.reuters.com/article/cameroon-economy-imf/imf-says-cameroon-economic-growth-to-rise-to-4-percent-in-2018-idUKL8N1U308M> (Accessed 15 Sept 2018).

⁵ World Bank (2018). Doing Business: Reforming to create jobs. <http://russian.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf> (Accessed 11 September 2018).

⁶ Republic of Cameroon (February 2009). Cameroon Vision 2035. www.cameroonvision2035.com/download?lang=fr&strMode=getDoc&id=31 (Accessed 15 Sept 2018).

⁷ Koigi, Bob (2017). "Cameroon: 412 microfinance institutions greenlighted to operate in 2017." 18 Jan 2017. Africa Business Communities. <https://africabusinesscommunities.com/news/cameroon-412-microfinance-institutions-greenlighted-to-operate-in-2017.html> (Accessed 15 Sept 2018).

⁸ Ministry of Finance. http://www.minfi.gov.cm/index.php/en/component/content/category/images/documents/Depenses_de_l_etat_par_chapitre_section_article_et_paragraphe/38-state%20expenditure%20per%20budgetary%20head%20section%20article%20and%20paragraphe.pdf

⁹ World Bank (2018). Doing Business: Reforming to create jobs.

¹⁰ Credit Foncier du Cameroun (2016). www.creditfoncier.cm

¹¹ Afriland First Group (2014). www.afrilandfirstgroup.com.

¹² ResearchGate (March 2017). Financial Performances of Microfinance Institutions in Cameroon: Case of CamCCUL Ltd. https://www.researchgate.net/publication/315912196_Financial_Performances_of_MicrofinanceInstitutions_in_Cameroon_Case_of_CamCCUL_Ltd (Accessed 11 Sept 2018).

¹³ Ibid.

¹⁴ Trading Economics (2018). <https://tradingeconomics.com/cameroon/indicators>

¹⁵ Ibid.

¹⁶ UNDP (2018). Human Development Indices and Indicators: 2018 Statistical Update Briefing note for countries on the 2018 Statistical Update: Cameroon. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/CMR.pdf (Accessed 15 Sept 2018).

¹⁷ Indexmundi (2017). <https://www.indexmundi.com/facts/cameroon/indicator/BX.TREPWKR.CD.DT>

¹⁸ Cameroon Real Estate Corporation (2017). <https://www.sic.cm/index.php/fr/>

¹⁹ The World Bank (2018). The World Bank in Cameroon.

²⁰ Central Intelligence Agency (CIA) (2018). World Factbook: Cameroon.

²¹ Ibid.

²² SECPE Investments Inc. <https://www.secpeinvestments.com/cameroon-real-estate/>

²³ Cameroon Real Estate Corporation (2017).

²⁴ Options International: Cameroon. www.optionsinternational.com/cameroon

²⁵ Be in Cameroon (2016). <http://www.beincameroon.com/en/>

²⁶ Ministry of Economy, Planning and Regional Development: Cameroon Growth and Employment Strategy Paper (2010).

²⁷ Business in Cameroon (2018). www.businessincameroon.com

²⁸ World Bank (2018). Doing Business: Reforming to create jobs.

²⁹ African Development Bank (2009). Cameroon: Diagnostic Study for Modernisation of the Land and Survey Sectors.

Central African Republic



Overview

The Central African Republic (CAR) lies landlocked at the heart of the African continent. Aside from abundant land, CAR is well endowed with natural resources such as timber, gold and diamonds.

Of the total population (5 625 118) in 2017, 32.45 percent is between 25 and 54 years (male 913 363 and female 912 096). The urban population of CAR increased from 20.1 percent in 1960 to 40.65 percent of the total population in 2017, growing at an average annual rate of urbanisation of 2.73 percent, higher than the 2.12 percent total population growth rate. Subsistence agriculture, together with forestry and mining, remains the backbone of the economy; approximately 60 percent of the population lives in outlying areas, with the result that the agricultural sector generates more than half of GDP. Timber and diamonds account for most export earnings, followed by cotton.

Economic development faces hurdles which include the CAR's non-coastal geography, poor transportation system, largely unskilled work force, and a long history of misdirected macroeconomic policies. Distribution of income is particularly unequal. Despite the numerous grants from France and the international community, it has only been able to meet humanitarian needs. Since 2009, the IMF and the government have worked hand in hand to institute reforms that have resulted in some improvement in budget transparency, but other problems remain. International aid includes a three-year extended credit facility valued at US\$116 million by the IMF. Also in late 2016, the World Bank approved a US\$20 million grant to restore basic fiscal management, improve transparency, and assist with economic recovery. Participating in the Kimberley Process, a commitment to remove conflict diamonds from the global supply chain, partly lifted the ban on diamond exports from CAR in 2015. Gross Domestic Product has failed to recover to its pre-2013 levels due to the continuous insecurity.

Since the end of 2012, CAR has been facing an increasingly complex political and humanitarian crisis. Intensified armed opposition to the central government by a coalition of armed movements called Séléka resulted in a coup d'état in March 2013, which was accompanied by numerous human rights violations and large areas controlled by armed groups (80 percent of the territory). By the end of 2013, one fifth of the population (one million persons) were displaced. At least 1.2 million people have been forced from their homes. One in four people are either internally displaced or have sought refuge in neighbouring countries. In 2017, the number of internally displaced people increased by 70 percent.

KEY FIGURES

Main urban centres	Bangui
Exchange rate: 1 US\$ = [a] 1 Aug 2018	560.24 Central African CFA
PPP Exchange rate (Local currency/PPP\$) 1 CFA = [b]	335.5
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018	4.70 3.80 n/a
Population [d] Urban population size	5 625 118 2 283 797
Population growth rate [d] Urbanisation rate [d]	2.12% 2.73%
Percentage of the total population below National Poverty Line 2014 [e]	56%
Unemployment rate [b]	6%
GDP (Current US\$) [f] GDP growth rate annual [f]	US\$2 000 million 4.0%
GDP per capita (Current US\$) 2017 [b]	US\$418
GNI per capita (Current US\$) 2017 [b]	US\$390
Gini co-efficient 2010 [b]	56.2
HDI global ranking 2016 [g] HDI country index score 2016 [g]	188 0.352
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	2.95%
Mortgage interest rate Mortgage term (years)	15% n/a
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$17
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	13 445 760 Central African CFA
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$24 000
What is the size of this house (m ²)?	50m ²
What is the average rental price for this unit (US\$)?	US\$400
What is the minimum stand or plot size for residential property?	50m ²
Ease of Doing Business Rank [h]	184
Number of procedures to register property [h]	5
Time to register property (days) [h]	75 days
Cost to register property (as % of property value) [h]	11.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Xe.com
[b]	World Bank World Development Indicators
[c]	African Development Bank
[d]	Indexmundi
[e]	United Nations statistics
[f]	International Monetary Fund
[g]	UNDP Development Indicators
[h]	World Bank Doing Business

However, the country is undergoing an internationally supervised transition involving several constitutional referendums as well as presidential and parliamentary elections.

Economic recovery which began in 2014, though uncertain at the start, is strengthening gradually, with a real GDP growth rate that reached 4.5 percent in 2017.¹ This improvement is embedded in the recovery of the extractive sector, which surged by 22.8 percent following the partial suspension of the Kimberley Process. Inflationary pressures, which were strong during the crisis, should lessen in 2017 and 2018 thanks to the recovery of transport in the Douala-Bangui corridor and to improved food supply. The inflation rate, which was as high as 11.6 percent in 2014, was expected to gradually ease from an average of 5.6 percent in 2015, to 4.7 percent in 2016 and 3.8 percent in 2017. CAR being a member of Banque des états de l'Afrique Centrale (BEAC) which is the regional central bank, lowered its benchmark interest rate by 50 basis points to an all-time low of 2.45 percent in 2015. This loose monetary policy is likely to be transmitted to the country's financial institutions.

Access to finance

The 2018 World Bank Global Findex data report of Demirgüç-Kunt et al. (2018) shows that the percentage of the population who affirm having an account (by themselves or together with someone else) at a bank or another type of financial

institution or report personally using a mobile money service in the past 12 months has increased between 2011 and 2017. In general 14 percent, independently of age, level of education, level of income or gender, have an account. However, the percentage of respondents who report having an outstanding loan (by themselves or together with someone else) from a bank or another type of financial institution to purchase a home, an apartment, or land is 5 percent; this rate is 7 percent for the labour force (age more than 15), 2 percent for the population out of the labour force (age more than 15), 6 percent for men, 5 percent for women, 5 percent for the young adults (age between 15 and 24), 5 percent for older adults (age more than 25), 5 percent for those with primary education or less, 5 percent for those with secondary education or more, 5 percent for the poorest 40 percent, 6 percent for the richest 60 percent and 3 percent for the rural area. According to these most recent statistics, men receive more housing loans than women, the labour force receives more loans than the out-of-labour force population and the richest receive more loans than the poorest in CAR.

CAR is primed to establish a housing bank; leading officials of Shelter Africa Center, a real estate and housing firm based in Nairobi, Kenya are posing the possibility of establishing a bank for housing, according to a publication on APA news website.² This is the result of a recent meeting between the company's leading officials and the Minister of Housing to find solutions to the difficulties of state officials without decent housing. Shelter Africa intends to explore avenues for financing projects that involve the construction of social housing in the Central African Republic, to put an end to the crisis in the country's housing industry. However, the Minister warned that for such a housing scheme to become a reality, the country has to return to lasting peace and security.³

Almost no housing finance instruments are available. The housing finance landscape remains underdeveloped, offering many opportunities for the development of 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 fifteen-year term) and credit for equipment (for a maximum of three years) to individuals at an interest rate of between 8.5 percent and 17 percent a year, plus value-added tax (VAT), for up to CFA 50 million (US\$85 280) for credit for equipment and without maximum amount for housing credit. These loans are secured by first-order mortgages on the concerned properties and are in general supplied to public and private administration workers. Additionally, according to the World Bank database on housing finance provided by Badev et al. (2014),⁴ the minimum income required for a prudent mortgage in CAR is US\$13 894 and only 0.5 percent of the population can afford this; the access to the mortgage market is therefore challenging for almost all of the population.

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 in view of creating a housing bank. Plans were to create a housing bank named the Central African Housing Bank (Banque de l'Habitat de la Centrafrique), and a housing promotion agency (Agence Centrafricaine de Promotion de l'Habitat). The Housing Promotion Agency was created in 2009 and fully staffed in 2011. However, the creation of the Central African Housing Bank was never ratified.

As part of the Central African Economic and Monetary Community (CEMAC), CAR shares a common currency with other member states and delegates monetary policy to the BEAC. The financial sector is regulated by two regional regulatory authorities named COSUMAF (Commission de Surveillance du Marché Financier de l'Afrique Centrale) to regulate financial institutions and COBAC (Commission Bancaire d'Afrique Centrale) to administer, regulate, and supervise countries' member banks; additionally, there is a Division of Financial Control at the Ministry of Finance and Budget, which works as a national authority for financial institutions.

CAR made progress in providing access to finance until the last political crisis again disrupted efforts. CAR's financial sector is the smallest in the CEMAC region and accounts for only 17.6 percent of GDP; it is thus largely underdeveloped and plays only a limited role in supporting economic growth. In addition to the BEAC National Office, the system currently comprises four commercial banks, holding approximately 93 percent of the total financial system's assets in addition to two microfinance institutions (MFIs), two post office banks, three insurance companies,

and a social security fund. Other financial institutions are largely absent from the country's financial system, and their development remains hampered by weak market infrastructure as well as the lack of the necessary legal, judicial, prudential, and regulatory frameworks. While the sector has seen some moderate expansion in recent years, financial intermediation levels are amongst the lowest in the world, and credit to the economy, which was 15 percent of GDP in 2014, represented only 12.9 percent of GDP in 2017; and the main sectors benefitting from bank loans in the same year are trade (20 percent), transport and communications (16 percent), forestry (12 percent) and other services (28 percent).

Access to housing-related financial products remains a major challenge. Due to economic and security concerns, financial institutions, and particularly banks and MFIs, have largely consolidated their business in Bangui, the capital of the country. Bank branches and ATMs are mostly concentrated in three towns, with 71 percent of total branches located in Bangui. Coverage of banking services as measured by the number of branches per 100 000 adults was only 0.96 percent in 2013. Ecobank Centrafrique is the most extensive banking company, with branches in each of the main urban centers. Ecobank has 12 branches all over the country, although eight of these are located in Bangui. The post office is in charge of the postal savings bank, primarily serving as a channel for salary payments to civil servants, a minimal percentage of whom hold a savings account. According to the latest getting-credit indicator of the World Bank's Doing Business Report (2018), CAR is ranked 142 out of 190 countries. About 5.7 percent of the population holds a bank account and only 0.5 percent have outstanding loans, while only 1 percent has access to MFIs. Low levels of mobile penetration also dampen the potential expansion of access to financial services through mobile technology.

Between 2007 and 2011, UNCDF, UNDP, the CAR Government and various players of the microfinance sector launched a four-year US\$4 million programme named Programme d'Appui à l'Emergence d'un Secteur Financier Inclusif en République Centrafricaine. The aim is to support the emergence of an inclusive financial sector in order to give the poor and low income population access to sustainable financial products and services provided by microfinance institutions operating in a sustainable legal and institutional framework. At the beginning of 2010 there were only five licensed MFIs, comprising 31 branches and 32 000 clients. Crédit Mutuel de Centrafrique is the most important MFI network in the CAR, with a gross loan portfolio of US\$3.9 million shared by 6 109 account owners, and deposits amounting to US\$8.8 million in 2013. The Société Financière Africaine de Crédit (SOFIA), another MFI, began operations in March 2009, and by end 2014 had 330 borrowers with total loans of US\$0.24 million; however, during the same year, the SOFIA deposits amount was higher (US\$3.25 million), highlighting the issue of financial access in CAR.

Affordability

Affordability is of great concern in the CAR housing sector. The high cost of building materials, low incomes of Central Africans, and the general political and economic volatility make owning a house a mere dream for the average citizen. In 2017, a simple one-bedroom housing unit with a modern toilet costs on average CFA 13.9 million (US\$24 000). Compared to the average monthly income of only CFA 20 844 (US\$36), the cost of a one-bedroom house represents 576 times monthly revenue. It is obvious that only a tiny proportion of the Central African population can access formal housing.

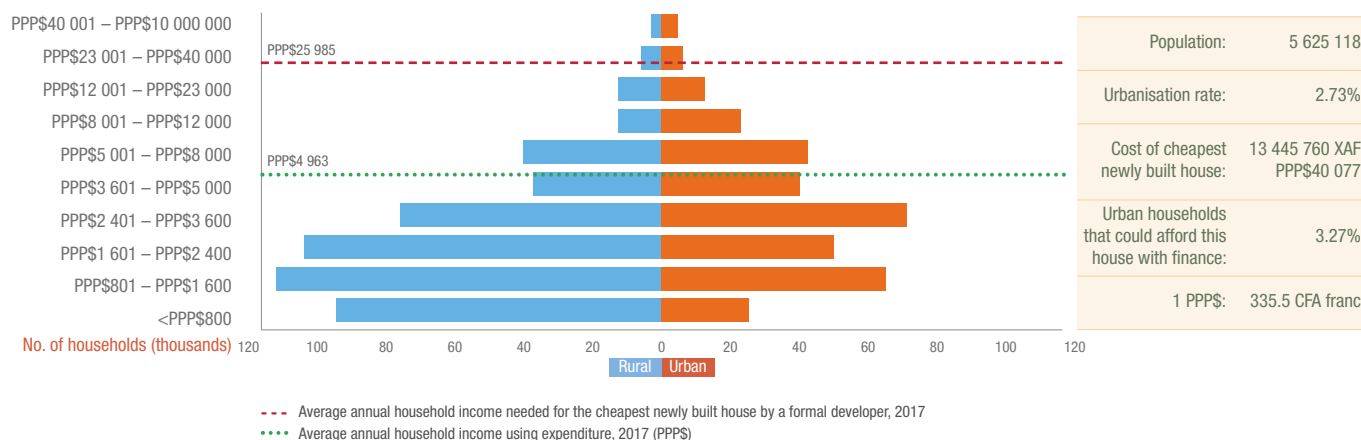
The urban population rate was 40.65 percent in 2017 (with a forecast of 61.6 percent in 2050). This increasing housing demand on one hand combined with the very small proportion of the CAR population which can access formal housing on the other hand highlights the issue of housing affordability and the urgent need for a clear policy to solve the issue.

A large number of Internally Displaced Persons (IDPs) occupy rental units (estimates are around 70 percent). Unsurprisingly, the main challenge for this group of IDPs has been the inability to pay rent, having lost their livelihoods. In Carnot and Sibut the monthly rent varied between CFA 2 895 to 5 790 (US\$5.27-US\$10.54) while in Bangui this could be anything between CFA 52 110 to 579 000 (US\$94.9-US\$1 054.47), depending on the size of the house and the main purpose of renting.

In 2017 a standard 50kg bag of cement cost as much as CFA 10 000 (US\$18.21). Other building materials such as a standard iron bar and a sheet of corrugated

CENTRAL AFRICAN REPUBLIC

Annual income profile for rural and urban households based on consumption (PPP\$)

Source <https://www.cgidd.com/>

iron cost between CFA 2 000 (US\$3.64) and CFA 8 500 (US\$15.48), and CFA 5 000 (US\$9.1) and CFA 20 000 (US\$36.42), respectively. 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 could drop to CFA 7 500 (US\$13.66). 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 help meet expectations.

Housing supply

The recent political and security crisis has particularly damaged the prospects of the development of good standardised towns and cities. A government project is underway to redesign urban/housing development and planning in Bangui, with the main aim of bringing structure to its breakneck urbanisation and establishing a sustainable healthy housing environment. Since the emergence of the crisis, a large portion of CAR's housing stock has been pillaged, burnt or destroyed. The United Nations High Refugee Commissariat estimates that at least 170 houses in Bangui's 8th district and 900 in the 5th district have been partially or completely destroyed since December 2013. In Begoua, just north of Bangui, an estimated 800 houses have been partially or completely destroyed. It is estimated that 100 houses were partially or completely destroyed in Sibut town.

Even though the CAR Ministry of Housing has initiated and/or is implementing several projects, the recurring crises that the country experienced, has seriously inhibited the willingness of many international companies to build housing in CAR. For example, in 2011, the Ministry of Housing received funding from Cotel –Africa, a housing finance structure based in Nairobi, Kenya, to build 300 housing units on two sites, one in the neighbourhood Boy-Rabe (Bangui) and the other in the village on the road Kozobilo Boali. Unfortunately, this last project has not been completed. Additionally, the Morocco kingdom has financed the construction of 100 housing in Sakai locality; however, even if the project is financed at 70 percent, the deadline has passed and the housing is not available.

Property markets

The 1964 Land Code classifies land as being either within the public or the private domain of the state. The public domain is defined as all natural and artificial resources that, by their very nature, should be publicly managed for the benefit of the population. They are inalienable and cannot be traded commercially, for instance waterways, classified parks, lakes and railways. The private domain of the state is defined as all unregistered land, landholdings acquired by the state and the exercise of eminent domain. Obtaining ownership rights over land in the private domain of the state is possible. This requires, however, that land be registered (and in most cases developed). The process for registering private property, culminating in the attainment of a title deed, is considered costly and time consuming. According to the World Bank's 2018 Doing Business Report, it takes 75 days and 5 procedures, and costs on average 11.1 percent of the property value to register a property, resulting in a ranking of 169th out of 190 countries for

registry of property. This, as well as the government's weak land administration and management capacity in most parts of the country, explains the fact that only 0.1 percent of land has been registered. Between 1899, when the title deed was introduced, and July 2012 only 8 579 title deeds had been issued according to the land registry at the Ministry of Finance, the majority of which were for properties in Bangui and other urban areas. Homeowners in rural areas frequently only entered into verbal agreements regarding their ownership, often with involvement of a chief. The inclusion of unregistered land in the private domain of the state is therefore a very significant feature of CAR's land tenure system. Ownership of registered property can be transferred via purchase, inheritance and lease.

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.

Policy and regulation

CAR's legal system is based on the French civil law system. As with other branches of government in CAR, the judiciary suffered from decades of insecurity and poor governance. Prior to the current crisis, several key legislative documents, such as the Family Law (Code de la Famille) and the 1964 Land Code were under revision. Due to the events of late 2012 and early 2013 until today, these review processes have not been concluded and other housing strategies and plans have been side lined.

The decree explaining the organisation and functioning of the Ministry of Housing stipulates the construction, management and promotion of administrative housing as its main directive. Other officials indicated that the focus on housing provided for civil servants would remain. The Ministry of Urbanism allocates and manages CAR's land. It allocates land, to, for instance, private parties but also to bigger projects such as housing schemes. The Ministry also manages the country's cadastre, provides technical expertise to assess and demarcate land, determines criteria for the development of land and issues construction permits and title deeds.

The technical aspect of the cadastre is complemented by the Ministry of Finance and Budget, which takes care of the financial side of land registration. It also houses the land registration office (known as the Office of Domaines). This means that once the land registration office has issued a title deed, the related files are transferred to and stored at the Ministry of Finance and Budget.

In addition to the existing regulation frameworks governing the housing sector, some recent policies have been implemented including:

- In 2017, the CAR introduced a new conciliation procedure for companies in financial difficulties and a simplified preventive settlement procedure for small companies in order to make resolving insolvency easier.

- 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, however, not 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

There is a huge need for cost-effective housing in all segments of the market because of the high prices of building materials. Also, 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 years, while affordability is expected to grow too. The outlook for growth in the current reconstruction period is high. This includes huge housing accumulation, growing middle and upper classes, increased capital inflows from CAR citizens in the diaspora and other international investors, increased local investment and better legislation and reforms. Additionally, the latest economic studies have found that reconstruction after years of conflict which devastated infrastructure is a key determinant of housing finance (Nguena et al., 2016). Other planned structural reinforcements such as the potential housing bank are indicative of a market open for expansion and primed for the introduction of new finance and housing products.

Sources

African Economic Outlook (2018). Central African Republic, 2018.

APA News (2017). "CAR to set up housing bank." <http://apanews.net/en/news/car-to-set-up-housing-bank> (Accessed 11 Sept 2018).

Badev, A., T. Beck, L. Vado & S. Walley (2014). "Housing finance across countries: New data and analysis". World Bank Working Paper Series.

Demirgüç-Kunt, A., L. Klapper, D. Singer, S. Ansar, & J. Hess (2018). "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution". World Bank: Washington, DC.

Economist Intelligence Unit (EIU) (2015). Country Report: Central African Republic. 16 August 2015.

Government of Central African Republic (2000). National Report Istanbul+5. Bangui, 2000.

Government of Central African Republic (2008). Ministry of Public Buildings Reconstruction, Urban Development and Housing. Lettre de Politique Nationale de Développement du Secteur de l'Habitat en République Centrafricaine. Bangui, 2008.

Government of Central African Republic (2008). Ministry of Public Buildings Reconstruction, Urban Development and Housing. Résumé du rapport de stratégie nationale de l'habitat. Bangui, 2008.

Government of Central African Republic (2009). Ministry of Finance and Budget. Stratégie Nationale pour la Finance Inclusive en RCA. Bangui, 2009.

Government of Central African Republic (2011). Poverty Reduction Strategy Paper 2 2011-2015: Reducing Extreme Poverty. Bangui, 2011.

IMF (2014). Request for disbursement under the Rapid Credit Facility and cancellation of the Extended Credit Facility Arrangement- Staff Report; Press Release; and Statement by the Executive Director for the Central African Republic. 1 May 2015.

The Mix. Central African Republic Economic Overview. www.themix.org/mixmarket/countries-regions/central-african-republic (Accessed 11 Sept 2018).

Nguena, C. L., F.Tchana Tchana & A. Zeufack (2016). Housing Finance and Inclusive Growth in Africa: Benchmarking, Determinants and Effects. World Bank Policy Research Working Paper N°: WPS7902.

Trading Economics. Central African Republic Interest Rate 2009-2018. www.tradingeconomics.com/central-african-republic/interest-rate (Accessed 11 Sept 2018).

UNHRC & Norwegian Refugee Council (2014). Displacement and Housing, Land and Property Rights in the Central African Republic. December 2014.

USAID (2010). Property Rights and Resource Governance: Central African Republic. USAID Country Profile.

World Bank (2016). Doing Business 2017: Central African Republic Country Profile.

Websites

www.globalfindex.worldbank.org

www.lejustesalaire.com

www.mfw4a.org/central-african-republic

<https://reliefweb.int/country/caf>

www.izf.net/ancien/entreprise/num-5378

¹ African Development Bank (2018). African Economic Outlook. Note pays CAR. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/RCA_note_pays.pdf (Accessed 11 Sept 2018).

² APA News (July 2017). "CAR to set up housing bank"

³ Ibid.

⁴ Badev, A., T. Beck, L. Vado & S. Walley (2014).

Chad



Overview

A land-locked country in central Africa, Chad gained independence from France in 1960. It is one of the largest countries in Africa with an area of 1 284 000 km² and a population of 14.7 million inhabitants. The population growth rate is 3.02 percent¹ with an urbanisation rate of 22.78 percent.² Only 23.1 percent of the population live in urban areas, with half of them in N'Djamena alone. Chad Republic is beset by regional instability, internal tensions between ethnic groups and environmental challenges of desertification caused by climate change.³ Its geography results in a reliance on neighbouring countries and a sensitivity to regional conflicts.⁴ Furthermore, Chad has been heavily reliant on financial support from the international community.⁵ President Idriss Deby and his party, the Patriotic Salvation Movement, have dominated politics since 1990, and in 2016 Deby was re-elected as president for a fifth term. The Chadian constitution has been amended recently to eliminate the prime minister position and give full power to the President under the Fourth Republic that reinstates the two-term limit of six years starting after the elections of 2021.

Classified as one of the three least developed countries in the world with a rank of 186 out of 188 (Human Development Index), 46.7 percent of the population live below the national poverty line and 38.4 percent below the international poverty line of less than US\$2 a day.⁶ According to statistics from a United Nations Children's Fund UNICEF study released in 2015, 78 percent of young people and adults (15 years and older) are illiterate (70 percent male and 86 percent female), only 19 percent are enrolled in secondary schools, and only four percent progress to further technical and vocational programmes. Access to electricity rose from two percent of the population in 2015 to four percent in 2017. Only 12 percent of the population have access to sanitation (with 31.4 percent for urban population and 6.5 percent for rural population). Mobile phone subscriptions reach 40.2 percent of the population but remain below the regional average. Internet access was limited to five percent in 2016.⁷

The Gini coefficient of 43.3 (2011) demonstrates an unequal distribution of income despite high levels of oil revenues. A total of 77.7 percent of households (less than two million) are rural, with only 9.2 percent (just under a quarter of a million) living in major urban areas. According to UN Habitat, Chad's average household size has consistently been around eight for the past two decades, though it is gradually decreasing, and is expected to be 7.5 in 2025.

KEY FIGURES

Main urban centres	Moundou N'djamena
Exchange rate: 1 US\$ = [a] 10 Jul 2018	561.05 Central African CFA
PPP Exchange rate (Local currency/PPP\$) 1 CFA = [b]	200.9
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018 [b]	-1.90 3.10 3.60
Population [c] Urban population size 2016 [b]	14 649 076 3 268 876
Population growth rate [d] Urbanisation rate [d]	3.05% 3.77%
Percentage of the total population below National Poverty Line 2014 [c]	46.7%
Unemployment rate [b]	7%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [e]	US\$9 981 million -2.95%
GDP per capita (Current US\$) 2017 [b]	US\$670
GNI per capita (Current US\$) 2017 [b]	US\$630
Gini co-efficient 2011 [c]	42.1
HDI global ranking 2015 [f] HDI country index score 2015 [f]	186 0.396
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	14.00%
Mortgage interest rate Mortgage term (years)	8% 5
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP [d]	20.00%
What is the cost of standard 50kg bag of cement?	US\$14
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	30 000 000 Central African CFA
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$55 000
What is the size of this house (m ²)?	120m ²
What is the average rental price for this unit (US\$)?	US\$500
What is the minimum stand or plot size for residential property?	450m ²
Ease of Doing Business Rank [g]	180
Number of procedures to register property [g]	9
Time to register property (days) [g]	180 days
Cost to register property (as % of property value) [g]	20%

NB: Figures are for 2018 unless stated otherwise.

- [a] Orabank
- [b] World Bank World Development Indicators
- [c] African Development Bank
- [d] Institut National de la Statistique, des Études Économiques et Démographiques (INSEED)
- [e] International Monetary Fund
- [f] UNDP Development Indicators
- [g] World Bank Doing Business

Chad holds substantial oil reserves, which accounted for around 60 percent of fiscal revenue from 2003 to 2013. However, the recent collapse in oil prices since 2014, rainfall deficits and the deterioration in the security situation have severely affected the Chadian economy.⁸ The persistent violence in neighbouring countries creates humanitarian, military and political risks for the country. Chad plays a key role in regional efforts to combat regional terrorism, including Boko Haram, and supports an estimated 750 000 refugees and internally displaced persons, mainly in its border regions.⁹

As a result of the economic impact of exogenous shocks (drop in oil prices, falling domestic oil production, and the rising inflows of refugees), authorities are implementing an emergency action plan to address the fiscal crisis. This action plan has resulted in significant spending cuts and the expenditure envelope has been reduced to about half the 2014 level (in nominal terms). In recognition of the economic vulnerability caused by an over-reliance on the oil-based sector, efforts have been made toward economic diversification.¹⁰ To this end, a new five-year National Development Plan (NDP), as part of the "Vision 2030, the Chad We Want" plan, has been prepared and will provide a framework for economic policy from 2017. This policy focuses on: diversifying the sources of growth, lifting productive capacity, boosting job creation, strengthening governance, and restoring public finances and external accounts. The implementation of this plan is supported by the IMF's Extended Credit Facility (ECF) which has reportedly made



satisfactory progress to date. Approval of the conclusions of the Third and Fourth Reviews of the programme enabled the country to benefit from financial assistance in 2016 and 2017.¹¹ These budgetary assistance supplements were provided by the African Development Bank, the European Union (EU), France and the World Bank.¹² Financial assistance renewed in 2017 to support the national budget is expected to continue through 2020.¹³

The dynamics of Chad's political instability are complex and continue to pose a threat to regional and national stability and have a negative effect on the country's investment climate.¹⁴ Chad is ranked 180 out of 190 countries on the World Bank's Doing Business Index for three consecutive years (2016, 2017, 2018) with a score of 38.30 in 2018, a decrease of 0.28 percent over 2017.

Access to finance

Chad is a member of the Central African Economic and Monetary Community (CEMAC), which has a regional central bank – the Bank of Central African States (BEAC). All banks in Chad are subject to oversight by the Central Africa Banking Commission, which is part of BEAC. Monetary policy is managed by BEAC, which prioritises controlling inflation and maintaining the CFA franc peg to the euro. The BEAC is expected to continue to broadly track European Central Bank policy, given the region's economic and currency ties to the EU. In May 2017, BEAC kept its policy rate at 2.95 percent to boost regional credit growth and enhance economic activity in the non-hydrocarbon sector.

Chad's financial system is among the least developed in the CEMAC region and is characterised by limited debt and low monetisation. Access to financial services remains a major issue for the vast majority of Chadians, with banking services almost non-existent outside of urban areas. With less than one branch per 1 000 km², Chad has the least dense banking network in the region. Only 12 percent of the population have formal bank accounts, just 30 percent of the richest 20 percent; and only 2.4 percent of the adult population has access to credit.

With the agreement of the Banque de l'Habitat du Tchad (BHHT), and its formal launching on 16 August 2017, there are nine commercial banks, two insurance companies, two pension funds and more than 200 microfinance institutions. The informal microfinance sector is very promising and dynamic. The number of institutions increased from 160 in 2013,¹⁵ to 170 in 2015, to exceed 200 in 2017, making finance accessible to 10 223 000 people.¹⁶

The deteriorating economy has impacted the banking sector. Banks' links to the government are significant because of their exposure to government debt, and the private sector's dependence on government spending. The ongoing economic crisis has therefore led to a drop in credit to the private sector (about 5.4 percent year-on-year as of end-June 2016), and an increase in non-performing loans from 11.7 percent of gross banking loans at end-2014 to more than 17 percent at end-June 2016.¹⁷

According to Findex 2014, 4.5 percent of adults have an outstanding mortgage. At 5.4 percent, a greater percentage of adults in rural areas had a mortgage than those in urban areas. Some banks provide mortgages and rates are set at between 7-17 percent (2018). Orabank offers a mortgage for a loan repayment term between five and 10 years, at an average rate of nine percent not to exceed CFA 30 million (US\$53 436.59) to those who are formally employed, to private companies or multinationals. The Sahel-Sahara Bank for Investment and Commerce also offers property loans. The newly created BHHT is expected to provide loans at rates between seven and eight percent for a 15-year term.

Affordability

Typical of low income countries with dominant oil sectors, the capital city of N'Djamena is ranked as the 15th most expensive city to live in for expatriates by Mercer's Cost of Living Survey, in its worldwide assessment of 209 cities in 2017, moving from number 9 in 2016.¹⁸ The unemployment rate was estimated at 5.8 percent of the labour force given most are self-employed or working in agriculture and herding.¹⁹ The minimum wage is CFA 60 000 (US\$106.87).²⁰ According to Numbeo, the rental cost of a formal apartment in the city centre ranges between CFA 675,365.67 (US\$1 202.97) and CFA 1.35 million (US\$2 404.65) a month. Prime residential rentals were around CFA 2 million

(US\$3 562.44) a month in 2018, which is slightly down from 2017 as the market is generally stagnant. Furthermore, to buy an apartment costs about CFA 4.5 million (US\$8 015.49) per square meter in the city centre and CFA 2.6 million (US\$4 631.17) outside the city centre. In contrast, the average annual general expenditure per capita, in 2011, was CFA 231 190 (US\$411.80), ranging from CFA 66 321 (US\$118.13) for the poorest households to CFA 617 292 (US\$1 099.53) for the wealthiest. Taking into consideration Chad's GDP per capita (US\$2 400²¹ in 2018), which includes the significant contribution to the economy by the oil sector and its poverty rate of 60.5 percent, the rental figures highlight how unaffordable formal housing still is.²²

The World Bank claims that the inadequate and informal nature of housing is because of the extremely high cost of building materials, stating that this is the reason that the rental market is predominantly informal. While there have been initiatives to decrease the cost of imports, such as road paving funded by the World Bank and other internal donors, the remoteness of N'Djamena, the capital city, and the lack of initiatives to provide affordable housing – marked by the fact that none of the loans provided by international donors have been for housing – means that the high cost of formal housing is likely to remain.

For the resale market, the World Bank's Doing Business 2017 report states that the standard price of property was CFA 22 330 414 (US\$39 775.38) down from CFA 24 855 899 (US\$44 273.82) in 2015. Little data is still available on the cost of constructing a house but what there is suggests that it continues to be high. In fact, the average cost of building a house in N'Djamena is CFA 350 000/m². The Lutheran World Federation (LWF) constructed 405 houses for refugees at a cost of US\$45 500 a house in 2013. However, in 2014, LWF reported that it was able to build more houses at a cost of US\$25 000. The lack of supply of adequate and affordable housing means that data on the cost of construction is scarce.

Housing supply

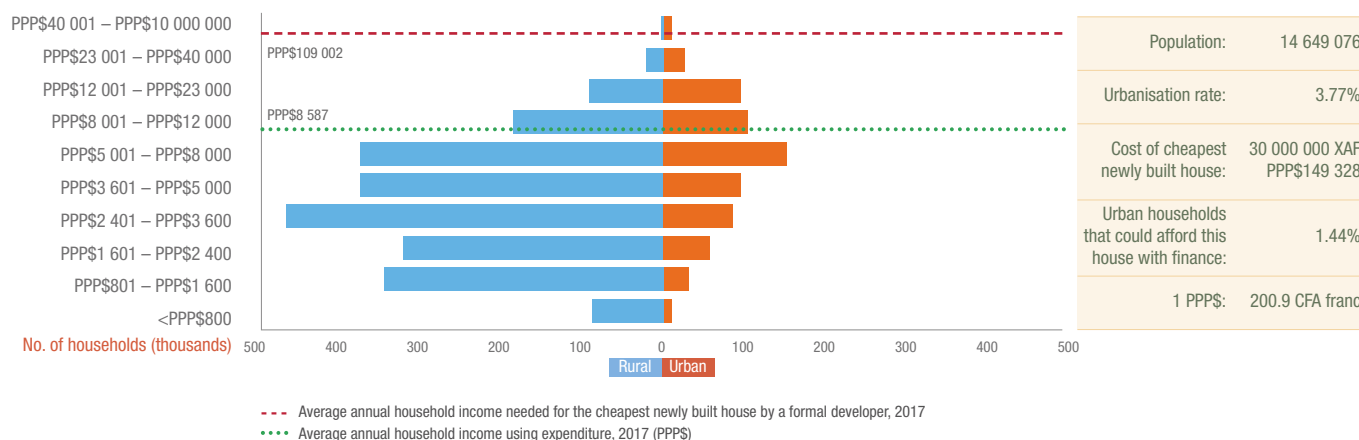
The number of houses was estimated to be about two million based on the total population of which 76.9 percent live in rural areas. With over 90 percent of its urban inhabitants living in informal settlements, according to UN Habitat, Chad suffers from a severe affordable housing shortage. The Housing National Strategy estimated in the year 2000 that around 340 000 units of decent housing were needed and 20 000 additional units every year: A rough estimation brings the gap in decent housing to 700 000 units to meet the need of the Chadian population in 2018. While there is little information available on the actual supply of housing in Chad, it appears that improvements in affordable housing have been slow; 75.6 percent of urban housing was inadequate in 2015. Supply of housing in Chad is predominantly provided informally through self-construction or incremental housing projects. Its remote, land-locked location drastically increases the price of imported building materials, while local manufacturing is limited. Chadians tend to construct incrementally, accessing financing through family and informal sources, both in urban and rural areas, predominantly with traditional building materials.

Since 1998 the government has made numerous efforts to improve urban development and housing conditions in the country. In 2003, the government officially declared it would provide all citizens with decent homes which, at the time, reflected the willingness to use a significant part of the country's oil revenues to improve the living and housing conditions of the poor: "Vision 2030, the Chad We Want", the national blueprint plan, aimed to increase access to decent housing to 40 percent by 2030, (from 24.4 percent in 2017). Gaps in housing is estimated at 300 000 units and the 2017-2021 National Development Plan envisions the construction of 30 000 units a year. Starting in 2003, following the oil boom, the government signed several Memorandum of Understanding with foreign real estate agencies, including the Moroccan ADOHA signed in 2014 and the French Duval signed in 2017, but so far no progress has been made.

While the oil boom had increased demand for formal housing at the top of the market it has done little to increase the supply in the affordable market. At the higher end of the market, property is generally developed for owner-occupation or for leasing to expatriates. The current expatriate leasing market is dominated by the diplomatic sector as oil companies have downsized operations.²³ Most new formal construction happens at the high-end of the market, with the government constructing 60 deluxe houses for an African Union summit in 2015 along with residential developments alongside the Ledger Plaza hotel. However,

CHAD

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

the summit was cancelled due to the economic crisis and since then construction activities have halted. In the mid-market, there are plans for thousands of units close to the new Toukra University, which are currently under construction, although no new updates are publicly available at this stage.

Property markets

As with many African countries, the state holds all private and public land. This means that all land that is considered vacant or unoccupied is the property of the State. However, the law prohibits the expropriation of land without due process and states that the government may only take possession of land 15 days after compensation is paid. Furthermore, Article 41 of Chad's constitution stipulates that land should be expropriated only in instances of urgent public need.²⁴ However, individuals and entities can obtain private ownership of state-held and other private land, through land grants, concessions and land purchases.

New land purchases require registration with the Land Registry and buyers must obtain a *titre foncier* (land title). However, enforcement of land rights is challenging, partly because the majority of landowners do not have a title or a deed for their property. According to Human Rights Watch, in 2008, the government forcibly evicted an estimated 10 000 residents from N'Djamena and demolished 1 798 homes to make improvements to the city. There was reportedly no recourse or due process and neither compensation nor resettlement assistance was offered to those affected.²⁵ The office of Domain and Registration (Direction de Domaine et Enregistrement) in the Ministry of Finance and Budget is responsible for recording property deeds and mortgages. In practice, this office asserts authority only in urban areas; rural property titles are managed by traditional leaders who apply customary law. Chadian courts frequently deal with cases of multiple or conflicting ownership rights or titles to the same property. In cases of multiple titles, the earliest title issued usually has precedence. The government does not provide clear definitions and protections of traditional use rights of indigenous peoples, tribes, or farmers. Given that the government recognises that registering land titles is a priority, in 2013, the Ministry of Land created the One-Stop Land Titling Office (Guichet Unique pour les Affaires Foncières).²⁶

The same factors revealed by the World Bank's Doing Business Index 2018 inhibit the development of Chad's property markets: registering property involves six procedures, taking 44 days at a cost of 12.9 percent of the price of the property. As a result, Chad is ranked 159 out of 190 countries in the ease of registering a property. The One-Stop Land Titling Office has started in N'Djamena an electronic database of land records and provides untameable titles. However, most title or deed records in the country remain in paper format and the electronic database has not yet been extended to the whole country for checking for encumbrances (liens, mortgages, restrictions and the like). There are no publicly available official statistics tracking the number of transactions at the immovable property registration agency. Interestingly, while unmarried men and unmarried women have equal ownership rights to property in Chad, married men and women do not.

Policy and regulation

Protection of land rights is enshrined in Chad's 1967 codified Land Law. Chad has a National Housing Strategy (Stratégie Nationale du Logement, SNL), which is implemented through the Ministry in charge of Urban Development and Housing and was adopted in 1998/1999. The most recent policy document for housing is the 2017-2021 NDP, which is framed around the: "(i) the reinforcement of national unity; (ii) the reinforcement of good governance and a lawful state; (iii) the development of a diversified and competitive economy; and (iv) the improvement of the quality of life of the Chadian population."²⁷ As part of the NDP, Chad has allocated CFA 91.2 billion (US\$162 million) to improving the housing stock for the period 2017-2021. However, this allocation has rarely been reflected in annual budgets and is expected to be covered by public private partnerships. Furthermore, the government has undertaken the following initiatives: a law intended to improve and secure property and land ownership was introduced in 2013 to parliament, and an expansion of the One-Stop Land Titling Office to the whole country will be undertaken to allow for the modernisation of land-registry services. The Ministry of Urban Development and Housing put in place in 2012 the Observatory of Housing and Urban Development to conduct property surveys in N'Djamena and other cities. Additionally, according to the World Bank, in N'Djamena and a few other cities and towns, 4 082 lots have been established by subdividing land. However, no serviced land was offered. A Land and Real Estate Promotion Corporation (SOPROFIM) was created in 2010 and has formulated a programme with the support of SHELTER-AFRIQUE to provide 800 serviced land plots ranging from 225 m² to 240 m² and to build 100 housing units.

Opportunities

While Chad faces significant economic and political challenges in the short term, analysts predict that the economy will return to expansion from 2018. The need for fiscal austerity measures will also start to moderate from next year, supporting public investment in construction and manufacturing. Chad offers an interesting market to work in, and one in desperate need of affordable housing developments. The high cost of formal construction provides developers with the opportunity to gain substantial market share by manufacturing building materials locally and/or innovating in the affordable segment of the market. Furthermore, there are enormous opportunities for both the public and private sectors to strengthen the development and supply of financial services to the broader population – in particular affordable housing finance products. As part of Africa's Agenda 2063, the United National Economic Commission for Africa (UNECA) conducted a study on urbanisation, and intended to provide Chad with an industrialisation plan through housing value chain development.

Any development in the built environment will face not only the challenges of the economic and political environment but also the physical difficulties encompassed in the context of a geographically remote, drought-ridden country with limited infrastructure.²⁸ However the Chad's 2030 development goals intend to fast-track industrialisation and encourage private sector involvement in the economy by developing public private partnerships and by integrating certain economic

activities into regional, continental and global value chains.²⁹ The launching of the Banque de l'Habitat du Tchad opened the doors for channelling resources to support housing development in the country. The private sector through public private partnerships will be able to contribute to providing a solid social housing stock to bridge the gap in adequate housing needs. Professional corporations, such as architects, urban planners, engineers, realtors, are being organised to support the promotion and development of the housing sector.

Sources

CGAP (2018), Portail Microfinance, Tchad : <https://www.microfinancegateway.org/fr/pays/tchad> (Accessed 21 July 2018).

CIA Factbook (2018). Africa: Chad. <https://www.cia.gov/library/publications/the-world-factbook/fields/2018.html> (Accessed 02 July 2018)

IDA, IFC & MIGA (2015). Country Partnership Framework for the Republic of Chad for the Period FY 2016-2020. (3 November 2015).

IFC (2009). Enterprise surveys: Chad: Country Profile 2009, World Bank Group.

IHS (2017). Country Report: Chad. (27 June 2017).

International Monetary Fund (IMF) (2018). First review under the extended credit facility arrangement, and request for a waiver of nonobservance of performance criteria – Press release; staff report, and statement by the Executive Director for Chad. IMF Country Report No. 18/108.

IMF (2016). Third and Fourth reviews under the Extended credit Facility Arrangement, and Requests for Waivers of Nonobservance of Performance Criteria, Augmentation of Access, Extension of the Current Arrangement, and Rephrasing of Disbursements. IMF Country Report No. 16/364.

IMF (2015). Second review under the Extended credit Facility Arrangement, a Request for Waivers of Nonobservance of Performance Criteria and for Modification of Performance Criteria- Press Release; Staff report; and Statement by the Executive Director for Chad. IMF Country Report No. 15/351.

IMF (2015). Chad – IMF executive board completes first review under the ECF arrangement, approves augmentation and US\$27.7 million disbursement, International Monetary Fund press release.

IMF (2015). Poverty reduction strategy paper – Joint staff advisory note on the 2013 monitoring report of the National Development Plan 2013-15.

IMF (2014). Central African Economic and Monetary Community (CEMAC): IMF country report No. 14/305, International Monetary Fund Publication Services: Washington.

IMF (2011). Chad: Financial Sector Stability Assessment. IMF Country Report No. 11/299.

INSEED (2015), Recensement General des Entreprises, Rapport General. INSEED/IFC International (2015) Enquête Démographique et de Sante et a Indicateurs Multiples au Tchad (EDS-MICS) 2014-2015, <https://dhsprogram.com/pubs/pdf/fr317/fr317.pdf> (Accessed 19 July 2018).

Irish, J. (2014). Chad to double oil output by 2016, develop minerals -minister, Reuters.

Knight Frank (2015). Africa Report: 2015.

Monkam, N. (2010). Mobilising tax revenue to finance development: The case for property taxation in Francophone Africa, Working paper 195, University of Pretoria

N'Kodia, C. (2014). Chad, African Economic Outlook.

Polgreen, L. (2008). World Bank ends effort to help Chad ease poverty, New York Times.

Steffen, S. (2015). Chad: The role of economic interests in Chad's fight against Boko Haram, Deutsche Welle.

Tchad, Ministère de l'Aménagement du Territoire, de l'Urbanisme et de l'Habitat (2015), Habitat III : Vers un nouvel agenda urbain au Tchad, Rapport National.

Tchad, Ministère de l'Economie et de la Planification du Développement (2017), Vision 2030, le Tchad que Nous Voulons.

Tchad, Ministère de l'Economie et de la Planification du Développement (2017), Plan National de Développement 2017-2021.

UN (2018) UNData, A World of Information, <http://data.un.org/en/iso/td.html> (Accessed 10 July 2018).

UNECA (2017), Urbanization and Industrialization for Africa's Transformation, Economic Report on Africa.

UNECA (2017). Renforcer les capacités des États membres en vue de concevoir et d'appliquer des stratégies et des politiques en faveur de villes inclusives et durables en Afrique, Compte pour le développement (neuvième tranche – I415BB), Evaluation de l'intégration de l'urbanisation dans la planification du développement national au TCHAD, Etude de Cas du Tchad (Dr Doudjdingaou Antoine).

UNHABITAT (2018). The State of African Cities 2018: The Geography of African investment, United Nations Human Settlements Programme: Nairobi.

USAID (2010). USAID country profile: Property rights and resource governance: Chad, USAID.

US Department of State (2015). Chad Investment Climate Statement 2015.

World Bank (2018). Doing Business 2018, Reforming to Create Jobs, <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf> (Accessed 20 July 2018).

World Bank (2015). The Republic of Chad joint staff advisory note on the 2013 monitoring report of the National Development Plan 2013-2015: Report No. 95505-TD, World Bank.

World Bank (2013). Republic of Chad poverty notes: Dynamics of poverty and inequality following the rise of the oil sector; Poverty Reduction and Economic Management 4: Africa Region.

World Bank (2011). Republic of Chad public expenditure review update: Using public resources for economic growth and poverty reduction, Poverty Reduction and Economic Management 3: Africa Region.

Websites

www.africareport.com
www.allafrica.com
www.beac.int
www.chadhouses.com
www.cia.gov
www.data.imf.org
www.doingbusiness.org
www.imercer.com
www.mfw4a.org
www.mirror.unhabitat.org
www.mixmarket.org
www.numbeo.com
www.tchad.org
www.tradingeconomics.com
www.unhabitat.org
www.worldbank.org

¹ Worldometers. <http://www.worldometers.info/world-population/chad-population/> (Accessed 8 August 2018).

² Chad: Urbanization from 2007 to 2017. <https://www.statista.com/statistics/455790/urbanization-in-chad/> (Accessed 8 August 2018).

³ African Development Bank (AfDB) (2018). Chad Data, Chad Economic Outlook (Accessed 22 July 2018).

⁴ CIA Factbook (2018). The World Factbook, Africa, Chad. <https://www.cia.gov/library/publications/the-world-factbook/fields/2018.html> (Accessed 22 July 2018).

⁵ CIA Factbook (2018).

⁶ World Bank (2018). Country: Chad Overview. <http://www.worldbank.org/en/country/chad/overview> (Accessed 17 May 2018).

⁷ CIA Factbook (2018).

⁸ World Bank (2018).

⁹ International Monetary Fund (IMF) (2018). First review under the extended credit facility arrangement, and request for a waiver of non-observance of performance criteria – Press release; staff report, and statement by the Executive Director for Chad. IMF Country Report No. 18/108.

¹⁰ CIA Factbook (2017).

¹¹ AfDB, UNDP, OECD. (2016). African Economic Outlook 2016.

¹² AfDB, UNDP, OECD (2016) & IMF (2016).

¹³ IMF (2018).

¹⁴ IHS (2016).

¹⁵ The Consultative Group to Assist the Poor, CGAP (2013). Portail Microfinance, Tchad : <https://www.microfinancegateway.org/fr/pays/tchad> (Accessed 18 July 2018).

¹⁶ Fouapi Djiogap Constant (2015). Les institutions de microfinance et d'inclusion financière dans la CEMAC, University of Yaounde II, Working paper.

¹⁷ IMF (2016).

¹⁸ CIA Factbook (2018).

¹⁹ UN (2018). UNData, A World of Information, <http://data.un.org/en/iso/td.html> (Accessed 10 July 2018).

²⁰ World Bank (2018) Doing Business 2018, Reforming to create jobs. <http://www.doingbusiness.org/rankings?region=sub-saharan-africa> (Accessed 19 July 2018).

²¹ IMF, April 2018 Report.

²² Numbeo (2018) https://www.numbeo.com/property-investment/country_result.jsp?country=Chad

²³ Knight Frank (2017).

²⁴ IHS (2017).

²⁵ IHS (2017).

²⁶ US Department of State (2015).

²⁷ IDA, IFC & MIGA (2015), p16.

²⁸ IDA, IFC & MIGA (2015).

²⁹ AfDB, UNDP, OECD (2017).

Comoros



Overview

The Union of Comoros (Comoros) is an archipelago of four islands and several islets located in the Western Indian Ocean, just south of the Equator and less than 200 miles off the East African coast. Comoros lies approximately halfway between the island of Madagascar and northern Mozambique at the northern end of the Mozambique Channel. The total area of the Comoros is 2 235km² with a population estimated at 832 347 in 2018 (an increase of 2.26 percent over 2017). The United Nations estimated that about one-third of the population lives in urban areas, including Moroni, Mutsamudu and Domoni. Moroni is the largest city and capital on the semi-autonomous island Grande Comore with a population of 55 000.

Formerly a French colony, Comoros became independent in 1975. It comprises three islands: Anjouan, Moheli and Grand Comore; a fourth island, Mayotte, is still a French territory. Under the federal system, each of the main islands has its own president and elected legislature. The governors, formerly elected, were appointed by the president after the constitution was amended in 1982. There are also four municipalities: Domoni, Fomboni, Moroni, and Mutsamudu.

More than 20 coups or attempted coups and a long period of political and institutional instability characterise the political history of the Comoros. In 2001, the Fomboni Accord led to the adoption of the new Constitution, establishing the Union of the Comoros with broad autonomy for the islands. A secession attempt in 2008 requiring military intervention by the international community resulted in an amendment to the Constitution in 2009 for the presidential terms to be five years non-renewable. The president is assisted by three vice presidents, one from each of the three islands, and the number of ministers is set constitutionally at 10. The national congress was convened in February 2018 to assess conditions after 42 years of independence and recommended an overhaul of the system of a rotating presidency among the islands through potential constitutional reforms.

Comoros is one of the poorest countries in the world; most of the population rely on subsistence agriculture and fishing. The Comoros economy is highly dependent on foreign aid, remittances and tourism. Cassava, sweet potatoes, rice and bananas are the staple crops along with yams, coconuts and maize. Meat, rice and vegetables are leading imports. Comoros is the world's second-largest producer of vanilla, with one-third of exports going to France, and the world's leading producer of ylang-ylang, a perfume oil. Cloves and copra are also exported.

KEY FIGURES

Main urban centres	Moroni
Exchange rate: 1 US\$ = [a] 11 Sept 2017	423.16 Comorian franc
PPP Exchange rate (Local currency/PPP\$) 1 Comorian franc = [b]	226.08
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [a]	1.80 1.00 2.00
Population 2017 [b] Urban population size 2017 [b]	813 912 232 299
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	2.28% 2.73%
Percentage of the total population below National Poverty Line	n/a
Unemployment rate [c]	4.3%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$649 million 2.50%
GDP per capita (Current US\$) 2017 [b]	US\$797
GNI per capita (Current US\$) 2017 [b]	US\$760
Gini co-efficient [h]	n/a
HDI global ranking 2015 [d] HDI country index score 2015 [d]	160 0.498
Is there a deeds registry?	yes
Number of residential properties that have a title deed	n/a
Lending interest rate [b]	11.50%
Mortgage interest rate Mortgage term (years)	11% 10
Downpayment	20%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$7.89
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	15 000 000 Comorian franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$35 685
What is the size of this house (m ²)?	150m ²
What is the average rental price for this unit (US\$)?	US\$500
What is the minimum stand or plot size for residential property?	200m ²
Ease of Doing Business Rank [e]	158
Number of procedures to register property [e]	4
Time to register property (days) [e]	30 days
Cost to register property (as % of property value) [e]	8.10%

NB: Figures are for 2018 unless stated otherwise.

- [a] Coinmill.com
 [b] World Bank World Development Indicators
 [c] Trading Economics
 [d] UNDP Development Indicators
 [e] World Bank Doing Business

The fishing industry has potential but is still mainly undeveloped. Access to land and overpopulation remains a developmental issue.

With almost 400 inhabitants per square kilometre, the Comoros is densely populated, and over half of its population (53 percent) is under the age of 20. The last household survey conducted in 2014 revealed that almost 18 percent of the population lives under the international poverty line set at US\$1.9 per capita per day. About 70 percent of the poor live in rural areas where the incidence of poverty is estimated at 49.9 percent against 31 percent in urban areas. In Moroni the poverty rate is estimated at 36.5 percent, compared to poverty levels of more than 45 percent in Ndzuani and Mwali. There is considerable inequality, with a Gini index of 45.3. The Comoros, which was ranked 160 (out of 188) on the UN's Human Development Index in 2016, must focus its efforts on combating hunger and malnutrition.

Economic growth increased marginally from 2.2 percent in 2016 to 2.5 percent in 2017, mainly as a result of improved electricity supply and an increase in emigrant remittances. Marginal improvements were also noted in infrastructure, mainly rehabilitation of priority roads. Yet structural reforms to diversify the economic base of Comoros produced minimal results. Policies to enhance regulatory efficiency and maintain open markets to develop a more dynamic private sector did not render the expected results. Thus, Comoros remains heavily dependent on foreign aid while the burdensome business environment restricts sustained economic development.

The African Economic Outlook 2018 also states that the purchase of new power stations led to the recovery of electricity production, which revitalised entire sectors of the economy, including tourism, hospitality, trade and the distribution of fresh food products. Moreover, growth was boosted by rising international prices of the country's main export products and improved diplomatic relations with Saudi Arabia and its Persian Gulf allies, which led to significant budget and off-budget support for public investment. Nevertheless, the current political climate poses a serious risk for the economy mainly a result of the new leaders' decision to challenge the constitutional principle of alternating presidencies between the country's three main islands, a practice that has ensured institutional stability and peaceful transitions of power since 2001. Further, the cost of fuel subsidies to the two public electricity companies absorbs a sizeable portion of the government budget and creates ongoing cash flow problems.

In its Annual Report 2016, the Central Bank of Comoros reported an improvement in the rate of growth mainly due to better electricity production and distribution, improved public investment and a low inflation rate (1.8 percent in 2016 compared to 1.3 percent in 2015). The Central Bank of Comoros, in its bi-annual Economic Report for 2017, states that 2017 had been marked by lesser downside risks compared to the previous year, resulting in higher domestic demand, improved public investment and increased small and medium enterprise activities. However, despite this recovery, the growth momentum in the Comoros remains fragile, partly due to the inadequacy of adjustments made by the public authorities. The latter would have required more sound and targeted policies that would enable the country to better mobilise resources and direct them to the productive sectors. Private consumption has been well-oriented, connected to the regular payment of wages and salaries and the increase in private sector demand for credit. Other factors such as private transfers, including remittances from the diaspora, which increased by 12.5 percent compared to 2016, road rehabilitation, telecommunication and air transport developments contributed to economic growth in the Comoros in 2017.

In 2017, the Consumer Price Index was influenced mainly by a number of internal measures taken by the authorities, the decline in prices of certain goods and services included in the household consumption basket, and an increase in food prices, followed by "communication" and "restoration" costs. The evolution of imported and local prices shows a clear difference over the long term. The price of local goods remains higher than the price of imported goods.

The World Bank's 2018 Doing Business Report ranks Comoros at 158 out of 190 countries surveyed in ease of doing business compared to 153 in 2016. The Comoros made improvements in six indicators including starting a business, getting electricity and trading across borders. Despite, these improvements, the country's ranking fell as other countries made more improvements.

Comoros ranked 160 in the UN Human Development Index for 2016 and 121 in the 2018 Economic Freedom Index. Improvements were noted in labour freedom, judicial effectiveness, and trade freedom, offsetting declines in the tax burden and government spending indicators. The report further noted that contracts are weakly enforced, and property rights are not well protected.

The high level of poverty and low level of development in Comoros restricts the development of housing including social housing. Comoros receives a considerable amount of foreign aid including in the area of housing, however the institutional infrastructure is still lagging behind. Nevertheless, with the development of the economy and efforts from the Government of Comoros, these bottlenecks are expected to gradually lessen.

Access to finance

Comoros has a relatively small and underdeveloped financial sector. In its 2016 Annual Report, the Bank of Comoros reports no major changes in the banking and financial services sector. The Comorian banking and financial system comprises 10 institutions approved by the Central Bank of Comoros: four banks, three decentralised financial institutions or microfinance institutions and three financial intermediaries. At the end of December 2016, the Comorian banking system had 125 outlets, including head offices, spread all over the country, including 14 for the four banks (La Banque pour l'Industrie et le Commerce, La Banque Fédérale de Commerce, Exim Bank and La Banque de Développement des Comores), 67 for

the three networks microfinance networks (L'Union des Meck, L'Union des Sanduk d'Anjouan and L'Union des Sanduk de Mohéli) and 44 for financial and postal services (La Société Nationale des Postes et des Services Financiers).

The Central Bank of Comoros states that, in 2016, deposits amounted to KMF 102.7 billion (US\$0.24 billion), an increase of 18.6 percent, compared to KMF 86 billion (US\$0.2 billion) at the end of 2015. Deposits were mainly driven by individuals and private companies, which at the end of December 2016, accounted for 44 percent and 46 percent of total deposits respectively. As at December 2017, deposits fell to KMF 97.7 billion (US\$0.23 billion) as a result of a marked decrease (24 percent) in deposits of public enterprises. However, deposits of private enterprises increased by 2.7 percent and household deposits increased by 1.6 percent over 2016.¹ Credit increased continuously through the year to reach its peak in December 2016. Loans to the private sector increased from KMF 68.7 billion (US\$0.16 billion) at the end of December 2015 to reach KMF 75.2 billion (US\$0.18 billion) in December 2016 and KMF 79.6 billion (US\$0.19 billion) in December 2017. These loans were mainly granted to the private sector enterprises (41.5 percent of total financing in 2017 compared to 46.2 percent in 2016) and households (52.9 percent of total financing in 2017 compared to 43.5 percent in 2016). While short-term loans increased by 1.2 percent, medium-term loans decreased by 1.7 percent and long-term loans increased by 9.6 percent between 2016 and 2017.

According to the Central Bank of Comoros, there were 366 048 open deposit accounts in 2016 against 318 659 in 2015, and 51 275 loan accounts in 2016 against 49 368 in 2015. In financial terms, the total consolidated balance sheets of the eight credit institutions increased by 15.8 percent, from KMF 106.8 billion (US\$0.25 billion) in December 2015 to KMF 123.7 billion (US\$0.29 billion) in December 2016, and then dropped marginally by 1.6 percent to reach KMF 121.7 billion (US\$0.29 billion) in December 2017, as a result of a decrease in both credits and deposits. Non-performing loans (NPLs) as a ratio of total loans granted increased from 19.1 percent in 2015 to 20.7 percent in 2016 and then to 23.4 percent in 2017.

The Central Bank of Comoros further reports that the performance of banks and financial institutions have deteriorated during 2017, as noted by the decrease in deposits during the year and the unfavourable quality of the portfolio. However, the Central Bank of Comoros expect improvement in the banking climate for the coming year. A draft regulation on governance has been opened for consultation with credit institutions and is expected to come into force during 2018. The Central Bank of Comoros is also working on regulation concerning electronic money.

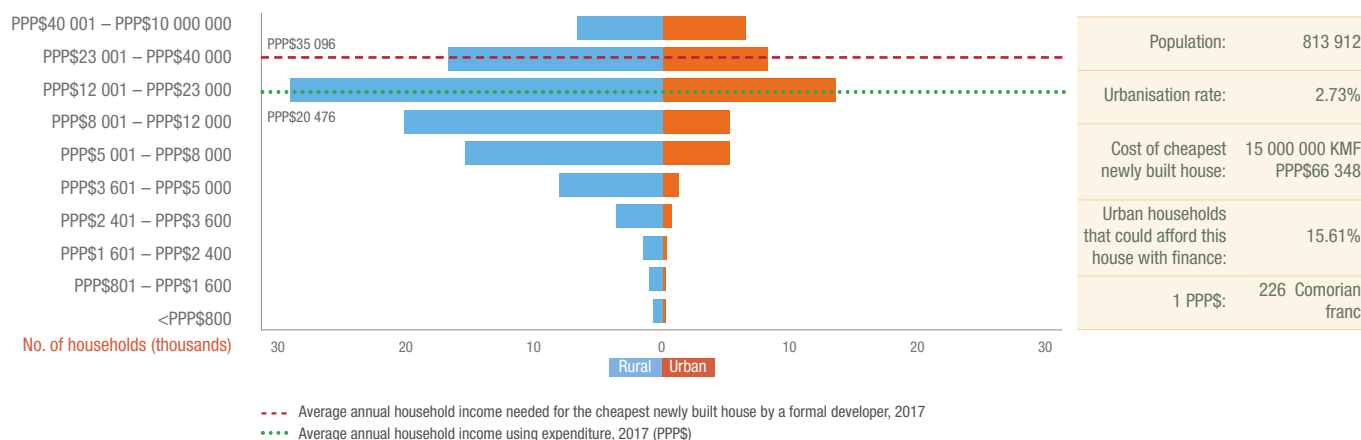
The International Monetary Fund (IMF) has welcomed the steps taken to modernise the monetary policy framework and encouraged the authorities to carefully sequence the envisaged reforms.¹ It was noted that, though the financial sector was well-capitalised and liquid, there was still the need to address growing financial sector vulnerabilities including the high level of NPLs, which are important factors in ensuring credit growth and private sector development. The IMF also encouraged the Comorian authorities to ensure that its Anti-Money Laundering framework is in line with international standards, thus addressing the problem of correspondent banking relationships. The IMF recommended that Comoros address the growing banking sector vulnerabilities by closely monitoring the financial institution's NPL portfolios and isolated tensions, resolving ongoing governance problems, and moving swiftly with the recapitalisation of the state-owned postal bank.

The World Bank's 2018 Doing Business Report ranks Comoros as 122 for accessing credit (down from 118th in 2017 and 109 in 2016), and 168th in respect of resolving insolvency, up from 169 in 2017.

There is currently no stock market present in the country, nor are there primary or secondary fixed-income markets for government or commercial debt. Government financing is mostly undertaken in the form of direct credit from domestic commercial banks, and liquidity levels are controlled through the modification of reserve requirements only. The main source of inflow for the Comorian economy is remittances which totalled US\$138.4 million in 2017 (21.3 percent of GDP) compared to US\$130.6 million in 2016 (21.2 percent of GDP).

COMOROS

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Affordability

According to the World Bank's Worldwide Governance Indicators, the Comoros is regularly ranked in the group of countries whose performance is inadequate in terms of accountability, political stability, absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption.³ Though some progress has been made in most of the indicators, a deterioration was noted in terms of rule of law for 2016.

The Comorian economy is structurally dominated by the public sector. This is reflected in the size of the wage bill of the civil service (about 8 percent of GDP)⁴ or similar services, which annually absorbs most of the central government budget and leaves little leeway for public investment. The IMF noted that following reforms, the nominal wage bill was stable but fell markedly as a percentage of revenues.

The main feature of the public sector in the economy is the predominance of government shareholding in the country's main strategic enterprises such as the communications, water and electricity, and the Hydrocarbons Company of Comoros as well as financial institutions. Thus, government spending for social housing is quite limited. Moreover, given that the banking sector lacks dynamism, private lending for private construction for the middle and low income groups is also limited. Since 2015, credit to the private sector has been decreasing due to lending risks from persistently high MPLs and high excess liquidity.

Moreover, Comoros has a high incidence of poverty with almost 18 percent of the population living under the international poverty line set at US\$1.9 per capita per day. In 2012, almost 30 percent of children under five suffered from chronic malnutrition and stunted growth. The Gini index for Comoros is 44.9. These circumstances reduce the affordability of a housing unit by the poor Comorians.

The Government of Comoros note in their report to the UN Habitat III that adequate housing has become increasingly inaccessible to the urban population in the last 20 years. Domestic public funding for housing is only for public servants. Prior to the independence of Comoros, no attempt was made to solve the housing problem or set up a clear programme for housing. Population growth, and recurring socio-politico-economic crises, aggravated by the global financial crises have led to housing finance being mostly dependent on the private sector. Since 2015, credit to private sector has been decreasing due to lending risks from persistently high non-performing loans and high excess liquidity. There has been a timid emergence of housing loans by financial institutions, but these are mostly accessible to residents of major cities. At present, housing loans are mostly accessible to private sector employees and senior civil servants. However, the financial institutions are aiming to offer housing loans at lower costs.

To this effect, it was recommended that mechanisms of financing be put in place to partly make up for the insufficiency of public resources, and also to mobilise all the partnerships likely to facilitate access to housing for more people, for example by creating a solidarity fund.

Housing supply

Approximately 65 percent of all housing units in the Comoros are made of straw with roofs made from cocoa leaves and are privately owned; about 25 percent were made of durable materials including stone, brick, or concrete. Of all housing units, nearly 90 percent were owned, 3 percent rented, and 3 percent occupied rent free. Around 98 percent of the population had access to improved sanitation systems and safe water.⁵ As per the housing survey conducted in 2014 by the Government of Comoros in collaboration with United Nations Children's Fund, it was noted that 69 percent of households had electricity while 27 percent had an earth floor.⁶

Housing in Comoros varies from two-room structures covered with palm leaves to multilevel buildings made of stone and coral. The part of the house at street level often serves as a shop or warehouse, but in earlier times that level housed slaves or servants. Some Western-style houses, with indoor bathrooms and kitchens, also exist. Because of the practice of "matrilocality" – a social custom where the offspring of a family reside with their mother – females often remain part of their mother's household, even after marriage. This is owing in part to the practice of polygamy, as well as the traditional need for Comorian men to travel away from their communities in search of work. The family home can be expanded, or a separate structure can be built for a woman to inhabit with her children.

There remains scope for eventual further credit facilities from private banks and financial institutions to improve on those houses. In the absence of affordable dwellings supplied by the market, a consortium from Iran proposed, in 2014, to construct 5 000 housing units throughout the three islands over a period of four years as a follow-up of the UN Habitat programme 2008-2013. However, the project is not yet completed.

As at 2015, more than 70 percent of the urban population lived in extremely difficult sanitary conditions and the average housing area did not exceed 30 square metres. Three quarters of the population lived in two-room houses with a surface area not exceeding 20m².⁷

The construction sector companies are mainly focused on the construction of private homes in urban areas compared to public works. An important part of housing construction, especially in rural areas, is self-construction. It was therefore recommended that new construction methods be proposed, which favour the use of available local materials while protecting the environment and ensuring sustainable development. To this end, the UN Habitat Project was facilitated through the construction of terracotta brick factories on the three islands. This has led to the creation of jobs and the training of masons in basic construction techniques supported by China and Tanzania.

Property market

Poverty remains prevalent in Comoros at 42.4 percent, as reported in the 2016 Article IV Consultation, and the housing standard is basic. Nevertheless, the

market for Comoros up-market properties has been growing over recent years led mainly by demand from foreigners. A number of factors including international aid, increased tourism and the nation's relationship with France, Saudi Arabia and its Persian Gulf allies have contributed to the growth in residential and commercial property ownership. The purchase price of an average three-bedroom semi-detached house in Comoros remains in the range of US\$131 000 to US\$700 000.

Rental of a three-bedroom apartment also ranges between US\$1 000 and US\$1 500 per month. Foreigners who make a substantial investment in the country are eligible to apply for Comorian nationality under the Economic Citizenship Act, passed in 2008. This allows the few property dealers in Comoros to engage in speculative strategies on the market. Most of the housing units in Comoros are rudimentary and are privately owned. The World Bank's 2018 Doing Business Report ranks Comoros in the 111th position for registering property compared to 90th in 2017. Comoros is better than the average for Sub-Saharan Africa in terms of: the number of procedures and the number of days required. However, the cost of registration as a percentage of the property value is higher for Comoros, and the quality of land administration is weaker.⁸

Policy and regulation

Currently, the Ministry of Energy, Agriculture, Fisheries, Environment, Regional Planning and Urban Planning has the responsibility of overall administration of housing and related issues. Previously, housing was under the responsibility of the Ministry of Territorial Management, Urbanisation, Housing and Energy. One of the main priorities of the government is the stable supply of energy at a reasonable cost and which is accessible to all. Energy is considered indispensable for economic development in particular for the supply of water, hospitals, schools, housing and transport. The current institutional set-up for urban land management involves the ministries responsible for finance; development planning and housing; and municipalities.

The absence of a cadastre did not enable secure land rights; as such the 'direction du cadastre et de la topographie' was created post 2015. Comoros receives much foreign aid especially from Saudi Arabia and its Persian Gulf allies, including for social housing. These developments have brought some improvement in credit for households, house ownership and a slight reduction in the poverty rate.⁹

Despite the fact that the credit market is at a basic stage, the Central Bank of Comoros has put in place prudential norms. In its 2015 report, the Central Bank of Comoros reported that, following on-site inspection, it noted that compliance with Bank Prudential Ratios were well respected by the financial institutions though the internal audit function needed to be reinforced. In their 2016 annual report, the Central Bank of Comoros highlights that the inspection carried out on the financial institutions revealed some shortcomings in terms of governance, in particular credit granted to manager, staff and board members.

In recent years, authorities have undertaken several measures to enhance financial intermediation and strengthen the country's banking and financial sectors. Such efforts include the facilitation of entry for foreign banks, reforms to the investment code in 2007, and establishing a National Agency for Investment Promotion. The country's authorities have, in collaboration with the Central Bank of Tanzania, the Central African Banking Commission, the French Prudential supervisory authority and the IMF, strengthened regulatory and supervisory frameworks so as to expand the scope of prudential regulations, and increase the effectiveness of control procedures. In line with the credit risk management, old doubtful or contentious debts with a maturity of more than three years will have to be fully provisioned.

Opportunities

After some improvement since 2011, the IMF points out in the 2018 Article IV for Comoros, that the near-term outlook remains challenging. The IMF recommends that Comoros build on current reform efforts through the implementation of a comprehensive set of policy measures which will contain vulnerabilities and achieve sufficiently high sustainable growth rates and raise the living standards. Furthermore, Comoros should work towards overcoming persistent and severe physical and human capital constraints, particularly bottlenecks in basic infrastructure such as roads and electricity. An improved business climate is expected to strengthen governance and judicial effectiveness, and address financial sector fragilities and unlock long-term growth prospects.

The IMF further highlights that a strong reform commitment and deeper engagement with the donor community is required for Comoros to ensure that the authorities' detailed strategic development plan is underpinned by sustainable financing sources and will meet its inclusive growth objectives. The ambition of the Comorian Government is to increase the competitiveness of manufacturing, agri-food craft and construction, respectful of the environment, so as to, amongst other objectives, have a set of construction companies that significantly increase their production capacity and provide supplies in the areas of housing and road infrastructure construction. Implementation of this plan will create further opportunities with respect to housing construction and social housing. As the economy progresses, there might be enormous scope for housing and housing financing with a particular emphasis on social housing.

Additional sources

African Development Bank Group (2016). Comoros Country Strategic Paper 2016-2020. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/COMOROS_-_2016-2020_Country_Strategy_Paper.pdf (Accessed 20 July 2018).

African Development Bank Group (2018). African Economic Outlook 2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf (Accessed 20 July 2018).

Banque Centrale des Comores (2016). Rapport Annuel 2016. http://www.banque-comores.km/DOCUMENTS/Rapport_annuel_2016.pdf (Accessed 12 Sept 2018).

Comoros infos (2014). "Construction de 5000 logements sociaux aux Comoros:" 18 March 2014. <http://www.comores-infos.net/construction-de-5000-logements-sociaux-aux-comores> (Accessed 21 Sept 2018).

Making Finance Work for Africa (2018). Comoros Financial Sector Profile. <https://www.mfw4a.org/index.php?id=394> (Accessed 12 Sept 2018).

UN Country Profile – Comoros 2018. https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/LDC_Profile_Comoros.pdf (Accessed 12 Sept 2018).

World Atlas (2018). Comoros. <https://www.worldatlas.com/webimage/countrys/africa/km.htm> (Accessed 12 Sept 2018).

World Bank Data (2018). Comoros – Total population. <https://data.worldbank.org/indicator/SRPOP.TOTL?end=2018&locations=KM&start=2001> (Accessed 12 Sept 2018).

World Bank (April 2018). Comoros. <http://pubdocs.worldbank.org/en/249791492188156070/mpo-com.pdf> (Accessed 12 Sept 2018).

Mo Ibrahim Foundation (2018). 2017 Ibrahim Index of African Governance, Index Report. http://s.mo.ibrahim.foundation/u/2017/11/21165610/2017-IIAG-Report.pdf?_ga=2.253668937.1942901850.1517602704-502629705.1517602704 (Accessed 22 July 2018).

Websites

<https://www.afdb.org/en/> <http://www.banque-comores.km>
<http://www.oecd.org/dev/africa/> www.inseed.km

¹ Central Bank of Comoros (2018). Annual Bulletin for the Year 2017. http://banque-comores.km/DOCUMENTS/Bulletin_BCC_n17_Déc_2017.pdf (Accessed 22 Sept 2018).

² International Monetary Fund (June 2018). IMF Country Report No 18/189 Union of the Comoros 2018 Article IV Consultation. <http://www.imf.org/~media/Files/Publications/CR/2018/cr18189.aspx> (Accessed 31 July 2018).

³ The World Bank (2018). The Worldwide Governance Indicators. <http://info.worldbank.org/governance/wgi/index.aspx#home> (Accessed 28 July 2018).

⁴ The World Bank (2017). Report on Comoros Economic Governance Reform. 15 Dec 2017. <http://documents.worldbank.org/curated/en/151281514405727345/pdf/Comoros-Economic-Governance-Reform-Grant-P131688-ICRR-12152017.pdf> (Accessed 30 July 2018).

⁵ Ministère des Finances, du Budget et du Plan. Direction Nationale du Recensement (2007). Analyse des données du Recensement des Comores 2003. 1 4 volumes.

⁶ Government of Comoros (March 2013). Enquête Démographique et de Santé et à Indicateurs Multiples aux Comores EDSC-MICS 2012. <https://dhsprogram.com/pubs/pdf/PR34/PR34.pdf> (Accessed 30 July 2018).

⁷ Government of Comoros, Vice President in charge of the Ministry of Territory Development, of Infrastructures, Urbanization and Housing (2015). Habitat III 2016 Country Report. <http://habitat3.org/wp-content/uploads/National-Reports-Comoros-English.pdf> (Accessed 30 July 2018).

⁸ The World Bank Doing Business (2018). Ease of doing business in Comoros. <http://www.doingbusiness.org/data/explore/economies/comoros> (Accessed 12 Sept 2018).

⁹ International Monetary Fund (June 2018). IMF Country Report No 18/189 Union of the Comoros 2018 Article IV Consultation.



in terms of credit registry coverage (percentage of adults) and 0.0 percent in terms of credit bureau coverage.¹²

In 2017, the country's banking system had 11 commercial banks,¹³ one more than in 2015.¹⁴ Commercial banks provide corporate banking services either locally or from overseas. The rate of local credit offered to the private sector is low and expensive but available to foreign and local investors on the same terms¹⁵ with services being primarily available to large clients involved in the sectors of oil, forestry, telecommunications, import-export, and services. The Agricultural Bank of China has opened a new subsidiary in Congo, the Sino-Congolese Bank for Africa (BSCA Bank). The official headquarters was inaugurated on 10 April 2018 by the president of the Congo Republic M. Denis Sassou N'Guesso and the vice president of Agricultural Bank of China, Guo Ningning.¹⁶ BSCA Bank is 50 percent owned by the Agricultural Bank of China. BSCA Bank started its activities in 2015 and since then has installed 30 ATMs (from 2015-2017) and foresees the installation of 50 more by the end of 2018. The total deposits are estimated at XAF 150 billion (around US\$268.6 million) in 2017 as opposed to XAF 60 billion (US\$104.5 million) in 2016. Credit granted to the private sector in 2017 amounted to XAF 92 billion (US\$164.7 million), thus representing XAF 66 billion (US\$118.1 million) more than what was recorded in 2016.¹⁷

The informal economy is predominantly cash-based, and commercial banks serve only a small segment of the market¹⁸ with just 5.5 percent of the adult population having a savings account.¹⁹ One reason lies in the existence of cumbersome requirements for opening new bank accounts, resulting in the growth of informal savings (30 percent of the population).²⁰ There are 75 microfinance institutions (MFIs), 34 of which are independent, and the rest organized under the network of the Congolese Savings and Loans Mutual, Mutuelle Congolaise d'Épargne et de Crédit (MUCODEC). MUCODEC, the country's largest credit union, provides small and micro loans to businesses and private individuals. In 2014, the overall size of deposits from MFIs amounted to XAF 249 billion (US\$442.2 million) representing 13.3 percent growth as opposed to 2013. Total loan granted in 2014 amounted to XAF 63.7 billion (US\$113.1 million), representing 8.6 percent growth as opposed to 2013.²¹ Several banks, including United Bank of Africa, have begun offering loans of up to US\$100 000 to private individuals and small businesses in recent years. SOCOFIN in Congo Republic,²² Société Générale, La Banque Congolaise de l'Habitat, La Congolaise de Banque and Credit du Congo also offer mortgages to their clients over a seven to 12-year period.

The mortgage finance market is still in its infancy but has a huge potential for growth. Very few banks provide medium-term and long-term credit. Nearly 70 percent of loans in Congo require collateral which sometimes exceeds the value of the loan.²³ The Congolese tend to use bank accounts for business purposes more than the regional average; other uses of bank accounts include receiving government payments and wages, as well as for sending/receiving remittances. This is shown by the comparatively widespread use of bank tellers for deposits in Congo, as well as the limited use of advanced payment services such as ATM machines.²⁴

Affordability

The private sector is small and concentrated in the tertiary sector of which 90 percent is mostly composed of smaller units operating along the Pointe-Noire, Brazzaville corridor.

The State is the largest employer in the formal sector, followed by large private firms and SMEs²⁵ offering an average monthly salary of about XAF 150 000 (about US\$269). Though rapidly growing, the formal private sector is still very small. Most people are involved in the informal sector. Congo has 57.4 percent of the urban poor with close to 20 percent of poor people living in Brazzaville.²⁶

Construction costs in the urban and semi-urban areas are high and increasing. It costs about XAF 9 million (US\$16 130) to build a standard three-bedroom house in the main urban areas. In the rural areas, the construction costs are lower as most of the houses are built with substandard materials such as locally made sun-dried clay bricks. Based on the 2014 World Bank statistics, an estimated 43.2 percent of households had access to electricity. The 2015 socioeconomic study set the number of households connected to the electricity network as low as 22 percent for Brazzaville and 39 percent for Pointe-Noire.²⁷

The proportion of unplanned settlements in the two main cities covers approximately 60 percent of the land area, or about 10 000 hectares, with a high proportion of housing stock²⁸ made from fragile materials. In 2005,²⁹ these areas hosted 64 percent of households in Brazzaville and approximately 50 percent in Pointe-Noire.³⁰ This was confirmed by more recent data (2012) from UN-Habitat on Pointe-Noire and PEEDU-funded socioeconomic studies of the two cities (2015) revealed a significant lack of access to basic infrastructure and services in Brazzaville.³¹

Housing supply

The number of new housing units that enter the market annually for rental and ownership is insufficient to meet the demands of the increasingly urbanized population and the growing middle and upper-class population. A quarter of the Congolese population lives in the capital Brazzaville. The demand for housing has increased without a subsequent increase in supply. This increasing mismatch between demand and supply for housing continues to push up house prices both for ownership and rental. In Brazzaville and Pointe-Noire, housing demand was estimated at 13 550 units per year versus an annual delivery of just two thousand units.³²

There is an increasing number of local housing companies and foreign developers who are entering the housing market using a Build Operate and Transfer (BOT) model and other initiatives directed towards the development of the housing sector. Most of the new housing developments are driven by demand for high quality housing by expatriate communities. Among the foreign companies, Karmod, a Turkish private developer, has implemented new construction methods through its prefabricated houses and container-based houses to tackle the housing backlog. The "Salon de l'Immobilier," which was hosted in Brazzaville, has been among the most successful national housing initiatives focused on the challenges to, and opportunities for, achieving sustainable development.³³

Congo introduced the Water, Electricity, and Urban Development Project (Projet d'eau, d'électricité et de développement urbain, PEEDU) in 2010. Under the PEEDU, a new urban policy was elaborated and detailed in a sector policy letter that provides a reference framework for 2012-2022 with regard to urban sector actions and investments. It defines strategies to promote sustainable development of urban centres, accounting for challenges related to urban organization, land administration, taxes, infrastructure, and service delivery.

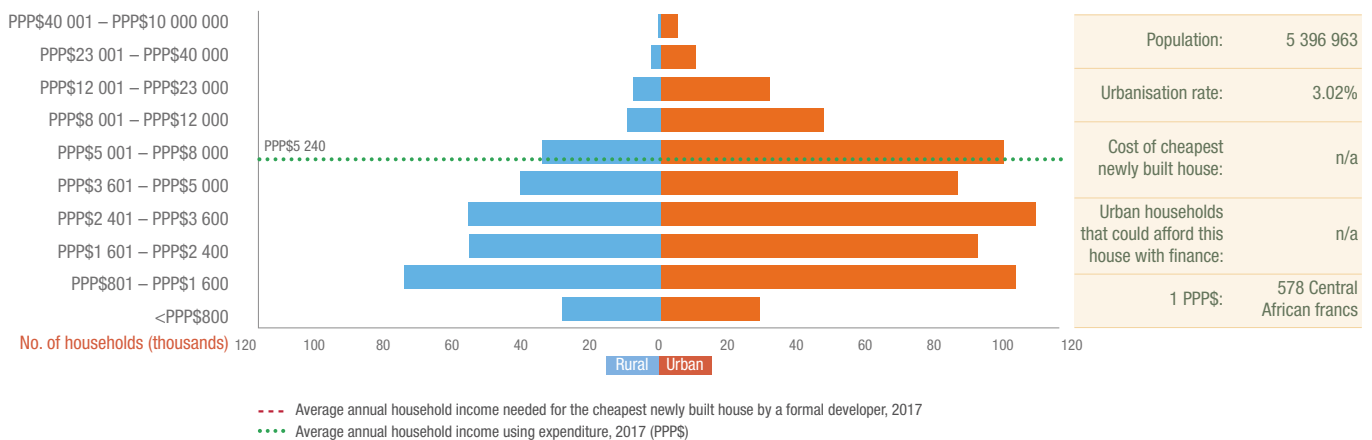
In 2008 the Fuller Centre and its partners, the International Partnership for Human Development, Engineering Ministries (eMI), USAID, Embassy Brazzaville and B.L.Harbert International anticipated the construction of 24 houses in Makana II on plots of land already owned by the villagers. The residents decided on two-bedroom houses to be made of baked clay bricks with corrugated metal roofs and a front porch. Homeowners will pay the equivalent of US\$20 on a long-term, fixed-rate payment schedule. The cost to sponsor a house for a family was US\$4 500.

The housing construction programme in the municipality of Kintélé was ordered by the Congolese state on behalf of EMT Building Subsidiary Alliances. The programme sought construction in 2014 of 4 000 residential units and an urban centre with 22 facilities spread over 100 hectares. The total investment amounted to US\$228.9 million.³⁴ In the same locality, the Société Africaine des Travaux anticipated in 2017 under the "accelerated municipalization" scheme, the construction of 3 070 affordable housing over 10 years in several cities such as Owando, Oyo, Kinkala, Kindamba, Sibiti, Madingou, Brazzaville, Pointe-Noire et Dioso. The total cost of the development is around XAF 50 billion (US\$89.5 million).³⁵

A project of at least 10 000 social housing units to be built by the Douja society Promotion Addoha Moroccan Group in the capital Brazzaville and Pointe-Noire commenced in 2014. These homes will be added to those currently under construction in the two cities. In 2016, the Banque Congolaise de l'Habitat started negotiating with Sino GreatWall and the Industrial and Commercial Bank of China the final details of the financing of a housing project in Congo Republic. The investment amounts to US\$300 million and foresees the development of 1 700 houses per year up to 2019.³⁶

CONGO REPUBLIC

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

On an area of three hectares, the area 68 to Manianga located in the 9th district of Brazzaville (Djiri), is a social housing construction project called "Better Living in the neighbourhood." Work started in January 2016 and a total of 115 units are under construction. Some houses are already nearing completion. This project consists of two, three and four-bedroomed units. The houses are built with sustainable materials, manufactured largely on site. The project is supported by a local bank.

The company Maisons sans frontières Congo has projects underway. This includes the ROC-BIME project in Brazzaville which is a residential complex of 1 200 units. It is located in Mount Bamier; in an area of 150ha. Residents will be able to choose from six types of homes, ranging from 500m² in size to 570m².

The project "Residences Caribbean" in the new town of Kounda is 15 minutes from the Pointe-Noire city centre and consists of 3 000 houses on a 600ha site. The development started in October 2014 and building began on the first houses in August 2015. A smaller housing project is DNS Residences, anticipated in the city of Oyo. The entire complex will have 300 homes, situated on 74 acres of land. This project was introduced in late 2016.

Property markets

A few years ago, the Building Public Works sector accounted for 15 percent of the country's GDP, and the VAT rate in real estate amounted to 20 percent coupled with social housing investment from the State in the housing sector.³⁷ However, in 2018, the real estate sector has barely managed to avoid the negative impacts of the national economic crisis. A decrease has been noted in social housing development and a drop in rental housing market. In popular neighbourhoods and suburbs in Brazzaville's city centre, rent has declined rapidly from XAF 1 million (US\$1 767) to XAF 500 000 (US\$884) a month in suburbs and between XAF 25 000 and 30 000 (US\$44 to US\$53) in popular areas for a two-bedroomed unit. The blatant reality led to more accessible prices, with a new deposit requirement of no more than two months as opposed to six to seven months previously.

The decline in the real estate market in Brazzaville has been preceded by a high resilience of rental prices despite the low affordability for tenants. The awareness in the marketplace came from Pointe-Noire where the housing market had dropped already. For instance, in the neighbourhood wharf and its periphery, high prices meant there were no tenants. In this location, rental charges used to start from XAF 5 million (US\$8 942), and especially with the departure of expatriate professionals working in the oil sector, it became difficult for the landlord to maintain the high rental prices demanded.³⁸ The price of land is also prohibitive. In the centre, it takes a minimum of XAF 70 million (US\$ 123 696) to buy a plot of 500m². In remote areas, prices are between XAF 500 000 and XAF 700 000 (US\$884 – US\$1 237) for the same.

The development of the construction industry is hampered by the recent national economic crisis and the high cost of materials like cement. Funding is provided by the National Housing Bank, at least for creditworthy households who have collateral. The rest of the population resort to self-financing, and building stops when there is no money. The property sector is characterised by lack of property ownership and bottlenecks in land registration.

The 2018 World Bank Doing Business Report ranks the country 177th in terms of registering a property. It takes 55 days and six procedures to fulfil the process and the cost of registration amounts to 16.1 percent.³⁹

Policy and regulation

The government has been slow in instituting reforms that address the constraints to housing supply. The main constraints are in the areas of land ownership and property registration (getting land title certificates), access to serviced land, construction and development, and the availability of finance. The Congo Republic made transferring property less costly by lowering the property transfer tax rate.⁴⁰ In 2017, it costs 12.3 percent of the property value to register property. In 2018, the World Bank Doing Business Report indicates that the nation is ranked 177th in terms of registering property and 125th in terms of dealing with construction permits.⁴¹

On 26 September 2013, the President of the Republic, promulgated Law No. 19-2013 establishing the Sn-HLM (National Society of Low-Rent Housing), which is a public company, under the supervision of the Ministry of Construction, Urban Planning and Housing. The creation of this company is an important step in the improving access to social housing.

Congo Republic is party to the Organisation for the Harmonisation of Business Law in Africa (OHADA), a commercial code adopted by 16 African countries that governs investments and business practices. The purpose of this treaty is to harmonise business laws in those countries by developing and adopting simple, modern and common rules adapted to their economies, setting up appropriate judicial procedures, and encouraging recourse to arbitration for settlement of contractual disputes.

Law No. 24-2008 on Land Tenure determines the regime for the recognition, possession, use and exploitation of urban land areas of public and private persons. Law n° 27 - 2011 of 3 June 2011 established the Land Agency for Land Development. This creates a public institution of an industrial and commercial nature called the Land Development Agency, which is responsible for carrying out land acquisition operations; the development and disposing of areas of land necessary for the realisation of projects of general interest and to contribute, on behalf of the State, to the collection by the public treasury of the rights and fees relating to the acquisition, development and transfer of land. According to Law No. 17-2000 on the Land Ownership Regime, real property and real property

rights belonging to natural or legal persons of Congolese or foreign nationality are subject to the provisions of this law.

Opportunities

Since its accession to national independence and international sovereignty in 1960, the Congo Republic has amassed a significant shortfall in housing which now constitutes a real social problem. As a result, the construction industry currently enjoys a favourable climate for its development due to the accelerated municipalisation policy and the policy of modernisation of social habitats in the country coupled with the recent SEZs enacted in April 2017. This is in line with "Congo, an emerging country by 2025" which is the goal that the government has set.

Today, private initiatives are increasing, and public and private investors show a notable increase each year in Congo. Several projects are in place, including public-private partnerships. Through these partnerships, more than 3 000 housing units were started, 600 of which are being finalised. To encourage private investment, the government has put in place incentives and an advantageous framework for business taxation and customs.

There are huge opportunities for retail, commercial and industrial real estate in the urban and semi-urban areas despite the plunging prices in the rental housing segment.

Additional sources

International Monetary Fund (2012). IMF Country Report No. 12/242, Republic of Congo: Poverty Reduction Strategy Paper. <https://www.imf.org/external/pubs/ft/scr/2012/cr12242.pdf> (Accessed 11 September 2018).

International Monetary Fund. (2016). IMF Country Report No. 16/106, Central African Economic and Monetary Community (CEMAC). <http://www.imf.org/en/Publications/CR/Issues/2016/12/31/Central-African-Economic-and-Monetary-Community-CEMAC-Financial-System-Stability-Assessment-43874> (Accessed 11 September 2018).

International Monetary Fund (2013). Republic of Congo: Poverty Reduction Strategy Paper, 2013, Country Report No. 13/226. <https://www.imf.org/external/pubs/ft/scr/2013/cr13226.pdf> (Accessed 11 September 2018).

Salon de l'Immobilier (2016 & 2017). Salon de l'Immobilier du Congo. <http://www.salondelimmobilierducongo.com> (Accessed 17 July 2018).

The World Bank (2016). World Bank, Combined Project Information Documents/Integrated Safeguards Datasheet PID/ISDS. https://www.thegef.org/sites/default/files/project_documents/PCN_PID-ISDS_-_PI59835_Revised_0.pdf (Accessed 11 September 2018).

¹ Export.gov (2017). Republic of Congo Market Opportunities. <https://www.export.gov/article?id=Republic-of-Congo-Market-Opportunities> (Accessed 13 July 2018).

² Worldometers (2018). Congo Population. <http://www.worldometers.info/world-population/congo-population/> (Accessed 13 July 2018).

³ The World Bank (2018). Congo Overview. <http://www.worldbank.org/en/country/congo/overview> (Accessed 6 July 2018).

⁴ African Development Bank Group (2018). <https://www.afdb.org/en/countries/central-africa/congo/congo-economic-outlook/>

⁵ Export.gov (2017). Republic of Congo Market Opportunities.

⁶ World Bank (2017). Republic of Congo Poverty Assessment Report. <https://openknowledge.worldbank.org/bitstream/handle/10986/28302/114706-v2-Republic-of-Congo-ENG-7-17-17-M2.pdf?sequence=1&isAllowed=y> (Accessed 11 September 2018).

⁷ Ibid.

⁸ International Monetary Fund (2015). IMF Country Report No. 15/263, Republic of Congo. <http://www.imf.org/external/pubs/ft/scr/2015/cr15263.pdf> (Accessed 11 September 2018).

⁹ International Monetary Fund (2015). IMF Country Report No. 15/264, Republic of Congo. <https://www.imf.org/external/pubs/ft/scr/2015/cr15264.pdf> (Accessed 11 September 2018).

¹⁰ World Bank Economic Indicators.

¹¹ World Bank Doing Business (2018). <http://russian.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf> (Accessed 11 September 2018).

¹² World Bank Doing Business (2018).

¹³ Export.gov (2017). <https://www.export.gov/article?id=Republic-of-Congo-Banking-Systems>

¹⁴ International Monetary Fund (2015). IMF Country Report No. 16/106, Republic of Congo.

¹⁵ Export.gov (2017).

¹⁶ Agence d'Information d'Afrique Centrale (2018). <http://www.adiac-congo.com/content/affaires-inauguration-du-siege-de-la-bsca-bank-brazzaville-81844>

¹⁷ Ibid.

¹⁸ State.gov (2013). Investment Climate Statement-Republic of Congo. <http://www.state.gov/e/eb/rls/othr/ics/2013/204624.htm> (Accessed 14 July 2018).

¹⁹ API Congo (NDA). Services financiers. https://www.apicongo.org/services_financiers.php (Accessed on 19 July 2018).

²⁰ Ibid.

²¹ Ibid.

²² Municipality of Brazzaville (NDA). <http://www.brazzaville.cg>

²³ International Monetary Fund (2015). IMF Country Report No. 15/264, Republic of Congo.

²⁴ Ibid.

²⁵ Both employing 13 percent of the workers.

²⁶ World Bank (2017). Republic of Congo Poverty Assessment Report.

²⁷ Ibid.

²⁸ 35 percent in Pointe-Noire.

²⁹ Latest figures available.

³⁰ The World Bank (2016). The World Bank Report No.: PAD1266, Urban Development and Poor Neighbourhood Upgrading Project. <http://documents.worldbank.org/curated/en/484631468195854426/pdf/PAD1266-PAD-PI46933-Box394849-OJO-9-R2016-0011-1.pdf> (Accessed 11 September 2018).

³¹ Ibid.

³² African Economic Outlook (2016). https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AEO_2016_Report_Full_English.pdf (Accessed 11 September 2018).

³³ Les Depeches de Brazzaville (2016). <http://www.lesdepechesdebrazzaville.fr/node/48268>. The second edition took place from 31 August to 02 September 2016. Salon de l'Immobilier du Congo (2017).

<http://www.salondelimmobilierducongo.com/> The third edition took place from 29 – 31 August 2017.

³⁴ Skyscrapercity (2013). Alliances Parie Gros Sur L'Afrique Trois Projets Au Sénégal, En Côte D'ivoire Et Au Congo 30% De Croissance Du Ca Dans Ces Pays Dès 2016. <https://www.skyscrapercity.com/showthread.php?t=1675626> (Accessed 17 July 2018).

³⁵ Les Echos Congo Brazza (2017). Congo construction des logements sociaux et un marché moderne à Kintele. <https://lesechos-congobrazza.com/societe/3554-congo-construction-des-logements-sociaux-et-un-marche-moderne-a-kintele> (Accessed 17 July 2018).

³⁶ Jeune Afrique (2016). Partenariat chinois – banque congolaise de l'habitat. <http://www.jeuneafrique.com/mag/342123/economie/logement-partenariat-chinois-banque-congolaise-de-lhabitat/> (Accessed 17 July 2018).

³⁷ Vox (2017). Le marché immobilier tangué à Brazzaville. <http://www.vox.cg/le-marche-immobilier-tangué-a-brazzaville/> (Accessed 8 July 2018).

³⁸ Ibid.

³⁹ Doing business (2018). Congo Republic: Registering property. <http://www.doingbusiness.org/data/exploreeconomies/congo-rep#registering-property> (Accessed 12 July 2018).

⁴⁰ World Bank 2016. Doing Business Report.

⁴¹ The World Bank (2018). <http://www.doingbusiness.org/data/exploreeconomies/congo-rep#getting-credit>

Côte d'Ivoire



Overview

The Republic of Côte d'Ivoire is the world's largest cocoa producer and the largest economy in the West African Economic and Monetary Union (WAEMU/UEMOA), accounting for 35 percent of the region's total GDP in 2016. The local population is approximately 25 million¹ with the rate of urbanisation at 73.5 percent in 2017, the highest in the union. Despite the 35 percent drop in the price of cocoa between November 2016 and January 2017,² the economy has become more resilient. This can be attributed to a better business climate, public and private investments and higher domestic consumption.³ Economic growth is projected to reach 7.9 percent in 2018 and 7.8 percent in 2019 despite the decline in agricultural output. Inflation stood at 1 percent in 2017 and is forecast to remain moderate at 1.8 percent in 2018 and 1.9 percent in 2019.⁴

The government adopted an economic and financial programme (2016-2020) and implemented reforms set out in the memorandum of economic and financial policies 2016-2020 (Plan National de Développement 2016-2020, PND) to boost the economy. Additionally, a US\$525 million grant for the Millennium Challenge Corporation Program Compact seeks to strengthen economic competitiveness through investments in education, technical and vocational training, and transportation. The country was also selected to benefit from the G20 compact with Africa, which is expected to boost the private sector, particularly through increased foreign direct investment (FDI).⁵

Government efforts in improving the business climate, and political and social reconciliation, are attracting more foreign investors from European Union countries, China, Morocco and the traditional partner, France. The country nonetheless remains vulnerable to negative macroeconomic shocks, particularly those related to exports, in the form of lower commodity prices and lower levels of FDI. Notwithstanding the implementation of major political reforms, the adoption of a new constitution, the appointment of a new vice president and senate, uncertainty about the 2020 election and a possible reshuffling of political forces could be additional sources of instability.

Housing is a growing concern for the authorities. The construction of 60 000 social housing units since 2010 was expected to mitigate the backlog of 600 000 houses across the country. However, the government estimates the annual housing deficit in the capital alone to be 200 000⁶ and has diversified its housing programme to accelerate production. A new cement plant Cimaf is under construction and will contribute to producing an adequate supply of cement in the market. According

KEY FIGURES

Main urban centres	Abidjan
Exchange rate: 1 US\$ = [a] 21 Sept 2018	564.75 CFA franc
PPP Exchange rate (Local currency/PPP\$) 1 CFA = [b]	244.80
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	0.73 0.80 1.70
Population 2017 [b] Urban population size 2017 [b]	24 294 750 13 494 519
Population growth rate 2017 [c] Urbanisation rate 2017 [b]	2.50% 3.72%
Percentage of the total population below National Poverty Line 2015 [d]	46.30%
Unemployment rate 2013 [d]	9.40%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$40 389 million 7.80%
GDP per capita (Current US\$) 2017 [b]	US\$1 662
GNI per capita (Current US\$) 2017 [b]	US\$1 540
Gini co-efficient 2015 [d]	41.50
HDI global ranking 2015 [e] HDI country index score 2015 [e]	171 0.474
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate [b]	5.30%
Mortgage interest rate [f] Mortgage term (years)	8.38% 25
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? [g]	US\$9.27
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	12 500 000 CFA franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$21 739
What is the size of this house (m ²)?	n/a
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [h]	139
Number of procedures to register property [h]	6
Time to register property (days) [h]	30 days
Cost to register property (as % of property value) [h]	7.40%

NB: Figures are for 2018 unless stated otherwise.

- [a] Coinmill.com
- [b] World Bank World Development Indicators
- [c] IMF World Economic Outlook Database
- [d] Central Intelligence Agency (CIA) World Factbook
- [e] UNDP Development Indicators
- [f] Statista.com
- [g] CAHF Yearbook 2017
- [h] World Bank Doing Business

to the National Census of 2014, 49.7 percent of the population live in towns and cities including 19.4 percent in Abidjan. The authorities expect to address the demands of urbanisation through ongoing investment projects aimed at doubling electricity by 2020, implementing an urban plan for the districts located in Abidjan, and upgrading the road between Bamako and San Pedro.

Access to finance

Côte d'Ivoire accounts for 30 percent of UEMOA's private accounts, 32 percent of ATM machines, and 70 percent of the mobile banking subscriptions in the union.⁷ According to the Central Bank of the union (BCEAO), the country's financial industry is growing, and innovative activities are taking place to promote financial inclusion. To date there are 28 banks, 2 financial establishments, 80 microfinance structures (MFIs) and two financial institutions.⁸

Notwithstanding Côte d'Ivoire's weight in the UEMOA region, access to finance is limited and most of the banks' activities are concentrated in Abidjan. Bank lending remained low at 18 percent of GDP in November 2014. According to World Bank financial inclusion data / Global Findex only 41.3 percent of adults aged 15 and above have bank accounts, six percent have savings and three percent have borrowed from formal financial institutions.⁹ In 2018, there were 41 MFIs

listed on Mix Market, with US\$306 million worth of loans dispersed to 89 000 borrowers, 175 million deposits and 274 000 depositors.¹⁰ Mobile money is driving the overall progress of financial inclusion, with 38 percent of the adult population having a mobile money account in 2017, the highest rate in the union.¹¹ As a result, access to financial services is mostly through mobile money. A mere two percent of the financially included do not use mobile money, and 11 percent of adults are using informal financial services.¹²

In the microfinance sector, total deposits have increased by 247 percent over five years: from CFA 72 billion (US\$127.05 million) in 2012, to CFA 250 billion (US\$411.1 million) by end of September 2017.¹³ In the first quarter of 2018, the total assets of the sector were estimated at over CFA 260 billion with more than 1.6 million members.¹⁴ The top three microfinance institutions UNACOOPEC-CI, ADVANS and MICROCREC have around 75 percent of the total clientele.

Broadly, four institutions are involved in the financing of housing. These are the National Investment Bank; 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 CDMH was created to give financial assistance and tax incentives to stimulate the delivery of affordable housing for low income buyers.

Access to housing finance remains a challenge in Côte d'Ivoire. To alleviate the difficulties, the government has been able to negotiate a 5.5 percent interest rate for housing loans, repayable over 25 years.

The FSH and the creation of a mutual guarantee fund for the president's programme of constructing 60 000 houses between 2010 and 2015 have not fully materialised. Among the many reasons for this are a lack of adequate funds to compensate the traditional owners of land, the lack of financial and technical competence of the local developers, and the underestimation of the selling price of a housing unit, initially priced by the government at CFA 5 million (US\$8 700).

The government has since adopted new measures to satisfy consumers, housing developers and financial institutions i.e. the revision of interest rates and house prices. The cheapest house is now priced at CFA 12.5 million (US\$21 750).¹⁵ Some people are still sceptical about the government programme and are demanding the reimbursement of their deposits.

The government has also introduced new incentives in 2017 by Ordonnance N° 2017 – 279 du 10 mai 2017 to encourage real estate developers. It has put in place a reduction of 50 percent of taxes on profit for those developers that dedicate 60 percent of their production to very low income groups (social housing). The government has fixed the prices of houses in the governmental programme as follows: CFA 23 million (US\$40 020) per unit for economic housing and CFA 12.5 million (US\$21 750) for social housing. The government is also encouraging institutions and corporations to participate in housing development for their employees.

Affordability

In 2017 access to adequate and affordable houses remained a challenge even amid economic growth and various initiatives aimed at promoting affordable housing. Rapid urbanisation, low minimum salary, and the inequalities in social infrastructures have accelerated urban poverty and slums in the cities, especially in Abidjan where 19.4 percent of the population live.¹⁶ Abidjan also housed most of the country's economic activities and slums due to the influx of immigrants from the rural zones in quest of opportunities. According to the ministry of construction, between 2013 and 2017 an estimated 10 000¹⁷ units had been delivered. To accelerate affordability and to boost industrialisation of the housing value chain, the authorities introduced "Circulaire No. 12" which reinforced the capacity of the CDMH to finance banks, housing developers and homeowners on favourable terms.¹⁸

The average Ivorian earns less than CFA 60 000 (US\$104,40) a month, which has been the minimum salary since 2013. The minimum salary relates to those people working for the government and the formal private sector and barely represents 18 percent of the labour force. Most of the population works in the agricultural sector and the informal sector. They live in shanty houses in areas such as Koumasi,

where there is little or no urban infrastructure. According to the local press, rents in these areas range between CFA 35 000 and CFA 75 000 (US\$60.90 to US\$130.50) for a room. Rents are rising in the residential zones especially areas such as Plateau, Cocody and Marcory, where most expatriates live. According to a Frank Knight 2018 report, a four-bedroom executive apartment is about US\$3 700 a month.

In an attempt to boost affordability, the government continues with efforts to reinvigorate the housing sector; ameliorate the procedure of obtaining construction licences, and reduce the cost of refinancing for banks to two percent and maintain the interest rate for housing loans to 5.5 percent. The government's goal is to provide adequate houses for all categories of the population i.e. the low, middle, and high income Ivoirians.

Housing supply

Most houses in Côte d'Ivoire are self-built. Informal enterprises produce most of the stock of houses in the country. However, the government has contributed to housing development between 1970 and 1980, especially in Abidjan through economic development policies. SOGEPHIA and SICOGL are the two public companies in charge of housing development and property management¹⁹ and they have produced housing on a mass scale. As of 1995, the government stopped subsidising housing, contributing to an acute deficit in housing even before the civil war:

Currently the government is focusing on investing in mass-produced affordable houses through different mechanisms to bridge the gap between supply and demand. This has seen increased construction in the country's cities and more particularly in Abidjan. Among notable construction projects are those of Group Alliance and Group ADDOHA. In December 2017, Alliance delivered a first tranche and ADDOHA is expected to deliver in 2018.²⁰ Côte d'Ivoire's housing deficit in 2016 was estimated to be over 600 000 units,²¹ with the need being most prevalent in cities. The government estimates the annual housing deficit in Abidjan alone to be 200 000. Housing supply in the capital is less than 3 000 a year and 68 percent of Ivoirians are renters according to a Knight Frank 2015 study.

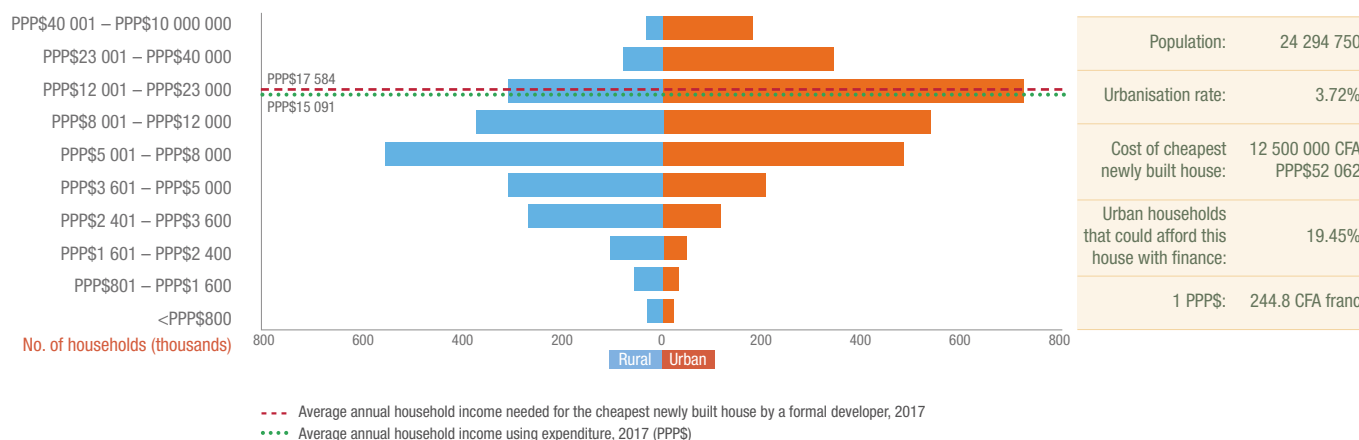
The housing deficit is a source of rent speculation and other consumer complaints. To protect the population, Le Ministère de la Construction, du Lodgement de l'Assainissement et de l'Urbanisme introduced a code of urban properties in 2015, (Le code du foncier Urbanisme) to regulate rents and minimise rental guarantees and other miscellaneous rental funds.²²

Construction of decent affordable homes was among the electoral promises of President Alhassane Ouattara. In February 2017, Opes Holding SA signed a loan agreement with Ikdam.Turc CI.SA. The loan consisted of CFA 13 billion (US\$ 23.1 million) for the development of a real estate project in Abidjan and its countryside.²³

In September 2017, SICOGL managing director, Bouaké Fofana announced the delivery of 235 houses in Azito.²⁴ Opes Holding and the Canadian real estate group NCK International signed a partnership in November 2017 for the construction of social housing across the country. The project will be submitted to a joint-venture financing scheme between the two partners.²⁵ In December 2017, the Moroccan company Alliances delivered 4 000 houses of varying nature and price located in Anyama to their new owners. The price of social housing was capped at CFA 12 000 000 (US\$21 257.51) while the price of economic housing was capped at CFA 23 000 000 (US\$40 753.57).²⁶ The company plans to construct 7 800 units at the site and a total of 14 000 units in the country. ADDOHA, another Moroccan group, is on track to deliver its first unit in early 2018 out of 745 units under construction in Koumassi. There are at least 45 local developers and five international ones participating in the government social housing project.²⁷ Phoenix Africa Partners Holdings (PAPH), an Ivorian investment platform, and China Railway Construction Corporation signed an agreement in March 2018 for social and economic housing to cater for the rising middle-class population.²⁸ The CEO of the Société d'Expertise en Génie Civil (SEGC), Thomas Dagbo announced the launch of a project in Abidjan in May 2018, which will seek to build 250 houses, a hospital and a mall.²⁹

COTE D'IVOIRE

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

The government recognises the limitations of the country's housing policy as illustrated by the gap between supply and demand for homes. The measures introduced in 2016 by the former minister i.e. taxes on the importation of construction material, cement and clinker; and a housing tax on salary, to create a special fund which will serve as a guarantee for banks, are yet to be fully implemented. However, the government is striving to overcome the challenges. The 2018 edition of the Social and Economic Housing Forum, which took place from the 25-27 June 2018, was dedicated to creating a roundtable of key housing actors to find solutions to the constraints in social and economic housing supply;³⁰ the reactivation of the Approval Commission of Real Estate Developers, with more stringent selective procedures, is an illustration of the political willingness to improve the housing sector.³¹

Property markets

According to the Knight Frank 2017-2018 report,³² rents are increasing. The average price for a four-bedroom executive villa at Cocody, which is a prime location, is US\$3 700 a month. Demand for retail space and offices is also going up. Response to demand can be seen in new office and retail developments such as Green Buro in Cocody and Renaissance plaza project in Plateau. New supply is expected to come onto the market in 2018, placing more pressure on rents. Rental prices range from CFA 125 000 to 200 000 (US\$217.50 – US\$348.52) for a "studio" in Abidjan targeted at the middle-income population. There is a huge gap between rents, depending on the geographical location of the property. According to local market information, rents in the low income areas range between CFA 45 000 to CFA 55 000 (US\$78.30 to US\$95.70) for a room in a multi-room building in popular zones. For houses built under the government programme, prices range between CFA 12.5 million (US\$21 750) and CFA 23 million (US\$40 020). These are fixed prices.³³

Côte d'Ivoire has improved its rank in doing business as far as registration of property is concerned, from 120 in 2015 to 113 in 2018.³⁴ The cost of registration has fallen to 7.4 percent, still high by international standards. The registration process of 30 days, though unaffordable for most of the population, is among the lowest in the region. Côte d'Ivoire has begun digitising its land registry system and lowering the property registration tax. The World Bank's 2018 Doing Business Report ranks Côte d'Ivoire in 152nd place out of 190 countries in terms of dealing with construction permits, with 21 procedures, and 162 days, a net progress compared to previous years.

Policy and regulation

Before 1998 and according to customary law, women in Côte d'Ivoire were neither allowed to own land nor inherit it. Law No. 98-75, the rural land law, permits women to own land; however, in rural areas men are still the main beneficiaries of land. Although government agencies are responsible for land registration, a law (N°2013-481) was passed in July 2013 called Arrêté de Concession Définitive, as the sole document for urban land registration. According

to the housing Minister; this law is to facilitate the process of land acquisition and protect the right to property.

Still, the most recent municipal land regulation and building code was drawn up in 1996. The minimum house size that can be built in Abidjan is 100m² and the maximum height is four storeys; however, in some municipalities more space and height is allowed.

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

Although legal rights have been improved, the government and the citizens recognise the limit of the country's housing policy. In 2016-2017 new regulations (Ordonnance N° 2017 – 279/ 10- May 2017) were enacted, and efforts are being made to enforce various existing rules and regulations. It is expected that the improvement of housing policies will contribute to bridging the gap between supply and demand for homes, especially affordable houses.

Laws relating to housing include:

- Law 62-253/31-7-62: Invests full authority in the ministry of housing for the development of the country's urban planning.
- Law 2003-208 / 7-7-203: Modified law 62-253/31-7-62 and transfers the authority from the central government to local authorities.
- Law 98-750 /23-12-98: Transfers customary land rights to private property rights regulated by the state.
- Law (N°2013-481) Arrêté de Concession Définitive (ACD): Passed in July 2013 and is the sole document for urban land registration. Facilitates the process of land acquisition and protects the right to property.
- Ordonnance N° 2017 – 279/ 10- May 2017: Reduction of 50 percent of taxes on profit for those developers who dedicate 60 percent of their production to very low income group social housing. Encourage real estate developers to invest in housing development for low income groups. Fixes prices of houses built in the governmental programme: CFA 12.5 million (US\$21 078) for social housing and CFA 23 million (US\$40 020) for economic.

Côte d'Ivoire seeks to improve its regulatory framework through several reforms, among which is the one-stop-shop for obtaining building permits, simplification of procedures, and reduction of registration and miscellaneous cost. The country has also introduced an electronic Land Registry to streamline land title acquisition.³⁵

Opportunities

Côte d'Ivoire has increased its cement production in 2018 with the setting up by Moroccan company Ciment de l'Afrique (Cimaf) of a factory with annual capacity of 300 000 tons in Bouake. Cimaf will have a multiplier effect, for it increases the supply of cement, reducing the price, and generates jobs.

The national housing market is developing, and the needs are enormous, which means great opportunities in all segments of the real estate industry – retail, industrial and tourist. The government is making efforts to improve the business climate, implement the ambitious National Development Plan, reform the banking sector, and simplify construction procedures and property registration. The increased presence of foreign investors and developers, various government development programmes and the efforts of the government to modernise and diversify the urban poles are indicators of opportunities for the housing finance and housing development sectors.

Additional sources

BA Ibrahima, Directeur Général INS, Directeur Exécutif du RGPH2014; Recensement Général de la Population et de l'Habitat 2014.

Combien coute (2018). Salaire moyen. <https://www.combien-coute.net/salaire-moyen/cote-d-ivoire/> (Accessed 14 September 2018).

International Monetary Fund (2017). IMF Country Report N° 17/372 Cote d'Ivoire - December 2017.

Recensement General de la Population et de l'Habitat (2014), Ibrahima Ba. Rapport d'exécution et Présentation des principaux résultats. http://www.ins.ci/n/documents/RGPH2014_expo_dg.pdf (Accessed 14 September 2018).

¹ World Population Review (2018). Ivory Coast Population 2018. <http://worldpopulationreview.com/countries/ivory-coast-population/> (Accessed 13 September 2018).

² African Development Bank (2018). Côte d'Ivoire Economic Overview. <https://www.afdb.org/en/countries/west-africa/cote-d%E2%80%99ivoire/cote-divoire-economic-outlook/> (Accessed 13 September 2018).

³ African Economic Outlook Country Notes 2018. Cote d'Ivoire.

⁴ Ibid.

⁵ Ibid.

⁶ Le Ministère de la Construction, du logement, de l'assainissement et de l'urbanisme.

⁷ The Oxford Business Group (2017). www.oxfordbusinessgroup.com/cote-divoire-2017/banking

⁸ BCEAO Rapport Annuel 2017.

⁹ World Bank (2018). The Little Data Book on Financial Inclusion. Pg 50.

<https://openknowledge.worldbank.org/bitstream/handle/10986/29654/LDB-FinInclusion2018.pdf?sequence=1&isAllowed=y> (Accessed 3 September 2018).

¹⁰ The Mix (nda). Country and Regions. <http://www.themix.org> (Accessed 13 September 2018).

¹¹ CGAP, Advancing financial inclusion to improve the lives of the poor (2018). Corinne Riquet. In Côte d'Ivoire, Financial Inclusion at a Crossroads. <http://www.cgap.org/blog/c%C3%B4te-divoire-financial-inclusion-crossroads> (Accessed 13 September 2018).

¹² Ibid.

¹³ Financial Afrik (2018). Jean-Mermoz Konandi. Côte d'Ivoire : le secteur de la microfinance en forte croissance. <https://www.financialafrik.com/2018/01/08/cote-divoire-le-secteur-de-la-microfinance-en-forte-croissance/> (Accessed 13 September 2018).

¹⁴ DGTPC-CI (2018). Synthèse de la note conjoncturelle du premier trimestre 2018. <http://microfinance.tresor.gouv.ci/micro/2018/07/19/synthese-de-la-note-conjoncturelle-du-premier-trimestre-2018/> (Accessed 14 September 2018).

¹⁵ Le Ministère de la Construction, du logement, de l'assainissement et de l'urbanisme.

¹⁶ Recensement General de la Population et de l'Habitat (2014). "Rapport d'exécution et Présentation des principaux résultats." http://www.ins.ci/n/documents/RGPH2014_expo_dg.pdf (Accessed 21 Sept 2018).

¹⁷ The Oxford Business Group (2018). "Authorities working to deliver social housing in Côte d'Ivoire." <https://oxfordbusinessgroup.com/analysis/homes-all-after-few-years-delay-authorities-and-developers-are-making-good-plans-deliver-social> (Accessed 21 Sept 2018).

¹⁸ Abidjan.net (2018). Le Patriote. Le coût des loyers et cautions va baisser. <http://news.abidjan.fr/631431.html> (Accessed 14 September 2018).

¹⁹ Between the two companies, 24 254 housing units were constructed in Yopougon, 10 770 in Cocody and 6 938 in Port-Bouet during those years. The houses are individual villas, duplexes and one to two-storey buildings with apartments and studios built with adequate construction material and in well planned urban communities with amenities.

²⁰ The Oxford Business Group (2018). Authorities working to deliver social housing in Côte d'Ivoire. <https://oxfordbusinessgroup.com/analysis/homes-all-after-few-years-delay-authorities-and-developers-are-making-good-plans-deliver-social> (Accessed 14 September 2018).

²¹ Le Ministère de la Construction, du logement, de l'assainissement et de l'urbanisme.

²² Abidjan.net (2014). <http://news.abidjan.net/h/493809.html>

²³ Agence Ivoirienne de Presse (2017). Un operateur Ivoirien Obtient plus de 13 milliards de fca pour la Construction de Logements a Abidjan. <http://aip.ci/logements-un-operateur-ivoirien-obtient-plus-de-13-milliards-fca-pour-la-construction-de-logements-a-abidjan-et-en-region/> (Accessed 14 September 2018).

²⁴ Portail Officiel du Gouvernement de Côte d'Ivoire (2017). Actualites. http://www.gouv.ci/_actualite-article.php?recordID=8075&d=1 (Accessed 14 September 2018).

²⁵ Le Nouvel Afrik (2017). Opes Holding SA et NCK International s'associent pour la construction de logements. <https://www.afrik.com/cote-d-ivoire-opes-holding-sa-et-nck-international-s-associent-pour-la-construction-de-logements> (Accessed 14 September 2018).

²⁶ Rfi Afrique (2017). 4000 Logements livres à Abidjan. <http://www.rfi.fr/afrique/20171228-cote-ivoire-4000-logements-livres-abidjan-pallier-deficit> (Accessed 14 September 2018).

²⁷ The Oxford Business Group (2018). Authorities working to deliver social housing in Côte d'Ivoire.

²⁸ La Libre Afrique (2018). AFP. Accord avec un Geant Chinois pour les Logements Sociaux.

<https://afrique.lalibre.be/16597/cote-divoire-accord-avec-un-geant-chinois-pour-des-logements-sociaux/> (Accessed 14 September 2018).

²⁹ Agence de Presse Africaine (2018). APA. Côte d'Ivoire : un promoteur annonce le lancement d'un pôle urbain de 250 logements à Abidjan. <http://apanews.net/fr/pays/cote-divoire/news/cote-divoire-un-promoteur-annonce-le-lancement-dun-pole-urbain-de-250-logements-a-abidjan> (Accessed 14 September 2018).

³⁰ CCESP (2018). Cisse Yacouba. Forum Du Logement Social, Economique Et Standing. <https://ccespblog.wordpress.com/2018/06/23/forum-du-logement-social-economique-et-standing/> (Accessed 14 September 2018).

³¹ Le Blog de Le petit journaliste ivoirien (2017). Côte d'Ivoire : Claude Isaac DE, ministre de la Construction, du Logement, de l'Assainissement et de l'Urbanisme remet son ministère sur les rails. <http://lepetitjournalisteivoirien.over-blog.com/2017/10/cote-d-ivoire-claude-isaac-de-ministre-de-la-construction-du-logement-de-l-assainissement-et-de-l-urbanisme-remet-son-ministere-sur> (Accessed 14 September 2018).

³² Research Knight Frank (2018). Africa Report 2017/18, Real Estate Market in a Continent of Growth and Opportunity. Pg. 19.

³³ Koaci (2017). Côte d'Ivoire : Les prix de vente des logements sociaux «imposés» aux promoteurs. <https://koaci.com/cote-divoire-prix-vente-logements-sociaux-imposes-promoteurs-109410.html> (Accessed 14 September 2018).

³⁴ World Bank Doing Business 2018.

³⁵ The Oxford Business Group (2018). <http://oxfordbusinessgroup.com/cote-divoire-2018>

Democratic Republic of Congo



Overview

The Democratic Republic of Congo (DRC) covers an area of 2 344 858km² for approximately 84.2 million people.¹ Nine (9) border countries surround the country. This, added to its immense natural resource reserve, provides an abundant set of assets for business and investment opportunities in the DRC. Despite the wealth of fertile soil, hydroelectric power potential, and mineral resources, the Democratic DRC struggles with many basic socio-economic problems.²

Mineral wealth has allowed for some levels of real gross domestic product (GDP) growth, as the extractive sectors produce large quantities of copper, cobalt and gold. A growing population in the DRC also drives economic growth from a consumer spending perspective. However, growth is still restrained by the challenges of developing adequate infrastructure throughout the country. In 2018, stronger mining sector production, led by copper and cobalt, and stabilising external accounts will support a slight acceleration of economic growth to 3.3 percent from 2.8 percent in 2017.³ However, FocusEconomics analysts see a growth of approximately 3.7 percent in 2019⁴ while the predictions from the African Development Bank indicate that economic growth will reach 4.2 percent in 2019.⁵

Headline inflation increased from 67.5 percent y-o-y in July to 70.8 percent y-o-y in August. Low commodity prices and insufficient inflows of US dollars have caused the Congolese franc to weaken significantly. The lack of financing will continue to drive double-digit inflation in 2018 and the government's ban on common imports will contribute to the spiralling inflation rate. To try to curb inflation, the central bank increased the country's base interest rate from 7 percent to 14 percent in February 2017 and to 20 percent in June, with further increases likely in 2018. Although the formal economy is largely dollarised and operates unhindered by local interest rates, the current shortage of hard currency and reductions of key imports will have an adverse effect. The IMF expects inflation to average 44 percent in 2018.⁶

The recently released Plan National Stratégique de Développement (PNSD) 2017-2021 focuses on making the DRC an emerging market economy by 2030 and a developed country by 2050. However, the country's deteriorating security situation and uncertainty over policy direction have reduced donor assistance and dissuaded foreign investment. The release of the election timetable in November 2017 – indicating polls will be held in December 2018 – will provide slightly more certainty about the country's political dynamics.⁷

KEY FIGURES

Main urban centres	Kinshasa Lubumbashi
Exchange rate: 1 US\$ = [a] 21 Aug 2018	1 620 Congolese franc
PPP Exchange rate (Local currency/PPP\$) Congolese franc = [b]	180.10
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018 [c]	5.9 53.5 44
Population [d] Urban population size [e]	84 260 069 33 989 753
Population growth rate [f] Urbanisation rate [g]	3.28% 5.10%
Percentage of the total population below National Poverty Line [h]	74.00%
Unemployment rate [i]	18.0%
GDP (Current US\$) 2017 [j] GDP growth rate annual 2017 [c]	US\$37 600 million 3.3%
GDP per capita (Current US\$) 2017 [g]	US\$434
GNI per capita (Current US\$) 2017 [b]	US\$450
Gini co-efficient 2017 [g]	61.00
HDI global ranking 2015 [k] HDI country index score 2015 [k]	176 0.435
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [i]	20.62%
Mortgage interest rate Mortgage term (years)	14.00% 15
Downpayment	n/a
Mortgage book as a percentage of the GDP [f]	8.00%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$10.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	32 400 000 Congolese franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$20 000
What is the size of this house (m ²)?	85m ²
What is the average rental price for this unit (US\$)?	US\$500
What is the minimum stand or plot size for residential property?	85m ²
Ease of Doing Business Rank [l]	182
Number of procedures to register property [l]	8
Time to register property (days) [l]	38 days
Cost to register property (as % of property value) [l]	11.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	Xe.com
[b]	World Bank World Development Indicators
[c]	KPMG - DRC
[d]	Central Intelligence Agency (CIA) World Factbook
[e]	Worldometers
[f]	Worldpopulationreview.com
[g]	World Bank Open Data
[h]	Food and Agriculture Organization (FAO) for United Nations
[i]	Trading Economics
[j]	FocusEconomics.com
[k]	UNDP Development Indicators
[l]	World Bank Doing Business

The DRC made starting a business easier by eliminating the requirement that a woman obtain her husband's permission to start a business and by combining multiple business registration procedures. Furthermore, the country made dealing with construction permits more transparent by publishing all regulations related to construction online. The DRC is ranked 182nd out of 190 in the World Bank's Doing Business Index in 2018.⁸

The Gross National Income per capita is estimated at US\$680,⁹ and two-thirds of the population live below the poverty line, meaning that approximately 74 percent of the population live on less than US\$ 1.25 a day.¹⁰ The Congolese franc depreciated against the U.S. dollar by 23.7 percent in 2016 and 22.5 percent in late September 2017, which raised inflation from 0.8 percent in 2015 to 6.9 percent in 2016 and to 42.9 percent in 2017. The current account deficit was 3.2 percent of GDP in 2016 and an estimated 2.4 percent in 2017 and is projected to continue to improve in 2018.

Access to finance

The Congolese financial system is growing but remains fragile and operates primarily through the Congolese Central Bank (BCC). The financial sector comprises 17 licensed banks, a national insurance company, the National Social Security Institute, one development bank, Société Financière de Développement, a savings fund, 102 microfinance institutions and cooperatives, 72 money transfer institutions which are concentrated in Kinshasa, Kongo Central, North and South Kivu and the former Katanga provinces, three electronic money institutions, and 23 foreign exchange offices. There is no secondary equity or debt market.¹¹

Bank penetration is roughly six percent or approximately 3.9 million accounts, which places the country among the most under-banked nations in the world. Based on its strategic plan, the BCC seeks to create more than 20 million bank accounts by 2030. Banks are increasingly offering savings accounts that pay approximately 3 percent interest, but few Congolese hold savings in banks. According to the Banking Association of Congo (ACB), of an estimated 65 percent of the population that saves, only 4.7 percent do so through a bank.¹²

Few banks (Bank of Africa, ProCredit Bank, Rawbank and Trust Merchant Bank) and microfinance institutions (FINCA RDC, I-Finance) offer both mortgage and construction finance, requiring, however, that borrowers be employees and have their employers sign agreements to place their salaries in these institutions. These housing loans are secured either by mortgage or by the commitment of their employers that, in case they leave their companies, the borrowers' terminal payments will be paid to them through the lending banks. The amount of debt that can be secured by terminal payment cannot, however, exceed US\$ 20 000, while the maximum for mortgages is set at an average of US\$ 150 000.¹³

Financial inclusion is increasing, but substantial progress is needed to develop payment systems, facilitate the use of financial services, and strengthen regulation of the non-banking sector. Consolidation and strengthening of microfinance along with reform of the insurance and pension sub-sector could facilitate the expansion of financial services and attract long-term investors.¹⁴

The DRC's capital market remains underdeveloped and consists mainly of the issuance of treasury bonds. There are no stock exchanges operating in the country, although a small number of private equity firms are actively investing in the mining industry.

The central bank developed a market for short-term bonds, but most of these bonds are bought and held by local Congolese banks. In the absence of private debt securities, the fixed-rate market is limited to government-issued treasury bonds with maturities of up to 28 days traded through commercial banks.

Borrowing options for Small and Medium Enterprises are limited. Maturities for loans are usually limited to 3-6 months, and interest rates typically hover around 16-18 percent.

In early 2017 the International Finance Corporation, a member of the World Bank Group, and the MasterCard Foundation signed a US\$1 million agreement with the Foundation for International Community Assistance, known by its acronym FINCA, a microfinance institution, to support the expansion of its digital financial services and access to credit for the low income population and small-scale entrepreneurs.¹⁵

Affordability

The country is still ranked 176th on the UN Human Development Index out of 188 countries and territories worldwide.¹⁶ Access to affordable and sustainable housing is almost impossible for low income earners due to a lack of low-cost housing supply and low wages. Both the duration and interest rates for housing loans are restrictive. While the interest rate is at an average of 24 percent (higher for microfinance institutions) – an indirect consequence of the Central Bank's high base interest rate – the maturity of most loans is set at a maximum of 60 months (5 years) due to the unpredictability of the current economic situation.¹⁷ High lending rates by commercial banks make it difficult for the majority of the local population to access financial services. That the unemployment rate is high, roughly 46.10 percent in 2013,¹⁸ and that 74 percent of the population lives on less than US\$1.25 a day means that more than half of the population is excluded from access to housing finance.

Housing and offices built by private operators are often too expensive for locals. For example, in Kinshasa, the high price of properties (averaging over US\$150 000) is pushing middle class residents and the poorest segment of the population farther away from city centre. Houses built in the new Kin-Oasis development at Bandalungwa cost approximately US\$850 000, which is affordable to few locals.¹⁹ Average rental prices vary between US\$400-US\$500 per month, yet this price is still not affordable for many Congolese, as civil servants' monthly salary is roughly below US\$100. The average rental rates for an apartment in Gombe, a rich suburb of Kinshasa, varies between US\$1 200 and US\$5 000 per month, while the rent for a villa in the same area can cost between US\$2 500 and US\$10 000 per month.²⁰ The purchase price of an apartment varies between US\$200 000 and US\$450 000, depending on the size of the unit.²¹

Housing supply

Housing demand in the DRC outweighs housing supply, and the backlog is estimated at 3 945 555 houses countrywide. Kinshasa alone has a housing deficit estimated at 54.4 percent of the overall national deficit, i.e. an average of 143 092 houses to be built per year.²²

Worth noting is that the DRC government does not have any housing support programme specifically targeted to support or subsidise low income households to access housing; therefore, the property market is solely left to the private sector. Urbanisation has increased from 9.9 percent in 1956 to over 42 percent in 2015, which reflects a relative surge in construction and housing supply. The country lacks a national housing development agency that can ensure that human settlement developments are sustainable, viable and appropriately located.

In rural areas, which make up 57.4 percent of the country,²³ the notion of property development is totally absent. Therefore, the limited number of developers are concentrated in urban areas, with very restricted access to finance. Because of this situation, housing supply is limited, and only accessible to the elite minority.

In the past five years, there has been a slight increase in housing supply and private housing development. However, most of the houses put on the market do not target low-income earners and are not affordable.²⁴ In 2011, for example, the central government launched a housing project named Cité Kin-Oasis, which accommodated the construction of 1 000 social houses in Kinshasa/Bandalungwa. This project has now been completed; however local communities have complained about the affordability and high price of the houses.

In Lubumbashi, a US\$1.4 billion housing development called Luano City launched in 2010, is still under construction. Luano City is a mixed-used development project comprising two and three-bedroom houses, office park, and a retail space in the form of a shopping mall and industrial park.

Most housing development projects in the country are in the capital city of Kinshasa, including Cité du Fleuve, Cité de l'Espoir, Cité Belle Vie, Cité Moderne, etc. However, there are sporadic housing developments currently in the pipeline in other areas such as Fungurume, a mining district of the newly created province of Lualaba. Further, UN-Habitat²⁵ has been working mainly in North Kivu, Ituri, Bunia/Djugu, Mahagi and Masisi Territory, and the Equateur Province on several housing projects.

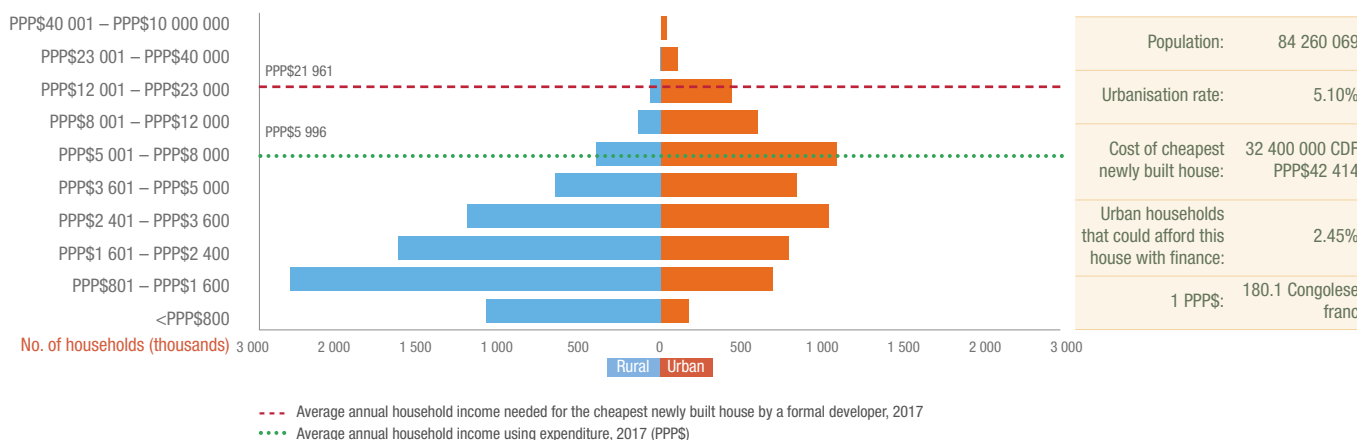
Property markets

The property market in DRC has experienced relative progress in recent years, on the back of private property reforms and the increased demand for housing from a fast-growing population, hence offering significant business opportunities for investors.²⁶ However, limited access to finance remains the major constraint, as the majority of the local population do not have access to financial systems, and foreign investment in the sector is very slow. In addition, most of the recent development projects have been focusing on urban areas such as Kinshasa, Kisangani, Goma and Lubumbashi. In these urban areas, the cost of land, title deed registration process and building materials are relatively high, therefore slowing down the development of the property market.

Property prices are high and generally aimed at the high-end market. According to real estate agent Knight Frank, prime yields of 15 percent can be realised in DRC's retail market, with rents of US\$35 per m² per month.²⁷ Industrial property yields 13 percent at US\$8 per m² per month, followed by offices that yield

DEMOCRATIC REPUBLIC OF CONGO

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

12 percent at US\$45 per m² per month. The residential market yields 10 percent with rents of US\$8 000 a month for a four-bedroom executive house.²⁸

The office development activity appears to have accelerated since the last elections in 2011, but businesses are likely to become more cautious in the run-up to the 2018 elections. Prime rents are approximately US\$30 per square metre per month but can reach US\$40 per square metre per month for good quality small spaces.²⁹ The retail market has shown limited progress in recent years and Shoprite is the only major international retailer in Kinshasa, having a supermarket in a prime position in the Gombe district.³⁰

Industrial property is clustered around the Route des Poids Lourds, particularly in the areas of Kingabwa and Limete. Rents can be as high as US\$12 per square metre per month, but this is for industrial properties that are used by embassies and NGOs, rather than industrial users. Prime rents for new-build industrial properties are more usually in the order of US\$8 per square metre per month.³¹

Residential values in the centre of Kinshasa, and in particular Gombe, were driven upwards during the 2000s by the arrival of large numbers of UN personnel.

Dealing with construction permits requires 12 procedures, takes 122 days and costs approximately six percent of the property value. Globally, DRC is ranked 121 in 2018 from 114 in 2017 out of 190 economies on the ease of dealing with construction permits, which constitutes a negative change for the construction and housing sectors.³² With regard to property registration, DRC is ranked 158 in 2018 and it can be completed in 38 days, down from 44 days last year through eight steps.³³ Across the country, households have an average of three rooms for residential use. The number of bedrooms is two, but 41 percent of households do not have independent bedrooms.³⁴

Policy and regulation

In 2002, the government passed new laws to improve the central bank's role as regulatory and supervisory authority and increase its independence. Act 11/020 of 15 September 2011 defines rules relating to the activity of microfinance.

The insurance legislation, Act No. 15/005 of 17 March 2015, was adopted to liberalise the insurance sector and attract private insurance companies. This legislation has allowed the creation and the effective establishment of the Insurance Regulatory and Control Authority. Other property laws include Circular Note n°005/CAB/MIN/AFF FUNC/2013 of 12 June 2013 on the procedure and the transfer period of land and property rights; Ministerial Order No. cab/MINA/TUHITPR/007/2013 of 26 June 2013 concerning the regulations of granting building permits in DRC; and Law No. 15/025 of 31 December 2015 on leasing and non-professional rents.³⁵

Opportunities

DRC, a country with the size of a subcontinent, has enormous potential in various sectors that deserve to be converted into real wealth. The country has been divided into 26 provinces with a view to economically developing each of them. It is believed that housing development and delivery will be among the major projects needed to improve the newly established provinces.

Further, the National Agency for the Promotion of Investments has presented a list of major projects waiting for funding to boost the economy. In total, 27 projects have been identified and are grouped around four priority areas namely: agriculture sector: 5 projects; infrastructure sector (railways, lake, river and sea): 14 projects; tourism sector: 5 projects; energy sector: 1 project; and ICT sector: 2 projects.³⁶

The implementation of the preceding projects will create employment that will generate incomes and provide buying power to local people to address their needs, including access to housing. It should be noted that there have been tight linkages between poverty alleviation and income. Income generation in many cases contributes to development of society by increasing housing affordability, decreasing child malnutrition and decreasing social instability. In addition, the transfer of the take-home pay increases the domestic demand and makes the local market attractive for both domestic and international investments, and thus stimulates local housing markets.

DRC has many areas to be exploited throughout the country; in each province, land dedicated to the construction of social housing exists; housing demand is strong compared to supply; and a significant market share exists for new construction companies and investors in the sector. Furthermore, Habitat for Humanity International has undertaken an analysis of the housing construction value chain in the DRC.

Furthermore, the government has put in place urban land reform strategies, which consists of construction in specialised economic zones and agricultural-industrial parks across the country. Through land reform, the government wants to achieve equitable and reasonable urban space planning that promotes equitable resource distribution between regions and production sectors as well as to streamline urban development without neglecting rural development. This is encouraged, inter alia, through the allocation in each province of specific areas dedicated to the construction of social housing.³⁷

Lastly, recent initiatives launched by local banks and microfinance institutions, such as PEPELE Mobile (Trust Merchant Bank), FINCA Mobile, ProCredit Cash Express, etc. as well as the establishment of new private equity companies, promote financial inclusion and provide more housing finance opportunities and options.

- ¹ Worldometers (2018). DRC Population. <http://www.worldometers.info/world-population/democratic-republic-of-the-congo-population/> (Accessed 16 August 2018).
- ² Central Intelligence Agency (2018). World FactBook, Africa: Congo, Democratic Republic of The. <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/cg.html>
- ³ KPMG DRC (2018). DRC Economic Snapshot H2, 2017. <https://home.kpmg.com/content/dam/kpmg/za/pdf/2017/12/DRC-2017H2.pdf> (Accessed 16 August 2018).
- ⁴ Focus Economics (2018). DR Congo Economic Outlook. <https://www.focus-economics.com/countries/dr-congo> (Accessed 16 August 2018).
- ⁵ DABIRE, J.M.V. (2018). Perspectives Économiques en Afrique 2018, République démocratique du Congo, Groupe de la Banque Africaine de Développement. Pg. 4.
- ⁶ KPMG DRC (2018).
- ⁷ African Development Bank Group (2018). Democratic Republic of Congo Economic Outlook. www.afdb.org/en/countries/central-africa/democratic-republic-of-congo/democratic-republic-of-congo-economic-outlook/ (Accessed 16 August 2018).
- ⁸ World Bank Group (2018). Flagship Report Reforming to Create Jobs, Economy Profile, Congo Democratic Republic. <http://arabic.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Country/ZAR.pdf> (Accessed 16 August 2018).
- ⁹ United Nations Development Programme (2016). Human Development Report 2016: Human Development for Everyone. http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf (Accessed 16 August 2018).
- ¹⁰ Food and Agriculture Organisation of the United Nations (2018). The Democratic Republic of the Congo - Response Plan 2017–2018. <http://www.fao.org/emergencies/resources/documents/resource-detail/en/c/1046444> (Accessed 16 August 2018).
- ¹¹ US Department of State (2018). Bureau of Economic and Business Affairs, Investment Climate Statements for 2018. <https://www.state.gov/e/eb/rls/othr/ics/investmentclimastatements/index.htm#wrapper> (Accessed 19 July 2018).
- ¹² Ibid.
- ¹³ Interviews with customer service representatives of the relevant banks and microfinance institutions.
- ¹⁴ US Department of State (2018).
- ¹⁵ FINCA DRC (2017). FINCA Fights Financial Exclusion with Banking Agents in DR Congo. <https://www.finca.org/blogs/financial-exclusion-banking-agents-drc/> (Accessed 16 Aug 2018).
- ¹⁶ United Nations Development Programme (2018). Human Development Indicators DRC. <http://hdr.undp.org/en/countries/profiles/COD> (Accessed 16 August 2018).
- ¹⁷ Interviews with customer service representatives from Bank of Africa, Banque Commerciale du Congo, FINCA RDC, I-Finance, ProCredit Bank, Rawbank, Trust Merchant Bank.
- ¹⁸ KPMG DRC (2018). <https://home.kpmg.com/content/dam/kpmg/za/pdf/2017/12/DRC-2017H2.pdf>
- ¹⁹ Frank, G. K. (2018). Africa property focus: Democratic Republic of Congo. <https://www.kfsa.co.za/blog/2015/05/africa-property-focus-democratic-republic-of-congo> (Accessed 16 August 2018).
- ²⁰ Expatistan (2018). Cost of living in Kinshasa, Democratic Republic of the Congo. [https://www.expatistan.com/cost-of-living/kinshasa?currency=US\\$](https://www.expatistan.com/cost-of-living/kinshasa?currency=US$) (Accessed 16 August 2018).
- ²¹ The Africa Report (2018). Housing: Kinshasa is for the rich. www.theafricareport.com/East-Horn-Africa/housing-kinshasa-is-for-the-rich.html (Accessed 16 August 2018).
- ²² National Agency for the Promotion of Investments (2018). <https://www.investindrc.cd/en/investment-guide/major-projects-awaiting-fundings>
- ²³ Encyclopaedia Britannica (2018). Democratic Republic of the Congo Settlement Patterns. www.britannica.com/place/Democratic-Republic-of-the-Congo/Settlement-patterns (Accessed 16 August 2018).
- ²⁴ National Agency for the Promotion of Investments (2018). <https://www.investindrc.cd/en/investment-guide/major-projects-awaiting-fundings>
- ²⁵ UN Habitat (2018). Sustainable Housing Reconstruction in the Eastern Democratic Republic of Congo. <https://unhabitat.org/books/sustainable-housing-reconstruction-in-the-eastern-democratic-republic-of-congo/> (Accessed 16 August 2018).
- ²⁶ This is Africa. (2016). Risks ahead for DRC's booming real estate market. <http://www.source8.com/wp-content/uploads/2016/01/Risks-ahead-for-DRC%E2%80%99s-booming-real-estate-market-Business-This-is-Africa.pdf> (Accessed 16 August 2018).
- ²⁷ Africa Property News (2018). Housing supply limited in Democratic Republic of Congo, <http://www.africapropertynews.com/central-africa/3076-housing-supply-in-democratic-republic-of-congo.html> (Accessed 16 August 2018).
- ²⁸ Ibid.
- ²⁹ Expatistan (2018). [https://www.expatistan.com/cost-of-living/kinshasa?currency=US\\$](https://www.expatistan.com/cost-of-living/kinshasa?currency=US$)
- ³⁰ Ibid.
- ³¹ Ibid.
- ³² World Bank Group (2018). <http://arabic.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Country/ZAR.pdf>
- ³³ Ibid.
- ³⁴ Habitat World Map (2018). Democratic Republic of Congo. <http://habitat-worldmap.org/en/pais/africa/democratic-republic-of-the-congo/> (Accessed 16 August 2018).
- ³⁵ Congo Invest Consulting (2018). Housing. <http://www.congo-invest.com/v2/index.php/housing/> (Accessed 16 August 2018).
- ³⁶ National Agency for the Promotion of Investments (2018). <https://www.investindrc.cd/en/investment-guide/major-projects-awaiting-fundings>
- ³⁷ Ibid.

Djibouti



Overview

Djibouti is a small country in the Horn of Africa with a significant proportion of its population living in extreme poverty (23 percent).¹ Most of the population live in urban areas (mainly Djibouti City) since less than 0.04 percent of the land is arable. As such, the country relies heavily on imports of food, exposing it to perennial food shortages. According to the World Bank, Djibouti is highly exposed to external shocks such as spikes in food and fuel prices as well as droughts and floods. With very little arable land and almost no natural resources (save for salt deposits) the economy is mainly dependent on external financing and foreign direct investments. The country is strategically positioned along a major sea trade route, where the Red Sea meets the Gulf Aden, and is Ethiopia's main import-export port. Due to its strategic position, the country generates more than 80 percent of its revenue from renting military bases and providing port services. In effect, the Djibouti economy is mainly driven by transportation and logistics services.

Djibouti has a weak manufacturing sector and limited agricultural output due to its harsh weather conditions. Consequently, the country's economy is driven by trade and services. According to the World Bank Economic Outlook 2018, lower investments coupled with weak export yields will lead to a decline in Djibouti's projected GDP growth from 7 percent in 2017 to 6.5 percent in 2018. In addition, inflation is projected to remain at 3.5 percent, due to rising oil prices as well as housing and services-driven demand.²

Although the country is starved of natural resources including arable land, it has recorded impressive growth rates in the past 16 years evidenced by an increase in average per capita GDP per annum of 3.1 percent over the period 2001-2017. Importantly, the country's economic growth has been remarkable, recording more than 6.5 percent on average per year over 2014 to 2017. According to the African Development Bank (AfDB), the country's economic growth has exceeded five percent in recent years, reaching approximately 6.8 percent in 2017 with a projected growth of 6.9 percent in 2018 and 2019. The growth is accounted for by growing investments in infrastructure such as ports intended to serve land-locked Ethiopia³ and the completion of the electric railway linking Djibouti to Ethiopia.

Djibouti has a population of 865 267 with a population growth rate of 2.16 percent.⁴ Most of the population lives in urban areas (78 percent of the total

KEY FIGURES

Main urban centres	Djibouti
Exchange rate: 1 US\$ = [a] 16 Aug 2018	180 Djiboutian franc
PPP Exchange rate (Local currency/PPP\$) 1 Djiboutian franc =	98.10
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018	3.0 2.70 n/a
Population 2017 [b] Urban population size [b]	865 267 673 178
Population growth rate 2015 [b] Urbanisation rate [b]	2.16% 1.67%
Percentage of the total population below National Poverty Line 2015 [b]	23.00%
Unemployment rate [b]	40.00%
GDP (Current US\$) 2017 [c] GDP growth rate annual 2017 [c]	US\$1 845 million 4.09%
GDP per capita (Current US\$) 2017 [c]	US\$1 930
GNI per capita (Current US\$) [d]	US\$1 908
Gini co-efficient	27.60
HDI global ranking 2015 [e] HDI country index score 2015 [e]	172 0.473
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [b]	11.60%
Mortgage interest rate Mortgage term (years)	7% 20
Downpayment	20%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre [f] Outside City Centre [f]	3.84 3.79
Gross Rental Yield in City Centre [f] Outside City Centre [f]	26.05% 26.39%
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? [g]	US\$7.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [g]	13 734 000 Djiboutian franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [g]	US\$76 300
What is the size of this house (m ²)? [g]	180m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property? [g]	300m ²
Ease of Doing Business Rank [d]	154
Number of procedures to register property [d]	6
Time to register property (days) [d]	39 days
Cost to register property (as % of property value) [d]	12.70%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	Central Intelligence Agency (CIA) World Factbook
[c]	World Bank World Development Indicators
[d]	World Bank Doing Business
[e]	UNDP Human Development Reports
[f]	Numbeo
[g]	CAHF Yearbook 2017

population). This is mainly explained by the extremely hot weather, which is not conducive for farming. The official languages are French and Arabic.

The government of Djibouti has made affordable housing a major priority issue and called on local and international partners to support social housing. The country's President has set up a foundation, the Ismail Omar Guelleh (IOG) Foundation, which has attracted huge support from international players largely drawn from China and Arabia. The completion of the Djibouti Ethiopia Railway and Djibouti Free Trade Area are among the major projects undertaken by the country. The country's exchange rate has remained stable over time, the GDP has continued on an impressive growth path, and the inflation rate is among the lowest in the region. There have been some attempts to enhance infrastructure development; such an example is the Djibouti Free Trade Area, which is considered the biggest investment of its kind in Africa and is expected to lead to the entry of more expatriates in the country, pushing up the demand for housing in Djibouti. With such developments and the fact that the country enjoys a stable political environment, housing developers may find Djibouti a great place to invest.

Access to finance

Access to finance in Djibouti is a major challenge for big and micro, small and medium enterprises. This significantly curtails the ability of individuals and businesses to secure funding or become self-employed. The country has no active capital markets or fixed income markets and, for many years, the three major credit

rating agencies in the world did not provide sovereign credit rating for the country. However, recent intervention by the World Bank will see 6 000 potential women and youth entrepreneurs funded, as part of the country's efforts aimed at promoting entrepreneurship as a driver of growth and employment creation. The country received US\$15 million in funding from the International Development Association (IDA), the World Bank's fund for the poorest countries.⁵ The credit will fund the project aimed at equipping new entrepreneurs with a combination of training and access to finance, the consolidation and expansion of key business services enabling ease of access, and the identification of entrepreneurs and market linkages. Dr Asad Alam, World Bank Country Director for Egypt, Yemen and Djibouti, argues that the project's main objective is to harness the transformative potential of women and young entrepreneurs. In addition, the Director observes that "...Creating new economic opportunities for them will help boost innovation, promote job creation, and raise living standards for all in Djibouti".

As affordability of housing in Djibouti is a major problem owing to low disposable incomes, the IDA intervention will hopefully build financial capacity of loan beneficiaries to acquire decent housing.

Banking in Djibouti is regulated by the Central Bank of Djibouti (Banque Centrale de Djibouti), which is in charge of monetary policy. As at December 2017, Djibouti had a total of 11 banks, comprising eight conventional commercial banks and three Islamic banks. According to the World Bank, Djibouti has improved access to credit information through the adoption of legal provision for the creation of a new credit information system.⁶ Nevertheless, the country is ranked 184 out of 190 countries on the access to credit in the country. This World Bank ranking highlights the challenges housing investors and homeowners face in getting credit. One of the biggest challenges to accessing finance has to do with high poverty levels and an unemployment rate which stands at nearly 40 percent.⁷

Affordability

Djibouti's population is predominantly urban (78 percent)⁸ and, because of high urbanisation rates, neither the private nor the public sectors are able to meet the growing housing needs. Most households which aspire to own private properties have difficulties finding affordable decent houses. Affordability for both rental and mortgages is an uphill task for the majority of Djibouti's population in view of high unemployment and poverty rates. The average after-tax salary in Djibouti is approximately DJF 272 340 (US\$1 534) and a one-bedroom house rent in the Djibouti City centre ranges from DJF 130 000 to DJF 200 000 (US\$732 to US\$1 126).⁹ A three-bedroom apartment in the city centre ranges between DJF 200 000 and DJF 220 000 (US\$1 126 to US\$1 239) and US\$1 070 in the city suburbs. These figures suggest that over 50 percent of Djibouti residents' salaries go into house rent every month. Importantly, it costs approximately DJF 120 000 (US\$676) per square metre to buy a house near or in the Djibouti City centre.

In sum, decent housing is outside the reach of most Djibouti residents and may explain why the government has called for local and international help to intervene with social housing. Djibouti suburbs are littered with make-shift houses with no supply of basic amenities. Perhaps with the upcoming major developments, coupled with current sustained economic growth, employment rates will increase and also lead to an influx of more expatriates who can afford housing units being developed.

Housing supply

Djibouti is faced with a huge imbalance between the supply and demand for housing, with demand exceeding supply. For instance, the country's housing deficit is estimated at 10 000 homes with new housing needs estimated at 2 500 units annually.¹⁰ Cherif Quizani observes that "...The pace of building has proved largely insufficient to absorb the deficit with just 1 587 homes delivered between 2012 and 2017, of which 261 were built by the private sector". This may be a major challenge for the Djibouti government which has a lean budget of US\$699.8 million as per the 2017 estimate.¹¹ The implication of this budgetary constraint is that the government's ability to finance social housing is severely constrained. The President of Djibouti has made housing a national priority. The IOG Foundation called on international development partners and the private sector to support financing housing for the most vulnerable, the insolvent and the disabled.¹² The President's appeal for social housing support has received impressive local and international support. For instance, China Merchants Group has committed to

build 1 000 two-bedroom housing units as part of corporate social responsibility.¹³ The project (dubbed Project Nassib), located 10kms from Djibouti City, was launched on 4 July 2018 and will entail the construction of two-bedroom houses equipped with all the necessary amenities.

The government intends to intensify the production of affordable housing and plots of land with infrastructure for the middle and low income groups. In 2016, the government launched a programme to build 2 500 apartments with funds from Arab donors (Saudi Fund for Development, Arab Fund for Economic and Social Development). The Société Immobilière de Djibouti (SID) was also launched in November 2016. This project covers 100 hectares representing more than 5 000 plots of various sizes. As at July 2018, 450 houses under the project Cite Nassib had been completed and 500 others were under construction. To help public developers and also encourage private real estate developers, the government planned to establish a Housing Bank in December 2016. However, as at the date of this publication, there is no evidence as to whether the bank has been set up or not. Although the National Investment Promotion Agency (NIPA) estimates that annual housing needs in the capital city are 5 000 units, this demand is yet to be met by current home developers.

Property markets

The Republic of Djibouti, in contrast to other African countries, has a considerable advantage in terms of property development. Indeed, by law, any vacant land without an owner belongs to the state. All (or almost) non-urbanised areas belong to the state. Public Land Management is operated by the Department of Land and Property Titles Conservation of the Ministry of Budget.

The potential of the land market is huge, and the government plans to accelerate the land regularisation process for the benefit of the people who still hold the temporary occupation licence. Once the regularisation procedure is complete, the owner will get a land registration certificate (CIF) to enable them to develop the land or housing within a legal framework while following the rules of urban planning. In addition, the CIF legally opens the door to obtaining mortgage credit from local banks. According to the World Bank Doing Business 2018, Djibouti is ranked 168 out of 189 countries in the field of registering property. Indeed, the process of obtaining the final title is costly and sometimes too long for individuals.

There are three different ways to proceed with land registration: for temporary occupation certificate holders, the regularisation of land is done through the Housing Fund with the payment of an advance of DJF 20 000 (US\$113), four percent of the sale value for name change, 10 percent of the sale value for the registration and DJF 16 000 (US\$90) for stamp duty. Individuals buying land directly from the Department of Land and Property Titles Conservation of the Ministry of Budget pay four percent of the sales value for the name change, 10 percent for the registration and DJF 16 000 (US\$90) for stamp duty. Finally, the regularisation of land obtained through the sale from one person to another individual is done through a notary by paying the same ratios (four percent and 10 percent plus DJF 16 000 stamps) and by adding notarial fees ranging from DJF 100 000 to DJF 250 000 (US\$565-US\$1 413). In addition, if the purchaser is buying his first piece of land, he must pay transfer duty which corresponds to nine percent of the sale value (seven percent tax and two percent change of name). If the purchaser is not a first-time buyer, the rate increased from nine percent to 12 percent (10 percent tax and two percent change of name). Any investor or private developer can obtain an allocation of land once its real estate project is approved by the Minister Delegate for Housing.

Policy and regulation

In 2011, within the Ministry of Housing, Urban Development and Environment, a State Secretary for Housing was set up to promote the housing sector and find lasting solutions for the deficit in housing. Given its importance within the institutional platform, the department was renamed in 2016 as the Delegate Ministry for Housing.

From 2011, the department has developed and implemented a necessary regulatory and policy framework to develop this sector. In addition to several strategic studies undertaken to promote the housing sector, the Delegate Ministry for Housing has implemented a series of legislative and regulatory texts to encourage potential investors and private developers to invest in the real estate

DJIBOUTI

Annual income profile for rural and urban households based on consumption (PPP\$)

Source <https://www.cgidd.com/>

sector. The public operators have seen a redefinition of their roles to adapt their status (real estate development, land management, financial institution), to improve their response and management capacity, and to refocus their activities on clear and well-defined missions.

A National Housing Strategy is yet to be finalised with the assistance of the World Bank, which will entail a major investment programme to develop the real estate sector in Djibouti through the implementation of four key areas: 1) increasing the supply of affordable plots of land for the majority of households; 2) developing the production of affordable housing units; 3) stimulating the housing rehabilitation programme in precarious existing neighbourhoods; and 4) developing further banking mechanisms and microfinance systems for low income groups. The investment amount required for the realisation of the housing sector's development strategy is estimated at more than DJF 52 billion (US\$294 million).

In 2015, the government launched a new project targeting low income people called the Self Construction Program. This project entailed providing lower income households with a plot of land of 90m² and raw materials to build their homes. The assistance was to be brought by the Housing Funds Operator and repayment was not supposed to exceed DJF 5 000 (US\$28) over 20 to 25 years. However, this initiative is yet to bear fruit.

Djibouti has undertaken both policy and regulatory reforms that have been commended by the World Bank. For instance, according to the World Bank Ease of Doing Business (2018), the National Laboratory of Djibouti has significantly reduced the cost of concrete inspections and recorded five reforms, the highest number among all fragile states. In addition, the report documents that the country "... reduced the fees associated with starting a business and construction inspections, implemented decennial liability for all professionals involved in construction projects, increased the transparency of its land administration system and established a new credit information system." As a result of these major reforms, the World Bank has listed Djibouti among the economies that showed the most notable improvement in Doing Business in 2018.

Djibouti has made major improvements to protect minority investors in 2016/17 by passing a new law, No. 191/AN/1777, which modifies the Code of Commerce and takes huge steps in mitigating the risk of prejudicial conflicts of interest in companies. Company directors are now required to give a detailed explanation to the board of directors of any conflict of interest they may have on a proposed transaction. If they decide to proceed with the transaction, the terms of the transaction and the extent of the conflict of interest must be included in the annual report. This may have major implications for companies investing in the housing sector of Djibouti. However, such disclosures are helpful, especially for foreigners dealing with locals with investments in property.

Opportunities

Djibouti presents a great opportunity for developers of low cost housing, especially foreign investors who have sufficient capital to develop such houses. Considering that average rental and mortgage monthly repayment rates take up more than 50 percent of average salaries, new and existing developers will need to provide better terms. Perhaps such developers may consider partnering with the few commercial and Islamic banks such as Salaam Bank to finance mortgages under Islamic banking terms.

There is growing demand for decent, relatively low cost housing by the sizeable number of people in the expatriate community. This is further supported by the fact that rent constitutes the single largest household expenditure per month in the country, as discussed under the property markets section. In addition to the housing demand by the expatriate community, NIPA has noted the rising local demand for housing as more than 500 000 people live in Djibouti City and its suburbs. NIPA estimates that annual housing needs in the capital city are 5 000 units.

Importantly, the country's economic growth has remained one of the highest in the region (above 6.5 percent for over five years) with very low inflation rates. The country has a stable political climate and enhanced security. The government has significantly reduced the cost of concrete inspections and the cost of starting a new housing business. With a stable currency pegged to the US dollar and no restrictions on repatriation of profits from the country, housing investors are presented with sizable opportunities in Djibouti.



Additional sources

AfDB (2018). Djibouti Economic Outlook. <https://www.afdb.org/en/countries/east-africa/djibouti/> (Accessed 18 August 2018).

Banque Centrale de Djibouti (2017). Rapport Annuel 2017. https://s3.amazonaws.com/banque-centrale.dj/uploads/document/attachment/189/BCD_Rapport_Annuel_2017_version_finale.pdf?AWSAccessKeyId=AKIAJ1ZPY62P3HTP7XVQ&Signature=iBP0hMLN5eSiBuUHAnGobaMwUv%3D&Expires=1536933878 (Accessed 14 Sept 2018).

Central Intelligence Agency (2018). World Fact Book: Djibouti. <https://www.cia.gov/library/publications/the-world-factbook/geos/dj.html> (Accessed 18 August 2018).

International Monetary Fund (2016). Djibouti: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Djibouti. 6 April 2016. <https://www.imf.org/en/Publications/CR/Issues/2017/04/06/Djibouti-2016-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44807> (Accessed 14 Sept 2018).

Mutethya, E (2018). China Daily. <http://www.chinadaily.com.cn/a/201807/06/WS5b3e824ea3103349141e103e.html> (Accessed 18 August 2018).

Numbeo (2018). Property prices in Djibouti. https://www.numbeo.com/property-investment/country_result.jsp?country=Djibouti (Accessed 20 August 2018).

Oxford Business Group (2016). The Report: Djibouti 2016. <https://oxfordbusinessgroup.com/djibouti-2016-0> (Accessed 14 Sept 2018).

Quazani C. (2018). Housing a National Priority. Afrique Magazine. <http://afriquemagazine.com/en/housing-national-priority> (Accessed 18 August 2018).

World Bank (2018). The World Bank in Djibouti. <https://www.worldbank.org/en/country/djibouti/overview> (Accessed 31 July 2018).

World Bank (2018). Doing Business 2018. http://russian.doingbusiness.org/~/_media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf (Accessed 20 August 2018).

World Bank (2018). Djibouti's Economic Outlook April 2018. <https://www.worldbank.org/en/country/djibouti/publication/economic-outlook-april-2018> (Accessed 18 August 2018).

Worldometers (2018). Worldometers population statistics. <http://www.worldometers.info/world-population/djibouti-population/> (Accessed 28 July 2018).

Websites

www.banque-centrale.dj
www.ministere-finances.dj
www.ccd.dj
www.dised.dj
www.djiboutiinvest.com
www.banquemonddiale.org

¹ World Bank (2018). The World Bank in Djibouti.
² World Bank (2018). Djibouti's Economic Outlook April 2018.
³ AfDB (2018).
⁴ Central Intelligence Agency (CIA) (2018). World Factbook: Djibouti.
⁵ World Bank (2018). Press Release: Support for Entrepreneurs in Djibouti to Benefit 6,000 Women and Youth, 8 June 2018. <https://www.worldbank.org/en/news/press-release/2018/06/08/support-for-entrepreneurs-in-djibouti-to-benefit-6000-women-and-youth> (Accessed 14 Sept 2018).
⁶ World Bank (2018). Doing Business 2018.
⁷ Central Intelligence Agency (CIA) (2018). World Factbook: Djibouti.
⁸ Ibid.
⁹ Numbeo (2018). Property prices in Djibouti.
¹⁰ Quazani C. (2018). Housing a National Priority: Afrique Magazine. Available <http://afriquemagazine.com/en/housing-national-priority>
¹¹ Central Intelligence Agency (CIA) (2018). World Factbook: Djibouti.
¹² Quazani C. (2018).
¹³ Mutethya, E (2018). China Daily.

Egypt



Overview

Egypt is a populous nation, with a current population of 97.06 million and a population growth rate of approximately two percent a year.¹

Its capital, Cairo, is one of the continent's megacities, with a population of 9.7 million. In 2017 Greater Cairo was named as one of the fastest-growing cities in the world. Egypt's population growth has been a contributing factor to housing problems. The country's housing shortage, which reached 3.5 million² units by 2018, could worsen if it does not meet the growing demand for housing and provide more basic housing facilities. Recognising this, in mid-2015 during the Egypt Economic Development Conference held in Sharm el-Sheikh, the government highlighted housing and urbanization as central to its agenda.

Due to increasing inflation after the devaluation of the Egyptian pound in November 2016, the property sector has prospered and became the best choice for people looking to protect the value of their savings in this environment. This has been reflected in increased interest and demand by Egyptians in the new compounds that are still under development in Cairo and Giza, such as Sun Capital City and City Gate. As a result, investors have shown interest in real estate, leading to a great flow of money into the estate sector.

As an economic reform program is being implemented according to the International Monetary Fund, the Egyptian economy is expected to improve. According to the World Bank, real GDP is forecast to grow by 5 percent in fiscal year 2018, and to increase gradually to 5.8 percent by fiscal year 2020. GDP is showing continuous and sustainable growth, registering 5.2 and 5.3 percent during the first and second quarter of the fiscal year 2017/18. This is up from 3.4 and 3.8 percent respectively over the same period in 2017.³

According to the Central Bank of Egypt (CBE) inflation report, the annual core inflation rate declined to 10.9 percent in June 2018 from 11.09 percent in May 2018. In addition, the annual consumer price inflation rate decreased to 13.8 percent in June 2018, from 30.9 percent in June 2017. On 28 June 2018, the CBE left the overnight deposit rate at 16.75 percent, the overnight lending rate at 17.75 percent and the main operation rate at 17.25 percent.

KEY FIGURES

Main urban centres	Cairo Alexandria
Exchange rate: 1 US\$ = [a] 10 August 2018	17.80 Egyptian pound
PPP Exchange rate (Local currency/PPP\$) 1 Egyptian pound = [b]	3.1
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [d]	10.20 23.30 22.10
Population [b] Urban population size [b]	97 200 000 41 212 800
Population growth rate 2016 [b] Urbanisation rate 2015 [b]	2.00% 4.31%
Percentage of the total population below National Poverty Line	28.0%
Unemployment rate	12%
GDP (Current US\$) [c] GDP growth rate annual [c]	US\$234 325 million 4.2%
GDP per capita (Current US\$) [c]	US\$2 544
GNI per capita (Current US\$) 2016 [b]	US\$3 410
Gini co-efficient 2015 [b]	31.8
HDI global ranking 2016 [e] HDI country index score 2016 [e]	111 0.691
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	16.75%
Mortgage interest rate Mortgage term (years)	6% 20
Downpayment	10%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	25 10
Gross Rental Yield in City Centre Outside City Centre	12% 19%
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	n/a
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	220 000 Egyptian pound
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$12 359
What is the size of this house (m ²)?	90m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	55m ²
Ease of Doing Business Rank [f]	128
Number of procedures to register property [f]	8
Time to register property (days) [f]	75 days
Cost to register property (as % of property value) [f]	1.10%

NB: Figures are for 2018 unless stated otherwise.

- [a] Central Bank of Egypt (CBE)
- [b] World Bank World Development Indicators
- [c] Egyptian Ministry of Finance
- [d] African Development Bank - African Economic Outlook
- [e] UNDP Development Indicators
- [f] World Bank Doing Business

The confidence of international institutions in the Egyptian economy is increasing, as shown in May 2018 by the improvement of Egypt's S&P sovereign credit rating to B from B-, citing stronger economic growth and increasing external foreign exchange reserves.⁴

Access to finance

In 2017/18, the Global Competitiveness report ranked Egypt 77 of 137 in financial market development compared to 111 of 138 in the 2016/17 report. On ease of access to loans, Egypt ranked 66 of 137 compared to 136 of 138 countries last year.

According to the Mortgage Finance Fund quarterly report, the total financial support offered by the Fund for low and medium income citizens was EGP298 million (US\$16.7 million) in the third quarter of fiscal year 2017/18. In addition, the number of beneficiaries in that period reached 19 987 (of which 79 percent are men, and 21 percent women), accessing finance from 16 banks and six mortgage finance companies. Ninety-nine percent of the subsidized units were 75 – 99m² in size.



The average monthly income of the beneficiaries, 77 percent of whom are aged 20-40, was EGP1 953 (US\$110). The price of subsidized units in the latest launch of the Mortgage Finance Fund is EGP1 84 000 (US\$10 337) up from EGP1 54 000 (US\$8 651). The price issued in April of last year, which is still less than the cost of units, was estimated at EGP200 000 (US\$11 236). Buyers can reserve the units by providing a down payment of EGP11 000 (US\$ 618), which is refundable in case of not winning one of the project's houses, and monthly instalments are at least EGP590 (US\$33).

Fifteen mortgage companies operate in the Egyptian market (Sakan, EHFC, EMRC, Amlak, Al-Tayasor, Tamweel, Tamweel Emirates, Naeem, Al-Ahly, Arab African International, Al-Ahly United, El-Masreyin, Eltaameer, Contact for Housing Finance, and Naser Social Bank) in addition to 16 banks out of 39 and 197 real estate appraisers. Banks offer housing loan amounts starting from EGP120 000 (US\$ 6 741) up to EGP5 million (US\$ 28 089). The interest rate is 7 percent for housing units of EGP 150 000, 8 percent for units worth EGP950 000, and 10.5 percent for units that exceed the value of one million Egyptian pounds. The maximum amount of any loan depends on the net income of the borrower, and the monthly installment should not exceed 40 percent of monthly net income.⁵

During 2017, the value of new mortgage finance granted by mortgage companies was EGP1.38 billion (US\$77.5 million) an increase of 46 percent compared to EGP950 million (US\$53 million) during 2016. The value of microfinance activity reached EGP7.12 billion (US\$400 million) by the end of 2017, 59 percent more than the EGP 4.49 billion (US\$ 252 million) recorded in 2016. In addition, microfinance activity expanded the number of beneficiaries to 2.26 million citizens compared to 1.8 million in 2016.

The percentage of beneficiaries whose income is more than 3 500 pounds per month is estimated at 99.4 percent of the total value of financing granted from the beginning of the year until October 2017, compared to 98 percent in the same period the previous year.⁶

The construction sector accounts for more than 4 percent of Egypt's gross domestic product and employs approximately 12 percent of Egyptian workers. The industry is also one of the country's fastest growing sectors, having grown by 10 percent in 2017. In May 2018, the International Finance Corporation (IFC), announced a US\$15 million (EGP265.35 million) loan mainly in Egyptian pounds to the Vinavil Egypt for Chemicals Company. The IFC Director for the Middle East and North Africa Mouayed Makhlof clarified that providing the loan in Egyptian pounds ensures the currency is more accessible to local companies, which can help boost crucial industries like manufacturing and construction.⁷

Real estate activity tops the list of financial leasing contracts recording EGP15.5 billion (US\$870 million) or 71 percent of the total financial leasing activity; truck leasing and financing comes second, with a value of EGP1.44 billion (US\$81 million) with 6.6 percent of the total; and in third place, contracts of heavy equipment, recording EGP1.43 billion or 6.5 percent of total activity. Manufacturing contracts recorded EGP1.3 billion (US\$73 million) or 6 percent of total activity.⁸

Affordability

The World Bank classifies Egypt as a low middle income nation, with a per capita GDP of less than EGP12 000 (US\$ 674). According to the World Bank's calculations, the gross national income per capita was EGP1 960 (US\$110) per month in 2013. Housing affordability is limited despite government policy efforts. Just over one-fifth of Egyptians have incomes lower than US\$2 per person per day, with northern Egypt being the most impoverished.

The average wage for Egyptians was about EGP2 500 (US\$140) a month in 2017, according to the Central Agency for Public Mobilization and Statistics, putting most new housing well out of the reach of the bulk of the population. The cheapest flat in Cairo (out of the city) would cost on average EGP120 000 (US\$6 741).

Despite many developing companies supplying various projects to the market, the demand for housing remains unmet. Although 2017 has witnessed a positive boost in market trends, Egypt's population of over 90 million requires an additional 175 000 to 200 000 housing units a year to cater for the housing shortage of 3.5 million units. There are 5.6 million vacant units nationwide, but these properties are beyond the purchasing power of low and middle income groups.⁹

In 2014, President Abdel Fatah al-Sisi announced a plan to build one million affordable units for low income youth across 13 cities in collaboration with UAE-based company Arabtec. A part of the project is expected to be finalized by the end of this year, and the entire project is set to be delivered by 2022. This is in addition to the 62 000 homes being developed for the same segment as part of the initiative of the CBE to provide affordable housing.

While there is strong demand in many segments of the real estate market, most of this demand is concentrated among a small group of people who buy properties as an investment. Most Egyptians cannot afford to pay EGP800 000 (US\$44 943) to EGP1 200 000 (US\$ 67 415) for an apartment in New Cairo. It has been estimated that 80 – 90 percent of new apartments in areas to the east and west of Cairo are sitting empty.¹⁰

Despite the affordability problem for the majority of local Egyptians who considered rent as an alternative solution, properties in 2017 have recorded a higher rate in sale and rent during the first quarter of 2017 by 179.17 percent compared to 2016, and have remained steadily strong throughout the first part of the year.

The overall demand for leased apartments in Egypt increased in 2017 by 78.59 percent compared to 2016, while the supply offered for rent has decreased by 19.57 percent. Demand for villas for rent has increased by 124.78 percent, while supply of villas offered for rent has also seen a 52.43 percent decrease. The demand for apartments available for sale increased in 2017 by 84.07 percent, while supply decreased by 30.3 percent, emphasizing that investors are willing to pump money in the real estate sector in 2018.¹¹

Housing supply

Egypt's population has tripled in the last half century, and most citizens continue to live on just five percent of the country's land in the Nile Valley.

The Egyptian real estate market has grown by 133 percent during the first quarter of 2018 due to the number of new projects launched in late 2017, particularly the New Administrative Capital and Future City projects, according to a report by the online real estate platform Property Finder. Even though there are over five million vacant units across the country, the prices of those units are beyond the purchasing power of low and middle-income classes.

Considering population growth, Greater Cairo is expected to be undersupplied by approximately 400 000 units by 2020. The majority of the undersupply is expected to fall within the middle-income market.

Egypt's mega project, the Administrative Capital, is set to lead the future of accommodation in Egypt. The new capital includes an exhibition city, convention center, medical city, government residential district, international airport, relocated state institutions and an embassy district.

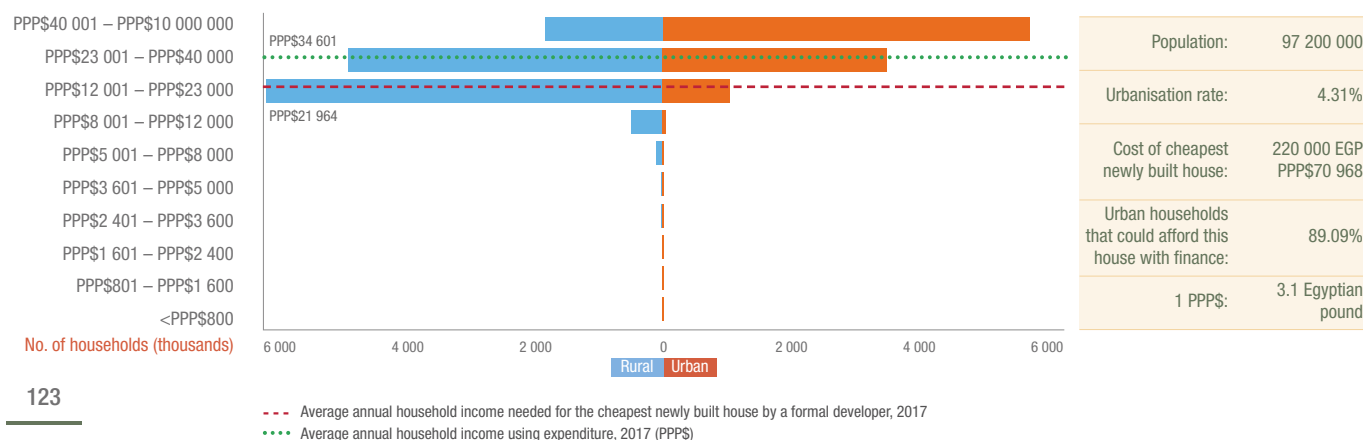
Another promising project under construction is the Golden Triangle Economic Zone that will boost Upper Egypt. Around 65 percent of the project consists of modern industrial hubs, while the remaining area is dedicated to touristic, commercial and residential units.

The Ministry of Housing has estimated that Egypt needs to build 500 000 new homes every year for five years to keep pace with the expanding population. In 2014, the country signed a US\$40 billion agreement with the U.A.E.'s Arabtec to develop 1 million housing units. The project floundered in mid-2015. As a result, the government has committed to delivering about 300 000 housing units by the end of 2016. Cairo also plans to deliver about 750 000 housing units by the end of 2018, in addition to 135 000 units for those currently living in informal housing.

The Ministry of Housing estimates that 40 percent of the population of Cairo lives in informal settlements, while the Informal Settlements Development Fund (ISDF), now part of the new Ministry for Urban Development, estimates that 75 percent of urban areas throughout Egypt are unplanned and 1 percent are unsafe.¹² Earlier this year, the Arab Union for New Urban Communities submitted a request to the housing ministry to build 30 000 residential units in the New Capital City. The project is estimated to cost US\$ 3.8 billion and will be financed by private investment, according to reports in a number of Cairo-based newspapers.¹³

EGYPT, ARAB REP.

Annual income profile for rural and urban households based on consumption (PPP\$)



123

Source <https://www.cgidd.com/>

In early 2018 a new development company, City Edge Real Estate Development, was formed to build residential and multi-use structures. The venture is capitalised at EGP1.6bn (US\$90 million) and is 60 percent owned by the New Urban Communities Authority, 38 percent owned by the Housing and Development Bank, and 2 percent owned by the Holding Company for Development and Investment. Two projects are already in planning: a EGP2 billion (\$132 million), 493-unit residential compound at Etaga and a EGP3.5bn (US\$196.6 million) mixed-use development in 6th of October City. City Edge focuses on premium offerings and the use of new technologies and designs.¹⁴

Property market

Egypt's property tax law was amended in 2014. President Abdel Fattah Al-Sisi issued Presidential Decree 117/2014, amending the 196/2008 Property Tax Law to modify the tax-exempt tranche so that it includes those owning a single residential unit valued at up to EGP2 million (US\$1 12 359). Hotels, clubs, hospitals, medical centres and clinics affiliated to the armed forces are exempted from paying taxes. Residential properties with annual rental values less than EGP24 000 and commercial units with annual rental values less than EGP1 200 are also exempt.

Egypt's property market is generally unregulated. Consequently, most Egyptians cannot afford proper housing to adequately accommodate the number of family members. The high inflation rate has led to the growth of informal settlements, with poor infrastructure and quality of living.

However, as Egypt Today notes, the high inflation rate has also made property investment a preferable alternative to depositing savings into a bank: "With a large number of developments introduced to the marketplace, the real estate managed to attract investment over other uncertain options; leading to a great flow of money into the real estate sector for investment rather than housing purposes."¹⁵

Private investor enthusiasm has led to a glut of empty properties in a country with a housing shortage. According to a Reuters article published in early 2018, Egypt has millions of units under construction or vacant, with the Central Agency for Public Mobilisation and Statistics estimating this at 12.8 million. The vacancy rate is approximately 27.5 percent, with some places above 90 percent. Discounts are already offered in the secondary market, along with easy payment terms.

Real estate reforms are crucial to attract investors. Egypt is ranked 119th out of 190 countries in registering property, according to the World Bank's latest Doing Business report (2018). It takes 75 days and eight procedures to register a property in the country, compared to less than 30.5 days and 5.7 procedures in other Middle East and North Africa (MENA) countries though it costs 1.1 percent of the property value compared to six percent in MENA.

Policy and regulation

Three important laws are likely to affect real estate, one of which is the law on tenders. Tender legislation was reportedly plagued by problems such as lengthy procedures, lack of clarity and potential corruption.¹⁶

Parliament has agreed in principle on a draft law of "reconciliation on building violations". The law proposes "legal and practical solutions to the problem of building violations," including violations that have caused the collapse of buildings.¹⁷ The background to the law is the problem of violations of building codes, illegal extensions and constructions. This was highlighted by collapsing buildings, including one that occurred because of construction violations at three residential buildings in the central Cairo. In 2017, several buildings collapsed, killing 15 people and injured 55 others.¹⁸

In April 2018, President Abdel Fattah Al-Sisi ratified an amendment to the law on real estate expropriation for public benefit. The gazetted amendment sets out that how government compensation to the original owner will be calculated, which is according to market prices at the time of the decision plus 20 percent.¹⁹

A new mortgage law was issued in early 2016. The law lowers mortgage interest rates to five percent for people earning up to EGP1 400 (US\$78) a month. Additionally, individuals earning EGP15 000 (US\$842.7) a month or families earning EGP20 000 (US\$1 123) a month become eligible under the scheme for mortgages with a 10 percent annual interest rate for 20 years.

In addition, on 24 February 2017, the CBE amended the Mortgage Finance Initiative for Low and Middle Individuals, originally issued on 19 February 2014. The CBE adjusted the maximum for the low income segment to EGP2 100 (US\$118) with a five percent interest rate instead of EGP1 400 (US\$78.65). The bank also raised the maximum monthly income limit for the middle-income segment to EGP10 000 (US\$562) per single person from EGP 8000 (US\$ 449) previously, and to EGP14 000 (US\$786.5) from EGP 10,000 (US\$ 561.8) for a family. Furthermore, the CBE raised the maximum unit price for the middle-income segment to EGP700 000 (US\$ 39,325) instead of 500 000 (US\$ 28,089).

Egypt's housing policy framework has been assertive in addressing the challenges of supply and affordability, but its efforts have been criticised as insignificant. Recent political and social instability 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 promise to promote the rapid growth of Egypt's housing sector and stimulate broader economic growth in turn.

Opportunities

Real estate has continued to prosper over the past year, despite the challenges the economy and the sector have faced following the currency devaluation in November 2016 and the shortage in foreign currency. Egypt has managed to attract foreign investment, leading to a greater flow of money in the sector because of the large number of development projects introduced by the government to the market place such as the new Administrative Capital project and Sun Capital City.

The inflow will be positive for the real estate sector and will create an attractive investment climate that brings stability to the market. Demand for housing will vary as there may be increased demand by those seeking investments that offset demand by those seeking housing. Real estate developers will also have to play their part in finding creative offerings and incentives that will attract customers.

The devaluation of the Egyptian pound has divided the market now into two main dynamics; increased supply at one end of the spectrum, with prices that exclude all but those with high incomes. On the other hand, demand is still unmet for those with lower incomes. The danger is that a demand bubble is being formed as a result of lack of supply, especially for the low and middle income segments. This means that a shift in supply trends is crucial for the health of the real estate sector in Egypt.

Sources

Everhart, S., Heybey, B. and Carleton, P. (2006). Egypt: Overview of the Housing Sector. Housing Finance International.

Jones Lang LaSalle's quarterly report, April 2014.

USAID (2009). The Legal and Regulatory Environment for Microfinance in Egypt.

Waly, G. (2009). Microfinance in Egypt: An Overview.

World Bank (2016). Doing Business 2016: Egypt Country Profile.

Websites

<https://www.mff.gov.eg/>

<http://www.fra.gov.eg/>

www.campas.gov.eg

www.efsa.gov.eg

www.emrc-online.com

www.hofinet.org

www.lafarge.com.eg

www.newcities.gov.eg

www.cbe.gov.eg

www.mof.gov.eg

<https://www.cityscapeegypt.com>

www.dailynewsegypt.com

<http://www.egyptindependent.com/>

<http://www.doingbusiness.org/data/exploreeconomies/egypt#registering-property>

<https://egypt.aqarmap.com/en/neighborhood/cairo/>

<http://www.sis.gov.eg>

¹ The Central Agency for Public Mobilization and Statistics (CAPMAS).

² F. Khaled. "A Good year for real estate." 1 Jan 2018. Egypt Today. <http://www.egypttoday.com/Article/3/39037/A-Good-Year-for-Real-Estate> (Accessed 20 June 2018).

³ The Egyptian Ministry of Finance. Monthly Bulletin February 2018. <http://www.mof.gov.eg/> (Accessed 20 June 2018).

⁴ Govind, H and El-Tablawy, T. "Egypt's Sovereign Rating Raised by S&P on Economic Revival." 11 May 2018. Bloomberg News.

⁵ <http://www.youm7.com>

⁶ <http://www.fra.gov.eg/>

⁷ Egypt Today. "IFC provides Egyptian currency loan to support construction sector." 9 May 2018. <http://www.egypttoday.com/Article/3/49655/IFC-provides-Egyptian-currency-loan-to-support-construction-sector> (Accessed 16 July 2018).

⁸ <http://www.fra.gov.eg/>

⁹ F. Khaled. "A Good year for real estate." 1 Jan 2018. Egypt Today.

¹⁰ Oxford Business Group. "Challenges and opportunities for Egypt's real estate sector." <https://oxfordbusinessgroup.com/overview/interesting-times-two-tiered-sector-resulting-diverse-challenges-and-opportunities> (Accessed 19 June 2018).

¹¹ www.propertyfinder.eg

¹² Egypt Today. "In pics: Slum upgrading projects to be inaugurated in June." 24 April 2018. <https://www.egypttoday.com/Article/1/48539/In-pics-Slum-upgrading-projects-to-be-inaugurated-in-June> (Accessed 18 July 2018).

¹³ Khaled, Alaa Eldeen. "Resolving Egypt's Housing Crisis Crucial to Long-Term Stability." 7 February 2018. <https://www.linkedin.com/pulse/resolving-egypts-housing-crisis-crucial-long-term-stability-khaled/> (Accessed 1 Sept 2018).

¹⁴ Oxford Business Group. "Egyptian government works to address the housing deficit." <https://oxfordbusinessgroup.com/analysis/place-call-home-government-bodies-are-working-mitigate-housing-deficit>, (Accessed 22 June 2018).

¹⁵ Egypt Today Newspaper. "Game-changing Insights into the Real Estate Market." 23 April 2018. <https://www.egypttoday.com/Article/3/48476/Game-changing-Insights-into-the-Real-Estate-Market> (Accessed 20 June 2018).

¹⁶ Al-Aees Shaimaa. "3 real estate laws to be issued during current legislative session". 15 Jan 2018. Daily News Egypt. <https://dailynewsegypt.com/2018/01/15/3-real-estate-laws-issued-current-legislative-session> (Accessed 22 June 2018).

¹⁷ Gamil, Marina. "Parliament considers draft law on reconciliation in building violations." 19 Feb 2018. Egypt Today. <https://www.egypttoday.com/Article/2/43222/Parliament-considers-draft-law-on-reconciliation-in-building-violations> (Accessed 15 June 2018).

¹⁸ Ibid.

¹⁹ Daily News Egypt. "Al-Sisi ratifies amendment to law on real estate expropriation." 23 April 2018. <https://dailyfeed.dailynewsegypt.com/2018/04/23/al-sisi-ratifies-amendment-law-real-estate-expropriation/>

Equatorial Guinea



Overview

Equatorial Guinea is one of the smallest countries on the African continent, with a population of approximately 1.27 million people and a land area of 28 015km². The country has a unique geographical arrangement in that the capital city, Malabo, is located on the island of Bioko, which is situated off the coast of Cameroon. The Equatoguinean mainland (known as Rio Muni) lies further south on the African continent, along the Atlantic Ocean; the country also includes the smaller islands of Corisco and Annobon.¹

Equatorial Guinea gained independence from Spanish rule in 1968 and is the only Spanish-speaking country in Africa. President Obiang Nguema is Africa's longest serving leader on the continent and has been in power since 1979 (after deposing the former president) and was reelected again in 2016 for a seven-year term. In 2017, Equatorial Guinea scored 1.81 out of 10 based on 60 indicators on the Economist Intelligence Unit's Democracy Index, ranking the country at number 161 out of 167 countries, putting it among the most authoritarian governments in the world.²

Currently, 40.3 percent³ of Equatorial Guinea's population is reported as living in urban settlements, with the urbanisation rate estimated at 4.28 percent annually (2015 – 2020).⁴

In 2017, the country recorded a government budget deficit equal to 2.30 percent of the country's GDP. Further, it recorded government debt equivalent to 53.80 percent of its GDP in 2017, a sharp increase from 0.5 percent in 2008.⁵

Economic growth has been primarily driven by the hydrocarbon sector since 1990,⁶ resulting in Equatorial Guinea being one of fastest growing economies on the African continent, and consequently becoming Sub-Saharan Africa's third largest oil exporter, following Nigeria and Angola.⁷ Oil accounted for 85 percent of the GDP and 94 percent of exports as at 2015,⁸ contributing greatly to vast structural developments over the past 15 years. However, the fall in both global oil prices and the country's output has resulted in a decline in the country's crude oil production, from 186 BBL/D/1K (186 000 barrels a day) in March 2017 to 176 BBL/D/1K in March 2018.⁹ This has resulted in the decline of budgetary surpluses that financed investment programmes across the country.

KEY FIGURES

Main urban centres	Malabo Pointe-Noire
Exchange rate: 1 US\$ = [a] 13 Aug 2018	561.41 Central African CFA
PPP Exchange rate (Local currency/PPP\$) 1 CFA = [b]	231
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	1.40 1.10 n/a
Population [b] Urban population size [b]	1 300 000 510 828
Population growth rate [d] Urbanisation rate [d]	2.40% 4.28%
Percentage of the total population below National Poverty Line [d]	44.0%
Unemployment rate	7%
GDP (Current US\$) 2017 [c] GDP growth rate annual 2017 [c]	US\$12 490 million -2.5%
GDP per capita (Current US\$) 2017 [b]	US\$9 850
GNI per capita (Current US\$) [b]	US\$7 060
Gini co-efficient	n/a
HDI global ranking 2016 [e] HDI country index score 2016 [e]	135 0.592
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [b]	15.00%
Mortgage interest rate [f] Mortgage term (years) [f]	15% 20
Downpayment [g]	50%
Mortgage book as a percentage of the GDP [i]	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	9% n/a
Construction as a % of GDP 2006 [h]	2.80%
What is the cost of standard 50kg bag of cement?	n/a
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [i]	20 513 058 Central African CFA
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [i]	US\$36 254
What is the size of this house (m ²)?	45m ²
What is the average rental price for this unit (US\$)? [i]	US\$664
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [j]	173
Number of procedures to register property [j]	6
Time to register property (days) [j]	23 days
Cost to register property (as % of property value) [j]	12.50%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Trading Economics
[d]	Central Intelligence Agency (CIA) World Factbook
[e]	UNDP Development Indicators
[f]	Numbeo
[g]	El Ente Público de Gestión Inmobiliaria de Guinea Ecuatorial (ENPIGE)
[h]	African Development Bank - African Economic Outlook
[i]	Expastian.com
[j]	World Bank Doing Business

The total value of Equatorial Guinea's GDP continued on a steady decline from its peak in 2012, where it was valued at US\$22.39 billion (CFA 12.5 trillion).¹⁰ Its current GDP has reportedly almost halved to US\$12.49 billion (CFA 6.9 trillion), representing 0.02 percent of the world economy.¹¹ Its year-on-year growth rate was reported at -2.5 percent in December 2017. In addition, the economy remains in severe recession, with a GDP decline of eight percent in 2017 and a cumulative decline of over 25 percent since 2014.

In an effort to increase investment into the country, the Ministry of Finance, Economy and Planning hosted a joint initiative with the Subregional Office for Central Africa of the UN Economic Commission for Africa in July 2018. On the agenda was the need to better cushion the country against external shocks caused by over-dependence on the export of raw materials, specifically crude oil.¹² This attempt at diversification and increase of investment also supports the preliminary agreement signed between Equatorial Guinea and Ghana to sell Liquefied Natural Gas, an effort which will diversify exports as oil production wanes. Authorities are also relying on the stabilisation of public finances and economic diversification to bring about new sources of economic growth.¹³



Equatorial Guinea's GDP composition by sector of origin includes: 2.5 percent contributed by the agriculture sector, 56.5 percent by industry and 41 percent by the services sector. Major contributors to the agriculture sector include products such as coffee, cocoa, rice, cassava, bananas, palm oil nuts, livestock and timber. Major contributors to the industry sector are petroleum, natural gas and sawmilling.¹⁴

Equatorial Guinea is classified as a middle income country, with an estimated GDP of US\$12.49 billion (CFA 6.9 trillion) in 2017. The GDP per capita (at Purchasing Power Parity) was estimated at US\$34 900 (CF 19.5 million) in 2017.¹⁵ Despite the level of development which the country has experienced, the economy is vulnerable to the fluctuations of the hydrocarbon industry, evidenced in the fact that the GDP growth rate dropped to -10.60 percent in 2016 before recovering slightly to approximately -8 percent in 2017.

The country's GDP is expected to contract further by 6.4 percent throughout 2018. However, the contraction is expected to gradually reduce in 2020 on the back of investment in the hydrocarbon sector; particularly with the Fortuna gas project.¹⁶

Non-oil economic activity is chiefly driven by substantial public investment in new infrastructure projects such as roads and high profile urban developments, specifically a housing policy for new homes and better access to service infrastructure, with construction contributing seven percent of GDP in 2015.¹⁷ Forestry and farming make small contributions to the GDP and the general neglect of the rural economy has marginalised the potential of the sector as a possible avenue for diversification.¹⁸

Efforts to increase investment could be undermined by corruption and red tape. In 2017, Equatorial Guinea was ranked 171¹⁹ (out of 180 countries) on the Corruption Perceptions Index and 173 (out of 190 countries) according to the Ease of Doing Business Index. In addition, in January 2018, Human Rights Watch reported the mismanagement of public funds, credible allegations of high-level corruption, the repression of civil society groups and opposition politicians, and that unfair trials persist.²⁰ Foreign aid programmes by the World Bank and the International Monetary Fund (IMF) have been suspended since 1993 as a result of corruption and mismanagement. As a middle income country, Equatorial Guinea is now ineligible for most low-income donor funding.²¹

The IMF, in its statement at the end of its visit to conduct the First Review of Equatorial Guinea's Staff-Monitored Programme, 02 – 11 July 2018, reported that the country had made notable strides in implementing their reform programme. This included an improved framework, which contributed to higher non-resource tax revenues and a lower non-resource primary deficit in the first four months of 2018. The country has also implemented better control and tracking of public spending. There has been progress in enhancing revenue administration and the environment for investment.²²

Access to finance

Equatorial Guinea forms part of the Central African Economic and Monetary Community, and it shares a common currency with other member states. The central bank is known as the Bank of Central African States.

In May 2017, the bank kept its policy rate at 2.95 percent in order to boost regional credit growth and enhance economic activity in the non-hydrocarbon sector. The policy rate has remained at 2.95 percent in 2018. The spread between lending and deposit rates remains relatively high, as lending interest rates are expected to average around 15 percent²³ in the short term while the deposit interest rate is currently 2.45 percent.²⁴

In 2016, Equatorial Guinea was reported as having 9.15 ATMs and 4.89 commercial bank branches per 100 000 adults. It was also reported that there were 21.74 borrowers from commercial banks, 205 depositors with commercial banks and 344 bank accounts per 1 000 adults. Lastly, remittance in flows was reported at 0.07 percent of the GDP which was US\$10.18 billion in 2016.²⁵

The banking sector is highly concentrated and consists of five banks, three of which hold 84 percent of total assets. In 2015, the African Development Bank reported

the total value of loans per bank at an average of US\$399.98 million (CFA 223.9 trillion). Total loans were valued at US\$1.9 billion (approximately CFA 1 trillion) with the percentage of non-performing loans being 17.91 percent. The rest of the financial sector consists of three microfinance institutions and three insurance companies.

The financial sector is shallow and is characterised by limited inclusiveness. Financial deepening, as measured by deposit and loan-to-GDP ratios, is less than a third of the emerging market average. Equatorial Guinea's financial development gap is the highest among African oil-exporters.²⁶ The shallowness of the financial sector is mostly due to persistent structural bottlenecks, which include limitations on potential borrowers' credit history and high collateral requirements. Furthermore, a constrained microfinance sector impedes access to financial services by low-income populations. The use of mobile banking in Equatorial Guinea is also lagging compared to the rest of Africa, which has led the world in innovative financial services based on mobile telephony.²⁷ Only 18.9 percent of the population uses the internet and 66.4 percent are mobile phone subscribers.²⁸

The banking system in Equatorial Guinea is characterised by high overhead costs and interest rate spreads, owing to high lending risk and low competition due to the limited number of commercial banks. The World Bank's 2018 Doing Business indicators scored Equatorial Guinea at 122 out of 190 countries globally in terms of ease of getting credit. Bank credit to the private sector increased to 20 percent of GDP in 2015 from five percent of GDP in 2010, but remains heavily concentrated among large enterprises, especially those operating in the construction sector. The World Bank expects that this concentration will decrease, however, as commercial banks adjust their strategies in favour of other nonhydrocarbon sectors.²⁹

Affordability

Equatorial Guinea's unemployment rate was reported at 6.9 percent in December 2017.³⁰ As mentioned, the GDP per capita (at Purchasing Power Parity) was estimated at US\$34 900 (CFA 19.5 million) in 2017 and the average income was reported as CFA 250 000 (US\$ 443.74).³¹ Despite this, Equatorial Guinea was still ranked 135 out of 188 countries on the Human Development Index for social and economic development in 2016.³²

Contrasting the above, poverty remains high. Equatorial Guinea has the characteristics of a low income country while having one of the highest per capita GDPs in Africa. The country's last household survey was conducted in 2006, where it was reported that 79.9 percent of the rural population, 31.5 percent of the urban population, and 44 percent of the national population live below the poverty line,³³ thus suggesting that many of the population get little to no benefit from the oil economy. This is further supported by the fact that about three quarters of the population live on less than US\$ 2 (CFA 1 119.76) a day.³⁴

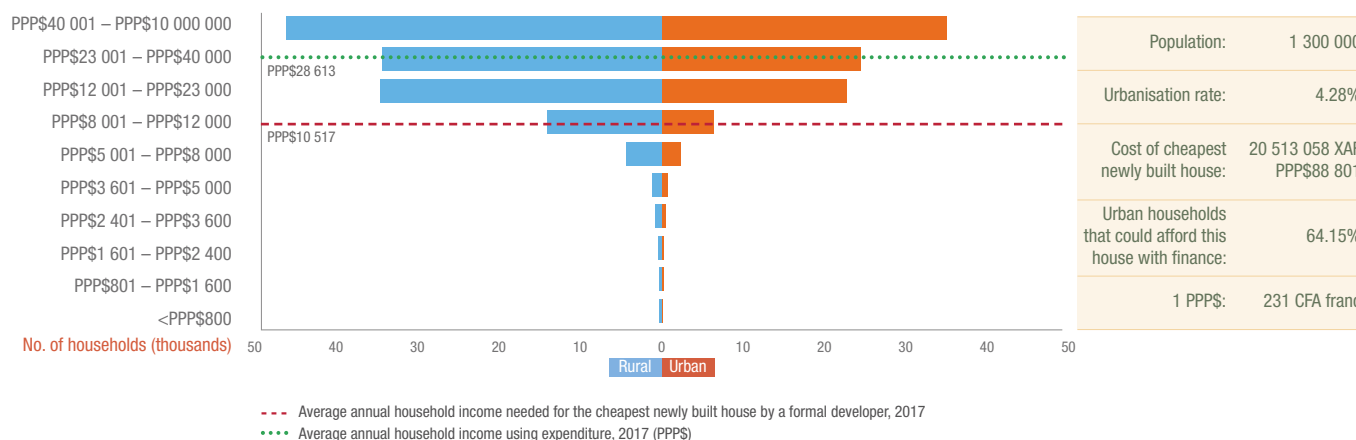
Most people in Equatorial Guinea are involved in the informal sector. Poverty is concentrated primarily within rural areas where subsistence living is dominant due to limited rural economic opportunities.

The African Development Bank has projected that from 2010 to 2020, between 25 000 to 49 000 young people will enter the labour market annually. Job creation is limited due to the small size of the non-oil sector. Oil accounts for 85 percent of GDP, but employs only four percent of the labour force.³⁵ The agriculture sector contributes approximately 2.5 percent to GDP and employs about 59.52 percent of the working population, both formally and informally.³⁶

According to Numbeo (2018), the average rent for a one-bedroom apartment in Malabo is about CFA 200 000 (US\$358) a month, and can be as low as CFA 150 000 (US\$266.24) a month outside of the city centre. The average monthly rental cost for a three-bedroom apartment in Malabo is about CFA 600 000 (US\$1 064.98), and CFA 400 000 (US\$ 709.98) outside of the city centre. For those seeking to buy, the average price per square meter of an apartment in the city centre is about CFA 422 208.79 (US\$749.40), and CFA 394 905.95 (US\$700.94) outside of the city centre. This is highly unaffordable for the average person earning CFA 250 000 (US\$ 443.74) after tax a month.

EQUATORIAL GUINEA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Housing supply

Housing conditions in Equatorial Guinea, and especially in Malabo and Bata, remain precarious due to the rapid increase in the urban population and the lack of an urbanisation plan to control disorderly construction. As a result, most housing does not meet minimum standards: houses are derelict and unsafe, sewage and refuse removal are inadequate, and there is, among other problems, overcrowding and insufficient ventilation.³⁷

In the north, houses are made from wooden planks or palm thatch. Many houses have shutters. On the mainland, there are houses of various kinds, which are self-built using natural materials, with small houses made of cane and mud walls with tin or thatch roofs. In the cities, high rise apartment buildings are found. Many of the better quality apartments in Malabo are leased to oil companies to provide housing to their employees. These apartments provide small serviced units, often in buildings designed as hotels, where rental is approximately US\$2,000 (CFA 1.1 million) a month. Across the board, quality is an issue and many properties are offered in a poorly maintained state.

On the other hand, wealthy individuals have channelled a significant amount of capital into residential real estate development and there are some good quality apartment blocks to the west, and in the centre, of Malabo. Despite declining oil and gas prices and waning expatriate demand, there continues to be a reasonable market for serviced apartments and compounds catering for oil workers.³⁸ Generally, rental can be as high as US\$6 500 (CFA 3.6 million) per month, with a prime yield of nine percent.

According to the III General Census for Population and Housing 2001, the Government of Equatorial Guinea prioritised the expansion of social housing construction programmes. This has led to the development of 17 919 social housing units across the country which come with favourable financing to assist with affordability, making the state the primary housing supplier.³⁹ The Government has also articulated other priorities: developing and implementing adequate regulations for the housing market; increasing and diversifying financial support for social housing construction projects; and the preparation and application of an urban policy and a national urbanisation plan.⁴⁰

The development of affordable housing continues to be constrained, however, by, the lack of specialised financial institutions focused on housing and urban planning; inadequate coordination of initiatives in the construction of social housing, and the lack of investment by the private sector in the construction of rental housing.⁴¹

Data on housing delivery is scarce and dated. The public investment programme as outlined by the IMF (2015) planned to spend CFA 1 492 billion (US\$ 2.6 billion) on social housing. By mid-2014, CFA 394 billion (US\$670 million) or 26 percent had been spent, and by 2015 an additional CFA 1 13 billion (US\$192 million) was spent. No further figures outlining expenditure progress are available. Above that, CFA 5 995 billion (US\$10 million) was planned for urban development.

Also in 2015, the government funded a series of public housing blocks in Bioko Norte, for low income earners. Over 1 000 houses were built on Sampaka, a small town north of Malabo.⁴² However, it is debatable whether most locals can afford mass housing developments such as Buena Esperanza on the outskirts of Malabo.

Property markets

According to the World Bank's Doing Business Indicators 2018, the country ranked 162 out of 190 countries in terms of registering property – having dropped two positions since 2017. There are six procedures to register property which is on par with the Sub-Saharan African's 6.2. Registering property takes on average 23 days and the cost to register property is 12.5 percent of the property value.⁴³

With regards to dealing with construction permits, the country ranked 160 out of 190 countries. There are 13 procedures to get a construction permit, which is within the Sub-Saharan African range of 14.8. It takes an average of 144 days and costs 4.2 percent of the property value to get a construction permit.

Some large scale projects in the country include the Malabo II urban corridor and the Sipopo luxury resort, and work has begun on the construction of a new capital city at Oyala on the mainland.

However, due to decreased oil revenues, the government has also recently reduced its investment in the construction sector. With the oil and gas sectors contracting, demand for office space is low. Office demand in Equatorial Guinea has been historically driven by the construction, energy and oil sectors with many of the self-contained, owner-occupied buildings belonging to companies such as Marathon, Noble Energy and Total. However, the market's few major office landlords are debt-free and able to cope with vacancies. On average, rental is estimated at US\$37 (CFA 20 715.60) a square meter a month with a prime yield of 11 percent.

The government has planned to close K5 (a port to the north of Airport Road) and requires most of its industrial sector to operate from Luba. This has resulted in many significant purpose-built construction projects and real estate speculation. Rental is estimated at US\$11 (CFA 6 158.69) a square meter per month with a prime yield of 14 percent in the industrial property sector.

The majority of title or deed records in the country are in paper format and there is no electronic database for checking for encumbrances (liens, mortgages, restrictions and the like). There are no publicly available official statistics tracking the number of transactions at the immovable property registration agency. Discrepancies around ownership rights exist between unmarried men and unmarried women who have equal ownership rights, while married men and women do not.



According to the civil code Law of State Patrimony and Law of the Soil, all land belongs to the State. This gives the State a wide mandate to take possession of land whenever it is in the sovereign interest to do so. Equatoguinean law provides for compensation in the event that property is taken by the government. However, when people are evicted from their homes they seldom receive adequate compensation.

Policy and regulation

According to the IMF, the government's development agenda is guided by a medium-term strategy, the National Economic Development Plan: Horizon 2020, which targets economic diversification and poverty reduction. The first phase of Horizon 2020, focusing on infrastructure development, was concluded in 2012. The second phase is focusing on economic diversification, targeting strategic new sectors such as fisheries, agriculture, tourism, and finance. The need to focus on developing new economic sectors was driven by the drop in oil prices and the decline of the historically dominant sector.

The new city of Djibloho, in the centre of mainland Equatorial Guinea, will be established under the framework of the policy for regrouping the populations of the main cities – Malabo, Bata, Mongomo, Ebebiyin, Evinayong and Luba. An integrated, coordinated approach was taken in drafting the master plans for roads, housing and social infrastructure in order to improve the quality of urban life through economies of scale.⁴⁴

With support from the World Bank, Equatorial Guinea has established a statistics office to better inform policy-makers, indicating that the country is cognisant of the fact that quality data influences informed policy.

Opportunities

Equatorial Guinea has significant assets. The country's infrastructure is world-class, including roads, ports and energy. The cultural diversity of the country's population and the return of a well-trained diaspora willing to invest in the country is an added benefit to the country's growth prospects.⁴⁵ These factors are conducive to an investment focus on affordable housing – and the demand is clearly evident. Furthermore, the high cost of formal construction provides developers with an opportunity for innovation, whether through the local manufacture of building materials locally or through other initiatives.

To the extent that Equatorial Guinea's financial sector has been a constraint, a 2015 IMF report highlights significant efforts to strengthen financial sector development and improve access to financing in the past few years, by the government in cooperation with the private sector. The IMF indicates that enacted measures include the introduction of a real-time interbank clearance mechanism and the placement of ATMs at the bank branch level, as well as significant investments towards laying fiber-optic cable to the mainland. Plans are also under

way to develop nation-wide ATM and credit card networks, while authorities are considering proposals for the creation of a credit fund and the development of a government debt market. These will all bode well for a stronger financial sector that too, will be able to support increased activity in the affordable housing market.

Sources

- African Development Bank Group (2012). Equatorial Guinea Economic Outlook. <http://www.undp.org/content/dam/rba/docs/Reports/African%20Economic%20Outlook%202012%20En.pdf> (Accessed 30 June 2018).
- International Monetary Fund (2015). Country Report No. 15/260. Republic of Equatorial Guinea.
- International Monetary Fund (2016). Republic of Equatorial Guinea: Selected Issues. 12 August 2016. IMF Country Report No. 16/358.
- International Monetary Fund (2018). Republic of Equatorial Guinea Staff-Monitored Program. 4 June 2018. <https://www.imf.org/en/Publications/CR/Issues/2018/06/04/Republic-of-Equatorial-Guinea-Staff-Monitored-Program-45935> (Accessed 30 June 2018).
- Knight Frank (2015). Africa Property Focus: Equatorial Guinea. <https://bit.ly/2v5pu4F> (Accessed 4 July 2018).
- Making Finance Work for Africa (2017). Equatorial Guinea: Financial Sector Profile. www.mfw4a.org/equatorial-guinea/financial-sector-profile (Accessed 4 July 2018).
- Numbeo (2018). Cost of Living in Equatorial Guinea. www.numbeo.com/cost-of-living (Accessed 4 July 2018).
- Reegle (2012). Equatorial Guinea, 2012. <http://www.reegle.info/policy-and-regulatory-overviews/GQ> (Accessed 8 July 2018).
- Trading Economics (2017). Equatorial Guinea Unemployment Rate. <https://tradingeconomics.com/equatorial-guinea/unemployment-rate> (Accessed 18 August 2018).

Websites

- <http://www.undp.org>
- <https://www.afdb.org/en/countries/central-africa/equatorial-guinea/>
- <http://www.mfw4a.org/equatorial-guinea/>
- <https://www.economy.com/equatorial-guinea/indicators#ECONOMY>
- <https://tradingeconomics.com/equatorial-guinea/indicators>
- <http://www.worldbank.org/en/country/equatorialguinea/overview>
- <http://ihsmarket.com>

¹ IHS Markit (2017). Country Reports: Equatorial Guinea. IHS Markit.

² Economist Intelligence Unit (2018). Country Report: Equatorial Guinea. Economist Intelligence Unit. <https://bit.ly/2AdKVBG>

³ World Bank (2017). Urban Population. <https://bit.ly/2nqC7DS>

⁴ Central Intelligence Agency (CIA) (2018). The World Factbook.

⁵ Trading Economics (2018). Equatorial Guinea Government Budget. <https://tradingeconomics.com/equatorial-guinea/government-budget> (Accessed 4 July 2018).

⁶ CIA World Factbook (2018).

⁷ World Bank (2018). The World Bank In Equatorial Guinea Overview. <https://bit.ly/2LpChIA>

⁸ AfDB, OECD, UNDP (2017). African Economic Outlook 2017: Entrepreneurship and Industrialisation. African Development Bank. <https://bit.ly/2rvls54>

⁹ Trading Economics (2018). Equatorial Guinea Crude Oil Production <https://tradingeconomics.com/equatorial-guinea/crude-oil-production> (Accessed 4 July 2018).

¹⁰ Trading Economics (2018). Equatorial Guinea GDP. www.tradingeconomics.com/equatorial-guinea/gdp (Accessed 4 July 2018).

¹¹ Ibid.

¹² All Africa (2018). "Equatorial Guinea Keen on Economic Diversification Dialogue with ECA." <https://bit.ly/2JKOOe>

¹³ AfDB, OECD, UNDP (2017). African Economic Outlook 2017: Entrepreneurship and Industrialisation. Pg. 142.

¹⁴ Moody's Analytics (2018). Equatorial Guinea - Economic Indicators. <https://www.economy.com/equatorial-guinea/indicators#ECONOMY> (Accessed 4 July 2018).

¹⁵ CIA World Factbook (2018).

¹⁶ World Bank (2018). Ease of Doing Business in Equatorial Guinea. <https://bit.ly/2mJP37B>

¹⁷ AfDB, OECD, UNDP (2017). African Economic Outlook 2017: Entrepreneurship and Industrialisation.

¹⁸ CIA World Factbook (2018).

¹⁹ Transparency International (2018). Corruption Perceptions Index 2017. https://www.transparency.org/news/feature/corruption_perceptions_index_2017 (Accessed 30 June 2018).

²⁰ Human Rights Watch (2018). Equatorial Guinea Country Summary. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/GNQ.pdf (Accessed 30 June 2018).

²¹ CIA Factbook (2018).

²² Foua, LM. (2018). Statement at the End of an IMF Visit to Conduct the First Review of Equatorial Guinea's Staff-Monitored Program. The International Monetary Fund (IMF).

²³ World Bank Data (2007). Lending Interest Rate. <https://data.worldbank.org/indicator/FR.IN.RLND?locations=GQ> (Accessed 18 August 2018).

²⁴ Trading Economics (2018). Equatorial Guinea: Interest Rate. <https://tradingeconomics.com/equatorial-guinea/interest-rate> (Accessed 4 July 2018).

²⁵ Trading Economics (2018). Equatorial Guinea: Commercial Bank Branches. <https://tradingeconomics.com/equatorial-guinea/commercial-bank-branches-per-100-000-adults-wb-data.html> (Accessed 4 July 2018).

²⁶ International Monetary Fund (2018). Republic of Equatorial Guinea.

²⁷ Ibid.

²⁸ IHS Markit (2017).

²⁹ World Bank (2018). Ease of Doing Business in Equatorial Guinea.

³⁰ Trading Economics (2017). Equatorial Guinea Unemployment Rate.

³¹ NUMBEO (2018). Cost of Living in Equatorial Guinea.

³² UNDP (2016) Equatorial Guinea Newsletter: Strategic Focus for Sustainable Development. <https://bit.ly/2LKG1I0>

³³ AfDB, OECD, UNDP (2017). African Economic Outlook 2017: Entrepreneurship and Industrialisation.

³⁴ Africa Economic Outlook (2012). Equatorial Guinea. <https://bit.ly/2LAVBnb>

³⁵ Ibid.

³⁶ Trading Economics (2018). Equatorial Guinea: Employment in Agriculture. <https://tradingeconomics.com/equatorial-guinea/employment-in-agriculture-percent-of-total-employment-wb-data.html> (Accessed 4 July 2018).

³⁷ UNDP (2005). Equatorial Guinea Informe Sobre Los Objetivos De Desarrollo Del Milenio (ODM). <https://bit.ly/2KMx0fn>

³⁸ Knight Frank (2017). Africa Report 2017/18. <https://bit.ly/2LTNIing> (Accessed 4 July 2018).

³⁹ African Development Bank Group (2018). Equatorial Guinea Economic Outlook. <https://www.afdb.org/en/countries/central-africa/equatorial-guinea/equatorial-guinea-economic-outlook/> (Accessed 30 June 2018).

⁴⁰ Ibid.

⁴¹ UNDP (2005).

⁴² Knight Frank (2015). Africa Property Focus: Equatorial Guinea.

⁴³ World Bank (2018).

⁴⁴ African Development Bank Group (2018). Equatorial Guinea Economic Outlook.

⁴⁵ AfDB, OECD, UNDP (2017). African Economic Outlook 2017: Entrepreneurship and Industrialisation.

Eritrea



Overview

Eritrea is one of the countries that lie along the horn of Africa, bordering Ethiopia, Djibouti and Somalia. The population of the country is estimated at 5 918 919 in 2017.¹

Eritrea is considered as the most isolated country in Africa and has been subject to numerous economic sanctions by the United Nations (UN) and the United States of America (USA), due to its perceived support of militia groups. In effect, the country has limited foreign currency reserves, curtailing its ability to import essential food supplies for its largely poor population. The inflation rate in 2017 stood at nine percent. Eritrea remains one of the poorest countries in the world and economic performance has been uneven within this challenging environment. Unpredictable weather, economic sanctions, low commodity prices and a weak business environment have all contributed to holding economic growth at 3.8 percent in 2016 which dropped to 3.4 percent in 2017.²

The World Bank's 2018 Doing Business Report ranks Eritrea as the second most difficult county in which to do business (189 out of 190 countries). In addition, the indefinite period of national service requirements, which has been in place for 12 years, has forced most of the adult population to serve as recruits for extremely low wages.³ Many Eritreans depend on the support of relatives in the diaspora for survival due to the prevalence of high poverty rates. The UN has estimated that the number of refugees and economic migrants from Eritrea exceeds 10 percent of the current population. Eritreans comprise one of the largest proportion of emigrants per total population. However, new evidence suggests that the number of Eritrean migrants reaching Europe has dropped substantially compared to figures in 2017.⁴

Agriculture accounts for 80 percent of rural employment. This is supported by an observation by the World Bank that Eritrea has poor quality education infrastructure, exposing it to a heightened skills gap. These challenges constrain the development of human capital, limiting long-term inclusive and sustainable economic growth. The country recently discovered commercially viable quantities of gold but will have to contend with the declining global prices of minerals.

The unresolved border dispute between Eritrea and Ethiopia, coupled with crippling isolation of the country by the international community have inspired the adoption of inward-looking policies by the government. The country has an

KEY FIGURES

Main urban centres	Asmara
Exchange rate: 1 US\$ = [a] 12 Aug 2018	15.29 Nakfa
PPP Exchange rate (Local currency/PPP\$) 1 Nakfa = [e]	5.9
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018	9.00 9.00 n/a
Population 2017 [c] Urban population size [c]	5 918 919 2 373 487
Population growth rate [c] Urbanisation rate 2017 [c]	0.85% 3.86%
Percentage of the total population below National Poverty Line	n/a
Unemployment rate 2013 [c]	8.60%
GDP (Current US\$) 2017 [d] GDP growth rate annual 2017 [d]	US\$3 860 million 3.4%
GDP per capita (Current US\$) 2017 [d]	US\$514
GNI per capita (Current US\$) 2017 [e]	US\$520
Gini co-efficient [c]	n/a
HDI global ranking 2015 [f] HDI country index score 2015 [f]	179 0.420
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate	n/a
Mortgage interest rate [g] Mortgage term (years)	9.5% 25
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? [h]	US\$32.60
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [h]	1 265 248 Nakfa
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [h]	US\$82 696
What is the size of this house (m ²)? [h]	125m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [i]	189
Number of procedures to register property [i]	11
Time to register property (days) [i]	78 days
Cost to register property (as % of property value) [i]	9.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Central Intelligence Agency (CIA) World Factbook
[d]	Tradingeconomics
[e]	African Development Bank
[f]	Indexmundi
[g]	Transformation Index BTI
[h]	Statista.com
[i]	CAHF Yearbook 2017
[j]	World Bank Doing Business

impressive healthcare system and low prevalence of HIV/AIDS and malaria. Eritrea has achieved this feat with minimal resources and little foreign assistance, winning praise from the UN. The country opposes foreign interference and has not shied away from banning nine US Non-Governmental Organisations, considering such international assistance as forms of slavery.⁵ Although the country has suffered from long-standing border disputes with its neighbour, recent developments have raised hopes for the resolution of these differences. The newly elected Ethiopian prime minister has visited⁶ Eritrea for the first time in decades and the Eritrean President made a return visit,⁷ leading to the opening of the Eritrean Embassy in Addis Ababa. These major developments in the region and between the two countries bode well for housing investors in Eritrea.

Access to finance

Eritrea's financial system is considered underdeveloped, with a limited supply of financial services which fall far short of demand. Banking sector assets are equivalent to just 18.4 percent of the Gross Domestic Product (GDP).⁸ None of the banks publish financial statements and most of the operations in the banking sector are manually executed. Commercial banks are required to set aside 20 percent of their deposits as reserves.

Eritrea's banking sector is dominated by state-owned banks regulated by Bank of Eritrea. There are three commercial banks in Eritrea: Commercial Bank of Eritrea, a state-owned bank with nearly 28 branches in the country; the Housing and Commerce Bank of Eritrea (HCBE), a private bank, specialising in commercial and residential mortgage loans; and the Eritrean Investment and Development Bank, a state-owned bank specialising in long-term industrial and agricultural loans.⁹ Microfinance has been in operation since 2005 and has served the rural poor, particularly women. Despite the potential of this mode of financial operations, its reach is limited by the rudimentary ITC network, including mobile telephone penetration. Cell phone subscriptions have increased gradually from only 1 to 17 per 1 000 inhabitants between 2000 and 2015.

According to the World Bank's 2018 Doing Business Report, in the "ease of getting credit" category, Eritrea was ranked 186th out of 190 countries.¹⁰ Notwithstanding some positive developments, access to traditional financial services remains difficult. The share of the population having an account at, or borrowing from, a financial institution is low. The cost of borrowing remains prohibitively high, with real interest rates around 7 to 12 percent. If not subsidised, interest rates could be as high as 30 percent depending on the use of the money being borrowed. Moreover, financial markets have not evolved in ways that allow individuals and firms to diversify their savings and enable firms to raise money through stocks, bonds, and foreign exchange markets.

Eritrea's economy is mainly cash-based, with limited use of demand deposits and almost no term deposits. Reforms in 2016 brought in an automated payment system and the old Nakfa (ERN) banknotes were replaced. The combined effect of these actions has been to reduce the size of the black market and hinder human trafficking. All citizens have been encouraged to transact their business through the banking system. However, due to the issuance of new banknotes, many people are struggling to make ends meet as the cost of living has risen.¹¹

Although the government enacted the comprehensive Bank and Financial Institutions Act, permitting the licensing of private financial institutions, including foreign banks, no other local or foreign private financial institution has been allowed to work in Eritrea (except for the foreign exchange bureau). HCBE offers savings and current accounts in the local currency (Nakfa), US dollars and euros, as well as US-dollar-denominated Certificates of Deposit. According to the Bank's website, its main product offerings include: medium and long-term loans for the construction of houses and businesses, as well as various types of medium and long-term loans for the construction of buildings, stores and community centres. The bank's other product offerings include loans for purchasing existing buildings and for home repairs, maintenance, modifications and extensions, as well as commercial, consumer and personal loans. The bank also has a large-scale housing construction programme that it has financed to deliver stock for sale to the public.¹²

Eritrea ranks low in Africa in terms of loan access and information on borrowers such as credit history and credit risk. Data on mortgage lending is not available and does not appear to be collected by the Central Bank, hence it is not possible to determine the size of the mortgage market. However, it is likely to be small. The country's collateral markets are underdeveloped, making it difficult for citizens to obtain mortgage loans. For example, undeveloped land, no matter the tenure form, cannot be used as collateral, which denies landholders the opportunity to access loans for house construction.

Affordability

According to Numbeo, the rental cost of a one-bedroom apartment in the Asmara city centre is NFA 1 529 (US\$100) per month. Furthermore, Numbeo indicates that purchasing an apartment in Asmara city centre costs NFA 53 991 (US\$3 531) per square metre, while buying an apartment outside the city centre costs NFA 10 795 (US\$706) per square metre. Eritrea has one of the highest poverty rates and is one of the least developed countries in the world, with close to 65 percent of the population living in rural areas.¹³ House rental rates and estimated cost per square metre for acquiring a house are way beyond the reach of most Eritreans.

Eritrea has a low urbanisation level, estimated at 40.1 percent of the total population.¹⁴ At the same time, access to housing and urban infrastructure

services is severely constrained. While some households can make use of bank loans, a significant percentage of houses are either self-financed, or built with remittances from Eritreans living abroad. Homes are often built over years and cost the entire life savings of those who invested in them. Because of tough economic conditions and to alleviate their housing problems, many individuals have resorted to informally selling part of the land allocated to them for development. The main purpose of these sales is for the owners to use the proceeds to build their own houses on a portion of their land. This practice has become widespread over the past 20 years despite the government considering it an "illegal sale of land".

For the minority that can afford mortgages, the banks, usually HCBE, require a 25 percent deposit, and then an installment-to-income ratio of no more than a third of the borrower's income over a maximum tenor of 25 years. According to local news sources, a 16m² room in Asmara and in villages in the vicinity goes for NFA 1 000 (around US\$65) a month and the median average salary of a government employee in the country is NFA 800 (US\$52) a month. It is apparent that only higher income households can afford the available housing stock in Eritrea.

In 2013, the government launched a major housing project in Asmara. According to the official website, apartments and houses range from 30m² – 120m² and 125m² – 200m² respectively. Apartment prices range from NFA 315 055 (US\$21 015) for a 30m² unit to NFA 1 162 995 (US\$77 578) for a 120m² unit. House prices vary from NFA 1 247 887 (US\$83 241) for a 125m² home all the way up to NFA 1 977 185 (US\$131 889) for a 200m² unit. As stipulated on HCBE's website, only nationals who have fulfilled their national obligations and who make a 25 percent deposit payment for the house or business shops they select qualify for the purchase. The costs of these types of units are prohibitively expensive for most Eritreans.

Housing supply

As emphasised in the previous section, the availability of adequate and affordable social housing continues to be problematic in Eritrea. According to a 2005 Housing and Urban Development study, the majority of households own their homes (68.9 percent), ranging from 82 percent in villages to 63 percent in the primary cities. However, it is not clear if these households have formal title or are able to use their land rights to mobilise finance. The remaining 31.1 percent is composed of renters, including private renters (24.5 percent), sharers (6 percent) and no data (0.6 percent).¹⁵ The formal and informal rental housing sector appears to offer viable housing solutions for many families in Eritrea.

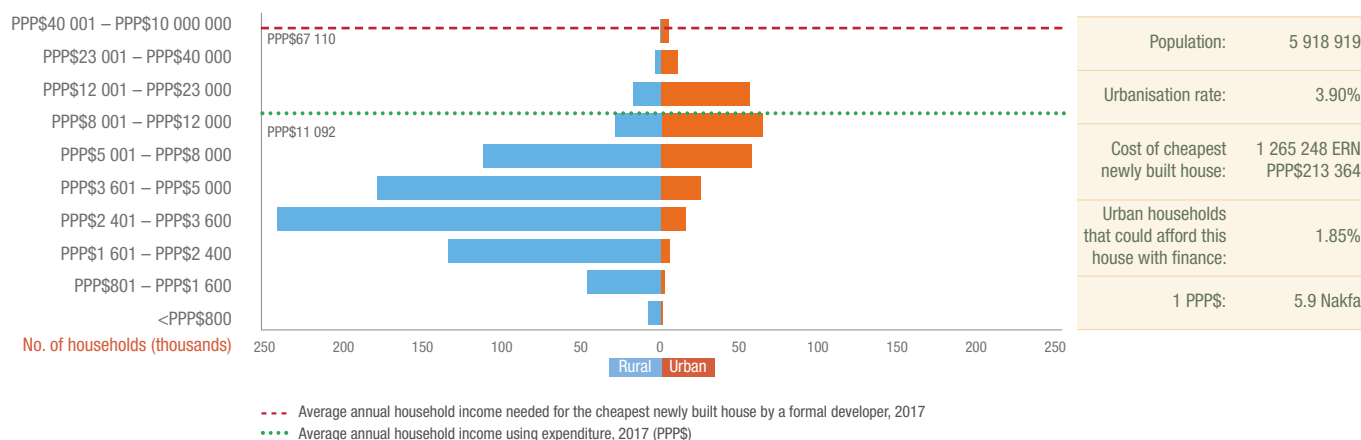
In Asmara, over half of the households in the city are tenants. In the rest of the country, this proportion is lower, ranging from 17 percent in small towns to 22 percent in the medium-sized towns. According to Proclamation n. 58/1994 of 24th August 1994,¹⁶ annual rent must be paid, with the sole exception of rural housing. "House sharers" are often immediate or extended family members who either cannot pay rent or cannot find a house to rent. The large ratio of sharers reflects the serious housing problem in the country. The majority of urban residents in Eritrea live in over-crowded housing conditions with limited access to affordable water and safe sanitation.

According to the Human Rights Council (HRC), over the years the successive movement of refugees and internally displaced persons has caused severe housing shortages. In recent years, the Eritrean authorities have resorted to evictions and the demolition of houses that were built outside of local planning permissions. The HRC has reports of the demolition of approximately 800 houses in Asmara and several other villages in the vicinity of the capital city, as well as other towns such as Adi Keyh, in the southern part of the country. An estimated 3 000 people became homeless after these demolitions. Many evictees sought refuge with friends and family, which further exacerbated the overcrowded housing problem and further limited access to affordable water and safe sanitation. According to the HRC, by resorting to these types of actions, the Eritrean authorities have demonstrated that they are reluctant to create the necessary conditions to expand access to adequate social housing.

It is not clear what the government's current housing delivery rate is, but recent reports suggest that many of the new developments target the medium to high

ERITREA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

end of the property market. Local news sources indicate that Eritrea was building a number of infrastructure projects (dating from 2014). These projects include the development of luxury resorts, colleges, modern homes and dams. Eritrea is witnessing an unprecedented development boom. Examples of this high-end boom include the Asmara Housing Project which was launched in 2013 and developed in the Sembel, Halibet and Space 2001 districts of the city. According to recent news reports, over 40 percent of this housing project has been completed.¹⁷ The project has been undertaken by an Italian Company, Piccini, in collaboration with other local construction companies under the umbrella of the Housing and Commercial Bank of Eritrea. The project comprises a total of 1 754 housing complexes including 930 apartments and 824 villas as well as 192 business complexes. This housing project includes road infrastructure, a sewage system and water pipelines, and electricity, as well as telephone and internet installations. In addition, a pre-cast factory in Asha-Golgol has been actively producing the materials required for the project.¹⁸

In an interview with state media in February 2014, President Isaias Afwerki was quoted by an online news source, Madote, saying that, "The pilot housing project in Asmara is a precursor of a comprehensive urban and rural national housing scheme for the years to come."¹⁹ Therefore, it is suggested that urban areas such as Mendefera, Teseney, Assab, Dekemhare and Keren should expect to see housing development projects of their own. There is also the NFA 1 758 429 547 (US\$115 million) Dahlak Master Plan and several high-end resorts in Ras Harab and Halibay.

The government also appears to be constructing residential properties that will be sold to Eritreans in the diaspora who can afford to pay in foreign currency. Another Italian company, Gruppo Italiano Costruzioni, has also been involved in delivering 1 680 housing units in the country. The NFA 4 497 373 504 (US\$300 million) Massawa project appears to be a mix of luxurious resorts, hotels and residential buildings. Currently, the construction of the project has been postponed, presumably due to the Asmara pilot project taking priority.

Property markets

The property market in Eritrea is challenging. According to the World Bank's 2017 Doing Business Report, registering property in Eritrea requires 11 procedures, takes 78 days and costs 9.1 percent of the property value. Furthermore, the majority of title or deeds records in the country are in paper format and there is no electronic database for checking for encumbrances (liens, mortgages, restrictions and the like). There are no publicly available official statistics tracking the number of transactions at the immovable property registration agency.

Under the 1994 Land Proclamation Act, land ownership is vested in the state, with individuals, both Eritreans and foreign investors alike, granted users' rights under a renewable lease arrangement, for 10 to 60 years. Women have equal rights to men under the Land Proclamation Act. Two legal instruments drafted in the 1990s gave every Eritrean the right to land for housing in urban areas and ancestral

villages, subject to meeting certain allocation criteria. There are two distinct forms of land tenure for housing: "Tessa" and lease land. "Tessa" land refers to allotted village land. Lease land is allocated in urban areas and houses built on it may be sold, donated, inherited, transferred or mortgaged.

Policy and regulation

The Land Proclamation and Legal Notice 31/1997 serves as the country's post-independence land law. According to the proclamation, land is the exclusive property of the state; the sale, transfer and mortgaging of land is prohibited. Therefore, an individual citizen only has usufruct rights over land, and the government could allocate land through leaseholds. Every Eritrean citizen who has met the necessary criteria (including national service duties) is given the right to be allocated a plot of land for housing in urban areas and ancestral villages. The proclamation specifies that:

- An annual rent must be paid, which is determined by the law or by regulation of the Ministry of Finance, with the sole exception of rural housing;
- Land rights cannot be transferred, except where expressly provided for by law;
- Expropriation can be ordered only for purposes of development and capital investment aimed at national reconstruction or other similar purposes, with the decision being final and not justifiable; and
- Compensation for expropriated land, which must be agreed between the owner and the state, is to be paid in cash or in kind.

The amount of compensation for expropriation will be commensurate with the damage experienced and will be paid before the holder relinquishes the land. In the case of disagreement, the titleholder can bring a suit before the High Court.

This legislation has created significant obstacles for the housing industry. One of the challenges has been the housing delivery system, which has been unable to speedily respond to the need for housing land, and the demand for housing has far exceeded supply. Other factors such as poor governance, mismanagement and a lack of clarity within institutional structures has further compounded the country's housing shortage.

The main national institutions include the Department of Urban Development of the Ministry of Public Works, the Ministry of Lands, Water and the Environment (MLWE), the Housing Commission and the various municipalities. The main mission of the MLWE is to ensure the implementation of sustainable land management and guarantee optimum use and fair distribution of land. It is mandated to study land capability and land use planning, allocation of land parcels, and to monitor whether allocated land is utilised according to designated purpose.

Recently, the ruling party introduced price controls on the amount of rent payable and on the procedure for enforcing rental contracts.²⁰ Property owners are now

required to effect rental transactions at the nearest government office. There have been instances where government officials collect rent from tenants and deliver after-tax rent to property owners, fuelling significant graft. This regulation has effectively made the ruling party the de facto landowner; landlord and estate broker; with significant risks for current and potential property developers. The problem is compounded by the introduction of strict currency controls through Legal Notice No. 129/2017, limiting the amount of Nakfa travellers exiting Eritrea can hold.²¹ The legal notice has set the Nakfa holding limit for travellers exiting Eritrea at a maximum of Nakfa 1 000 while travellers aged below 18 will not be allowed any amount of Nakfa.

Opportunities

Analysts agree that Eritrea's growth prospects are potentially favourable in the medium term due to the mining of mineral resources, the commodity price recovery and plans to scale up energy supply. In addition, the National Indicative Development Plan 2014-2020 foresees the allocation of substantial resources and investment to increase the supply and quality of the country's human capital in the broadest sense and within competitive standards. Eritrea's rich entrepreneurial tradition provides opportunities for private sector growth and industrialisation.

Eritrea clearly has a great need for affordable housing delivery and there are significant opportunities for both the public and private sectors to strengthen the development of housing finance, as well as increase its supply. Possible initiatives include expanding tailored housing loan products to low income groups; providing technical assistance to banks to enable them to originate and manage loans for low income housing; and introducing innovative and competitive housing solutions and products for the poor. Furthermore, substantial remittances from the diaspora provide a useful source of housing finance (when it is not subjected to tax) that could be harnessed for both mortgage and microfinance lending.

Beyond mortgage finance, there is a significant need for additional cheaper building materials, which provides potential investors with the opportunity to gain substantial market share by manufacturing some building materials locally.

Following the peace agreement and restoration of diplomatic relations between Eritrea and Ethiopia,²² the UN is in the process of lifting crippling sanctions imposed on Eritrea.²³ This development is likely to improve the country's economic performance and foreign currency reserves. Further, the two countries have restored both telecommunications and air transport between them. This will hopefully improve the environment for doing business, considering Ethiopian Airlines is one of the largest airlines in the region.²⁴

Additional sources

AfDB (2018). African Economic Outlook 2018. <https://www.afdb.org/en/countries/east-africa/eritrea/eritrea-economic-outlook/> (Accessed 27 Aug 2018).

Awate (2018). Djibouti Objects to the Lifting Of UN Sanctions on Eritrea. <http://awate.com/djibouti-objects-to-the-lifting-of-un-sanctions-on-eritrea/> (Accessed 26 Aug 2018).

Castellani L. G. (2000). Recent Developments in Land Tenure Law in Eritrea, Horn of Africa. <https://ageconsearch.umn.edu/bitstream/12800/1/ltcwp37.pdf> (Accessed 6 Sept 2018).

Central Intelligence Agency-CIA (2018). World Fact Book. <https://www.cia.gov/library/publications/the-world-factbook/geos/er.html> (Accessed 25 Aug 2018).

Numbeo (2018). Property prices in Eritrea. https://www.numbeo.com/property-investment/country_result.jsp?country=Eritrea (Accessed 25 Aug 2018).

Housing and Commerce Bank of Eritrea-HCBE (2018). New Information Regarding Asmara Housing Project (AHP) on Second Payment of October 2016. <https://erhcb.com/> (Accessed 25 Aug 2018).

Reuters (2018). At concert, Ethiopia, Eritrea leaders preach peace, love, and unity. <https://www.reuters.com/article/us-ethiopia-eritrea/at-concert-ethiopia-eritrea-leaders-preach-peace-love-unity-idUSKBN1K50ZB> (Accessed 27 Aug 2018).

UNHABITAT (2018). Eritrea: Housing/Urban Development Policy Report. https://mirror.unhabitat.org/files/6670_FINAL_Consolidated_Policy_Report_Eritrea_July20.pdf (Accessed 18 Sept 2018).

World Bank (2018). The World Bank in Eritrea. <http://www.worldbank.org/en/country/eritrea/overview> (Accessed 26 Aug 2018).

¹ Central Intelligence Agency-CIA (2018). World Factbook – Eritrea. <https://www.cia.gov/library/publications/the-world-factbook/geos/er.html> (Accessed 5 Sept 2018).

² Africa Development Bank-AfDB (2018). Eritrea Economic Outlook. <https://www.afdb.org/en/countries/east-africa/eritrea/eritrea-economic-outlook/> (Accessed 5 Sept 2018).

³ BTI (2018). Eritrea Country Report. <https://www.bti-project.org/en/reports/country-reports/detail/tc/ERI/> (Accessed 25 Aug 2018).

⁴ RMSS (2018). A year on – revisiting The Eritrean Exodus. <http://www.regionalmms.org/index.php/component/sp/simpleportfolio/item/74-a-year-on-revisiting-the-eritrean-exodus> (Accessed 25 Aug 2018).

⁵ Madote (2018). U.S. NGOs Kicked Out of Eritrea: Foreign Aid Is Meant to Cripple People. <http://www.madote.com/2015/04/us-ngos-kicked-out-of-eritrea-foreign.html> (Accessed 25 Aug 2018).

⁶ Reuters (2018). Eritrea's president to visit Ethiopia, embassy to re-open. <https://www.reuters.com/article/us-ethiopia-eritrea/eritreas-president-to-visit-ethiopia-embassy-to-re-open-idUSKBN1K30NE> (Accessed 26 Aug 2018).

⁷ Bloomberg (2018). Ethiopian Premier Visits Eritrea as Nations End Decades of Strife. <https://www.bloomberg.com/news/articles/2018-07-08/ethiopia-prime-minister-aby-in-historic-eritrea-visit-on-sunday> (Accessed 26 Aug 2018).

⁸ Africa Development Bank-AfDB (2018). AfDB (2018) African Economic Outlook 2018.

⁹ Embassy of the State of Eritrea (2018). Banking in Eritrea. <http://eritrea-embassyse/invest-in-eritrea/banking-in-eritrea/> (Accessed 25 Aug 2018).

¹⁰ World Bank (2018). Doing Business 2018. <http://russian.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf> (Accessed 25 Aug 2018).

¹¹ Ministerie van Buitenlandse Zaken (2017). Country of Origin Report on Eritrea - February 2017. <https://www.government.nl/documents/reports/2017/02/06/country-of-origin-report-on-eritrea-february-2017> (Accessed 25 Aug 2018).

¹² Housing and Commerce Bank of Eritrea-HCBE (2018). <https://erhcb.com/>

¹³ World Bank (2018). The World Bank in Eritrea.

¹⁴ CIA (2018).

¹⁵ Eritrea Ministry of Public Works/Department of Urban Development, UN-HABITAT and UNDP (2005). Eritrea: Housing/Urban Development Policy Report. https://mirror.unhabitat.org/files/6670_FINAL_Consolidated_Policy_Report_Eritrea_July20.pdf (Accessed 18 Sept 2018).

¹⁶ Castellani (2000).

¹⁷ Madote (2018). Is Eritrea on the verge of a construction boom?. <http://www.madote.com/2014/02/is-eritrea-on-verge-of-construction-boom.html> (Accessed 26 Aug 2018).

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Awate (2018). Eritrean Economy: Increased Control of Real Estate. <http://awate.com/eritrea-economy-increased-control-of-real-estate/> (Accessed 26 Aug 2018).

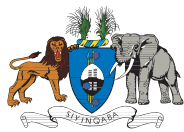
²¹ Geeska Afrika (2018). Central Bank to Tighten Currency Controls. <http://www.geeskaafrika.com/27210/central-bank-tighten-currency-controls/> (Accessed 26 Aug 2018).

²² Reuters (2018). At concert, Ethiopia, Eritrea leaders preach peace, love, and unity.

²³ Awate (2018). Djibouti Objects to the Lifting Of UN Sanctions on Eritrea.

²⁴ Awate (2018). Ethiopian Airlines Will Resume Flights to Asmara. <http://awate.com/ethiopian-airlines-will-resume-flights-asmara/> (Accessed 26 Aug 2018).

eSwatini



Overview

The Kingdom of Swaziland, or more recently known as the Kingdom of eSwatini following a decision by King Mswati II to change the country's name (which is subsequently being challenged),¹ is a landlocked country in Southern Africa. In 2017, the total recorded population was 1.3 million people, of which 76 percent live in rural areas.² The most recent estimates put urban population growth rates at 2.5 percent, while overall growth rates were 1.8 percent in 2017.³ eSwatini has a very young population with 80 percent falling under the age of 35,⁴ and an average life expectancy at birth of 57.8 years.

eSwatini's economic growth, while still low, is growing. As at 2017, the estimated GDP growth rate was 2.3 percent, up from 1.4 percent in 2016, while project growth rates for 2018 are over 3 percent.⁵ Since 2015, GDP per capita has remained approximately US\$3 900.⁶

The improved economic growth in 2017 was driven by the recovery of the agricultural sector, following the severe drought in 2016, and positive growth in the manufacturing sector. Combined, agricultural activities and manufacturing contribute 43.2 percent to GDP. The economy is also expected to benefit in the medium term from the country's readmission to the United States' African Growth Opportunity Act (AGOA) in 2017, which should boost exports to its trading partners.⁷ However, major economic risks are expected to continue to constrain the country's growth. These include the growing fiscal deficit which is being financed by high levels of public debt (20.8 percent of GDP as at June 2018),⁸ constrained public spending as a result of the fiscal deficit, and external risks such as lower-than-expected demand in the mining sector and South Africa's poor economic outlook affecting Southern African Customs Union (SACU) revenues.⁹

Inflation has followed a downward trend since 2016 when it spiked to 7.8 percent as a result of the country's drought and subsequent food price increases. As at June 2018, inflation was recorded at 4.8 percent.

Access to finance

eSwatini's banking sector consists of four commercial banks, three of which are subsidiaries of large South African banks, First National Bank, Nedbank and Standard Bank and one state-owned development bank – Swazi Bank. There is one building society - Swaziland Building Society (SBS) and three credit institutions - Letshego Financial Services, First Finance (Pty) Ltd and Blue Financial Services.¹⁰

KEY FIGURES

Main urban centres	Mbabane
Exchange rate: 1 US\$ = [a] 21 Sept 2018	15.26 Lilangeni
PPP Exchange rate (Local currency/PPP\$) 1 Lilangeni = [b]	5.10
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	8.00 6.30 5.40
Population 2017 [b] Urban population size 2017 [b]	1 367 254 291 731
Population growth rate 2017 [c] Urbanisation rate 2017 [b]	1.78% 1.89%
Percentage of the total population below National Poverty Line 2015 [d]	63.00%
Unemployment rate [e]	26.40%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$4 409 million 2.00%
GDP per capita (Current US\$) 2017 [b]	US\$3 334
GNI per capita (Current US\$) 2017 [b]	US\$2 960
Gini co-efficient 2009 [d]	51.50
HDI global ranking 2015 [f] HDI country index score 2015 [f]	148 0.541
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate [b]	10.75%
Mortgage interest rate [g] Mortgage term (years)	8.00% n/a
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP [i]	n/a
What is the cost of standard 50kg bag of cement? [h]	US\$6.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [h]	763 000 Lilangeni
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [h]	US\$50 000
What is the size of this house (m ²)? [h]	160m ²
What is the average rental price for this unit (US\$)? [h]	US\$180
What is the minimum stand or plot size for residential property? [h]	500m ²
Ease of Doing Business Rank [i]	112
Number of procedures to register property [i]	9
Time to register property (days) [i]	21 days
Cost to register property (as % of property value) [i]	7.10%

NB: Figures are for 2018 unless stated otherwise.

- [a] Coinmill.com
- [b] World Bank World Development Indicators
- [c] IMF World Economic Outlook Database
- [d] Central Intelligence Agency (CIA) World Factbook
- [e] Trading Economics
- [f] UNDP Development Indicators
- [g] Statista.com
- [h] CAHF Yearbook 2017
- [i] World Bank Doing Business

Member organisations of the African Union for Housing Finance (AUHF):
Swaziland Building Society

According to the central bank's financial stability report, as at June 2017 the country's banking sector saw good asset growth and banks were well-capitalised, but poor bank profitability and deteriorating asset quality threatened the sector.¹¹ Total banking sector assets recorded in June 2017 were E18.3 billion (US\$1.2 billion), up from E15.8 billion (US\$1.1 billion) in the previous year. Loans and advances constitute approximately 58 percent of total banking assets while the total capital adequacy ratio in June 2017 was 23.5 percent.

According to the Central Bank of eSwatini, deteriorating asset quality combined with high inflation rates led to poor bank profitability in 2017. After reaching a high of 9.9 percent in March 2017, non-performing loans (NPLs) to gross loans settled at 8.2 percent by midyear. However, this is still significantly higher than previous years – NPLs in June 2015 were recorded at 3.6 percent.¹²

Although still small, the Swaziland Stock Exchange (SSX) has grown in recent years. As at July 2018, total market capitalisation was E3.5 billion (US\$246 million), up from E2.0 billion (US\$140 million) in July 2013.¹³

According to the latest available data (FinScope 2014), 64 percent of adults (age 18 or older) are formally included in the financial sector. Of the financially included, 54 percent have access to a bank account. The use of non-bank products particularly for remittance purposes is also high. In 2014, 45 percent of adults reported either sending or receiving remittances monthly.¹⁴

The use of informal financial products and services, particularly for saving and credit purposes, is relatively high in eSwatini. In 2014, 40 percent of adults reported using informal financial products. Of those, 68 percent said they use informal products for saving purposes, while 51 percent said it was for lending purposes. In the same period, only 12 percent of adults said that they borrowed from a bank or other financial institution in the 12 months prior to the survey, while 59 percent of adults said they did not borrow at all.¹⁵ Despite this, credit extension has been increasing in recent years.

Credit extension by banks increased from E9.3 billion (US\$655 million) in March 2015¹⁶ to E14.5 billion (US\$1.0 billion) in June 2018, of which approximately 40.7 percent is extended to households.¹⁷ However, the Central Bank did note marginally slower credit growth rates in early 2018. The bank's funding is dominated by customer deposits (78 percent), with 14 percent from shareholder equity.

According to the Central Bank's June 2017 financial stability reports, household and personal loans accounted for the largest share of total bank loans at 42.6 percent, of which almost 29 percent were unsecured loans. Loans to the real estate sector (both residential and commercial) accounted for 11.8 percent of total bank loans in the same period.¹⁸ Given the high proportion of the loans to the household sector and reliance on customer deposits for funding, the banking sector is highly vulnerable to any shocks that impact household's willingness and ability to repay debt.

eSwatini's performance on the World Bank's Doing Business 'getting credit' index improved between 2017 and 2018 following the passing of the Consumer Credit Act 2016. The Act gives borrowers the rights to access data on their borrowing history stored at the credit bureau. Currently, credit bureau coverage in eSwatini sits at approximately 44 percent of adults. In terms of the 'getting credit' ranking, in 2018 it ranked 77th out of 190 countries, down from 82nd in 2017.¹⁹

eSwatini has a relatively small but functioning mortgage market. The countries deeds offices processes on average 200 or more mortgage bonds a quarter.²⁰ The Swaziland Building Society (SBS) remains the leading provider of mortgages in eSwatini, with the four big banks providing the balance. By March 2017, SBS reported total assets worth E2.2 billion (US\$155 million), of which E1.4 billion (US\$98 million) consisted of loans and advances to clients.²¹ SBS offers loans to purchase land and/or properties, as well as building loans, to individual and commercial clients. SBS also offers a "Home Plan" product which is designed to assist employees to purchase and/or complete properties in rural or urban areas with a loan guaranteed by their employer.²² SBS also offers a range of personal loans and other commercial banking services including savings and investment products.

While historically the SBS provided credit at lower than average market interest rates, it now appears to charge in line with other commercial banks. As at March 2017, SBS's prime lending rate was 10.75 percent.²³ SBS also charged a monthly administration fee on all mortgage loans of E66.5 (US\$5).²⁴

Commercial banks operating in eSwatini also offer a range of housing loans. FNB offer 100 percent loan-to-value mortgages, while Nedbank and Standard Bank require a 10 percent up-front deposit. The maximum loan term of 25 years is offered by Standard Bank, while monthly administration charges on mortgages range from E30 (US\$2) in the case of FNB and a minimum charge of E83 (US\$6) for Standard Bank.²⁵

Further, Swazi Bank offers a range of housing finance products including a civil servants housing loan scheme offering "relaxed loan requirements," subsidised interest rates and no up-front deposit requirements. Under this scheme, civil servants may borrow up to E400 000 (US\$28 000) for urban housing and up to E200 000 (US\$14 000) for rural housing.²⁶ Swazi Bank appears to charge some

of the highest fees on their housing loans (this may exclude loans to civil servants) with monthly administration fees of E113 (US\$8) and a loan initiation fee of 7.7 percent of the loan amount.²⁷

Reports also suggest that the Swaziland National Housing Board is considering venturing into housing finance for customers of their projects in order to compete with the banks in the future.²⁸

Affordability

According to the African Development Bank (AFDB), eSwatini's classification as a middle-income country does not accurately reflect the widespread poverty and inequality in the country.²⁹ In 2018, GDP per capita was recorded at US\$3 934. However, in 2016, 42 percent of the population was reported to be living below the income poverty line of US\$1.90 per person per day.³⁰

Unemployment is a key driver of poverty in the country. In 2016, an estimated 52 percent of young adults between the ages of 15 – 24 years old were unemployed. Recent estimates put total unemployment at 26 percent.³¹ The agriculture sector remains the largest employer in the country, contributing 69 percent of total employment in 2017. However, there is significant gender disparity in the labour market. According to a recent report by the AFDB, only 45 percent of women are employed in the formal sector, compared to 73 percent of men.³² These factors, among others, contribute to eSwatini's poor ranking on the UNDP Human Development Index at 144th out of 189 countries.³³

Recent calls for minimum wages in some sectors of the economy reflect the frustration of workers. The Amalgamated Trade Union of Swaziland (ATUSWA) has put pressure on the government to implement a basic minimum wage for textile workers of E3 000 (US\$211) per month. Textiles workers are reported to currently earn between E1 300 and E1 500 (US\$92 – US\$106) per month,³⁴ placing them far out of the reach of any decent formal housing.

The Swaziland National Housing Board (SNHB), a state-owned organisation mandated to provide affordable housing to eSwatini citizens, offers rental housing ranging from E1 510 to E3 785 (US\$106 – US\$267) for a two-bedroom apartment in the capital city, Mbabane.³⁵ One-bedroom flats in some of their newer developments start at E2 455 (US\$173) per month. Assuming an affordability of 25 percent of income, an individual would have to earn at least E6 000 in order to afford one of the cheapest rental options from SNHB.

More recently SNHB have branched into developing housing for higher income segments in an effort to bolster their revenues and cross-subsidise future affordable housing investments.³⁶ A 361m² plot in one of SNHB's new and fully-serviced developments starts at E79 360 (US\$5 593). Buyers can choose one of five house types to be built on their plot, however, the cost of the construction is not clear.³⁷

Seeff Properties Swaziland suggest that an entry-level property will cost a buyer between E800 000 to E1.2 million (US\$56 000 – US\$84 000), but the "middle market" can only afford around half of this amount, suggesting that there is a sufficiently large affordability gap in the country.³⁸

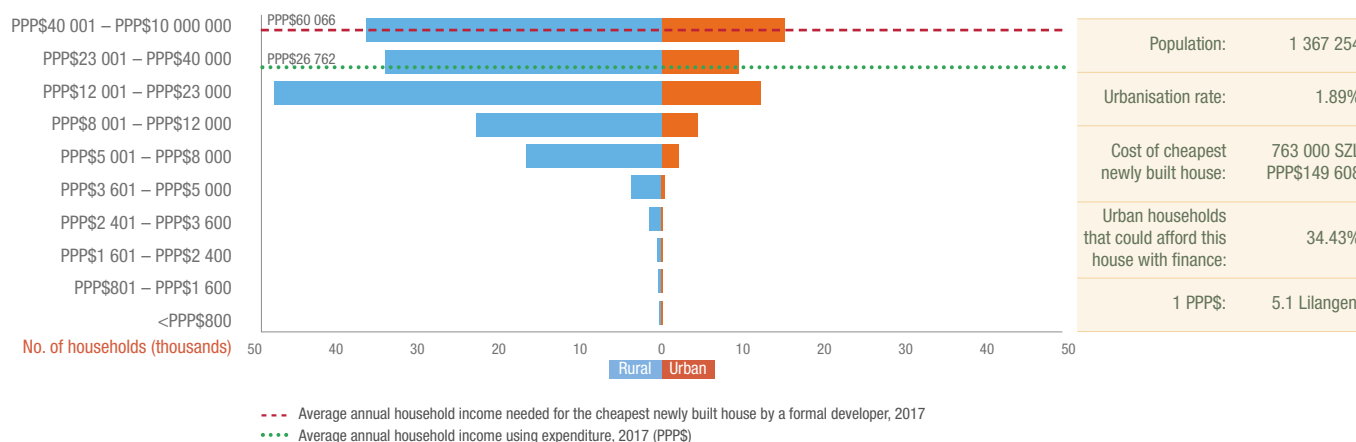
Housing supply

Housing was included as a priority item in His Majesty's Government Programme of Action 2014 – 2018 strategy document. During this period, the government promised to deliver over 700 additional residential serviced plots across four townships, in addition to other urban development projects. However, urban development and informal settlement upgrading has been a priority of the government since the 1990s.³⁹

While the urban development plan has been successful in delivering serviced sites to communities, the project has been less successful in recouping much-needed funds from the sale of the plots to beneficiaries. Given the government's land tenure system at the time (all land was owned by the King), plots were allocated to beneficiaries on a 99-year leasehold agreement and households were expected to pay an up-front commitment fee of E400 (US\$28).⁴⁰ Beneficiaries were given five years to pay off the remainder of the plot price. However, according to the Mbabane 2018 Annual Report, only 20 percent of all plots developed in Phase I

ESWATINI

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

were fully paid off. Despite this, the City of Mbabane have plans to implement a similar informal settlement upgrading project in an additional nine informal settlements.⁴¹

The government has also embarked on a large Institutional Housing Project (IHP) which aims to provide decent, well-located and affordable accommodation for civil servants. SNHB was appointed to construct and manage the housing which will be leased back to government. As at April 2018, SNHB had handed over ownership of 116 units to the Ministry of Health for occupation by their employees,⁴² and a further 282 units to the Royal Swaziland Police (RSP), His Majesty's Correctional Services (HMCS) and the Swaziland National Fire and Emergency Services (FES).⁴³

The SNHB is also involved in a number of private sector new developments aimed at middle to high income segments. This includes the Mabuya Township with 98 residential plots with an average size of 552m², the Woodlands Township Ext 2 with 296 plots ranging in size from 759 – 3 777 m² and the Nkhanini township with 429 plots 361m² to 1 150m².⁴⁴ In addition, SNHB manages a residential rental portfolio of over 950 units in Mbabane and Matsapha.⁴⁵

Limited government funding for housing purposes remains a major constraint for SNHB, specifically with regard to its development of affordable housing units. The SNHB does not currently receive any government subsidies for its development and typically relies on loans from commercial banks, as well as the Public Service Pension Fund (PSPF) and Swaziland National Provident Fund (SNPF) for funding.⁴⁶

Given the limited supply of affordable housing solutions, lower income segments continue to rely on self-build and informal structures for shelter, particularly in the urban centres.⁴⁷

Property markets

eSwatini's housing market is characterized by an under supply of affordable accommodation. According to Seeff and SNHB, there is a "huge gap" in the market for properties that priced within the reach of the country's middle class.⁴⁸

Aside from Seeff, other established real estate agents operating in the country include Pam Golding and ReMax. The cheapest property listed across all three company websites was a E670 000 (US\$47 000) for a two-bedroom 42m² property. While the portfolios of the established property agency remain relatively small, a local real estate website, Swazihome.com, lists over 100 properties for rent and close to 400 properties for sale across eSwatini.

A possible constraint to future development is the government's recent decision that requires all new construction projects to be registered with the Construction Industry Council and that a levy payment be made of approximately E19 000 (US\$1 300). As a result of this decision, eSwatini dropped in its ranking on the World Bank's Doing Business 'dealing with construction permits' to 102nd out of

190 countries in 2018. Additional constraints to new development include the 119 days and 14 procedures it takes to obtain a construct permit and a further 21 days and 9 procedures to register a property.⁴⁹

Policy and regulation

The passing of the Sectional Titles Amendment Bill in 2017 by Parliament was a major development for the country's housing market. However, the Bill is not yet operational as it is still waiting approval from His Majesty. Nonetheless, proponents of the Bill stress the importance of this reform and the economic growth that could be realised by allowing Swazi nationals to own land and transact in the property market.⁵⁰

Despite this improvement, the country's housing market is still in need of an updated National Housing Policy and a Residential Tenancy Bill to provide sufficient protection and governance for landlords and tenants respectively. Both of these pieces of legislation were listed as key priorities for the government for the period 2014 – 2018, however neither of them feature on the government's legislation roll.⁵¹

The existing legislation that falls under the Ministry of Housing and Urban Planning includes the 2001 Housing Policy, the 1961 Town Planning Act, the 1988 Human Settlements Authority Act, and the 2003 Crown Lands Disposal Regulations. Clearly eSwatini is in urgent need of updated policies and legislation in order for its housing market to develop.

Opportunities

Medium-term growth prospects for eSwatini remain weak due to the country's deepening fiscal deficit which is expected to constrain future public investment. This is in addition to the ever-present challenges with widespread poverty, high unemployment and serious public healthcare issues, specifically the HIV prevalence rate which remains the highest in the world.⁵²

eSwatini's economic growth is also tightly linked to its neighbouring countries, particularly South Africa, which the country relies on for its export revenue and the stability of its monetary policy. With South Africa's uncertain political context and negative growth prospects, this presents further risks to eSwatini's economy.

The country's housing market is lacking affordable housing options for the middle to low income market and while public housing delivery is extensive, it is restricted to only certain segments of the market. With the upcoming release of the 2017 Population and Housing Census and the 2016 Income and Expenditure Survey, updated data on the income distribution of households will be made available, which in turn should help investors and developers reassess the country's investment opportunities. Likewise, the data will provide sound basis for the development of updated housing and land-related policies. That said, the recent passing of the amended Sectional Titles Act is a significant achievement for the country and eSwatini nationals alike.



Websites

<http://www.centralbank.org.sz/>
<http://databank.worldbank.org/data/source/world-development-indicators/>
<http://www.snhb.co.sz/>
<http://www.gov.sz/>

- ¹ Mabuzi, N. 2018. Swaziland's name change challenged in court. 28 August 2018. <https://mg.co.za/article/2018-08-28-swazilands-name-change-challenged-in-court> (Accessed 29 September 2018).
- ² The World Bank (2018). World Development Indicators. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (Accessed 29 September 2018).
- ³ Ibid.
- ⁴ AFDB (2018). 2018 African Economic Outlook. Swaziland. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/Swaziland_country_note.pdf (Accessed 29 September 2018). Pg. 8.
- ⁵ Ibid. Pg. 2.
- ⁶ Trading Economics (2018). Swaziland Per Capita GDP. <https://tradingeconomics.com/swaziland/gdp-per-capita> (Accessed 29 September 2018).
- ⁷ AFDB (2018). Pgs. 2 – 3.
- ⁸ Central Bank of Eswatini (2018). Quarterly Review June 2018. <http://www.centralbank.org.sz/monetarypolicy/quarterly/June-2018-Quarterly-Review.pdf>. Pg. 26.
- ⁹ AFDB (2018). Pg. 3.
- ¹⁰ The Central Bank of eSwatini (2018). <http://www.centralbank.org.sz/financialregulation/banksupervision/index.php>. (Accessed 29 September 2018).
- ¹¹ Central Bank of Swaziland (2017). Financial Stability Report, June 2017. Issue No. 1. <http://www.centralbank.org.sz/financialstability/FinancialStabilityReportIssue1.pdf> (Accessed 29 September 2018).
- ¹² Ibid. Pg. 23.
- ¹³ Ssx (2018). Market capitalisation as at 31 July 2018. <http://www.ssx.org.sz/index.php/2015-05-11-14-00-53/2015-05-11-14-10-01?start=20> (Accessed 30 September 2018).
- ¹⁴ Finmark Trust (2014). FinScope Consumer Survey 2014. http://www.finmark.org.za/wp-content/uploads/2016/01/Brich_FsSwaziland_2014.pdf (Accessed 30 September 2018).
- ¹⁵ Ibid.
- ¹⁶ The Central Bank of Swaziland (2017). Pg. 22.
- ¹⁷ The Central Bank of Swaziland (2018). Pg. 20.
- ¹⁸ The Central Bank of Swaziland (2017). Pg. 23 – 24.
- ¹⁹ The World Bank (2018). Ease of Doing Business in Swaziland. http://www.doingbusiness.org/en/data/exploreeconomies/swaziland#DB_gc (Accessed 30 September 2018).
- ²⁰ The Government of Swaziland (2018). Deeds Registry Office. Performance for Quarter ending 30th June 2018. http://www.gov.sz/images/DEEDS_REGISTRY_-_Performance_report_April_-_June_2018.pdf (Accessed 30 September 2018).
- ²¹ Swaziland Building Society (2017). Annual Report for year end 31 March 2017. <https://www.sbs.co.sz/images/22.pdf> (Accessed 30 September 2018).
- ²² Swaziland Building Society (2018). Property Finance. <https://www.sbs.co.sz/index.php/homeloans>
- ²³ <https://www.sbs.co.sz/images/22.pdf> (Accessed 30 September 2018).
- ²⁴ Ibid.
- ²⁵ Analysis of banks' websites.
- ²⁶ Swazi Bank (2018). Housing Loans. <https://www.swazibank.co.sz/mfmb/ib/housingloans.jsp> (Accessed 30 September 2018).
- ²⁷ Swazi Bank (2018). Fees and Charges. <https://www.swazibank.co.sz/mfmb/ib/swazifeesandcharges.jsp> (Accessed 30 September 2018).
- ²⁸ Eswatini Property Review (2018). Vol 1. Issue 1. Apr – Jun 2018. [http://www.barcodecreative.net/assets/files/Eswatini%20Property%20Review%20-Issue%201%20\(Digital%20Copy%20-%2036pgs%20-%20R\).pdf](http://www.barcodecreative.net/assets/files/Eswatini%20Property%20Review%20-Issue%201%20(Digital%20Copy%20-%2036pgs%20-%20R).pdf) (Accessed 30 September 2018). Pg. 16.
- ²⁹ AFDB (2018). 2018 African Economic Outlook – Swaziland. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/Swaziland_country_note.pdf (Accessed 30 September 2018).
- ³⁰ UNDP (2016). Human Development Report 2016. http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf (Accessed 30 September 2018).
- ³¹ UNDP (2018). Unemployment, total (% of labour force). <http://hdr.undp.org/en/indicators/140606#> (Accessed 30 September 2018).
- ³² AFDB (2018). Pg. 9.
- ³³ UNDP (2018). Human Development Indicators. <http://hdr.undp.org/en/countries/profiles/SWZ> (Accessed 30 September 2018).
- ³⁴ Zwane, S. (2018). Is 2018 the year for textile workers? 25 January 2018. <http://www.times.co.sz/news/116789-is-2018-the-year-for-textile-workers.html> (Accessed 30 September 2018).
- ³⁵ Swaziland National Housing Board (2018). Rental Housing Estates. http://www.snhb.co.sz/index.php?option=com_content&view=article&id=202&Itemid=128 (Accessed 30 September 2018).
- ³⁶ Eswatini Property Review (2018). Pg. 15.
- ³⁷ SNHB (2018). Sales portfolio. http://www.snhb.co.sz/index.php?option=com_content&view=article&id=180&Itemid=122 (Accessed 30 September 2018).
- ³⁸ Eswatini Property Review (2018). Pg. 17.
- ³⁹ Banes, C. (2000). How Swaziland is Upgrading its Slums. <http://documents.worldbank.org/curated/en/266041468123582514/pdf/329840ENGLISH0Civis201Jan020011.pdf> (Accessed 30 September 2018).
- ⁴⁰ The Observer (2017). Thousands failing to pay for plots in Mbabane. 14 January 2017. <https://www.pressreader.com/swaziland/observer-on-saturday/20170114/281749859048493> (Accessed 30 September 2018).
- ⁴¹ The City of Mbabane (2018). Annual Report 2018. <https://www.mbabane.org.sz/annual-report-2018/> Pg. 16.
- ⁴² SNHB (2018). The SNHB messenger. Volume 83. <http://www.snhb.co.sz/images/Volume%2083-Umgjimi-lovepdf-compressed.pdf> (Accessed 30 September 2018).
- ⁴³ SNHB (2018). Institutional Housing Project Progress. http://www.snhb.co.sz/index.php?option=com_content&view=article&id=217&Itemid=66 (Accessed 30 September 2018).
- ⁴⁴ SNHB (2018). Sales portfolio.
- ⁴⁵ SNHB (2018). Rental Housing Estates.
- ⁴⁶ Eswatini Property Review (2018). Pg. 15.
- ⁴⁷ CAHF (2017). 2017 Yearbook. Housing Finance in Africa. http://housingfinanceafrica.org/app/uploads/2017_CAHF_YEARBOOK_14.10-copy-compressed.pdf (Accessed 30 September 2018).
- ⁴⁸ Eswatini Property Review (2018). Pg. 17.
- ⁴⁹ The World Bank (2018).
- ⁵⁰ Eswatini Property Review (2018).
- ⁵¹ The Government of Swaziland (2018). Status of proposed legislation. <http://www.gov.sz/index.php/component/content/article/141-test/2002-bills?Itemid=799> (Accessed 30 September 2018).
- ⁵² AFDB (2018). Pgs. 3 – 8.

Ethiopia



Overview

As the second largest country in Africa, Ethiopia has a population of 105 million, with a GDP growth rate of 8.2 percent driven by public investments in agriculture and infrastructure. The population density in Ethiopia is 108 per square kilometre and 20.6 percent of the population is urban. The poverty rate has fallen from 44 percent in 2000 to 23.5 percent in 2015/16. The current account deficit declined in 2016/17 to 8.2 percent of GDP from 9.1 percent the previous year, reflecting lower drought-related imports and lower public sector capital goods imports. However, export revenues were mainly unchanged despite significant volume growth, as global agricultural commodity prices remained low. Foreign direct investment growth was 27.6 percent due to investments in the new manufacturing industrial parks and privatisation inflows. International reserves at the end of 2016/17 stood at US\$3.2 billion.

More than 70 percent of Ethiopia's population is still employed in the agricultural sector, but services have surpassed agriculture as the principal contributor to GDP. According to the UN's Human Development Report (2017) the country has a very low human development ranking of 174 out of 190 countries and Human Development Index rating of 0.448.

Since 2004/05, the government has focused on developing housing, upgrading slums, providing infrastructure and promoting small urban enterprises. The Growth and Transformation Plan for 2015-2019 continues to target infrastructural development with the view of the country being classified as "middle income" by 2025,¹ while the construction sector plays an immense role in Ethiopia's economic growth. Real estate and other construction contributed 12.5 percent to GDP, according to information obtained from the Ministry of Construction.

Access to finance

Banks, insurance companies and microfinance institutions are the major financial institutions operating in Ethiopia. The number of banks stood at 18, insurance companies at 17 and microfinance institutions (MFIs) at 35 at the end of June 2017. Of the 18 banks, 16 are private and two are state-owned. Based on number of branches and capital accumulation, the five major banks in the country are Awash Bank, Dashen Bank, Abyssinia Bank, Wegagen Bank and United Bank.

The Ethiopian financial sector has remained well capitalised and profitable. The Commercial Bank of Ethiopia (CBE) opened 956 new branches in 2016/17, raising the total number of branches to 4 257. About 33 percent of bank branches were

KEY FIGURES

Main urban centres	Addis Ababa
Exchange rate: 1 US\$ = [a] 23 Aug 2018	27.24 Ethiopian birr
PPP Exchange rate (Local currency/PPP\$) 1 Ethiopian birr = [b]	9.1
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	7.27 9.86 11.22
Population [d] Urban population size [d]	105 350 020 21 491 404
Population growth rate [c] Urbanisation rate [d]	2.46% 4.64%
Percentage of the total population below National Poverty Line	29.60%
Unemployment rate [b]	25.20%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$80 560 million 10.25%
GDP per capita (Current US\$) 2017 [b]	US\$767
GNI per capita (Current US\$) 2017 [b]	US\$740
Gini co-efficient [d]	n/a
HDI global ranking 2015 [b] HDI country index score 2015 [e]	174 0.448
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [a]	18.00%
Mortgage interest rate [a] Mortgage term (years) [a]	16.00% 15
Downpayment [a]	10.00%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre [e] Outside City Centre [e]	7.65 9.19
Gross Rental Yield in City Centre [e] Outside City Centre [e]	9.85% 10.88%
Construction as a % of GDP [f]	12.20%
What is the cost of standard 50kg bag of cement? [f]	US\$8.82
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [g]	1 400 000 Ethiopian birr
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [g]	US\$51 395
What is the size of this house (m ²)? [g]	94m ²
What is the average rental price for this unit (US\$)? [g]	US\$257
What is the minimum stand or plot size for residential property? [g]	46m ²
Ease of Doing Business Rank [h]	161
Number of procedures to register property [h]	n/a
Time to register property (days) [h]	52 days
Cost to register property (as % of property value) [h]	6.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	National Bank of Ethiopia (NBE)
[b]	World Bank World Development Indicators
[c]	Statista.com
[d]	iResearch.worldbank.org
[e]	Numbeo
[f]	Constructionmaterial.com
[g]	Ezega.com
[h]	World Bank Doing Business

located in Addis Ababa. The share of private banks in the total branch network rose to 66.6 percent from 61.8 percent last year. Following a significant capital injection by CBE, the total capital of the banking industry increased by 81.1 percent and reached ETB 78.0 billion (US\$3.36 billion) by the end of June 2017.²

The share of private banks in deposit mobilisation increased to 33.6 percent from 32.2 percent last year due to the opening of new branches. CBE alone mobilised 66.1 percent of the total deposits. Consequently, total outstanding borrowing of the banking system stood at ETB 32.9 billion (US\$1.20 billion), slightly higher than ETB 31.2 billion (US\$1.14 billion) a year ago. Of the total borrowing, domestic sources accounted for 89.1 percent and foreign sources the remaining balance. Commercial banks and the Development Bank of Ethiopia disbursed ETB 109 billion (US\$4.69 billion) in fresh loans, which was 23.8 percent higher than a year ago. Of the total new loans, about 55.6 percent was provided by private banks and 44.4 percent by the two public banks.

Total outstanding credit of the banking system, including to the central government, increased by 30.4 percent and reached ETB 365.6 billion (US\$13.4 billion) at the end of June 2017. Excluding central government, credit to industry accounted for 40.2 percent followed by international trade (16.2 percent), domestic trade (13 percent), housing and construction (11.8 percent) and agriculture (6.2 percent). The share of private sector in outstanding credit was ETB 231.2 billion (US\$8.5 billion) (or 63.2 percent), reflecting 29.1 percent year-on-year growth.

MFI generally offer services to informally self-employed poor people and also formal employed low income households. The number of MFIs remained at 35 at the end of June 2017, while their total capital and total assets increased significantly by 20.8 percent and 35.1 percent, to reach ETB 10.7 billion (US\$392.8 million) and ETB 49.6 billion (US\$1.8 billion), respectively. Their deposit mobilisation and credit allocation also expanded remarkably. Compared to last year, their deposits surged by 42.8 percent and reached ETB 26.3 billion (US\$965.4 million) while their outstanding credit went up by 28.5 percent to ETB 32.4 billion (US\$1.19 billion). The Amhara, Dedebit, Oromiya, Omo and Addis Credit and Savings institutions were the major MFIs, accounting for 83.7 percent of the total capital, 93.1 percent of the savings, 88.6 percent of the credit and 89.9 percent of the total assets of the MFIs sector. Most of the MFIs operating in the city have been in business for almost 10 years, indicating relatively adequate experience with financial services, including diversification of loan portfolios to include housing microfinance loans. An Addis Credit and Savings institution is one of the major MFIs. After realising the potential lucrative market in the country, the MFI diversified its loan portfolio in 2006 to include housing microfinance loans. The MFI offered small loans suitable for significant housing improvement, the addition of a new room, and for new house construction.

Recently, government banks like the Commercial Bank and the Development Bank have joined the mortgage market but only in the commercial construction sector. The same is true of the emerging private bank sector. There is limited involvement in residential mortgages by public and private banks because of the perceived high risk and shortage of experience. In recent years, MFIs have become increasingly important players, as they are viewed as effective mechanisms for poverty reduction. The loan policies of MFIs indicate that preference should be given to poor rural farmers and microeconomic activities of rural and urban communities with small cash requirements. MFIs therefore offer a potential source of finance for poor and low income earners. The World Bank's 2018 Doing Business Report showed that almost 94 739 individuals and 7 656 firms were recorded on the public credit registry, but representing just 0.2 percent of the population.³ As a result, Ethiopia continues to underperform with respect to getting credit and is ranked 173rd out of 190 countries. A major player in the mortgage market is CBE which has grown since the introduction of the Integrated Housing Development Programme's (IHDP) current project in the capital of Addis Ababa, in which it plays an important role in the provision of mortgage finance. Mortgage rates for the 40/60 development scheme are estimated at 14 percent over a 10-year period with a 40 percent downpayment. The 40/60 housing scheme is designed for the middle income group that can afford to save 40 percent and above of the money needed to build the house and get the remaining balance as a credit from the CBE.

Affordability

In Ethiopia a major challenge is providing affordable housing for low income earners with an annual per capita income of less than US\$1 025 and with limited access to housing finance. Following the market-led adjustments implemented post 1991, subsidised interest rates were removed, which significantly increased lending rates. This increased from 4.5 percent for co-operatives and 7.5 percent for individuals to 18 percent for both, severely reducing the opportunity for low income households to secure a home loan. A key challenge to housing affordability is the absence of a diversified and flexible housing finance sector.

Traditional construction techniques involve the use of bricks, blocks and cement, which are expensive, inefficient, and time-consuming. There are few factories producing construction materials, and locally available inputs are in short supply.

The government's IHDP has compounded the housing affordability issues for lower income residents. In June 2016, the CBE and the Ministry of Urban Planning and Housing revealed that the condos in the new 40/60 scheme were an additional ETB 4 919 (US\$180.5) per square meter from their original price. This price increase was due to rising construction and labour costs, which have forced the Ministry of Urban Development, Housing and Construction and Addis Ababa Savings & Houses Development Enterprise to re-evaluate their prices, taking into account the current market, land, water, electricity and building design prices. The cost of two-, three- and four-bedroom condos currently valued at ETB 614 693 (US\$22 566), ETB 636 974 (US\$23 384) and ETB 829 690 (US\$30 459) respectively will increase accordingly by the square meter of the apartments. The apartments are 124.97m², 129.5m² or 168.68m² in size. The increased costs of

construction, and thus the downpayments as well as mortgages, have placed additional financial burdens on the poor: As a result, many beneficiaries from low income groups have rented out their units to more affluent citizens. In turn, the unit owners tend to stay in their original substandard dwellings or have returned to another precarious housing type.

Housing supply

Ethiopia's Federal Housing Corporation (FHC) has announced plans to build 1 673 homes in Addis Ababa at an estimated cost of around ETB 1.2 billion (US\$44 052 860). According to the FHC information, about half of the housing is to be offered to state officials, and the remainder are for rental houses to employees of businesses.

The existing housing stock, particularly in Addis Ababa, is generally of poor quality, with many settlements congested and unplanned. Using the UN-Habitat slum definition, 80 percent of Addis Ababa is a slum with 70 percent of this comprising government-owned rental housing. Only 30 percent of the total housing stock is in fair condition, while the remaining 70 percent is in need of total replacement or significant upgrading. According to estimates by the Ministry of Works and Urban Development, the housing deficit in Addis Ababa alone is about 300 000 units. The housing deficit is not just measured by the large number of units that are required today but also in the quality of the housing stock and the extremely small sizes of most available dwelling units.

Access Capital research details four categories of new residential developments in Ethiopia: (a) government-initiated condominium buildings; (b) residential neighbourhoods initiated by developers; (c) owner-built housing dwellings; and (d) new home activity driven by housing cooperatives. In addition, there are two other major categories of housing units in Addis Ababa: *kebele*-rental housing (very old stock), mainly for those on low incomes, and informal settlements.⁴

1. Government-built condominiums

Recently, the government implemented a new housing project in Addis Ababa which is divided into four different groups based on payment modalities: 10/90, 20/80, 40/60 and housing association. The payment modality for the last one necessitates 100 percent direct payments, while the others incorporate 10, 20 and 40 percent down payment mixed with a long-term mortgage plan.

The IHDP was implemented in Addis Ababa and other cities. It was planned in two phases. In phase one 947 376 people registered for housing and the government built 270 146 houses, however of the available stock only 182 000 houses were allocated.

There are still 88 146 condominium units under construction at 18 sites. The new condominium houses that are being built will be 18 storey buildings. According to the latest figures available in the 40/60 housing programme, 154 000 of the 160 000 people registered under the scheme are saving money each month toward acquiring a home. Out of these, 17 600 have paid the full amount and more than 29 000 have paid 40 percent of the total cost. Those who have paid in full will have priority when the condominium units are handed over to the homeowners. The cost of this housing scheme per square meter is ETB 4 918 (US\$180.5).⁵

2. Private sector real estate developers

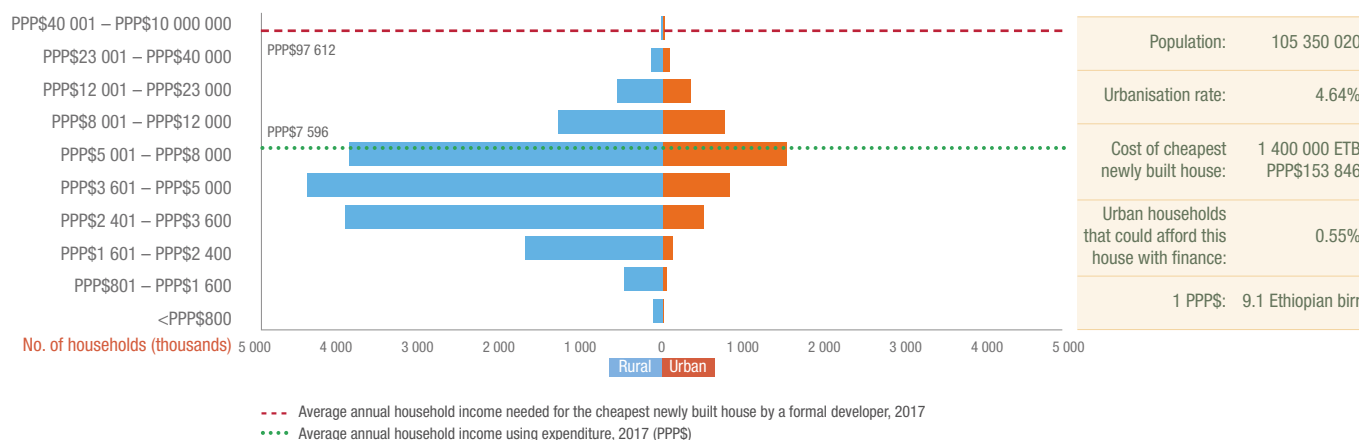
The National Urban Development Policy emphasises the role the private real estate development sector can play in providing housing for the high income group under the framework of free market principles. The private real estate housing sector is concentrated in Addis Ababa and its surrounding towns (Legetafo, Burayu, Sululta and Sebeta), and other major urban centres such as Dire Dawa, Adama, Bahir Dar, Hawassa and Mekelle.

According to data from the Ethiopian Investment Commission, close to 117 companies took an investment licence to invest in 56 different projects, and 99 percent of them are owned by Ethiopians or in joint ventures with foreign investors. Some were still fully owned by foreigners. Out of the existing 56 real estate projects to date, 43 are located in Addis Ababa.

The real estate companies focus exclusively on building houses for the upper and middle class. The price of houses is different based according to location. The

ETHIOPIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

average price in square meters is between ETB 15 000 (US\$550) up to ETB 60 000 (US\$2 202) based on the location.

The private real estate sector has managed to construct a considerable number of houses but significantly below the expected output.⁶

In Addis Ababa, between 2005 and 2017, housing supply by real estate developers was only 4.8 percent, compared to 58.1 percent by the government and 37.1 percent by individuals (cooperative and lease).

3. Owner-built housing construction

Self-built housing was the most common type of housing delivery approach before the introduction of the IHDP. While limited now, this building approach is still active in older residential neighbourhoods. "Costs for owner-built construction are generally higher and this segment of the market tends to include the full range of housing units from modest homes constructed over extended periods to large and luxurious homes often built by razing or replacing older properties."⁷

4. Housing cooperatives

This is the primary mode of housing construction in Addis, constituting over half of the city's total formal sector housing stock. They are recognised as legal entities by the government, and allocated land on which to design and construct their developments. The city administration up to the end of 2017 has registered more than 500 housing cooperatives. Between 14 and 24 members are allowed in a housing cooperative. Many cooperative members are middle income (per capital income between US\$1 026 and US\$4 035), based on employer associations such as Ethiopian Airlines or other state-owned companies.

Property markets

According to the World Bank's 2018 Doing Business Report, Ethiopia ranks 161 out of 190 economies on the ease of dealing with construction permits. Regarding registering property, seven procedures are required; it takes 52 days and costs 6.1 percent of the property value. As such, Ethiopia stands at 133 in the ranking of 190 economies on the ease of registering property.⁸

Ethiopia has a federal system of government constituted by nine regional states and two city administrations, with a dual land tenure system (for urban and rural land). Land in Ethiopia is the property of the state and can generally be acquired only on the basis of a lease. Private ownership of land is prohibited. Once acquired through a lease, land cannot be mortgaged or sold, but the lease value of the land (the down payment and annuity paid) and the fixed assets on that land may be mortgaged or transferred to third parties.

Land administration is delegated under the constitution to the regions (for rural land) and to city governments and municipalities (for urban land). Accordingly, regional governments and municipal administrations are authorised to lease rural and urban land under their respective laws. In the city suburbs, the government

reserves what it calls a land bank for investors, which, having compensated the landholders, it provides to investors engaging in real estate development. An investor who acquires land under a lease has to enter into a land lease agreement with the government and obtain a lease-holding certificate issued in its name. The minimum lease downpayment is 10 percent of the total lease payment. The remaining balance of the lease amount is to be paid in equal annual installments over the payment term. Interest is to be paid on the remaining balance, in line with the prevailing interest rate on loans offered by the CBE.

The lease contracts normally include provisions to regulate when construction will start, how long it will take to completion, the payment schedule, grace period, rights and obligations of the parties, as well as other relevant details. The downpayment of the lease price must be paid prior to signing the contract. The duration of an urban land lease for real estate development is 60 years for Addis Ababa and 70 years for other cities and towns in Ethiopia.⁹

The new lease prices range from ETB 1 686 (US\$61.9) per square meter designated as central market place to ETB 191 (US\$7) that are grouped as expansion place in the city. The rate for central market district zone will be applicable in most areas of the city that are considered to be main business areas that entertain high levels of business activity. The expansion zone is classified into four levels and covers areas that are considered to be in the outskirts of the city, where the city is expected to expand in the future.

Policy and regulation

The slums and housing problems in Ethiopia are the result of accumulated deficits of policies and practices over several years.

The Federal Ministry of Works and Urban Development is the lead agency entrusted with the responsibility of providing housing. In recent years urbanisation has resulted in unprecedented levels of growth with the development and expansion of Addis Ababa and other cities. The urban development policy and strategies have the objectives of promoting the role of urban areas in the overall national development. The policy and strategy is further articulated in the IHDP. This has provision for affordable and low cost housing, empowering urban residents through property ownership, job creation, income generation as well as improving the quality of the urban environment through infrastructural development and the urban renewal programme. The IHDP is subsidised by the government to support low income earners.

A number of policies govern the housing sector, including the following:

- Urban Development Policy (2005): Formulated by the Council of Ministers of the Federal Democratic Republic of Ethiopia to link together the small-scale efforts made by regional governments and cities since 2000;
- The Federal Rural Land Administration and Land Use Proclamation No.456/2005: Enacted for the purpose of ensuring tenure security,

strengthening property rights of farmers, sustainably conserving and developing natural resources, establishing a land database, and establishing an efficient land administration in the country;

- Expropriation of Landholdings for Public Purposes and Payment of Compensation and Council of Ministers Regulation No.135/2007: The Federal Constitution vests in the government the power to expropriate private property in the public interest, provided it pays compensation prior to acquisition and in an amount commensurate with the value of the seized property;
- Ethiopian Building Proclamation 624/2009 formal sector: A legal document outlining the building regulations and requirements, for use by local authorities to ensure building standards are maintained in their jurisdiction. Parts of Ethiopia are located in an earthquake zone and a code exists to ensure buildings resist maximum predicted earthquake loads. The codes are only used and enforced in buildings developed in the formal sector;
- Regulation No.15/2004: Outlines the establishment of the Addis Ababa City Government Housing Development Project office and outlines its duties and responsibilities;
- Regulation No.12/2004: Outlines the condominium regulations for Addis Ababa city, regulating further details to Proclamation No.370/2003;
- Proclamation 624/2009 Ethiopian Building proclamation: Outlines the minimum national standard for the construction or modification of buildings or alteration of their use in order to ensure public health and safety.

Opportunities

The Ethiopian government has been addressing the public's ever-increasing demand for housing by employing various condominium housing schemes that have mainly benefited low and middle income citizens. Through the construction of 100 000 cost-effective houses with necessary facilities and infrastructure in the capital, the government has made a significant contribution towards benefiting the urban poor, women and civil servants. In addition to the government's involvement, private real estate developers have been playing a growing role in the sector. Capitalising on the favourable policy climate, real estate companies have made significant a contribution in satisfying the demand of middle and high income citizens for apartments and other high-end houses.¹⁰ Furthermore, the Ethiopian government has paved the way for European and Chinese entrepreneurs to become involved in the country's infrastructural development and industrial growth. Despite the risks of bringing in foreign companies, the Ethiopians are quite grateful for the assistance and business potential offered by global players.

Additional sources

Addisbiz.com Ethiopian Business Portal (2017). Current Status of 40/60 Condominiums in Addis Ababa, Ethiopia. <https://addisbiz.com/tag/40-60-condominium/> (Accessed 5 Sept 2018).

African Economic Outlook (2018). Ethiopia 2017. AfDB, OECF, UNDP.

African Union for Housing Finance (2015). Financing Housing in Africa. Issue 41: March 2015.

CSA (2016). Federal Democratic Republic of Ethiopia Demographic and Health Survey, Addis Ababa, Ethiopia. October 2016.

Delz, S. (2014). Ethiopia's Low Cost Housing Program: How Concepts of Individual Home-Ownership and Housing Blocks Still Walk Abroad. ETH Zurich.

The Economist Intelligence Unit (EIU) (2016). Country Report: Ethiopia. (August 2015).

Everline Auma (2014). The International Journal of Business & Management (ISSN 2321 – 8916), Vol 2 Issue 10.

Ethiopian Civil Service University. Land Administration Law. www.ecsu.edu.et/content/land-administration-law (Accessed 5 Sept 2018).

Federal Democratic Republic of Ethiopia (2010). Ministry of Works and Urban Development. Housing Development Programme: 2006-2010 Plan Implementation Report.

The Global Economy.com. Ethiopia Unemployment Rates. www.theglobaleconomy.com/Ethiopia/Unemployment_rate/ (Accessed 5 Sept 2018).

International Monetary Fund (IMF). The Federal Republic of Ethiopia. <http://www.imf.org/en/Countries/ETH> (Accessed 5 Sept 2018).

IMF (2017). The Federal Democratic Republic of Ethiopia: Selected Issues. IMF Country Report No. 15/326 (4 September 2015).

Ministry of Urban Development, Housing and Construction (2015). Housing Development: The Ethiopian Experience. Study on Africa's Market Dynamics Regional Workshop. Addis Ababa (17-19 February 2015).

National Bank of Ethiopia (NBEAR) (2017). Annual Report for 2015/16. <http://www.NBE.gov.org.et> (Accessed 5 Sept 2018).

NBEAR (2018). Annual Report for 2016/17. <http://www.NBE.gov.org.et> (Accessed 5 Sept 2018).

OECD.org. Ethiopia. <http://www.oecd.org/countries/ethiopia/> (Accessed 5 Sept 2018).

TAK-IRDI (2016). Assessment of the Role the Private Sector Plays in GTP II. TAK-Innovative Research and Development Institution, Addis Ababa, Ethiopia.

Tesfalem.T (2017). Factors Affecting Housing Delivery of Condominium Project in Addis Ababa: The Case of Gulele Housing Development Project, Addis Ababa, Ethiopia.

Trading Economics (2018). Ethiopia Exports. tradingeconomics.com/ethiopia/exports (Accessed 5 Sept 2018).

USAID/Ethiopia (2016). Opening Doors: A Performance Evaluation of the Development Credit Authority (DCA) in Ethiopia, Addis Ababa.

The World Bank – IBRD IDA. The World Bank in Ethiopia. <http://www.worldbank.org/en/country/ethiopia> (Accessed 5 Sept 2018).

Websites

<http://www.acsi.org.et>

<http://www.addisbiz.com>

<http://www.addisfortune.net>

<http://www.AllAfrica.com>

<http://www.combanketh.com>

<http://www.csa.gov.et>

<http://www.ethiomedias.com>

<http://www.ethiopiahope.com>

<http://www.nbe.gov.et>

<http://www.mwud.gov.et/>

¹ NBEAR (2018). National Bank of Ethiopia (2018). Annual Report for 2016/17.

² Ibid.

³ The World Bank – Doing Business (2018). Ease of Doing Business in Ethiopia. <http://www.doingbusiness.org/data/exploreeconomies/ethiopia> (Accessed 5 Sept 2018).

⁴ Access Capital Research (2010). Sector Report-Real Estate. <https://www.ethioconstruction.net/> (Accessed 9 Sept 2018).

⁵ Addisbiz.com (2017). Current Status of 40/60 Condominiums in Addis Ababa, Ethiopia.

⁶ Housing in Ethiopia, Social Inclusion and Energy Management for Informal Urban Settlements; EiABC, Krems, 3 March 2017.

⁷ Access Capital Research (2010).

⁸ The World Bank – Doing Business (2018).

⁹ Access Capital Research (2010).

¹⁰ Derso, Bilal (2018). "Ethiopia: Private Sector's Viable Role in Housing Development." 25 April 2018. The Ethiopian Herald. <https://allafrica.com/stories/201804250582.html> (Accessed 12 Sept 2018).

Gabon



Overview

Gabon is on the west coast of Africa, and covers an area of 267,667 km². Gabon hosts a total population of 2 067 561 people, with 89.4 percent living in the urban area of the capital city Libreville and Port-Gentil, the second largest city. The current life expectancy at birth is 66.1 years old,¹ the population growth rate for 2018 is 2.09 percent and the urbanisation rate is 1.92% (2017).² A formerly French colony, the country gained independence in 1960 and French is the official language. Gabon shares common borders with Equatorial Guinea, Republic of Congo and Cameroon by land and Sao Tome and Principe by sea. The climate condition is characterised by tropical weather, hot and humid, with a range of terrestrial morphology such as a narrow coastal plain, hilly interior, savanna in the east and south. The Gabonese territory is rich in mineral and natural resources such as petroleum, natural gas, diamond, indium, manganese, uranium, gold, timber, iron ore and hydropower.

The primary economic activity of Gabon is the exploitation and exploration of natural resources. It is now the ninth most significant producer of oil in Africa. In addition to oil, the country also produces and exports timber and other minerals such as manganese and uranium. In the past five years, the oil industry has accounted for almost 80 percent of exports, 45 percent of the GDP, and 60 percent of budget revenue. Nevertheless, in recent years, Gabon has been diversifying its economy by investing more in agricultural activities and the tourism industry.

For many years, France remained the main foreign economic and business partner of Gabon, benefiting from particular privileges in multiple sectors such as finance and natural resource exploitation (oil) as well as infrastructure development. However, since the advent of the new government headed by the president Aly Bongo Ondimba, the country has opened up its border to new international investors interested in natural resources and infrastructure development.

Access to finance

The financial sector of Gabon consists of the Gabonese Development Bank (BGD) and nine commercial banks. However, approximately 80 percent of deposits and loans services are provided by three of the largest banks. The financial system is also open to foreign commercial banks such as the US bank Citigroup. The primary business focus of BGD is to lend money to small and medium-size companies. Corporate services are offered by commercial banks. However, corporations

KEY FIGURES

Main urban centres	Libreville Port-Gentile
Exchange rate: 1 US\$ = [a] 23 Aug 2018	582.1 CFA franc
PPP Exchange rate (Local currency/PPP\$) 1 CFA franc = [a]	231.2
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [b]	4.80 2.80 3.50
Population 2017 [c] Urban population size 2017 [d]	2 025 137 1 773 007
Population growth rate 2017 Urbanisation rate 2017 [d]	2.26% 2.48%
Percentage of the total population below National Poverty Line	34.30%
Unemployment rate 2017 [a]	19.63%
GDP (Current US\$) 2017 [a] GDP growth rate annual 2017 [a]	US\$14 623 million 1.10%
GDP per capita (Current US\$) 2017 [a]	US\$7 221
GNI per capita (Current US\$) 2017 [a]	US\$6 610
Gini co-efficient 2015 [a]	42.2
HDI global ranking 2017 [e] HDI country index score 2017 [e]	109 0.697
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate [b]	15.00%
Mortgage interest rate [a] Mortgage term (years) [a]	2.9% 20
Downpayment [a]	25.00%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre 2017 [f]	8.07
Outside City Centre 2017 [f]	19.15
Gross Rental Yield in City Centre 2017 [f]	12.40%
Outside City Centre 2017 [f]	5.22%
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$9.62
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	21 916 150 CFA franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	n/a
What is the size of this house (m ²)?	150m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property? [g]	40m ²
Ease of Doing Business Rank [g]	197
Number of procedures to register property [g]	5
Time to register property (days) [g]	33 days
Cost to register property (as % of property value) [g]	10.50%

NB: Figures are for 2018 unless stated otherwise.

[a]	World Bank World Development Indicators
[b]	Trading Economics
[c]	Indexmundi.com
[d]	Worldpopulationreview.com
[e]	UNDP Development Indicators
[f]	Numbeo
[g]	World Bank Doing Business

operating in the country have the freedom to contract credit from abroad.³ In addition, local credit is available to both local and foreign investors on equal terms. Nevertheless, the country's main economic actors, such as oil companies, are financed from outside the country.⁴

Gabon is part of the Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale, or CEMAC) and as such utilises the common currency known as the Communauté Financière Africaine (CFA) Franc, which is tied to the Euro for the purpose of currency stabilisation. Furthermore, in compliance with being part of the CEMAC, Gabon's centralised monetary agency is the regional Bank of Central African States (Banque des Etats d'Afrique Centrale/BEAC) which regulates the banking and microfinance institutions (MFIs) sectors through the Central African Banking Commission (COBAC).⁵ The country is also home to the Central Africa Regional Stock Exchange which was established in 2008.

The microfinance sector is still at an infant stage with few limited registered microfinance institutions which cover only a limited portion of the population.

Deposit, savings and payment of services to low income earners are offered by Caisse d'Épargne Postal which is a postal savings bank that covers about 13.5



percent of the population. Nevertheless, access to finance for low income earners is still very low.

Gabon's housing finance programme and budget are divided between different state institutions that have the mandate to deliver and execute housing programmes in the country. These institutions are: the Ministry of Housing, the ANGT, and the National Real Estate Company, a government body created in 1976 with the aim to develop and oversee housing projects. Today the government retains 70 percent of the stake of the National Real Estate Company. Additionally, there are the Gabon National Housing Fund (NHF) created in 1973 and the National Building Society (SNI) created in 1976 by merging the National Housing Corporation and the Gabonese Development of Real Estate and Equipment. In addition, Cr dit Foncier of Gabon (CREFOGA) was established by the Gabonese government in 1976 as a specialised agency in housing finance. However, the business model of CREFOGA was severely handicapped by unpaid debts which resulted in its liquidation.⁶ Another financial government institution is the Guarantee Fund for Housing (Fonds de Garantie pour le Logement, FGL). The FGL has the administrative and financial distribution mandate to deal with housing deficit. The government of Gabon has also established the housing bank, which is commissioned to provide loans at all stages of the housing construction and sale process.

Today, there are a number of financing mechanisms in Gabon that have been identified through the National Infrastructure Master Plan (NIMP) in order to facilitate real estate investment, public private partnerships and built operation transfer cession as well as fully-controlled private projects. In order to promote private investment in the country, the government has embarked on the establishment of development and growth funds destined to small and medium enterprises as well as the creation of a specialised agency. These include private banks and credit institutions operating in the housing sector with the aim to stimulate and provide finances to real estate developers and new home buyers.

Affordability

Gabon planned to improve its fiscal deficit to between 1.25 and 3 percent of the GDP in 2018 in order to compensate for the drop in oil revenues of the same magnitude.⁷ Hence, Gabon's GDP per capita is US\$7 221 in 2017. However, the country is subject to high income inequality that has left some local community members who lack ties to government officials, in extreme poverty. As a result of the decline in oil prices and national budget cuts in 2015, the economic growth of Gabon decreased from 5.6 percent to 4 percent.⁸ This situation has not only affected the local economy but also community purchasing power. As such the Plan Strat gique Gabon Emergent Vision 2025 (PSGE) was launched in 2012, to try and diversify and develop new industries including transformative industries (agribusiness and wood processing) and promote infrastructure development/construction by building smart cities that will respond to housing needs based on sustainable development principles. The expected economic growth of the country is 2 percent in 2018.⁹

According to the 2018 World Bank Doing Business Report, Gabon is currently ranked 167 out of 190 countries globally and stands at 132 on the ease of starting a business.¹⁰ Among the key innovations that government has put in place, is reducing the paid-in minimum capital requirement for starting a business (CFA 500 000). Despite the fact that for the last four decades Gabon experienced high growth due to oil revenues, this did not translate into job creation or poverty alleviation. The 2018 unemployment rate is above 19.63 percent with primarily youth and uneducated people affected.

Gabon's poverty rate is very high; 34.3 percent of the local population are vulnerable and living with a monthly income of below minimum wage of US\$225 with an additional US\$34 monthly allowance per child. In more than 60 of the regions, many local community/residents do not have access to basic services such as safe drinking water, electricity and health care.¹¹ Income inequality in Gabon and unemployment remain major challenges, especially among the youth population, 42 percent of which are under the age of 25.¹²

Housing supply

The majority of social housing developments projects are initiated by the government and executed by international companies mainly from China and India.

The Oxford Business Group stressed that Gabon is facing a huge backlog of housing demand especially social housing. However, this situation could improve with the new government's financial strategies and through better regulations and efforts to facilitate access to land titles.

In 2009, the government has ratified the NIMP based on sustainable development principles with a short to long term vision. The plan includes the development of infrastructure strategies across different sectors, these are: transportation, energy, and telecommunication, housing and utility infrastructure.¹³ According to the NIMP action 152, the government plans to build 35 000 houses with the aim of significantly increasing housing supply and facilitating access to mixed used housing. The project aims to build and deliver to the country on average 5 000 units annually, in order to encourage social diversity and vertical and horizontal densification.

The materialisation of the NIMP housing delivery vision is currently underway in the peripheral area of Libreville. One of the projects that have already started is the new urban development project called Angondje Development District located in the west part of the city. Since the beginning of this project, 872 pre-fabricated houses were completed and, at the end of March 2016, 633 houses were allocated to their owners.¹⁴ Another 420 social houses are being constructed by the Chinese company Dacheng Taihe Steel Structure Science and Technology, based in Beijing. The project is underway, and 320 houses have been completed and delivered. Chinese investment in Gabon is based on Sino-Gabonese friendship and cooperation. The government aims to allocate 5 000 registered plots annually with a title deed to identified builders, private developers and housing construction developers. The objective is to facilitate housing market access to public servants such as teachers, health personnel, and army personnel.

In addition, the SNI is currently working in partnership with a mining company known as Compagnie Mini re de l'Ogoou  to build 2 000 houses destined to low income earners in Bik l . This project will be financed by the Gabon International Bank of Commerce and Industry (Banque Internationale pour le Commerce et l'Industrie) and the Union Bank of Gabon (Union Gabonaise de Banque). The Central African Development Bank based in Congo Brazzaville is also supporting the project. To date the project is two-thirds complete, with key infrastructures such as road connections, water and electricity supply remaining.

The government of Gabon has signed an agreement with a Chinese consortium, One Link Holding Group, to build 200 000 homes in several cities and across the country in addition to the development of a new town in Panga province of Nyanga (south of Gabon).

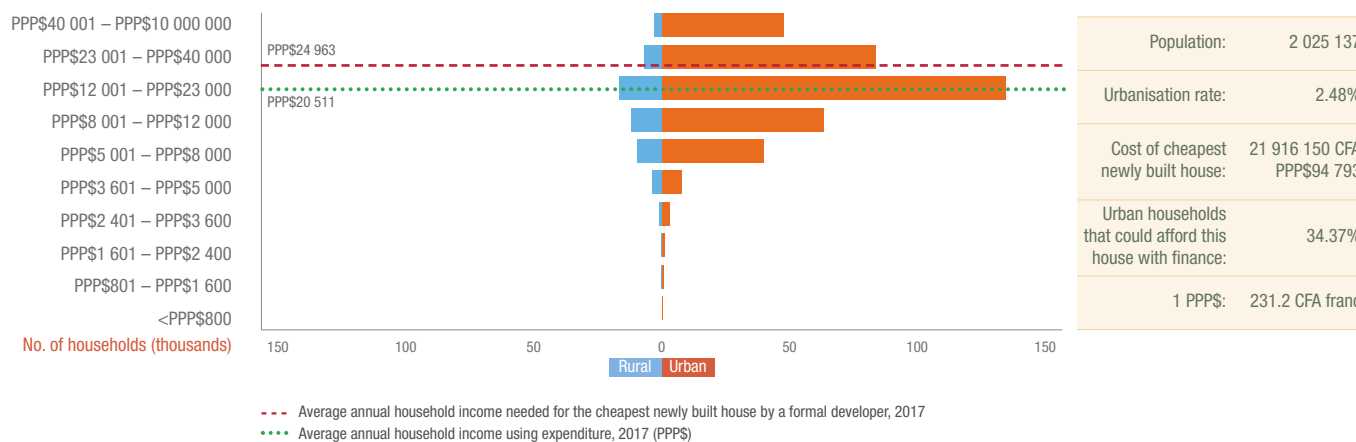
Another housing project currently underway in Gabon is the development of 3 133 houses in Estuaire. The project was initially planned for completion at the end of 2016, but only 2 048 houses have been completed so far. The government of Gabon is also committed to facilitating the establishment of housing cooperatives through public funding. At the same time, the government planned to divert housing bonuses usually paid to public servants to the finance housing cooperative.

However, in the last two years, most of Gabon's housing development projects have suffered financial setbacks due to the drop in oil prices which have forced the government to reallocate funds to higher priority projects. The main housing project which suffered setbacks is the Alvia Okolassi housing project that planned to build 650 social houses from 2016 to April 2018. However the project has not taken off due to the withdrawal of financial support from the bank. A second project is the social housing project of Bikele which suffered major setbacks due to financial maladministration and corruption. Another major project is the housing development of Mangoumba which was delayed for lack of finances.

Housing development programmes are currently taking place under Action 153 of the National Infrastructure Master Plan (2011) called 'Restructuring and slum upgrading'. This programme will involve restructuring and relocation of residents from precarious neighbourhoods to new urban centres with suitable accommodation and social infrastructure. This approach will promote access to land and social facilities as well as social services to local residents. This new development is supposed to take into account all different categories of income.

GABON

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Nevertheless, it is important to note that the Gabon housing and urban development sector is still characterized by (i) a weak institutional and legal system; (ii) rigid tenure; (iii) virtually ineffective financing systems and (iv) very low capacity of interventions by actors.

Property market

In the last decade, Gabon has experienced a rapid increase of its urban population, with 89 percent of the population now living in urban areas. However, the country's real estate market has remained underdeveloped and characterised by high-end sales and expatriate rentals as key drivers, followed by demands for social housing. Nevertheless, in 2017 the Knight Frank ranked Libreville 26th among the most profitable African cities in terms of real estate investment.¹⁵ According to the 2018 World Bank Doing Business Report, the number of procedures required to register a property in Gabon is 5 and it takes 33 days to complete. Gabon is ranked 173 in the world in terms of the ease of registering property.¹⁶

However, much of housing development, property demand and infrastructure development in the country were driven by the hosting of the 2012 and 2015 Nations African football tournament, despite the growing challenge/needs for social housing for poor communities and low income earners. Thus, the government of Gabon has set in place plans to establish the legal basis for a National Laboratory and Public Works (LNBTP) as a strategic institution for the promotion of improving real estate development.¹⁷

Hauts de Gué-Gué, La Sablière and Batterie IV are amongst the successful developments located around Libreville. Demand for high quality residential property is also on the rise due to competition demands between private and corporate occupiers with the consequence of rental price increases. In addition, there is an increasing demand for retail and office buildings in the country, with state institutions and international institutions being the target markets.

The average rental rates in Gabon are as follows, in and around the capital city of Libreville:

- Apartment (1 bedroom) in city centre: US\$1 529
- Apartment (1 bedroom) outside city centre: US\$655
- Apartment (3 bedrooms) in city centre: US\$4 150
- Apartment (3 bedrooms) outside city centre: US\$1 340

In 2012, the government of Gabon announced the implementation and construction of 5 000 houses to take place in Esterias, 30 kms north of Libreville, which will be financed by the Gabon government through Gabonese Development Bank (Banque Gabonaise de Développement).

To support delivery, the government is engaged in a number of reforms to try and stimulate the housing sector. These reforms include efforts to alleviate the burden of administrative and regulatory obstacles that were hampering social

housing delivery projects. Institutional reforms are also taking place in the housing sector which include the creation of new specialised housing agencies and the establishment of several new institutions, such as: the National Agency for Urban Planning and the Topographical Works and Land Registry called (Agence National de l'Urbanisme, des Travaux Topographique et du Cadastre, ANUTTC), whose mission is to plan and oversee all land and real estate development projects, maintain and extend the national land registry, and facilitate the purchase and transfer of property units.

Hence, Gabon's priority is to increase the housing stock as stressed in the NIMP launched in June 2012. The budget for the housing development projects identified in the master plan for the period between 2011 and 2016 is estimated at US\$2.66 billion; part of this money will come from the public sector, as well as the private sector and foreign investment.

Policy and regulations

Gabon's current economic policy and regulations are aimed at transforming the country into an emerging economy. This approach seeks to improve investment in other sectors to move away from oil dependency. The country's 1998 investment code, elaborated in accordance with CEMAC's investment regulations, provides equal rights to foreign and local companies operating in Gabon. However, a certain number of strategic business sectors, such as mining, forestry and petroleum, are organised under a specific investment code based on customs and tax incentives. In order to increase transparency in its recourse and mining industry, the country is in the process of introducing a new mining and petroleum code. Gabon has also adhered to the Organisation for the Harmonisation of Business Law in Africa (OHADA) which allows foreign investors to choose without restraint from a wide range of legal business structures, such as a private limited liability company or a public limited liability company.

The Gabon constitution of 1991, which has been amended several times, acknowledges the right to housing for every Gabonese citizen in Article I:

- Paragraph 10: "Everyone Gabonese has the right to property. No one maybe deprived of his/her property except for public necessity, legally recognised, required on condition of prior and just compensation; however, property expropriations incurred in the public interest, for failure or lack of development, and properties registered, are governed by law."
- Paragraph 11: "All of Gabon has the right to freely choose his domicile or residence anywhere in the country and to engage in all activities, subject to respect for public order and law."

Gabon does not have a clear land policy. The closest form of land policy dates back to 1911 which still forms part of the land legislation.¹⁸ Most land belongs to the state and there is no cadastral plan in some parts of the country aside from Libreville. The country also suffers from a lack of a proper system of transfer of title deed/land ownership, which affects poor communities as without proper

land/property ownership, households lack collateral to access credit. To overcome this situation, the NIMP, under Action 146, plans to reinforce the legal framework for the construction and housing sector. This plan aims to create a legal framework and incentives in order to facilitate access to private property development and construction activities by defining and putting in place clear rules and regulations.

Opportunities

Gabon offers many business and financial opportunities for investors regardless of its small population. The country has one of the highest GDP per capita rates in Africa, which is an advantage for investment in the country. In the last decades it has attracted and continues to attract French retailers such as Carrefour super markets and Casino. There is also a new shopping centre called Le Grand Marché de Libreville soon to be completed on a 7-hectare land parcel in Libreville. The Grand Marché project is financed by the Swiss group Webcor at the value of roughly US\$49 million and the construction is conducted by the same company. This project has not been completed yet.

Up until recent years Gabon has enjoyed a relatively stable economic relationship with its former colonial power. However, due to changes in the global economic arena, Gabon has broadened its economic and diplomatic partners to other emerging powers from Asia and Africa who possess the financial weight and expertise to boost Gabon's economy away from oil dependencies.

In 2012, Gabon also introduced a new system of 'guichet unique' (one stop shop) with the aim to simplify the procedure of land purchase and reduce the time to acquire a title deed from the initial 10 years to 180 days and reduced administrative steps from 134 to seven.

In addition to the Angondje District Development project, there are also other similar projects in the pipeline with the same approach and addressing the same issues with the same standards. These projects are Nkoltang, located on the Route national 1, situated 5 km east of Nkok; this project is yet to begin. The other urban district project in the pipeline is the Lambarene situated in the river transport hub – the aim of this project is the construction of 1000 units.

Private investment in development projects is also expected to increase gradually over the next 20 years due to government commitments to make the country an "emerging" economy". However, one of the biggest challenges remains the affordability and accessibility to housing for low income earners/poor unemployed communities. The policies in place do not clarify the strategies that will be utilised in order to improve access to adequate and safe shelter for all Gabonese. However, the government strategy to boost the property market and housing sector is beginning to show positive signs by attracting foreign investment.

Sources

- African Development Bank Group (2011). Gabon: Country strategy paper 2011 - 2015.
- African Development Bank Group (2016). Joint 2016-2020 Country strategy paper (CSP) and Country portfolio performance review (CPPR) Report.
- The Borgen Project (2013). Oil, inequality and youth in Gabon. 14 July 2013. <https://borgenproject.org/oil-inequality-and-youth-poverty-in-gabon/> (Accessed 24 June 2018).
- GlobalSecurity.org. "Gabon-China Relations." www.globalsecurity.org/military/world/africa/gb-forrel-prc.htm (Accessed 28 Aug 2018).
- Habitat World Map. www.wm-urban-habitat.org/eng/gabon/#Social-and-economic-aspects (Accessed 28 Aug 2018).
- IMF (2018). Press release No 18/255. IMF Staff Completes Review Mission to Gabon. 25 June 2018. <https://www.imf.org/en/News/Articles/2018/06/25/pr18225-imf-staff-completes-review-mission-to-gabon> (Accessed 27 Sept 2018).
- International Monetary Fund (2017). Country Report No. 17/408. 28 Dec 2017. <https://www.imf.org/en/Publications/CR/Issues/2017/12/28/Gabon-First-Review-of-the-Extended-Arrangement-under-the-Extended-Fund-Facility-Requests-for-45529> (Accessed 27 Sept 2018).
- Oxford Business Group (2016). The Report: Gabon 2016. <https://oxfordbusinessgroup.com/gabon-2016> (Accessed 27 Sept 2018).
- Oxford Business Group (2018). "Bridging the gap: Several new projects will help to reduce the housing deficit." <http://www.oxfordbusinessgroup.com/overview/bridging-gap-several-new-projects-will-help-reduce-housing-deficit-0>. (Accessed 28 Aug 2018).
- Plan strategic Gabon Emergent (2012). Vision 2015 et orientation strategiques 2011 – 2016.
- Programme des Nations Unies pour les établissements humains (2013). Etude diagnostique pour l'élaboration d'une stratégie national d'habitat et de développement urbain au Gabon.
- U.S. Department of State Bureau of Economic and Business Affairs (2017). "Gabon: 2017 Investment Climate Statement." <https://www.state.gov/e/eb/rls/othr/ics/2017/af/269735.htm> (Accessed 27 Sept 2018).
- World Bank (2018). Doing Business: Gabon. <http://www.doingbusiness.org/> (Accessed 28 Aug 2018).
- Worldometers. "Gabon population." <http://www.worldometers.info/world-population/gabon-population/> (Accessed 28 Aug 2018).

¹ The World Bank (2018). The World Bank Open Data. <https://data.worldbank.org/indicator/SP.DY.NL.E00.IN?locations=ZG-GA> (Accessed 29 Aug 2018).

² CIA (2018). The World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/gb.html> (Accessed 29 Aug 2018).

³ US Department of State (2017). Investment climate statement report.

⁴ Ibid.

⁵ US Department of State (2017). Investment climate statement report.

⁶ Republic of Gabon (2011). Projet d'appui à l'élaboration d'une stratégie national d'habitat et de développement urbain.

⁷ International Monetary Fund (2017). Country report No.17/408.

⁸ World Bank Group Report (2016). Doing Business: Gabon.

⁹ International Monetary Fund (2018). Press release No 18/255.

¹⁰ World Bank Group Report (2018). Doing Business: Gabon.

¹¹ World Bank Group Report (2016). Doing Business: Gabon.

¹² The World Bank (2017). The World Bank Open Data.

¹³ Plan Strategic Gabon Emergent (2011 - 2016).

¹⁴ Oxford Business Group (2018).

¹⁵ Le Nouveau Gabon. <http://www.lenouveaugabon.com>

¹⁶ World Bank Group Report (2018). Doing Business: Gabon.

¹⁷ Oxford Business Group (2018).

¹⁸ Alden Wily (2012). Les Droit Foncier au Gabon-Faire fesse au passé et au present, FERN.

The Gambia



Overview

The Gambia, surrounded by the Republic of Senegal on all sides except the Atlantic Ocean, is the smallest country on mainland Africa with a total land area of 11 295m², of which 50 percent is arable land. The Gambia's economy relies mainly on services (66 percent of GDP in 2016) as the main driver of growth, and a volatile, drought-prone agriculture sector (21 percent of GDP in 2016).¹ The Gambia has a population of about two million people, which is growing at a rate of three percent per annum.² In addition to this high population growth rate, 61 percent of the population resides in urban areas as a result of high and unplanned rural-urban migration.

Following the tumultuous December 2016 election and political impasse, a new government, under the leadership of President Adama Barrow took power in January 2017, marking the country's first democratic transition since independence in 1965. The new government's key economic objectives are to restore macroeconomic stability and attain sustained, high and inclusive growth to promote socioeconomic development. The National Development Plan (NDP) 2018-2021 was launched in February 2018, which has seven crucial enablers geared towards achieving an overall objective to "deliver good governance and accountability, social cohesion, and national reconciliation, and a revitalized and transformed economy for the well-being of all Gambians".³

Classified as a least developed country (LDC), with a GNI per capita of US\$473.2 in 2017,⁴ The Gambia is also ranked 174 out of 189 in the United Nations Development Programme's (UNDP) Human Development Report 2017, with a score of 0.460, which puts it in the low human development category.⁵ Accordingly, the incidence of poverty is high, with The Gambia Bureau of Statistics (GBoS) 2015 Integrated Household Survey indicating that an estimated 48.6 percent of the population live below the poverty line. Rural areas are especially disenfranchised, with rural poverty estimated at 79.5 percent. The high incidence of rural poverty and the high population growth rate of 3.4 percent can be seen as leading to the country's high urbanisation rate of 4.3 percent.⁶

Coastal climate vulnerability poses a significant challenge for land management, use and planning, with approximately 3 515km² (32 percent) of the country's total land area below 10m of sea level; the capital, Banjul, has 11km² (more than 90 percent) of its total land area below sea level. The new government recognises the vulnerability of the country's coastal zones to rising sea levels and the NDP

KEY FIGURES

Main urban centres	Kanifing Brikama
Exchange rate: 1 US\$ = [a] 6 Jul 2018	45.15 Dalasi
PPP Exchange rate (Local currency/PPP\$) 1 Dalasi = [b]	13.1
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	7.2 8.3 5.80
Population 2017 [b] Urban population size 2017 [d]	2 100 568 1 276 935
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	3.00% 3.93%
Percentage of the total population below National Poverty Line [e]	48.6%
Unemployment rate [d]	3%
GDP (Current US\$) [b] GDP growth rate annual [b]	US\$1 015 million 3.5%
GDP per capita (Current US\$) [b]	US\$483
GNI per capita (Current US\$) [b]	US\$450
Gini co-efficient 2015 [b]	35.9
HDI global ranking 2015 [e] HDI country index score 2015 [e]	173 0.452
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	n/a
Mortgage interest rate Mortgage term (years)	17.25% 10
Downpayment	40%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$6
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	947 743 Dalasi
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$20 991
What is the size of this house (m ²)?	49m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [f]	146
Number of procedures to register property [f]	5
Time to register property (days) [f]	66 days
Cost to register property (as % of property value) [f]	7.60%

NB: Figures are for 2018 unless stated otherwise.

- [a] Central Bank of The Gambia
- [b] World Bank World Development Indicators
- [c] IMF World Economic Outlook Database
- [d] UNDP Development Indicators
- [e] Gambia Bureau of Statistics
- [f] World Bank Doing Business

Member organisations of the African Union for Housing Finance (AUHF):
Home Finance Company of The Gambia

seeks to ensure that the country's environment and natural resources are sustainably managed and conserved to increase resilience.⁷

According to the IMF's Country Report of June 2018, The Gambian economy has started to recover following the growth slowdown of 2016.⁸ Economic growth in 2017 is estimated at 3.5 percent bolstered by improved market confidence, resurgence in trade and tourism, and an improvement in foreign exchange supply. Headline inflation declined from 8.7 percent in April 2017 to 6.6 percent in April 2018 and the Central Bank of The Gambia (CBG) reduced its policy rate from 23 percent to 15 percent in mid-2017, causing commercial lending rates to decline from 28 percent to about 18 percent.⁹ Accordingly, the Government of The Gambia's (GoTG) policy orientation will continue to be anchored in a liberal agenda and is expected to be in broad agreement with the international development framework as enshrined in the Sustainable Development Goals. While the NDP does not mention urban development and housing, it highlights three key results for land use planning: a National Land Policy; a Land Use Plan; and a Nationwide Cadastral Map.

Access to finance

The Gambian financial sector is comprised of 12 banks (one of which is an Islamic bank) with the remaining 11 conventional banks being mostly foreign-owned. The

banking industry continues to be highly monopolised, as indicated in the Gambia Bankers Association year-end report for 2016, revealing that the top four banks account for 69.6 percent and 70.6 percent of industry assets and deposits respectively. The banking industry continues to cater towards meeting the needs of the small formal sector; with CBG estimates for banking penetration ranging from 20 percent to 25 percent nationwide. Financial inclusion continues to be a challenge. This is despite the fact that, as of the end of 2016, 80 registered credit unions, three microfinance companies and 65 Village Savings and Credits Associations were operational.¹⁰

According to the CBG, the banking sector remains well capitalised, highly liquid and profitable, with a liquidity ratio at 94.7 percent – significantly higher than the requirement of 30 percent. As result of the slowdown in government borrowing, private sector credit growth is recovering strongly, growing to a peak of 6.2 percent in March 2018, the highest since 2014. Given the improvement in the economic environment, the CBG reduced the monetary policy rate by 1.5 percentage points to 13.5 percent in May 2018 to reinforce private sector credit growth.¹¹

The 2018 World Bank's Doing Business Report ranks The Gambia 146 out of 190 economies for getting credit, and 129 for registering property. There is a need for government to continue embarking on reforms to improve the business environment, which is especially pertinent for the housing finance sector: Currently, there is only one financial operator, Home Finance Company Limited (HFC), that offers mortgages to customers. The national mortgage market remains low and this is evident given the company's narrow portfolio of just 47 mortgages on its books as of the end of 2017, with a total portfolio of approximately US\$300 000, which is insignificant compared to total banking industry loan portfolio of about US\$88 million. HFC offers a mortgage product that can finance up to 70 percent of the value of a property payable over a maximum of 20 years. HFC offers four different types of mortgage products: Home Purchase, Home Completion, Home Improvement and Home Equity. The company reduced its mortgage interest rate from 20 percent to 18 percent in 2017.¹² However, it continues to be constrained by non-performing loans, which accounted for over 50 percent of its loan portfolio in 2017. This has slowed the growth of the number of mortgages underwritten by the company as it focuses on loan recoveries.

The Gambia has a pension industry that actively supports housing expansion. The Social Security and Housing Finance Corporation (SSHFC) aims to provide adequate social protection for workers and to facilitate social shelter delivery on a sustainable basis. The corporation operates four constituent funds: the Federate Pension Fund, the National Provident Fund, the Injuries Compensation Fund, and the Housing Finance Fund. SSHFC requires a minimum down payment of 25 percent of the selling price, with the balance payable monthly over a 15 year period.

Affordability

GBoS Income and Household Survey 2015/2016 notes that 56.1 percent of households in The Gambia live in owner-occupied dwellings, with 31.2 percent living in rented housing. A higher percentage of people in rural areas live in owner-occupied dwellings (88.4 percent) as compared to the capital city Banjul and other urban centres where 66.4 percent and 46.5 percent of inhabitants respectively live in rented housing. Accordingly, the demand for housing is higher in the urban areas, where 34 percent of the urban population live in slums and are faced with significant challenges in terms of housing, health and environmental degradation.

While curated data on the trend in property prices in The Gambia is unavailable, different players in the industry confirm that prices have risen steadily over the past few years, largely driven by the property interests of Gambians in the diaspora. There is a shortage of affordable housing for most Gambians. The main developer of affordable housing in The Gambia is the SSHFC, which is mandated to provide serviced plots of land with or without small construction loans for low and middle income groups. It also develops complete housing units for purchase by middle income households. The price of a three-bedroom house (220m²) is about US\$1 000 000 (GMD4.3 million), while a two-bedroom house is US\$500 000 (GMD2.2 million).

According to Taf Africa Homes, a leading real estate developer in The Gambia and the ECOWAS sub-region, it would cost approximately GMD4 800 (US\$1 000) per

square meter to buy a two or three-bedroom house in its planned affordable housing development in the metropolitan centre,¹³ working out to around GMD1 300 000 (US\$328 792) and GMD1 900 000 (US\$42 081) per property. The company has partnered with three local commercial banks (Trust Bank Gambia Ltd, Ecobank Gambia, and Guarantee Trust Bank Ltd) to offer a mortgage financing facility for its customers – a 10-year mortgage plan that requires 40 percent deposit. While the price point for the planned affordable housing estate by Taf Africa Homes is much lower than that offered by SSHFC, it is still well above the affordability threshold for the vast majority of Gambians. This shortage of affordable housing is also reflected in the lack of adequate, affordable rental housing stock, and consistent reports of steep rises in urban area rentals.¹⁴ On average, it costs GMD6 000 (US\$140) and GMD11 500 (US\$269) per month to rent a one and three-bedroom apartment respectively in the metropolitan centres.

Given the lack of affordable housing in the country, most Gambians self-build their houses as they cannot afford to purchase a house outright. This has led to the rapid growth of Amiscus Horizons Ltd, a company that runs a cement block savings scheme using a pay-as-you-go model that started operations in 2014. The company allows its clients to build up enough blocks for a period of two to five years to be able to complete their house. Most of the company's clients are middle income earners such as teachers, nurses, police officers, mid-level civil servants and young professionals. As per Amiscus Horizon's estimates, the cost of affordable housing should be within the range of GMD500 000–GMD700 000 (US\$10 000–US\$15 000) excluding the cost of the land.¹⁵ This estimate is well below the going rate of affordable housing developments by SSHFC and leading property developers.

Housing supply

The demand for housing among the urban population continues to exceed supply, with a housing deficit estimate of 50 000 housing units, according to the Ministry of Lands and Regional Government in 2015, still being the deficit being referred to by industry players.

Based on available information, there have not been any new affordable housing developments in the country in the last year, with the last major housing programme completed in the country being in 2011, when UN-Habitat implemented its Participatory Slum Upgrading Programme. This 36-month programme, with an estimated cost of US\$5 million, sought to meet the housing needs of low and middle income earners in the city of Banjul, and the Kanifing and Brikama municipalities. The programme aimed to construct 2 000 housing units across the three cities. In addition, 200 commercial shops, mosques, three chapels, community centres, recreation facilities and parks were planned to be constructed in the three sites. The project was part of a wider collection of urban upgrading projects that sought to 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 Gambia is now in the second phase of the programme which entails action planning and programme formulation.

The biggest housing schemes in the country were implemented by SSHFC, with the most notable ones in Bakoteh, Kanifing and Brusubi. The two former projects were completed in the 1980s. The Bakoteh project provided 200 housing units of two and three-bedroom houses and failed as the end product was unaffordable by the target group of beneficiaries. The government thus had to subsidise the houses for 15 percent and waived any interest incurred on the loans which were given to the beneficiaries for a 25-year repayment period. For the Kanifing Project, the developed land was demarcated on 743 serviced plots ranging in size from 250m² to 350m². Small construction loans were given to project beneficiaries who were then guided in the construction of their own houses. The loan was part of the World Bank Urban Management and Development Project and offered beneficiaries 9 percent interest over a 25-year repayment period.

The third housing project, Brusubi, involves three phases and promises to deliver close to 3 000 housing units. This project site's total area is 6.9 hectares and is covered by the lease for Brusubi Housing Project Phase I. The project comprises 138 service plots, of which 100 plots consist of complete housing units for outright purchase. The remaining 38 service plots are to be sold by tender to mobilise

GAMBIA, THE

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

resources to meet additional infrastructural and other costs. The complete housing units consist of three-bedroom bungalows and two-storey houses. The project was co-financed by Shelter Afrique and offered at a 15-year mortgage term. However, a review of the project indicates that the mortgage default rate is relatively high indicating that high loan defaults are a cross-cutting issue for all mortgage finance players in the country.

As at July 2018, SSHFC is engaged in three housing projects – the Brikama Jamisa, Jabang and Tujereng projects – which are all site and services. SSHFC is embarking on extending housing facilities in the urban centres of the country, especially within the Kanifing and Brikama municipalities in a bid to reduce the strain on the immediate urban infrastructure and other services. The Tujereng project comprises 1 515 residential serviced plots, 11 business plots and 94 plots earmarked for the development of complete housing units. The Jabang project has a total of 817 residential serviced plots, 29 business plots and 39 plots reserved for the construction of complete housing units. SSHFC is actively seeking to partner with interested developers for the construction of the complete housing units using alternative building materials. The change of government and the improving financing avenues that are expected to emerge with greater donor engagement with the country are expected to give a boost to SSHFC to launch new affordable housing projects.

Furthermore, there are several private sector players operating in The Gambia, such as Sky High Group, Taf Africa Homes, Blue Ocean Properties, Swami India International, Global Properties and Amiscus Horizons, that have designs on making a foray into the affordable housing sector. While most of these companies are predominantly focused on the higher end of the housing market, Amiscus' main objective is to make housing affordable for all Gambians by pioneering the concept of cement block banking with plans to extend to other products such as tiles and corrugated sheets.

Property markets

Property rights and secured interests in property are protected by the Constitution. The Department of Lands (under the Ministry of Lands and Regional Government) issues title deeds which are duly registered. Both moveable and real properties are recognised and enforced. The concept of mortgage exists (even though the mortgage market is extremely small) and there is a recognised and reliable system of recording such security interests. The legal system fully protects and facilitates acquisition and disposition of all property rights including land, building and mortgages. That being said, the bulk of the land is customary tenure or controlled by farmers and traditional rulers. Such land can, however, be easily taken over by government or declared reserved land to be used in future for social amenities such as schools, hospitals or office buildings.

As a result, land tenure remains an ongoing issue. This is partly because registering property involves, on average, five procedures, which take 66 days and cost 7.6 percent of the property value. Tenure security is limited, with only 45 percent

of the population being secure and in some cities the number is even lower. Tenure security is highest in rural areas, at between 70 percent and 89 percent. It takes an average of three years to secure a title deed and the cost is exorbitant: GMD4 000 (US\$93) in transfer tax to the municipality and GMD40 000 (US\$93) in capital gains tax per transaction. This limits accessibility to mortgage financing and dampens the incentive to self-build through housing microfinance.

Policy and regulation

The most notable policy development revolves around the establishment of the Collateral Registry and Registration System, instituted by the CBG under the Securities Interests in Movable Properties Act 2014, which makes provision for the creation, perfection, priority and enforcement of security interests in movable property.¹⁶ The intent of this is to facilitate credit delivery through the provision of efficient, cost-effective services and by creating an enabling environment to ensure easy access to credit.¹⁷

However, there have not been any significant developments in housing-specific legislation and regulation, or any formulation of a highly needed urban development strategy or policy guiding the urbanisation process by the new government through the Ministry of Lands and Regional Government, which continues to be broadly responsible for implementing housing and land-related policy.¹⁸ Accordingly, the main policy and regulatory frameworks that govern the housing sector are as outlined in the 2017 annual report, notably:

- SSHFC Act (1981);
- State Lands Act (1991);
- The Physical Planning and Development Control Act (1991);
- Land Acquisition and Compensation Act (1991);
- The Survey Act (1991);
- Local Government Act (2002);
- Rent Act (2014); and
- Mortgages Act (1992).

Opportunities

The affordable housing market in The Gambia continues to be untapped. However, recent improvements in the government's implementation of sound macroeconomic policies, coupled with increased business confidence may encourage greater private sector participation in the affordable housing segment. A key development is the new government's commitment to ensuring macro-stability to support a lower interest rate environment. The expectation is for a continued decline in lending rates of commercial banks and for them to partner with property developers to offer mortgage financing products. There is also a push for the use of alternate approaches, technologies and materials which speed up the delivery and improvement of housing.

The high levels of informality and self-builds, coupled with an established regulatory framework for the microfinance industry, opens up a huge window for the

development of housing microfinance products that the existing financial industry players are yet to take advantage of. The revitalisation of the Association of Real Estate Companies has brought together about 60 percent of the estimated registered companies in the country. With more companies expected to join the association, it is envisaged that the association will engage in dialogue with the government to address their key challenges, including access to land for housing development, slow government procedures, and a reliable supply of electricity and water.¹⁹ The successes of Amiscus Horizons and the crash in the yields of Government Treasury bills should encourage more financial industry players to seek out greater opportunities within this sector.

Additional sources

Amiscus Horizons (2017). Interview with Amiscus Horizons Managing Director, August Prom Jr. 27 July 2017.

Association of Real Estate Companies (2018). Interview with The President, Abubakar Bensouda. 27 June 2018.

Central Bank of The Gambia (2018). Monetary Policy Committee Press Release: 20 May 2018. <http://www.cb.gm/research/mpolicy.html> (Accessed 29 Aug 2018).

Central Bank of The Gambia (2017). Collateral Registry at the Central Bank of The Gambia. <http://www.gambiacollateralregistry.gm/> (Accessed 28 Aug 2018).

Central Bank of The Gambia (2017). Interview with Siaka Bah; Principal at Microfinance Department of the Central Bank of The Gambia (3 Aug 2017).

Gambia Bankers Association (2017). Annual Returns of Banks 2016.

Gambia Bureau of Statistics (May 2017). Integrated Household Survey 2015/2016: Preliminary Survey Findings.

GoTG (2018). Government of The Gambia: National Development Plan 2018-2021. <https://mofea.gov.gm/ndp> (Accessed 29 Aug 2018).

Home Finance Company (2018). Interview with Home Finance Company Managing Director Omar Sarr. 27 June 2018.

IMF (2018). The Gambia: IMF Country Report No. 18/197. <https://www.imf.org/~media/Files/Publications/CR/2018/cr18197.ashx> (Accessed 29 Aug 2018).

Senghore Law Practice (2017). Interview with Yassin Senghore: Legal Practitioner in The Gambia. 27 July 2017.

Taf Africa Homes (2018). Interview with Taf Africa Homes Gambia Managing Director: Bajen Njie. 27 June 2018.

UNDP (2016). Country Programme Document for The Gambia (2017-2021). <https://digitallibrary.un.org/record/835912?ln=en> (Accessed 29 Aug 2018).

UNDP (2017). Human Development Indices and Indicators: 2018 Statistical Update: Briefing note for countries on the 2018 Statistical Update: Gambia. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/GMB.pdf (Accessed 20 Sept 2018).

UNDP (2017). Support to Support to Entrepreneurship and Private Sector Development for Inclusive Growth, Employment Generation and Poverty Reduction Project Document.

World Bank Doing Business. Ease of doing business in The Gambia. <http://www.doingbusiness.org/data/exploreeconomies/gambia> (Accessed 28 Aug 2018).

World Bank. Data: The Gambia. <http://data.worldbank.org/country/gambia-the?view=chart> (Accessed 28 Aug 2018).

World Trade Organisation (2017). "Trade Policy Review of The Gambia". WT/TPRS/365, World Trade Organization, Geneva. https://www.wto.org/english/tratop_e/tp_r_e/s365_e.pdf (Accessed 29 Aug 2018).

¹ WTO (2017). Trade Policy Review of The Gambia.

² World Bank (2018). World Development Indicators.

³ Gambia Government (2018). National Development Plan.

⁴ World Bank (2017). World Development Indicators.

⁵ UNDP (2017). Human Development Indices and Indicators: 2018 Gambia.

⁶ Gambia Bureau of Statistics (2017). Integrated Household Survey 2015/2016: Preliminary Survey Findings.

⁷ Gambia Government (2018). National Development Plan.

⁸ IMF (2018). The Gambia: IMF Country Report No. 18/197.

⁹ Ibid.

¹⁰ Central Bank of The Gambia (2017). Interview with Siaka Bah; Principal at Microfinance Department of the Central Bank of The Gambia: 3 August 2017.

¹¹ Central Bank of The Gambia (2018). Monetary Policy Committee Press Release: 20 May 2018.

¹² Home Finance Company (2018). Interview with Home Finance Company (HFC) Managing Director Omar Sarr: 27 June 2018.

¹³ Taf Africa Homes (2018). Interview with Taf Africa Homes Gambia Managing Director: Bajen Njie. 27 June 2018.

¹⁴ Ibid.

¹⁵ Amiscus Horizons (2017). Interview with Amiscus Horizons Managing Director, August Prom Jr: 27 July 2017.

¹⁶ CBG (2017).

¹⁷ Ibid.

¹⁸ Senghore Law Practice (2017). Interview with Yassin Senghore: Legal Practitioner in The Gambia: 27 July 2017.

¹⁹ Association of Real Estate Companies (2018). Interview with President Abubakar Bensouda: 26 June 2018.

Ghana



Overview

In 2017 Ghana went through the third successive government transition from one political party to another, which has assured economic stability and a favourable business environment. Economic performance improved in the first half of 2017, after years of fiscal slippage. The fiscal deficit for the first half of 2017 was 2.7 percent of GDP while revenues underperformed at 14.9 percent below their target.¹ This underperformance was reversed in the second half of 2017 as policies, including a reduction in recurrent and capital expenditure announced in the first quarter, took effect to keep a fiscal consolidation programme on track.

Annual inflation followed a positive trend as headline inflation was 11.8 percent at the end of December 2017 compared to 15.4 percent in 2016 for the same period.² This further decreased to 9.8 percent as at May 2018.³ This mainly reflects a restraint in transport, housing and utilities prices, partially offset by an uptick in food prices. The reduction aided monetary policy easing, and the Bank of Ghana cut the monetary policy rate (MPR) by a cumulative 550 basis points from 25.5 percent in 2016 to 20 percent at end of 2017. In line with declining MPR, the average lending rate decreased to 22.9 percent in May 2018 from 31.68 percent in December 2016.⁴

Housing and mortgage finance have experienced several difficulties, as evidenced by the 6 000 mortgages in the country in the face of the 6.6 million households.⁵ Limited mortgages have been attributed to inadequate capital allocated to long-term financing, persistent gaps in borrower credit appraisals, and difficult macroeconomic conditions resulting in high interest rates. Industry experts attribute the high lending rates and limited credit to high non-performing loan (NPL) rates⁶ which has also made some banks give up on products such as mortgage loans.⁷ Similarly, housing microfinance has encountered challenges in its consolidation, perhaps worse than mortgages.⁸ Only 15 of 35 banks offer mortgage financing and only five microfinance institutions (MFIs) offer housing credit products.⁹ Notwithstanding these challenges, opportunities for improving residential housing supply and strengthening inclusive housing finance exist. In June 2018, the government announced plans to allow banks to issue securities for pension funds, collective investments and insurance investment portfolios. This will lead to an estimated GH¢300 million of debt issuances every month on the Ghana Fixed Income Market by banks.¹⁰ This will ensure cheaper pension funds are available to address the country's housing delivery and infrastructure needs.

KEY FIGURES

Main urban centres	Accra Kumasi
Exchange rate: 1 US\$ = [a] 2 Aug 2018	4.52 Ghanaian cedi
PPP Exchange rate (Local currency/PPP\$) 1 Ghanaian cedi = [b]	1.5
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	15.40 11.80 9.80
Population [d] Urban population size [d]	29 400 000 16 100 000
Population growth rate [e] Urbanisation rate 2016 [f]	2.10% 3.41%
Percentage of the total population below National Poverty Line [g]	24.0%
Unemployment rate [c]	12%
GDP (Current US\$) [h] GDP growth rate annual [a]	US\$42 803 million 6.8%
GDP per capita (Current US\$) 2016 [i]	US\$1 380
GNI per capita (Current US\$) 2016 [b]	US\$1 390
Gini co-efficient 2015 [j]	42.8
HDI global ranking 2017 [j] HDI country index score 2017 [j]	139 0.579
Is there a deeds registry?	Yes
Number of residential properties that have a title deed 2017	5 760
Lending interest rate	n/a
Mortgage interest rate Mortgage term (years)	28.70% 20
Downpayment	20%
Mortgage book as a percentage of the GDP	4%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre [k]	10.17 29.23
Gross Rental Yield in City Centre Outside City Centre [k]	9.83% 3.4%
Construction as a % of GDP [c]	13.70%
What is the cost of standard 50kg bag of cement? [l]	US\$7.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	100 000 Ghanaian cedi
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$22 624
What is the size of this house (m ²)?	54m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	650m ²
Ease of Doing Business Rank [i]	120
Number of procedures to register property [i]	6
Time to register property (days) [i]	47 days
Cost to register property (as % of property value) [i]	6.20%

NB: Figures are for 2018 unless stated otherwise.

[a]	Bank of Ghana
[b]	World Bank World Development Indicators
[c]	Statistics Ghana
[d]	Worldometers
[e]	Worldpopulationreview.com
[f]	Trading Economics
[g]	UNICEF Ghana
[h]	IMF World Economic Outlook Database
[i]	World Bank Doing Business
[j]	UNDP Development Indicators
[k]	Numbeo
[l]	Ghacem.com

Ghana's short-term economic prospects are good in spite of challenges with public debt and rising expenditure. By year-end 2017, the estimated growth rate was 8.5 percent (compared to 3.7 percent in 2016) boosted by increased oil production.¹¹ Overall GDP is projected to reach 6.8 percent in 2018, dependent primarily on an increase in oil and other commodity outputs. The non-oil growth is expected to slow down to 4.3 percent with inflation expected to fall within the target range of 8 +/- 2 percent in 2018,¹² allowing for more monetary policy easing and lower interest rates to spur private sector investment. According to the Bank of Ghana, private sector credit grew to 5.7 percent as at end of June 2018 as compared to 2.4 percent as at end of March 2018. However, notwithstanding the positive signals, this performance fell far short of the 15.1 percent registered a year earlier. The central bank was still positive in its outlook of the economy, based on the rise in the disbursement of new loans from banks and specialised deposit-taking institutions reaching growth of 24.7 percent year-to-date.

The banking sector is also undergoing significant reforms as part of the government's efforts to strengthen the financial sector and foster economic growth. Minimum operating capital for universal banks has been raised from

GH¢120 million to GH¢400 million¹³ for a deadline of December 2018. These reforms respond to the accumulation of the serious management inefficiencies from previous years which saw NPLs increasing to 8.4 percent in 2016. At present, only a few banks have complied with, or are close to realising, the new Capital Requirement Directive.¹⁴ These programmes are expected to help create stronger banking institutions, improve credibility and augment the sector's contribution to the economy.

Access to finance

Since independence in 1957, at the end of April 2018 the Ghanaian financial sector had grown from two banking institutions to 37 licensed banks,¹⁵ 564 licensed institutions (MFIs), 64 nonbank financial institutions, and one mortgage house. Through the Ministry for Works and Housing, the government actively seeks to expand affordable housing finance through the civil servant loan schemes. The intention is to invigorate this scheme with new budgetary grants to provide lower cost mortgages targeting public servants. In addition, efforts have been made in 2018 by the Ministry of Finance to obtain lower cost credit from the national pension scheme. This will lead to monthly debt issuances of up to the equivalent of US\$65 million by commercial banks,¹⁶ very supportive of affordable housing finance in the country.

Growing demand in (lower income) housing combined with the lack of affordability bolstered an increase in the variety of mortgage products, although mortgage debt to GDP, from 0.37 percent (2007) to 0.25 percent (2010), remains insignificant compared to other developing economies, averaging 1.3 percent across Africa between 2004 and 2009.¹⁷ In part, the global financial crisis affected the majority of borrowers made up of foreign-based Ghanaians. Two principal constraints to mortgage market growth are high interest rates and the limited supply of affordable housing. However, mortgage lending remains relatively well-established in Ghana.¹⁸

Currently, 15 of Ghana's 37 commercial banks officially offer different mortgage loan products. Ghana Home Loans (now GHL Bank), is the dominant player and market leader in the industry, accounting for about 50 percent of the market share. Due to the immature financial market in Ghana, GHL Bank relied mainly on foreign currency from development finance institutions (DFIs) for long-term funds until 2017, when it acquired a universal banking licence to operate.¹⁹ It now has the opportunity to raise (short-term) funds from deposits. Other major players within the Ghanaian mortgage market include Republic Bank (formerly HFC Bank), Fidelity Bank, Cal Bank, Stanbic Bank, Bank of Baroda and the Construction Bank.

Addressing the housing deficit of almost two million remains daunting as the slowdown in economic activities in the last years forced some banks in Ghana to give up on mortgage loans. Long-term funds have diminished,²⁰ coupled with the rising cost of capital, weak compliance, and high non-performing loans (NPL ratio increased from 17.3 percent in 2016 to 22.7 percent in December 2017).²¹ Demand for mortgages has also decreased due to high interest rates on home loans, although there was a marginal decrease from 31.5 percent in March 2017 to 30.2 percent as at December 2017.²² Over the period, Barclays Bank charged the highest interest rate on mortgages (38.5 percent) with the lowest rate being offered by Bank of Baroda (22.0 percent). Maintenance of taxes on interests earned on mortgages constrains the reduction of interest on mortgages. On the CAHF dashboard on housing affordability and mortgage (2016), it indicates that a US\$10 000 housing loan over 20 years would require an average of US\$242 a month and, at an interest rate of 29 percent, would accumulate to US\$60 189 in repayments by the end of the period. For such a loan, only 3.4 percent of the urban population would be eligible.²³ The future does not portend well unless there is significant change in this situation.

In addition, the underdeveloped capital market has constrained long-term funding and reliance on shorter-term deposits among the few banks offering mortgage loans endangers mortgage lending. Besides the DFIs, Republic Bank and GHL Bank have in the past relied on multilaterals agencies – World Bank, International Finance Corporation, among others – to raise funds for their operations. Borrowing in foreign currency has driven mortgage institutions to lend to borrowers earning in foreign currencies (whether resident or non-resident) to mitigate against currency fluctuation risk and exchange rate losses. Local currency mortgages are available,

albeit at much higher interest rates. Republic Bank reported dollar mortgage interest rates between 12 percent and 13.5 percent in 2015. In contrast, cedi mortgages had interest rates between 28 percent and 31 percent for the same period. The preference for foreign currency borrowers over those in Ghanaian cedi is indicative of the constrained affordability. Foreign currency mortgages also limit the mortgage institutions from wide coverage down the income spectrum. Lastly, the mortgage loan products do not synchronise with the incremental housing development approach of the majority of households, more attuned to cycles of smaller loans.

Ideally, MFIs could be a viable solution to the future development of affordable housing finance. Although MFIs presently number 2 234 in the country, only a few lend specifically for housing.²⁴ There are five housing MFIs in the country, operating primarily in southern Ghana.²⁵ These MFIs providing housing loans charge interest rates far above local currency denominated mortgages by as much as 15 percent for two to three-year durations. Much remains to be done to improve the housing microfinance market including linking commercial banks and MFIs to the incremental housing process, the dominant form of affordable housing construction in the country. Innovation is urgently needed to diversify and strengthen the housing finance sector to engender substantial gain.

Affordability

Formal housing is out of reach for many in Ghana – despite government policy efforts – due to the combination of continuous price increases in building materials and land, especially in newly urbanised areas, and a lack of cheaper housing finance. Many households live in informal, overcrowded and substandard housing that lacks basic infrastructure, such as water, electricity and sanitation. House prices in Ghana, relative to income, are more expensive than in most African countries. Blue Rose Group, the only formal developer innovating for affordable housing, offers newly built one-bedroom (54m²) house at US\$22 624.²⁶ The Ghana Real Estate Developer Association (GREDA) notes that the least expensive house as at 2017, available on the periphery of Accra, costs between US\$55 211 and US\$67 633. However, the US\$22 625 house would still be unaffordable to over 95 percent of Ghana's urban population considering monthly mortgage repayments relative to household income of urban residents estimated at US\$4 735 (GH¢20 930).²⁷ At present, the mortgage interest rate is 28 percent over 20 years compared to 33 percent in 2017.

To boost access to affordable housing, the government inaugurated a US\$180 million project in 2016 to produce 5 000 units in the Ningo-Prampam District in the Great Accra Region. About 40 percent of the houses are to be sold at subsidised rates for low and middle income earners in the country. As at 2017, the first phase of construction, comprising 1 500 housing units, had been completed, although these units are not yet occupied because the off-site infrastructure is still not in place.

The 2015 National Housing Policy recommended establishing a national housing fund to offer decent and reasonable mortgages, slum upgrading and support for small-scale local building material manufacturers. However, it remains to be realised.

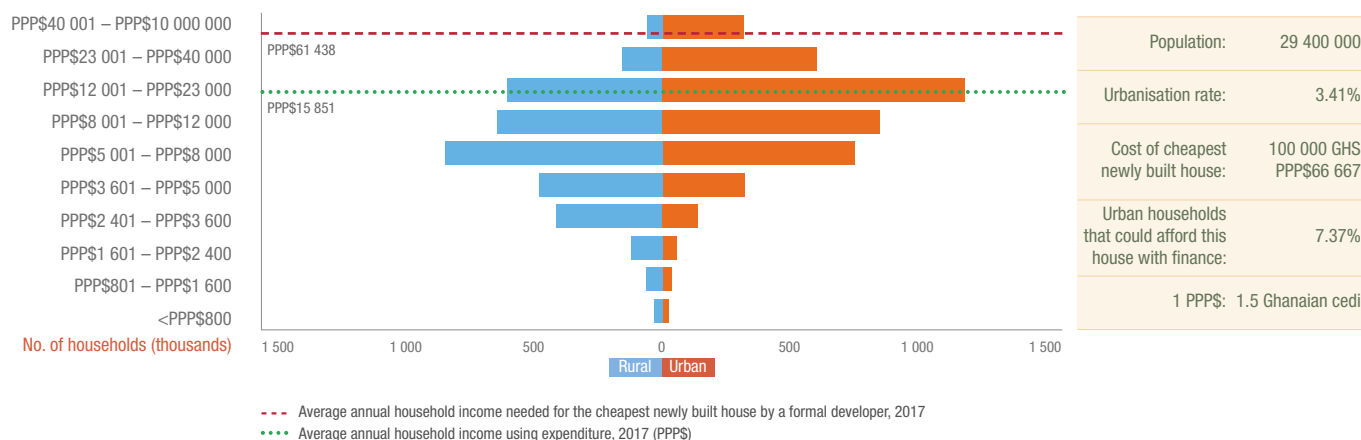
Housing supply and the property market

Ghana's population has grown at an annual rate of 2.1 percent in the last decade, with approximately 54.4 percent of the country's population now residing in urban areas.²⁸ This urban population is expected to grow by 3.4 percent a year due to a combination of natural growth and internal migration. The housing deficit is estimated to be in excess of 1.7 million units as at December 2015, with an increase in annual demand for housing units of over 60 000 affordable housing units. The housing stock in urban Ghana was 3.4 million units according to the 2010 census, annually requiring 70 000 housing units to be delivered.²⁹ Despite a widening deficit, the parastatal agencies Tema Development Corporation and State Housing Corporation were only able to deliver 24 000 units between 1957 and 1990.³⁰

Besides government's efforts, private sector developers' activity in housing supply has been sorely inadequate. Most of the high-end residential estate is delivered by the members of GREDA with a total annual output of 4 500 housing units. The 85 000 transactions a year in real estate,³¹ estimated by Ghana Investment

GHANA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Promotion Centre with an approximate value of US\$1.7 billion³² caters for the rich only. The majority of housing, about 90 percent of the total, is delivered by individuals and the most common building method is incremental construction, where owners self-manage, relying on craftsmen and tradesmen to build progressively, dictated by availability of funds. This trend has implications on the quantity and quality of the dwellings. The result has been overcrowding, particularly in urban areas, evidenced in the Greater Accra Region, with 61 percent of households occupying single-room house with a family size of 3.8 people,³³ fuelling the proliferation of slums as the only option for low income households.

The removal of the five percent value added tax (VAT) on real estate transactions in 2017 is yet to boost housing production as expected. The maintenance of the eight percent rent tax and the VAT on imported materials for residential construction, despite calls by developers to scrap these taxes, limit the opportunity for mass production.³⁴ It is argued that scrapping such taxes related to affordable housing development would reduce the costs associated with low to middle income housing supply.

The cost of land is another important factor contributing to unaffordable housing. Land is beset by social, political and economic challenges complicated by high demand, which has resulted in disputes in a lot of cases.³⁵ Slow land titling and registration processes further hinder the property market.³⁶ Multiple ownership claims on land plots often cause formal builders and housing finance institutions to withdraw their participation from such projects. Currently, it takes between one to three years to receive land title registration although the Ministry of Lands and Natural Resources is trying to reduce this to 30 days through the Ghana Enterprise Land Information System.

Policy and regulations

The 2015 National Housing Policy aims for “an enabling environment for housing delivery” targeting the low income sector.³⁷ The policy follows longstanding legislative and institutional efforts to remove restrictions in the housing market to bolster private investments in residential construction and housing finance. The current administration favours the proposed National Housing Fund and discussions have ascribed two purposes for its functions: subsidising the cost of housing for the low income sector and restructuring mortgages to make monthly payment obligations more affordable. The latter mimics the path that led to the failed Bank for Housing and Construction (BHC), established in 1974 as a government-owned entity but forced to close in early 2000 due to excessive default in spite of the interest subsidies. In part, the BHC also had no legal means to recover losses from delinquent borrowers without lengthy adjudication as per the Mortgage Decree of 1973.³⁸ In 2008, the Home Mortgage Finance Act attempted to resolve bottlenecks and protect mortgage lenders.

Since 2007, the Credit Referencing Bureaus (CRBs), created by the Credit Reporting Act, permits CRBs to determine credit risks of borrowers using a data-

rating tool for financial and non-financial institutions. Today, millions of Ghana's banked population have credit scores due to the screening efforts of the three CRBs: XDS Data Credit Referencing Bureau, Hudson Price Credit Bureau, and Dun & Bradstreet Credit Bureau Limited. The provision of credit screening has motivated borrowers to meet payment obligations to minimise denial of loans due to past delinquencies or defaults. Even though there are tangible results from the CRBs, much remains to be done on credit screening as the trio of ratings' institutions covers only an estimated 10 percent of Ghana's adults.³⁹

To improve on land use management, a number of pieces of legislations have been promulgated under the Land Administration Project (LAP).⁴⁰ The Land Use and Spatial Planning Act, 2016 (Act, 925) aims to streamline processes of land use planning. When effectively implemented, it will reduce the number of procedures, time and cost to register property, leading to lower mortgage costs for residential housing. In addition, the Local Governance Act, 2016 (Act, 936) promotes effective local administration by speeding up the building permits processes. The Lands Bill, 2017 approved by Cabinet last year, drives towards sustainable land administration and management, and effective land tenure in the country. A consequence of an improved land registration system in Ghana would be the reduction of costs of home loans, especially unsecured housing microfinance, as well as a considerable reduction of cost of properties.

Opportunities

The current government has sought to address the multifaceted challenges facing the housing sector through innovative approaches. Their manifesto promises to work with organised labour groups to drive housing for all has significant, but as yet unrealised, prospects, given the multitude of such groups in Ghana and their substantial land holding.⁴¹ Prime-Stat (2017) found that 13 cooperative credit unions sampled held 640 hectares of land in the periphery of the Accra metropolitan area, in dire need of affordable housing finance and infrastructure comprising roads, drainage, water and power.

Policymakers would need to focus on stabilising the macroeconomic environment to create the necessary conditions for long-term lending because the success of a housing finance market largely hinges on the macroeconomy. Prudent management of the economy will create greater opportunities for developing an effective mortgage market in the country and improve investor confidence in the operations of the capital market.

The profound increase in land prices, driven in part by urbanisation, has driven developers towards upscale multi-family development throughout Ghana's cities. Condominium units are prime for growth as they can also be targeted at low income households instead of detached housing units. Historically, the public pension fund in Ghana, the Social Security and National Insurance Trust (SSNIT), has invested in the development of residential flats across urban areas.⁴² The resulting 7 168 flats produced is a pointer for institutional investors and developers seeking to address housing needs in an affordable and accessible manner for lower

income Ghanaian households. The challenge remains the viability of this approach for the pension funds as exemplified in the ongoing quest by the government compelling a reduction, and implicitly a subsidy, in the house pricing for an ongoing development, albeit without any transfers to the national pension fund, SSNIT, that funded the project.⁴³

With most households in rental arrangements, particularly in urban areas, some financial institutions are experimenting with tenancy purchase arrangements to provide loan instruments for renters aspiring to become homeowners. With the high costs of home purchase and the disposition to rent, such housing finance arrangements can potentially have strong appeal.

Ghana has longer term maturity assets available through life insurance and pension industries, with the life insurance industry seen as a leader in the West Africa sub-region. However, in 2014, this financial sub-sector, at 3.07 percent, lagged in market penetration behind South Africa (13.39 percent) and Kenya (3.17 percent) respectively.⁴⁴ Strengthening the life insurance sector can in turn stimulate longer-term asset allocation better suited for investment in housing finance.

The proposed plans and ongoing discussions to issue securities for banks to borrow from the pension funds to make housing loans, as earlier outlined, needs to crystallise quickly. As things stand, SSNIT is not short on funds, as it remains the largest institutional investor in the Ghana Stock Exchange,⁴⁵ demonstrating that the opportunity for channelling of capital into mortgage debt securities is prime. In addition, workers can use their second-tier contributions to reduce down payment requirements and assist homeownership long before retirement.⁴⁶ Notably, it is also possible for workers employed in informal sector work to fall on their privately controlled Tier 3 pension fund⁴⁷ contributions to access mortgage loans.⁴⁸

Lastly, there is potential for microlenders and community-based credit unions to thrive with incremental land and housing products. With the right terms, these alternative products can flourish, especially as an overwhelming majority of Ghanaians prefer to build their homes in a piecemeal manner as they accumulate funds. Furthermore, as borrower's complete repayment obligations on other microloans, lower and irregular income beneficiaries can have the means of attaining a credit rating aligned with the industry standards of the CRBs. This can lead to greater opportunities in providing those with moderate and variable incomes a feasible means to eventually use shelter-financing products that serve the housing needs of the many throughout Ghana.

It is evident there are financial and policy-based opportunities to reduce risks and minimise high interest rates for mortgages and microloans to promote inclusive access to housing finance.⁴⁹ Certainly, further facilitation is required to make these opportunities demonstrably material for prospective investors.

Additional sources

Adusei, M. (2016). Modelling the efficiency of universal banks in Ghana. *Quantitative Finance Letters*, 4(1), pp. 60-70.

Government of Ghana (GoG). (2015). National Housing Policy. Ministry of Water Resources, Works and Housing, Accra, Ghana.

World Bank. (2003). Project appraisal document on a proposed credit in the amount of SDR 15.1 million (US \$20.5 million equivalent) to the Republic of Ghana for a land administration project.

¹ Stanbic Bank Ghana Limited (2017).

² Government of Ghana (2017).

³ Bank of Ghana (2018). Banking Sector Report, January 2018.

⁴ Ibid.

⁵ Ghana Statistical Services (GSS) (2014). GLSS Round 6: Main Report.

⁶ Stanbic Bank Ghana Limited (2017).

⁷ Teye, J. K., Teye, I., & Asiedu, M. O. (2015). Pgs. 1-16.

⁸ Bondinuba, F. K., Karley, D. N. K., Bitir, S. B., & Adjei-Twum, A. (2016).

⁹ Government of Ghana (2017).

¹⁰ "Gov't plans GH¢300m monthly debt issuance for pension funds" 3 July 2018.

¹¹ <https://www.myjoyonline.com/business/2018/July-3rd/govt-plans-gh300m-monthly-debt-issuance-for-pension-funds.php>

¹² Bank of Ghana (2018). https://www.bog.gov.gh/privatecontent/MPC_Press_Releases/Summary_of_Economic_and_Financial_Data_July_2018.pdf

¹³ Government of Ghana (2017).

¹⁴ Bank of Ghana (2017).

¹⁵ In a press release, the Governor of the Central Bank announced that of the 37 licensed banks, six had already met the new capital requirement and two more were within reach of compliance (although press reports of the event indicated that it was nine of the remaining that would meet the requirements by the deadline). [See Item 17 of Press statement - https://www.bog.gov.gh/privatecontent/MPC_Press_Releases/MPC%20Press%20Release%20-%20July%202018.pdf; For press report on Bank of Ghana press conference, see <https://www.ghanaweb.com/GhanaHomePage/business/15-banks-set-to-meet-GH-400m-minimum-capital-Bank-of-Ghana-671217>]

¹⁶ As at the time of finalizing the report, the Central Bank had withdrawn the banking license of seven of these banks for variety of fraudulent infringements of the banking regulations.

¹⁷ "Gov't plans GH¢300m monthly debt issuance for pension funds" 3 July 2018. <https://www.myjoyonline.com/business/2018/July-3rd/govt-plans-gh300m-monthly-debt-issuance-for-pension-funds.php>

¹⁸ Ghana Home Loans (2016).

¹⁹ The estimated market value as at 2013 was about US\$180 million, representing an increase of US\$50.78 over the 2008 figure - US\$126.223.

²⁰ Ghana Home Loans (2017).

²¹ "Why big banks in Ghana are fleeing the mortgage market." <https://ghanacompare.com/big-banks-ghana-fleeing-mortgage-market/>

²² Bank of Ghana (2018). Banking Sector Report, January 2018. See also: <https://ghanacompare.com/big-banks-ghana-fleeing-mortgage-market/>

²³ Bank of Ghana (2018). Annual percentage rates and average interests paid on deposits as at 31st December 2017.

²⁴ Centre for Affordable Housing Finance Mortgage Calculator: <http://housingfinanceafrica.org/dashboards/calculating-mortgage-housing-affordability-africa/>

²⁵ Bondinuba, F. K., Karley, D. N. K., Bitir, S. B., & Adjei-Twum, A. (2016).

²⁶ Ibid.

²⁷ Online housing advertisement at blueroselimited.com See <http://www.blueroselimited.com/bluerose-ongoing-bluerosecity-project?id=67>

²⁸ Ghana Statistical Service (2016).

²⁹ Ghana Statistical Service (GSS) (2013). 2010 Population and Housing Census: National Analytical Report.

³⁰ Ghana Statistical Service (GSS) (2014). 2010 Population and Housing Census: Housing in Ghana - October 2014. <http://www.statsghana.gov.gh/docfiles/2010phc/Mono/Housing%20in%20Ghana.pdf>. (Accessed 24 July 2018).

³¹ Tipler, A. G., & Korboe, D. (1998). Housing policy in Ghana: Towards a supply-oriented future. *Habitat International*, 22(3), pp. 245-257.

³² This high number does not represent individual units for each transaction but rather includes multiple payments made in stages for the same properties.

³³ Mega African Capital Ltd (2013). Prospectus - 19 December 2013.

³⁴ Awanyo, L., McCarron, M., & Morgan Attua, E. (2016). "Affordable housing options for all in a context of developing capitalism: Can housing transformations play a role in the Greater Accra Region, Ghana?", *African Geographical Review*, 35(1). Pgs. 35-52.

³⁵ Government of Ghana (2017).

³⁶ Mireku, K. O., Kuusaana, E. D., & Kidido, J. K. (2016). Legal implications of allocation papers in land transactions in Ghana - A case study of the Kumasi traditional area. *Land Use Policy*, 50. Pgs. 148-155.

³⁷ Owusu, G. (2016). Housing the Urban Poor in Metropolitan Accra, Ghana: What is the Role of the State in the Era of Liberalization and Globalization?, *Alternative Development: Unravelling Marginalization, Voicing Change*, p. 73.

³⁸ Government of Ghana (2015).

³⁹ Quansah, D. P., & Debrah, A. A. (2015). Sustainable Housing Finance in Ghana: The Way Forward. *Real Estate Finance*.

⁴⁰ Kusi, B. A., Agbloyor, E. K., Fiador, V. O., & Osei, K. A. (2016). "Does Information Sharing Promote or Deteriorate Bank Returns: Evidence from Ghana?" *African Development Review*, 28(3). Pgs. 332-343.

⁴¹ The Land Administration Project is a long-term land administration reform programme, initiated in 2003, to implement key policy actions recommended in the National Land Policy, LAP I (2003 - 2011) was aimed at land policy and institutional reforms and key land administration pilots to lay a foundation for a sustainable decentralised land administration system that is fair, efficient, cost-effective and that assures land tenure security. LAP - II is under implementation, with the objective to consolidate and strengthen land administration and management systems for efficient and transparent land service delivery. See World Bank (2003) for further details.

⁴² New Patriotic Party (2016). Manifesto for election 2016: Change, An agenda for job - Creating Prosperity & Equal Opportunity for All. (pg. 84 - 86).

⁴³ Amankwah, O., Pratt, I., & Kootin-Sanwu, V. (2017). Sustainable Management and Maintenance Practices of Multifamily-Shared Residential Buildings in Ghana. *African Journal of Applied Research (AJAR)*, 3(1). Pgs. 59-71.

⁴⁴ GhanaWeb. "GH¢25,000 affordable housing units now GH¢220,000 - Dept. Works and Housing Minister". 5 Oct 2017.

⁴⁵ Meristem (2014) The Nigerian insurance sector: rich hunting ground for investment. The Nigerian insurance industry, 2014 Sector Report.

⁴⁶ Abels, M., & Guven, M. U. (2016). Pension Systems in Sub-Saharan Africa: Brief Review of Design Parameters and Key Performance Indicators (No. 109428). The World Bank.

⁴⁷ Donkor-Hyiaman, K. A., & Owusu-Manu, D. (2016). "Another look at housing finance in Africa: the anatomy of pension asset-backed housing financing". *International Journal of Housing Markets and Analysis*, 9(1). Pgs. 20-46.

⁴⁸ "The First Tier is the Basic National Social Security Scheme for all workers in Ghana. It is a defined benefit scheme and mandatory for workers to have 13.5% contributions made on their behalf. The contribution is managed by SSNIT. The Second Tier is a defined contributory Occupational Pension Scheme mandatory for workers with 5% contribution made on behalf of members. The contribution is managed privately by approved Trustees. The Third Tier which includes all Provident Funds and all other Pension Funds outside Tiers I and II is a voluntary scheme." Source: <https://www.ssnit.org.gh/faq/the-new-pension-scheme/>

⁴⁹ Darko, E. (2016). The Effectiveness of the Current Three-Tier Pension Scheme in Providing Adequate Social Security for Ghanaians: Evidence from the Eastern Region of Ghana (Doctoral dissertation, University of Ghana).

⁵⁰ Owusu-Manu, D., Pärn, E. A., Donkor-Hyiaman, K., Edwards, D. J., & Blackhurst, K. (2016). The relative importance of mortgage pricing determinants in mortgage affordability in Ghana: An ex post attribution. *Journal of Engineering, Design and Technology*, 14(3). Pgs. 563-579.

Guinea



Overview

Guinea is a member of the Economic Community of West African States (ECOWAS). Conakry, its capital city, is where most of the country's economic activities are centred. It has approximately 13 million people, the world's largest deposits of bauxite and untapped iron ore reserves,¹ and high quality gold and diamonds. Guinea also has fertile soils, regular rainfall and is the source of several West African rivers including the Gambia, Senegal and Niger. The country's hydro-potential makes it a potential exporter of electricity. The country's agriculture sector has at least six million unexploited hectares of arable lands. It is expected to be a powerhouse and an exporter of natural resources.²

Guinea has one of the poorest populations in the world according to the UNDP Human Development Index score of 0.414, ranking 153 of 190 countries. The outbreak of the Ebola epidemic in 2014-2015 had a devastating effect on the state of Guinea. In 2015, the country stood at 0.1 percent growth with a budget deficit of more than seven percent of GDP.

The housing backlog is estimated at 250 000 units over the next five years. A total number of 1 253 154 households and an annual population growth rate of 2.64 percent, coupled with rural exodus and uncertain incomes, makes it difficult for the financial sector to avail long-term financing for low and middle income families.

When the country was declared Ebola-free, the economy grew approximately to 6.6 percent in 2016 and 6.7 percent in 2017 and it is forecast to reach a growth rate in real GDP of 5.8 percent in 2018.³ Following a double-digit inflation rate in 2010, the overall price level in terms of inflation was below 10 percent in 2017, and is forecast to fall below eight percent in 2018.

The percentage of total population below the poverty line is 55.20 percent with an average daily income of US\$1.90. The unemployment rate is 6.3 percent and is acute among the youth.

The health and economic crises have affected investment in the housing sector. The average leading interest rate is between 12 percent and 17 percent. There is no available information on the mortgage rate, and mortgage financing is not generally covered by Guinea's banks, which are dominated by short-term lending

KEY FIGURES

Main urban centres	Conakry Kindia
Exchange rate: 1 US\$ = [a] 25 Jul 2018	9 005 Guinean franc
PPP Exchange rate (Local currency/PPP\$) 1 Guinean franc = [b]	3 386.1
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	9.00 8.60 9.80
Population [d] Urban population size	13 050 000 4 913 325
Population growth rate [d] Urbanisation rate [e]	2.60% 3.64%
Percentage of the total population below National Poverty Line [b]	55.0%
Unemployment rate [f]	6.3%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$10 491 million 12.7%
GDP per capita (Current US\$) 2017 [b]	US\$824
GNI per capita (Current US\$) 2017 [b]	US\$820
Gini co-efficient [g]	33.7
HDI global ranking 2016 [h] HDI country index score 2016 [h]	183 0.414
Is there a deeds registry? [i]	Yes
Number of residential properties that have a title deed [i]	210 571
Lending interest rate	14.50%
Mortgage interest rate Mortgage term (years)	2.50% 2
Downpayment	33%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre [j] Outside City Centre [j]	11.60 12.50
Gross Rental Yield in City Centre [j] Outside City Centre [j]	n/a n/a
Construction as a % of GDP [j]	n/a
What is the cost of standard 50kg bag of cement?	US\$7.75
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	180 000 000 Guinean franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$20 000
What is the size of this house (m ²)?	90m ²
What is the average rental price for this unit (US\$)?	US\$500
What is the minimum stand or plot size for residential property?	250m ²
Ease of Doing Business Rank [k]	153
Number of procedures to register property [k]	6
Time to register property (days) [k]	44 days
Cost to register property (as % of property value) [k]	9.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Banque Centrale de la République de Guinée
[b]	World Bank World Development Indicators
[c]	Statistics Guinea
[d]	Worldpopulationreview.com
[e]	Fortune of Africa
[f]	TheGlobalEconomy.com
[g]	Knoema.com
[h]	UNDP Development Indicators
[i]	Ministry of Housing and Urban Planning - Guinea
[j]	Guinea National Revenue Authority
[k]	World Bank Doing Business

contracts.⁴ There are no pension-backed funds supporting housing finance in Guinea.

The Government of Guinea (GOG) adopted the Plan National de Développement Economique et Social (PNDES) in Paris in 2016. It is structured around four objectives: improve governance, diversify the economy, reinforce human capital, and improve resource management. The GOG was able to rally the international community and foreign investors who promised GNF 180 200 billion (US\$20 billion) to support PNDES. To date, the GOG has crafted 50 structured projects in infrastructural development, but housing development is yet to be financed.

Successive governments have failed to address the country's crumbling infrastructure and housing development. In social housing, the government led by President Alpha Conde has introduced a number of policies and rules such as the Land Code, Code of Investment, Code of Construction and Housing, Tax Code, Customs Code, and public private partnerships. The GOG has set up the Société Nationale de l'Aménagement et de la Promotion Immobilière (SONAPI, National Society for Planning and Real Estate Development), mainly devoted to planning,

identifying real estate developers, allocating lands and promoting affordable housing for people in the low income bands. The income bands in Guinea vary from less than GNF 1 million (US\$111) for a total number of 807 017 households, to GNF 1 000 001 to 5 000 000 (US\$111-US\$555) for 285 726 households to GNF 5 000 001 to GNF 10 million (US\$555-US\$1110) for 103 265 households and finally more than GNF 10 million (US\$1110) for 57 145 households.

Access to finance

Guinea's financial sector is small and dominated by the banking sector which includes the Central Bank of the Republic of Guinea, 15 commercial banks, five insurance companies, two Loans and Credit Associations and Mutual Funds for youth and women. Credit conditions are favourable for women and the youth. According to Gana Doré, the credit terms are a 1.5 percent interest rate with a short-term repayment period for an amount below GNF 45 million (US\$4 995.56) and two percent over the same period for an amount above GNF45 million.⁵ These loans allow most of them to rise above the poverty line. For the mutual funds, called the President's Initiative for Poverty Alleviation among Youth and Women, the figures show that approximately a total amount of GNF 130 billion (US\$ 15 million) has been channelled through Afriland First Bank, with support from Agence Nationale des Institutions de Microfinance (ANAMIF).⁶ Unfortunately, the financial sector keeps these figures confidential.

The financial sector does not contribute much to financing housing development, and is mostly concerned with short-term activities such as merchandise trade.⁷ However, banks such as Banque Islamique de Guinée provide construction financing with terms based on Islamic finance law.⁸ The most important housing finance was done by First International Bank – for 30 years with an interest rate as low as two percent a year – with Chinese Drill Group (CDG), considered the dominant developer in the sector in Guinea, with a loan estimated at GNF 225.2 billion (US\$25 million) under the Plaza Diamond project.

Most commercial banks do, however, provide construction finance to national private companies. Among them are EcoBank, Banque Internationale pour le Commerce et l'Industrie de Guinée and Banque Islamique de Guinée. Beneficiary companies, such as SOGEFEL SA and Guico Press SA, develop construction projects and affordable housing through the government's public private partnerships.

The GOG has financed billions in local currency in partnership with these entities. For the Independence Day construction projects rotating between the administrative regions, for instance, the GOG has financed GNF 250 billion (US\$27 753 140) for the sole region of Kankan.

Affordability

According to World Bank figures, 55.20 percent of the population live below the poverty line of US\$1.90 a day. The main challenges remain youth unemployment and urban poverty which increased from 23.5 percent in 2002 to 37 percent in 2018. The rural exodus, unemployment among the rural and urban female population, a shortage of public services such as healthcare, education, security, decent housing, sanitation facilities, and food security are part of the challenges the country faces in 2018.

The types of affordable housings are F2, F3 and F4, respectively two, three and four rooms. Most people with an income band below GNF 1 million (US\$111) can afford slums, those below GNF five million (US\$555) can afford F2, those with less than GNF 10 million (US\$1110) can afford F3 and people with higher incomes can afford F4. The Code of Construction and Housing considers a bedroom and living room as a room as well.

In cities such as Conakry where population growth is constantly increasing, there is a disturbing development of slums but no move to make-shift housing yet. The GOG provides different types of subsidies to developers in the form of tax breaks and tax incentives. These subsidies include land provision and duty-free import for construction material and equipment. Nevertheless, the greatest challenge the country faces is how to provide decent housing for slum populations, low, and middle income groups. To support such policies, the GOG has created four public entities: SONAPI, Mortgage Guarantee Fund (FGH), Mortgage Securitization Fund (FSH) and National Fund for Habitat and Urban Planning (FNIHU). To date, the last three entities are yet to function.

Housing supply

Due to lack of reliable developers and financing options in Guinea, people informally build their houses by themselves. It takes a typical Guinean on average between 10 and 15 years or more to finish their house. Most of the construction materials are locally produced, except heavy equipment imported from Western countries as well as South Africa, which provides the machines used to make blocks. SONAPI designs new developments to build less expensive houses using bricks on stabilised land. The houses built with this material are traded at reasonable prices between GNF 180 159 800 (US\$20 000) to 261 231 710 (US\$29 000) for F2.

The gap between housing supply and demand is a critical issue. The housing backlog is estimated at approximately 250 000 units over five years. The most vulnerable populations are teachers, youth and women with an income band far below GNF 5 million (US\$555). In attempts to fill that gap, the GOG has promoted policies such as the public private partnership agreement with private real developers, including with CDG to build approximately 200 000 houses in the areas from Kipé to Cobayah in Conakry. The GOG has signed seven other agreements with foreign companies and national developers for the construction of hundreds of social housings. The major private developers are CDG, Kakandé Immo, AKC Groupe and SOGEFEL SA.

The trade unions represented by the teacher's union in Guinea and the National Confederation of Workers signed a project with Association pour le Développement de l'Habitat Social, with the support of the GOG, to construct 638 housing units. It has been indicated that the types of the housing units to be build are F2, F3, F4, and condominium. The project, located at Keitaya near Dubreka, was scheduled to start in 2015. Unfortunately, it has not yet started due to lack of funding by the government. The materials used are locally produced and made from blocks, concrete, cement, sand, concrete iron, wood, timber, corrugated sheets and sheet metal. The land size varies between 70m² and 250m² for F2, F3 and F4, while the size is larger for the condominium.

The housing market in Guinea comprises of 70 percent of rental housing with an average price in the city centre equal to GNF 9 007 999 (US\$1 000) and outside the city equal to GNF 4 503 999.5 (US\$500). According to the Guinea National Institute of Statistics census data, there were 1 253 154 households in 2012.

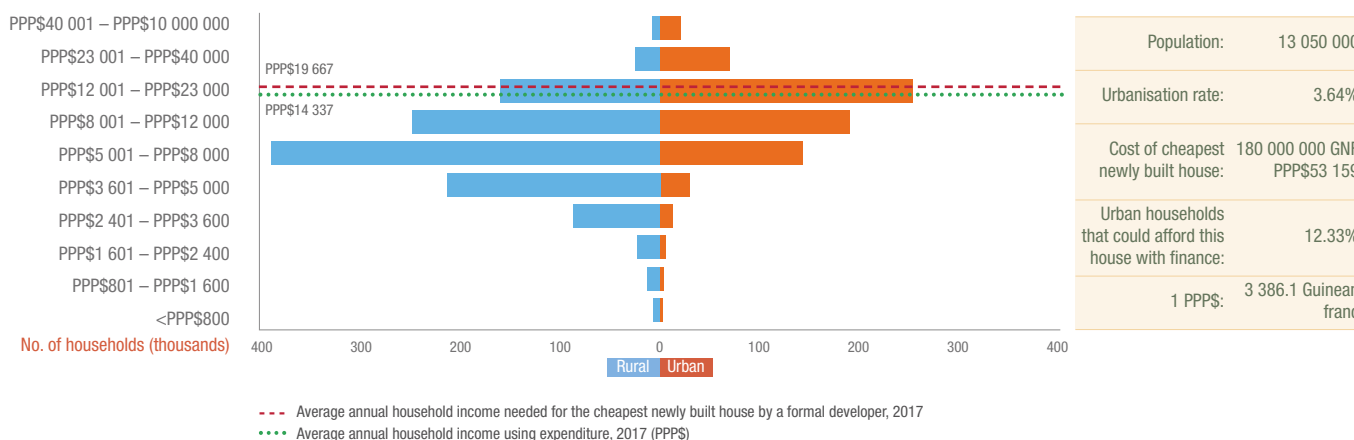
Property markets

According to Doing Business, Guinea is making steady progress in improving the business environment for property rights. In 2010, the cost of registering property was lowered; in 2013 Guinea made obtaining a building permit less expensive. In 2014 the country made transferring property easier by reducing the property transfer costs; and in 2015, the registration of property was made easier. It now costs 8.9 percent of the total cost of the property and takes 44 days to register a warehouse, involving six procedures. In 2018, the country ranked a record low of 153 of 190 countries.

Since 2010, the GOG has been implementing reforms such as, but not limited to, the Code of Construction and Housing and Land Code, designed to frame land rights. To date, almost 10 percent of the properties are registered. The government owns land. Private land is governed by customary and traditional laws. With the assistance of the government of Morocco, a technical mission of the Ministry of Housing Development and Urban Planning is implementing a process to register land by digitalising them and delivering land titles free of charge. Prices in the formal market are beyond reach for low and middle income families in the city centre and outside the city. The average rental price in the city centre is GNF nine million to GNF 18 010 000 (US\$1 000-US\$2 000) for office space and GNF905 000 to GNF 4 502 500 (US\$100-US\$500) for residential rent. The rental price in Kipé varies on average between GNF 9 009 999 and GNF 10 809 000 (US\$1 000-US\$1 200) for office space, and GNF 1 801 598 to GNF 4 503 999 (US\$200-US\$500) for residential rent. In the city centre and near Kipé areas in Conakry, 500m² costs approximately GNF two billion (US\$222 025.11). Outside Conakry, in Coyah for instance, the same size of land is priced on average at GNF 120 million (US\$13 321.50). Because of the exponential increase of these prices, more people rent rather than own houses, thus putting upward pressure on rental price.

GUINEA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

There are formal and informal real estate agencies in Guinea. The most important are Agence Guinée Immobilier, Société Immobilière de Guinée, Compagnie Internationale d'Aménagement et de Déménagement, Agence Immobilière Fina, Agence Immobilière Titi Camara, CIC Guinée, COGEST SA and Guinée Home.

The International Finance Corporation has commissioned work on a housing market diagnostic for Guinea. The housing backlog in Guinea is estimated at 250 000 units over the next five years and is steadily increasing with the growing population growth rate, and rural exodus. Given that population growth is at 2.64 percent per annum, the shortage will continue unless there is a major expansion of the housing stock enabled by policy reforms and the development of financing options.

Policy and regulation

To promote access to land and decent housing in Guinea, the GOG has set policies and reforms on financing options and property rights including homeownership and landownership. The GOG should reinforce institutional and human capacity in the construction sector; because the institutional framework is weak, and not well oriented to address the housing backlog. It should also improve productivity and affordability in the housing sector as a policy response to the crisis that continues to limit the involvement of the private sector in the sector. It is of paramount importance that the GOG promote the financing option to increase affordability, and create and reinforce the role of agencies such as mortgage financing institutions and pension-backed funds. Finally, the GOG should promote policies that increase land availability and manage urban growth. In this view, tools such as SONAPI, FGH, FNHU and FSF are important instruments.

Among the policy instruments is the Land Code of 2015, which sets rules and regulations for land ownership in Guinea.⁹ The Code states that the state, as well as other private individuals and legal entities, may hold title to the land and buildings it carries, and exercise it according to the rules of the Civil Code and those of this Code. The right of ownership confers on its holder the enjoyment and free disposition of the property which are the object, in absolute terms. And this right is exercised in compliance with the limitations imposed by the general interest of those provided for by the legal provisions.

The New Code of Investment was adopted by the National Assembly and promulgated by the GOG in 2012.¹⁰ It outlines the legal and administrative framework designed to ease the conditions for domestic as well as foreign investors in Guinea. It provides incentives to companies that invest in growth-led sectors such as public infrastructure and housing development. The Investment Guide is an easy-to-understand document designed to facilitate the understanding of the Code of Investment.

The Tax Code is a set of rules enacted in 2015 by the Parliament to provide duty-free provisions to domestic as well as foreign investors in Guinea in different areas

such as housing development. The Simplified Tax Code was designed to make its reading and understanding easier for companies liable for taxes.

The public private partnership, called the New Law, entered into law in 2017. It regulates all forms of public private partnerships.¹¹ This agreement is designed to facilitate land ownership and to promote access to affordable and decent housing in Guinea. It provides incentives to private developers such as tax breaks or tax holidays over eight to 10 years.

The Customs Code entered into law in 2015. This code determines and governs the regulations that facilitate the import and export of goods.¹² It grants comprehensive duty-free entry for construction material and equipment in Guinea.

The Code of Construction and Housing is one of the most recent laws in Guinea. Entered into law in 2015, it outlines the conditions for access to land and decent houses in Guinea. For instance, the GOG provides duty-free land to developers that build social housing for low and middle income people. The GOG allows a solidarity tax of one percent, monthly levied on the gross wage of employees. There are also other financial resources such as taxes on government buildings. However, these mechanisms have yet to start to function.

Despite multiple efforts to promote the housing development sector, the country still faces major difficulties. However, there are huge investment opportunities in infrastructure and housing development. And Guinea appears to be one of the most interesting investment destinations in West Africa. With the country's outstanding potential, many multinational companies are now locally based in Guinea, and they bring significant added value to the country. The GOG has undertaken several reforms to promote the private sector to facilitate their installation and business development. To this end, a framework for public-private sector dialogue was established and became operational with the organisation of public-private roundtables such as the ones held in Dubai in 2011 and Paris in 2017.

Opportunities

There are numerous policy challenges that must be overcome if the housing finance sector is to fulfil its objectives of increasing the availability and affordability of housing development in Guinea. The housing problem should be addressed by considering housing policies and financing issues as a way to facilitate access to decent housing for poor people. The GOG should assist and encourage the financial sector in the creation and development of mortgage financing options to increase support for slum populations, and low and middle income families. It should also promote housing development banks that can provide preferential lending terms to needy people.

With a more stable political situation and vital structural reforms underway, Guinea offers exciting opportunities for investment and is well-placed to finally reap the



benefits of its huge economic potential.¹³ The most dynamic sectors in Guinea are mining and agriculture. The government recognises the need for housing development and investment in basic infrastructures which remain the most pressing needs in today's Guinea.

Since 2010, successive governments have undertaken a host of economic and political reforms to enable the majority of Guineans possession of their own houses and decent living conditions. With support and technical assistance from the international community, the country has started to harness the fruit of these reforms. This includes installation of foreign private developers, mostly the Chinese, and domestic developers. In this regard, the Land Code, New Investment Code, and Code of Construction and Housing were adopted by the GOG. In addition to land provision to private developers, tax breaks and tax holidays are granted to investors interested in the social housing development. There is also duty-free entry for construction equipment, freedom to convert money and to repatriate proceeds back to the home country. The "New" Guinea, born in 2010, is a land of opportunity and a destination for secure investment; and investment in the housing sector remains a top priority for its government.

Sources

- World Bank Group (2018). Doing Business 2018 – Reforming to create jobs – Economy Profile – Guinea. <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Country/GIN.pdf> (Accessed 11 September 2018).
- World Bank Group (2017). Doing Business 2017 – Equal opportunity for all – Economy Profile - Guinea. <https://openknowledge.worldbank.org/bitstream/handle/10986/25536/WP-DB17-PUBLIC-Guinea.pdf?sequence=1&isAllowed=y> (Accessed 11 September 2018).
- The World Bank (2016). Enterprise Surveys: Guinea 2016 Country Profile. <https://www.enterprisesurveys.org/~media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/Guinea-2016.pdf> (Accessed 11 September 2016).
- Le360Afrique (2017). "Guinee: Energie, Avandcees Dans La Construction Du Grand Barrage Souapiti." 31 May 2017. <http://afrique.le360.ma/guinee/economie/2017/05/31/12236-guinee-energie-avancees-dans-la-construction-du-grand-barrage-souapiti-12236> (Accessed 11 September 2018).
- Panel meeting with Jacqueline Sultan Minister of Agriculture about Invest in Guinea, 2013. Westbury Hotel, London. <https://www.theguardian.com/global-development/2013/jun/21/guinea-agriculture-mining> (Accessed 19 July 2018).
- USAID (2018). USAID Country Profile: Property Rights and Resource Governance - Guinea. https://land-links.org/wp-content/uploads/2016/09/USAID_Land_Tenure_Guinea_Profile.pdf (Accessed 6 August 2018).
- The World Bank (2018). The World Bank in Guinea. <http://www.worldbank.org/en/country/guinea/overview> (Accessed 20 July 2018).
- World Economic Outlook (April 2018). IMF Datamapper: Inflation rate, average consumer prices. <http://www.imf.org/external/datamapper/PCPIPCH@WEO/GIN> (Accessed 12 September 2018).

Interviews

- Conversation with M'Bemba Sylla the Chief Financial Officer about financing options available at la Banque Saheho-Sahélienne pour l'Industrie et le Commerce de Guinée. Guinea: 18 July 2018.
- Conversation with Gana Doré, Deputy Managing Director about the loan conditions available at Caisses Populaires d'Épargne et de Crédit Yètè Mali de Guinée. Guinea. 20 July 2018.
- Telephonic conversation with Ibrahima Sory Cissé the Managing Director at Agence Nationale des Institutions de Microfinance (ANAMIF). 24 July 2018.

Websites

- <http://www.who.org/guinea>
<http://www.apip.gov.gn/guinea>
<http://www.dni.gov.gn>
<http://www.mines.gov.gn>
<http://www.mbudget.gov.net>
<http://www.mef.gov.gn>
<http://www.gouvernement.gov.gn>
<http://www.mpciguinee.gn>

¹ Interview with Abdoulaye Magassouba, the Minister of Mines and Geology on the diversification of Guinea's economy, Paris: 19 November 2017. <http://guinee7.com/mines-abdoulaye-magassouba>. (Accessed 20 July 2018).

² Interview with Jacqueline Sultan the Minister of Agriculture about Invest in Guinea. Westminster Hotel, London: 21 June 2013.

³ World Economic Outlook (2018). Guinea Country Profile.

⁴ Interview with Mohamed Pascal Condé the Chargé d'Affaires about financing options available at la Banque Islamique de Guinée. Guinea: 18 July 2018.

⁵ Conversation with Gana Doré, the Deputy Managing Director at Caisses Populaires d'Épargne et de Crédit de Guinée Yètè. Mali: 2 September 2018.

⁶ Interview with Ibrahima Sory Cissé, Managing Director at Agence Nationale des Institutions de Microfinance (ANAMIF). 10 August 2018.

⁷ Conversation with M'Bemba Sylla, Chief Financial Officer at Banque Saheho-Sahélienne pour le Commerce et l'Industrie. 18 July 2018.

⁸ Conversation with Mohamed Pascal Condé the Chargé d'Affaires about financing options available at la Banque Islamique de Guinée. Guinea: 18 July 2018.

⁹ See <http://www.apip.gov.gn/sites/default/files/CODE%20FONCIER%20et%20DOMANIAL.pdf>

¹⁰ See <http://invest.gov.gn/document/code-des-investissements-2015>

¹¹ See <https://www.droit-afrique.com/uploads/Guinee-Loi-2017-32-partenariat-public-privé.pdf>

¹² See http://mines.gov.gn/docs/PDF/code_des_douanes_2.pdf

¹³ Testimony by Tony Blair (2017). APiP/Guinea the former British Prime Minister, Founder Africa Growth Initiative. <http://apip.gov.gn/temoignage.php> (Accessed 19 July 2018).

Guinea-Bissau



Overview

The Republic of Guinea-Bissau is located in West Africa and is bordered by the Atlantic Ocean, Senegal, and Guinea. It covers 36 125km² and has a population of around 1.9 million which ranks 149th in the world.¹ Governance in Guinea Bissau is challenging. According to the 2016 Transparency International corruption perceptions index, the country ranks 168th out of 176 countries. In 2017, the country was ranked 43rd out of 54 countries in Africa on the Mo Ibrahim Index of good and quality governance in Africa. However, the authorities have announced holding parliamentary elections in November 2018 and reopening the National Assembly, which will hopefully lead to the stabilisation of the political situation and the growth of the economy.²

Guinea-Bissau's economy remains fragile: 69 percent of the population lives below the poverty threshold and the recurrence of power outages has triggered riots and unrest. Notwithstanding the economic and socio-political climate, 2016 was an exceptional year for cashew sales and there was a notable expansion in the harvest of food crops (8.9 percent).³ Economic growth nevertheless dipped slightly from 5.8 percent in 2016 to an estimated 5.5 percent in 2017 and is projected to remain at 5.5 percent in 2018. Growth in 2017 was driven mainly by food crop production (which grew 8 percent, up from 5.6 percent in 2016) and the fishing industry (which grew 9.5 percent, up from 9 percent in 2016). In the secondary sector, construction grew 16.6 percent in 2017 following a sharp downturn of 17.8 percent in 2016. In the tertiary sector, retail was up 8.9 percent in 2017. On the demand side, the key determinants of GDP growth in 2017 were personal spending, public investment, and exports. These reflect situational factors, such as the rise in the price of cashews.⁴

Public finances improved in 2017. The budget deficit (including grants) halved, from four percent of GDP in 2016 to two percent in 2017, mainly reflecting the increase in tax revenues from CFA 66.1 billion (\$105.6 million) in 2016 to CFA 79.9 billion in 2017. Inflation as measured by the consumer price index was estimated at 2.3 percent in 2017 – well below the ceiling of 3 percent. Total outstanding public debt (domestic and foreign) is expected to be 43.3 percent of GDP, down from 47.3 percent in 2016, well within the West African Economic and Monetary Union (WAEMU) ceiling of 70 percent of GDP. The current account was in surplus in 2016 (2.2 percent) and 2017 (2.8 percent), due to a trade surplus of 4.6 percent in 2016 and 3.1 percent in 2017.⁵

KEY FIGURES

Main urban centres	Bissau Kindia
Exchange rate: 1 US\$ = [a] 21 Aug 2018	566.90 CFA franc
PPP Exchange rate (Local currency/PPP\$) 1 CFA franc = [b]	247.8
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	8.2 8.50 8.10
Population [d] Urban population size [d]	1 913 442 830 433
Population growth rate 2017 [e] Urbanisation rate [e]	1.86% 3.41%
Percentage of the total population below National Poverty Line 2015 [f]	69.0%
Unemployment rate	6.5%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [c]	US\$1 347 million 6.90%
GDP per capita (Current US\$) 2017 [g]	US\$723
GNI per capita (Current US\$) 2017 [h]	US\$660
Gini co-efficient [i]	50.7
HDI global ranking 2017 [j] HDI country index score 2017 [j]	178 0.42
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate [k]	15.00%
Mortgage interest rate Mortgage term (years)	11.0% 15
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	11.60 12.50
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP [l]	n/a
What is the cost of standard 50kg bag of cement?	n/a
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	985 153 921 CFA franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$74 217
What is the size of this house (m ²)?	85m ²
What is the average rental price for this unit (US\$)?	US\$878
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [l]	168
Number of procedures to register property [l]	5
Time to register property (days) [l]	48 days
Cost to register property (as % of property value) [l]	5.50%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Compagnie Française d'Assurance pour le Commerce Extérieur
[d]	World population review
[e]	Central Intelligence Agency (CIA) World Factbook
[f]	African Development Bank
[g]	Trading Economics
[h]	World Bank Open Data
[i]	International Monetary Fund
[j]	UNDP Development Indicators
[k]	Indexmundi
[l]	World Bank Doing Business

Tax revenues improved in the first half of 2017, up 36.3 percent from the same period the previous year. This reflects more efficient tax collection, particularly of customs duties, which leaped 26 percent from 2016. The 39.8 percent rise in the international price for cashews in 2017 to US\$1 950 per ton helped Guinea-Bissau's economy. Specifically, the decline in cashew exports, from 201 921 tons in 2016 to 192 661 tons in 2017, was offset by a rise in export prices, from CFA 772 per kg in 2016 to CFA 1 100 per kg in 2017. Cashew export revenues are expected to grow 31 percent, from CFA 162 billion in 2016 to CFA 212 billion in 2017.⁶

Political uncertainty continues to dominate economic prospects. This situation hinders the business environment and governance and fuels social unrest. The country is ranked 176 out of 190 countries in the World Bank's 2018 Doing Business report.⁷

There is no system for housing delivery in Guinea-Bissau. The land is generally owned by the council or is inherited by individuals. Middle income households purchase plots to construct housing. Most households live in units that are

categorised as having adobe (earth) as the predominant building material and the backlog, in 2015, stood at only 4 000 units.⁸ The Chinese government had provided 82 million yuan (US\$12.3 million) in funding which will contribute to Guinea Bissau's planned construction of social housing in the country's capital, Bissau. Guinea Bissau is also establishing a partnership with Moroccan property developers for the construction of buildings of up to floor fours, also in the Bissalanca area.⁹

Access to finance

Guinea-Bissau joined the WAEMU in 1997 and shares a common Central Bank, the Central Bank of West African States, and a common bank regulatory and supervisory authority, the West Africa Monetary Union Banking Commission, with the seven other WAEMU countries (Benin, Burkina-Faso, Cote d'Ivoire, Mali, Niger, Senegal, and Togo).¹⁰

The financial system remains undeveloped and offers limited coverage. It includes five commercial banks with 22 branches, which hold 94 percent of the country's financial assets, although this represents less than 1 percent of total assets in WAEMU's banking sector. In fact, the banking penetration rate in 2015 was 8.8 percent, with 26 counters and 42 automated teller machines (ATMs). The number of commercial bank branches per 100 000 adults was 2.5 in 2015, a figure that had remained constant from 2013. The figure for ATMs per 100 000 adults was at 3.67 in 2013, an increase from 1.36 in 2010.¹¹ Credit to the private sector expanded by 10.6 percent in 2016, driven by the strengthening of economic activity.¹² Credit extension has continued to be concentrated in commerce, construction, and manufacturing, which together accounted for about two-thirds of total credit.¹³

There are various reasons for the under-banking, among which is a youthful population (40 percent younger than 16 years old), poverty (approximately 69 percent of the population lives below the poverty line), poor financing of the economy by banks, a difficult business environment, and continuing political instability.¹⁴

In June 2017, Guinea Bissau had six microfinance institutions across the country, accounting for four percent of all establishments of this type in WAEMU. The IMF network counted approximately 10 000 customers, and 17 points of service. The credit offered by the IMF was CFA 131 billion in June 2017, while deposits amounted to CFA 215 billion. This data demonstrates the limited scope of the microfinance sector and show the poor financial inclusion in the area.¹⁵

Private insurance companies and a semi-autonomous public pension fund, the National Institute of Social Security, account for most of the rest of the formal financial system. Informal financial structures exist, and cater for poorer sectors, especially people in rural areas and some small entrepreneurs. Guinea-Bissau has access to the regional securities exchange, the Bourse Régionale des Valeurs Mobilières, established in 1998 and based in Abidjan. However, none of its 39 listed companies are from Guinea-Bissau.¹⁶

Access to financial services in Guinea-Bissau is low compared to its regional neighbours. On average, only 89.46 of every 1 000 Bissau Guineans held deposit accounts in commercial banks, the second lowest among WAEMU members after Niger (48.87), as reported by the IMF Financial Access Survey in 2015. Mobile money remains marginal in the country. There were only 236 active mobile money accounts in the country in 2014, which equated to 0.22 accounts per 1 000 adults. Nonetheless, 36 percent of Bissau Guineans has access to a mobile connection serviced by two national providers. That is approximately half the Sub-Saharan average, and presents significant room to expand the country's mobile money services. Developing mobile financial services could help widen financial inclusiveness for the unbanked population in the country, especially in rural areas.¹⁷

The banking sector is stable; it lends only to a small section of the economy and is relatively risk averse, with credit risk perceived as being high. The four banks have increased their loans outstanding, from CFA 25.76 billion (US\$ 43.7 million) in 2010 to CFA 62.6 billion (US\$ 106 million) in 2015. Most of these loans are short- or medium-term, with just CFA 646 million (US\$ 1.1 million) categorised as being long-term. At the same time, deposits held by the banks have increased, from CFA 54 billion (US\$ 92 million) in 2010 to CFA 114 billion (US\$ 195

million).¹⁸ Private sector loans accounted for the largest share of assets at over 55 percent each year since 2010. Liquid reserves were the lowest share of assets: 10 percent each year since 2013. Foreign assets accounted for 21 percent of the total in 2015 – down from 40 percent in 2010 – while loans to Guinea Bissau's government leapt from 0.38 percent of assets in 2010 to 10 percent by 2014 and 26 percent a year later.

Data available on mortgage finance is limited. In December 2014, banks were lending at an average prime rate of 9.5 percent and as of 31 December 2016, the commercial bank prime lending rate was 15 percent,¹⁹ though these numbers are not related to mortgages. For mortgages, the interest rate was 9 to 11 percent in 2015, according to the Branch Chief of Ecobank Headquarters in Bissau. Mortgages available are restricted to medium and high-income households, and those who have a warranty or an employment contract of 10 years, the typical term of a mortgage. For all commercial banks, repayments for loans granted will be a maximum of 33 percent of an employee's salary. Some people manage to build their homes using this type of loan, with loan values varying from CFA 3 to 5 million (US\$5 464 to US\$9 107). This depends on the nature of their employment contract, with the yearly renewal of the loan at the beginning of each year allowed (some organisations will provide a four or five-year contract, depending on the length of time needed to develop projects). According to information gathered at Orabank, there are plans, still subject to research, to expand the provision of mortgage finance to large segments of the population. If a mortgage market were to develop, banks in Guinea-Bissau would have access to Caisse Régionale de Refinancement Hypothécaire-UEMOA (CRRH-UEMOA), the regional mortgage refinance facility. It appears that housing microfinance is limited, with the formal microfinance sector accounting for CFA 71 million (US\$129 318) in outstanding loans in March 2016, from CFA 84 million (US\$152 996) in 2014, and CFA 265 million (US\$482 668) in deposits, also in March 2016, from CFA 207 million (US\$377 027) in 2014.²⁰ There is a small microfinance sector with 18 licensed institutions. However, only five are operational, and they provide limited financial services.²¹

The Catholic Relief Services is implementing a Savings and Internal Lending Communities project to help community members to form groups, pool their savings and make loans. This allows people to access affordable financial services.²² In terms of construction finance, banks do not cater to the construction of new units. Only 2.8 percent of loans in 2016 were allocated to the building and construction sector.²³

Affordability

In addition to the constraints in accessing housing finance, Guinea-Bissau has low levels of affordability because of the high level of poverty in the country as well as the country's low GDP per capita: 58 percent of households earn below US\$2 400 a year, according to data from the Canback Global Income Distribution Database.²⁴ Household income is heavily dependent on cashew and rice production, the income from which is volatile because of international prices and local weather. With little productivity growth in the country, it is unlikely that most households will be able to afford formal houses constructed by formal developers (that may cost CFA 93 474 013,65 or approximately \$162 000),²⁵ and would be better served by the provision of housing microfinance.

Government initiatives to improve housing conditions were under way but have been interrupted. In the past, whatever units constructed by the government were allocated by assessing applicants or by using a lottery system. There was a commission responsible for evaluating the allocation of houses and assessing specific household needs, although housing was predominantly awarded to war veterans or civil servants. There are some private developers working in the field but the houses that they construct tend to be for rental purposes, serving employees from international organisations. The monthly rents in these developments can range between CFA 500 000 and 1 000 000 (US\$910 and US\$1 821). Similar units for sale are available for between CFA 18 million to 50 million (US\$32 785 to US\$91 069).

Housing supply

It is estimated that there is an urgent need for 4 000 homes throughout the country. The 2009 census²⁶ showed that 73 percent of households were recorded as owning their houses, while 19 percent of households live in private

GUINEA-BISSAU

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

rental. The numbers for Bissau were different: 3.8 percent of households lived in public rental stock, 46.4 percent in private rental, and 42.7 percent owned their houses. The census recorded 176 500 households (compared to 267 293 households estimated by C-GIDD in 2016), 89.1 percent of which resided in precarious housing. In cities, 78.6 percent of households lived in precarious housing, and in Bissau only 24.5 percent did. The UN-Habitat State of African Cities Report 2014, the latest report of the series, states that 83.1 percent of urban households live in slums.²⁷ In urban areas, 28.2 percent of households live in one-bedroom units, compared to 9.8 percent in rural areas (17.7 percent nationally). The trend is the same for two-bedroom units (27.7 percent of urban households, against 16.5 percent of households in rural areas), but changes from three-bedroom units onwards – 43.8 percent of urban households live in units with three bedrooms or more, compared to 74.3 percent of rural households.²⁸

There is no system for housing delivery in Guinea-Bissau and the housing backlog in 2015 stood at only 4 000 units.²⁹ The Chinese government had provided CNY 82 million (US\$12.3 million) and part of this fund will be allocated to finance the social housing project under construction in Guinea-Bissau. China will start with the construction of 250 homes in a first stage, but the goal is to reach 1 000. The plan includes two-bedroom, three-bedroom and four-bedroom homes to be built in the Bissalanca area, next to Bissau's international airport. Guinea Bissau is also establishing a partnership with Moroccan property developers for the construction of buildings of up to floor fours, also in the Bissalanca area.³⁰

Most households (76.3 percent) live in units that are categorised as having adobe (earth) as the predominant building material, with a further 14.5 percent of households living in units categorised as reinforced adobe. A further 5.4 percent (10 percent of urban households) live in units constructed using cement-blocks. In urban areas, 84.3 percent of households live in units that have zinc roofs (57.6 percent nationally), while 60.3 percent of households have straw roofs in rural areas (36.9 percent nationally).

Approximately 110 million people currently live in the WAEMU region; over the next twenty years, an additional 100 million more will be born. Most of them will be urban dwellers, as the area is experiencing rapid urbanisation of approximately 3.41% a year. Some 800 000 new housing units are needed every year to address the housing shortage; WAEMU banks only issue about 15 000 new mortgages per year.³¹

The social housing project funded by China, as highlighted above, aims to address the chronic housing shortage by expanding access to long-term housing finance for households with modest and irregular incomes. This goal will be achieved by lengthening the term of mortgage loans, currently at 7-8 years on average, to 15 years and beyond.³²

Funding from the World Bank's International Development Association (IDA) will be channelled from the West African Development Bank, also known as Banque

Ouest Africaine de Développement (BOAD), to CRRH-UEMOA, to facilitate about 50 000 new mortgages and to leverage much greater amounts of investment into affordable housing through the bond-raising activity of CRRH-UEMOA.³³

IDA financing along with investment from the International Finance Corporation, another part of the World Bank, into CRRH-UEMOA will strengthen the business model and the ability to mobilise long-term resources to expand affordable housing finance to the benefit of WAEMU households. The US\$155 million package consists of an IDA scale-up credit of US\$130 million to BOAD, the first IDA scale-up facility credit to a regional organisation, and a US\$25 million regional IDA grant to the WAEMU.³⁴

Property markets

Guinea-Bissau is improving the real estate business environment. The introduction of regulations which govern the licensing and functioning of credit bureaus in the member states of WAEMU and a new credit bureau has improved its credit reporting system. A new conciliation procedure for companies in financial difficulties and a simplified preventive settlement procedure for small companies has also made resolving insolvencies easier. Additionally, Guinea-Bissau made transferring property easier by lowering the property registration tax.³⁵

The latest reform has resulted in Guinea-Bissau bettering its Doing Business registering property ranking, from 150 in 2016 to 149 in 2017 and now down to 126 in 2018. The cost remains 5.5 percent of the total cost of the property to register a property, however it now involves five (from eight last year) procedures and takes 48 days, down from 51 days last year.³⁶

Policy and regulation

Though there are several laws in place to govern its ownership, land is predominantly accessed outside of Bissau in accordance with traditional practices. Both traditional practices and a 1975 law do not provide for freehold ownership, only usufruct rights. Law 4 of 1975 stipulates that "all the land of the national territory ... is part of the public domain of the State and cannot be reduced to private property." National laws do allow for concessions of up to 90 years, though there is no standard process of securing a concession. Efforts to finalise a new land law, the 1998 Land Law of Guinea Bissau, which should improve security of tenure, have stalled, with the law still awaiting adoption. Considering that most of the real property rights in the country have not formalised under the form of concessions, acquiring a concession of Right of Private Use is complex and expensive.³⁷

The country's land regulations include the Law of 23 April 1998, which regulates land-use planning and rational exploitation of land;³⁸ the Act No. 6/73 approving the Overseas Land Act of 13 August 1973 regulates the right of use of public and private lands of the overseas territories;³⁹ Norms No. 9/11/1992 approving Legal and Fiscal Regime for Land Occupation;⁴⁰ and the Law of 6 January 1967.⁴¹

The ambiguity from the current land regulatory framework presents a number of challenges for housing finance. Firstly, the national laws allow for concessions of up to 90 years, and this is not good for the long-term investments. Secondly, the laws state that land is property of the government and its expropriation is allowed only under concession or authorisation granted by the government; in this regard land tenure is not secured as government may expropriate it without compensation at any time. Again, in terms of long-term finance (e.g. a 30 years mortgage), this is a real challenge. Finally, the protection of property rights is extremely weak in the country, because judges are poorly trained, poorly paid, influenced by the executive, and subject to corruption and this is not good for long-term housing finance because in cases of dispute there is no efficient judiciary system to turn to.

Traditional practices prevail in most rural areas, and those who live in urban areas often bring judicial disputes to traditional counsellors to avoid the official system's costs and bureaucratic impediments. The police often resolve disputes without recourse to the courts.⁴²

Opportunities

Guinea-Bissau shows much promise, despite the political instability. The improvement in ease of starting a business is a result of the establishment of a one-stop shop which eliminated the requirement for an operating license and simplified the method for providing criminal records and publishing a registration notice. The recent establishment of a commercial court and the one-stop shop for business registration suggests that there is the will to make the necessary reforms. The stabilisation of the banks, which has lowered their non-performing loan rates and seen them seize collateral, is a sign that the financial sector is better equipped to expand access to finance. As part of WAEMU, Guinea-Bissau has a low inflation rate and low forex risk, providing a sound foundation for future investment.

Transferring property has become easier because of reduced property registration tax and an increased number of notaries dealing with property transactions.⁴³ These reforms can catalyse economic growth, which would likely increase housing affordability. A property market boom is expected in the near future as the country and region experience a rapid urbanisation rate of around 3.41 percent a year.

Despite an infamous black market and other obstacles that threaten to destabilise the country's economy, Guinea-Bissau has strong potential to enhance the livelihoods of its poorest communities through its vast supply of natural resources. The country is blessed with weather that promotes the growth of cash crops and

the production of mineral resources.⁴⁴ Furthermore, with the introduction of regulations which govern the licensing and functioning of credit bureaus in the WAEMU member states and an improved credit reporting system, households will more easily access loans for housing and other purposes.

Additional sources

Analysis of Guinea-Bissau Residential Property Market (2018). Global Property Guide, <https://www.globalpropertyguide.com/Africa/Guinea-Bissau> (Accessed 16 July 2018).

Andrianarison, F., Arvanitis, Y. & Ie, I. (2016). Guinea-Bissau. African Economic Outlook. www.africaneconomicoutlook.org/en/country-notes/guinea-bissau (Accessed 16 July 2018).

Banque Centrale des États de l'Afrique de l'Ouest (2016). Passif De La Situation Des Banques. www.edenpub.bceao.int/rapportPredefini.php (Accessed 16 Aug 2018).

Food and Agriculture Organisation of the United Nations (2018), FAOLEX - legislation database of FAO Legal Office, Guinea-Bissau. http://extwprlegs1.fao.org/cgi-bin/faolex.exe?rec_id=000092&database=valid&search_type=link&lang=eng&format_name=@ESPRF (Accessed 16 Aug 2018).

Food and Agriculture Organisation of the United Nations (2018). Land Act No 5/98 Guinea Bissau, FAOLEX Database. <http://www.fao.org/faolex/results/details/en/c/LEX-FAOC016728/> (Accessed 5 July 2018).

Food and Agriculture Organisation of the United Nations (2018). Norms No. 9/11/1992 approving Legal and Fiscal Regime for Land Occupation. Guinea Bissau, FAOLEX Database. <http://www.fao.org/faolex/results/details/en/c/LEX-FAOC124324/> (Accessed 5 July 2018).

IMF (2015). Guinea-Bissau Country Report No. 15/195. <https://www.imf.org/external/pubs/ft/scr/2015/cr15195.pdf> (Accessed 16 Aug 2018).

IMF (2017). Guinea-Bissau: Third Review Under the Extended Credit Facility Arrangement, Request for a Waiver of Non-observance of Performance Criterion, and Financing Assurances Review-Press Release and Staff Report.

Riquet, C. (2015). 20 Years of Financial Inclusion Progress in WAEMU; More to Come! C-GAP. www.cgap.org/blog/20-years-financial-inclusion-progress-waemu-more-come (Accessed 5 July 2018).

The World Bank (2016). Systematic Country Diagnostic (SCD): Guinea-Bissau: Turning Challenges into Opportunities for Poverty Reduction and Inclusive Growth. Report No. 106725-GB.

The World Bank (2018). Supports Accessed to Affordable Housing Finance in West Africa. <https://www.worldbank.org/en/news/press-release/2017/10/13/world-bank-group-supports-accessed-to-affordable-housing-finance-in-west-africa> (Accessed 5 July 2018).

¹ World Population Review (2018). Guinea-Bissau Population 2018. <http://worldpopulationreview.com/countries/guinea-bissau-population/> (Accessed 10 Sept 2018).

² African Development Bank (2018). Perspectives Économiques en Afrique. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_FR.pdf (Accessed 10 Sept 2018).

³ Ibid.

⁴ African Economic Outlook (2018). <https://www.africanbondmarkets.org/en/country-profiles/west-africa/guinea-bissau/> (Accessed 16 July 2018), Pg. 1.

⁵ Ibid.

⁶ Ibid.

⁷ African Economic Outlook (2018), Pg. 1.

⁸ MacaHub (2016). "Funding from China waits for Guinea-Bissau to define projects". 5 sept 2016. <https://macaHub.com.mo/2016/09/05/funding-from-china-waits-for-guinea-bissau-to-define-projects/> (Accessed 16 Aug 2018).

⁹ Ibid.

¹⁰ African Economic Outlook (2018), Pg. 1.

¹¹ The World Bank - Data (2018). Guinea Bissau. <https://data.worldbank.org/country/guinea-bissau?view=chart> (Accessed 10 Sept 2018).

¹² The World Bank - Data (2018). Guinea Bissau.

¹³ Ibid.

¹⁴ African Development Bank (2018). Perspectives Économiques en Afrique.

¹⁵ Ibid.

¹⁶ Italian Agency for Development Cooperation (2018). Making Finance Work for Africa. https://www.mfw4a.org/fileadmin/data_storage/documents/MFW4A-documents/Country_FSP_GUINEA_BISSEAU_.pdf

¹⁷ Ibid.

¹⁸ Banque Centrale des États de l'Afrique de l'Ouest (2018). Rapport sur les conditions de Banques. <https://www.bceao.int/>

¹⁹ Ibid.

²⁰ Direction Générale de la Stabilité et de l'Inclusion Financières (2016). Principaux indicateurs des SFD de l'UMOA au 31/03/2016. Banque Centrale des États de l'Afrique de l'Ouest.

²¹ Honohan, P. and Beck, T. (2018). Making Finance Work for Africa. The World Bank. https://www.mfw4a.org/fileadmin/data_storage/documents/other-internal-documents/Making_Finance_Work_for_Africa.pdf (Accessed 16 Aug 2018).

²² Catholic Relief Services in Guinea-Bissau (2018). CRS in Guinea-Bissau. <https://www.crs.org/our-work-overseas/where-we-work/guinea-bissau> (Accessed 16 Aug 2018).

²³ African Economic Outlook (2018), Pg. 1.

²⁴ Apartment cost in of Guinea Bissau Regions (2018). What is the Cost of Apartments? <https://price-calculator.com/apartments-calculate-price.php>

²⁵ Ibid.

²⁶ Instituto Nacional De Estatística (2009). Condição de Vida do Agregado. Terceiro Recenseamento Geral Da População e Habitação De 2009.

²⁷ UN-Habitat (2014). State of African Cities 2014, Re-imagining sustainable urban transitions. <https://unhabitat.org/books/state-of-african-cities-2014-re-imagining-sustainable-urban-transitions/>

²⁸ Ibid.

²⁹ MacaHub (2016). "Funding from China waits for Guinea-Bissau to define projects". 5 sept 2016.

³⁰ Ibid.

³¹ The Central Intelligence Agency (2018). The World Fact Book: Guinea-Bissau. <https://www.cia.gov/library/publications/the-world-factbook/geos/pu.html>.

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ World Bank Group (2018). Doing Business 2018: Reforming to create jobs - Economy Profile, Guinea-Bissau. <http://arabic.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Country/GNB.pdf>

³⁶ Ibid.

³⁷ Christopher Tanner (2018). Doing (In)clusive Business in Guinea Bissau: Re-Activating The 1998 Land Law, 13. <https://slideplayer.com/slide/12730663/>

³⁸ Food and Agriculture Organisation of the United Nations (2018). http://extwprlegs1.fao.org/cgi-bin/faolex.exe?rec_id=000092&database=valid&search_type=link&lang=eng&format_name=@ESPRF

³⁹ Food and Agriculture Organisation of the United Nations (2018).

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Economic Freedom Score (2018). Guinea Bissau. <https://www.heritage.org/index/pdf/2010/countries/guineabissau.pdf>

⁴³ IMF (2018). Country Report No. 17/380 Guinea Bissau. www.imf.org/~media/Files/Publications/CR/2017/cr17380.ashx

⁴⁴ Catholic Relief Services in Guinea-Bissau (2018). CRS in Guinea-Bissau.

Kenya



Overview

Kenya is East Africa's largest economy, and a leading financial centre in the region. An emerging middle-income country, it has a vibrant, and highly sought after residential property market, especially so for the luxury market. While 2017 was a difficult year politically, President Kenyatta's announcement in December 2017 that affordable housing was one of his "Big Four" strategies has energised the affordable housing sector.¹ In 2018, there has been increased engagement with the policy, regulatory, financial, and other institutional factors required to give substance to the President's commitments. While the feasibility of delivering on the commitment for 500 000 affordable housing units in the President's term continues to be a subject of debate, the target itself has stimulated activity that will no doubt transform affordable housing for the country.

Kenya is still a primarily rural country with only 28 percent of its population of 46 million people living in urban areas. With an urbanisation rate (4.2 percent) almost double the population growth rate (2.5 percent), however, the rural character of the country is due to change. It is estimated that by 2050, half the population will be living in cities. This is already putting pressure on the demand for affordable housing, together with infrastructure, and effective land use planning and management.

Kenya's economy has shown strong growth in the past few years with a GDP growth rate above 5 percent per annum for the past five years. In 2016, real GDP growth was 5.8 percent, dominated by the services industry (66 percent of growth), which itself was dominated by real estate (which grew 12 percent).² Between 2013 and 2017, real estate contributed an average of 7.5 percent to GDP, while construction contributed around five percent; 5.8 percent estimated in 2017.

By 2017, Kenya's real GDP growth declined to 4.9 percent, largely due to uncertainty caused by the political situation, the drought, and a slowing of credit growth, itself due in part to interest rate caps imposed from September 2016. Although there was a general slowdown in credit uptake in the country, the building and construction sector experienced a 4.9 percent increase in loans and advances from commercial banks, from Ksh104.8 billion (US\$1.04 billion) in 2016 to Ksh109.9 billion (US\$1.09 billion) in 2017. Inflation has hovered around 4 percent during 2018, down considerably from eight percent in 2017, and was recorded at 4.04 percent in August 2018. The currency has been similarly stable during 2018, offering a level of economic certainty.³

KEY FIGURES

Main urban centres	Nairobi Mombasa
Exchange rate: 1 US\$ = [a] 16 Aug 2018	100.30 Kenyan shilling
PPP Exchange rate (Local currency/PPP\$) 1 Kenyan shilling = [b]	47.50
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [d]	6.00 8.00 4.90
Population [d] Urban population size [b]	46 600 000 13 167 481
Population growth rate [b] Urbanisation rate [b]	2.5% 4.20%
Percentage of the total population below National Poverty Line 2017 [e]	36.10%
Unemployment rate [b]	11.5%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$74 938 million 4.9%
GDP per capita (Current US\$) 2017 [b]	US\$1 507
GNI per capita (Current US\$) 2017 [b]	US\$1 440
Gini co-efficient 2005 [e]	48.50
HDI global ranking 2016 [f] HDI country index score 2016 [f]	146 0.555
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [g]	13.46%
Mortgage interest rate [g] Mortgage term (years) [g]	13.46% 25
Downpayment [g]	10%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages [g]	24 085
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre 2016 [h]	6.5%
Outside City Centre 2017 [i]	5.0%
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? 2017	US\$6.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [j]	1 155 000 Kenyan shilling
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [j]	US\$11 500
What is the size of this house (m ²)?	200m ²
What is the average rental price for this unit (US\$)?	US\$150
What is the minimum stand or plot size for residential property?	85m ²
Ease of Doing Business Rank [k]	80
Number of procedures to register property [k]	9
Time to register property (days) [k]	61 days
Cost to register property (as % of property value) [k]	6.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Kenya National Bureau of Statistics
[d]	Trading Economics
[e]	Central Intelligence Agency (CIA) World Factbook
[f]	UNDP Development Indicators
[g]	Central Bank of Kenya (CBK)
[h]	Global Property Guide
[i]	Cytonn Investments
[j]	Suraya Properties
[k]	World Bank Doing Business

National debt reached 57 percent of GDP in 2017, a significant increase from 38 percent in 2012.⁴ This will place significant pressure on resources required to implement the "Big Four" agenda. In addition, with the state offering high yielding bonds, particularly tax-free infrastructure bonds, to fund their deficit, the cost of finance for housing finance becomes very expensive.

Access to finance

Kenya has an established banking sector which contributes to 75.3 percent of the adult population being formally included, a fifty percent increase in the last ten years. According to the 2016 FinAccess Household Survey, financial exclusion, which was 17.4 percent in 2016, has more than halved since 2006.⁵

The formal financial sector is regulated by the Central Bank of Kenya and the Capital Markets Authority. Kenya has 43 banking institutions (42 commercial banks and one mortgage finance company), nine representative offices of foreign banks, 13 microfinance banks, three credit reference bureaus, 19 money remittance providers and 73 foreign exchange bureaus.⁶ Out of the 43 banking institutions, 40 were privately owned, while the Kenyan government had majority ownership in three institutions. As at December 2017, three of Kenya's commercial banks

were not operational, with one of them under statutory management and two under receivership. The banking sector grew its total net assets from Ksh3.695 trillion (US\$36.8 billion) in December 2016 to Ksh4 trillion (US\$39.8 billion) in December 2017, an increase of 8.3 percent. The average 91-day Treasury bill rate dropped to 8.37 percent in 2017 from 8.62 percent in 2016. The average 182-day Treasury bill rate declined to 10.42 percent in 2017 from 10.9 percent in 2016.⁷

Growth in credit to the private sector has been on the decline, and hit a low of 1.4 percent in July 2017. By October 2017, it was up to 2 percent, buoyed in part by a 10 percent growth in credit to the real estate sector, and 4 percent growth in private sector credit to the building and construction sector.⁸ Much of this growth, however, was attributed to lending to corporates as credit to households continued to decline.

The Kenyan Central Bank is one of the few central banks in Africa that conduct annual mortgage surveys to monitor the residential mortgage market. According to this survey, there were 26 187 mortgage loans in the market in December 2017, a net increase of 2 128 mortgage loans in the year since December 2016. The outstanding value of mortgage loan assets was Ksh223.2 billion (US\$2.2 billion) December 2017, representing a growth of a 1.5 percent over the year. Three quarters of this lending was offered by six institutions including one medium-sized bank (holding 20.9 percent market share) and five of Kenya's major banks. The number of banks offering mortgages has dropped from 35 in 2016 to 31 in 2017. The value of non-performing mortgages was high at 12.2 percent of the total book, but this was slightly below the industry NPLs to gross loans ratio of 12.3 percent.

The average mortgage loan size of Ksh10.9 million (US\$108 600) in 2017 demonstrates a market focus at the higher end. As a result of the interest rate cap which became effective on 14 September 2016, interest rate charges on mortgage loans ranged between 10.8 percent and 14 percent in 2017 compared to 18.7 percent average in 2016. Just over three quarters of mortgages (78.4 percent) are on variable interest rates.⁹ Anecdotally, most (60 percent of) mortgages outstanding are at subsidized rates to bank employees or employees of corporations which have 'funded deposits' with the bank to fund these rates.¹⁰ One of the motivations for the forthcoming Kenya Mortgage Refinance Company (KMRC) is to provide the liquidity necessary to enable lenders to fund mortgages on the open market, which are not supported by such funded deposits.

The Central Bank's mortgage market survey tested lenders' sense of obstacles to the development of the mortgage market in Kenya. By far, the most frequent response from banks had to do with high costs (of housing units, of land for construction, and of the various incidentals, taxes and fees). This was followed by difficulties with property registration and titling, and then household affordability as a result of low incomes. Access to affordable long term finance was the sixth most popular response from a list of ten, followed by various constraints in the residential property transaction process. Regarding the impact of the interest rate cap, lenders noted a higher demand for mortgage loans given perceived affordability. They had responded however, with tighter credit standards, so that actual mortgage disbursements had been lower than increased demand. The Central Bank also noted a shift in preference to offer short term loans.¹¹

Given Kenya's economic status and population size, however, 26 187 mortgage loans is far below what would be expected. FinAccess 2016 notes that the use of credit for housing purchases appears to be limited. In 2016, 34.2 percent of respondents reported having used at least one type of credit instrument. Of these, only 14.7 percent said the loan had been for a house or land. These loans were most commonly obtained from both SACCOs (45.9 percent of all loans for housing or land) and banks (34.2 percent). Informal providers, microfinance lenders and mobile banks together provided about a fifth of all loans used for housing.¹²

The World Bank estimates that up to 90 percent of housing finance in Kenya is supplied by Savings and Credit Cooperatives (SACCOs) and housing cooperative networks.¹³ The SACCO industry is significant with nearly 3.5 million members and combined total assets of Ksh393 billion (US\$3.9 billion) across 175 licensed and regulated deposit taking institutions at the end of December 2016.¹⁴ SACCOs package home loans as development loans, generally at lower rates, and with faster processing times than what is offered by commercial banks. A consortium of 35 SACCOs recently launched a housing loans plan enabling their

members to obtain interest free mortgages by paying "rent" instalments over 20 years.¹⁵ SACCOs also offer micro-mortgages through the Kenya Union of Savings and Credit Co-operatives Housing Fund. In many instances SACCOs avail unsecured construction loans, establishing them as key role players in facilitating access to housing finance at the bottom end of the income pyramid.

However, as the World Bank notes, SACCOs' single source of liquidity is member deposits, which limits their ability to grow their housing loan portfolio. In 2017 and 2018, concerted efforts were made by the World Bank and the Central Bank of Kenya to establish a Kenya Mortgage Refinance Company (KMRC), similar to what has been established in Tanzania, Nigeria, Egypt¹⁶ and the WAEMU region. An explicit focus of this institution will be the provision of liquidity to SACCOs in support of their housing lending role. It is expected that the KMRC will be operational within 2019.

Affordability

Housing affordability is a critical issue in Kenya, and a key focus of the current policy debate. Even entry-level housing is expensive, with the cheapest newly built unit by a private developer still only affordable to a minority of urban residents. For example, Suraya Properties offers a 16m² bedsitter unit in its Encasa 1 project on the Mombasa Road in Nairobi, for Ksh1 155 000 (US\$11 500), or a 20m² studio apartment for Ksh1 760 000 (US\$17 500), whether for purchase with cash or with a mortgage.¹⁷ At 14 percent per annum, over 15 years and with a 20 percent deposit, the 16m² bedsitter would cost US\$267 per month to service, and would be affordable to 51 percent of the urban population (though, Suraya only included 85 of these units in its first phase). At these same terms, the 20m² studio apartment would be affordable to only 24 percent of the urban population.¹⁸

Off-plan, the finance arrangements make a significant difference to the price. For Suraya's planned Phase 2 Encasa development, a 40m² two-bedroom unit lists for Ksh3 190 000 (US\$31 600) when paid with a plan involving five instalments, versus Ksh3 415 500 (US\$33 900) when paid with a mortgage.¹⁹ The reason for this increase in price is worth exploring, and has to do both with the impact of Kenya's very slow and cumbersome land titling process, and the availability and cost of construction finance. In essence, by offering a cash instalment plan for off-plan (before construction) purchases, Suraya is able to finance its development process with customer deposits rather than with a construction loan. It also needn't wait for the titling process of individual plots to be completed before being paid, as it would if it waited for its buyers to access mortgage finance to fund their purchase. As a result, a higher income strata is likely purchasing even lower cost housing, possibly for investment rental purposes.

According to the KNBS 2018 Economic Survey, there was a 10.2 percent increase in the value of new private buildings in Nairobi County from Ksh77.7 billion (US\$774 million) in 2016 to Ksh85.6 billion (US\$853.4 million) in 2017, owing to sustained rise in construction of residential and non-residential buildings. The Survey also indicates a 3.8 percent rise in the cost of materials for residential buildings in 2017, up from 1.9 percent in 2016 and 2.6 percent in 2015. Inflation in the cost of labour was more significant, with a 10.5 percent rise in 2017, down, however, from 12.5 percent in 2016 and 25.5 percent in 2015.²⁰

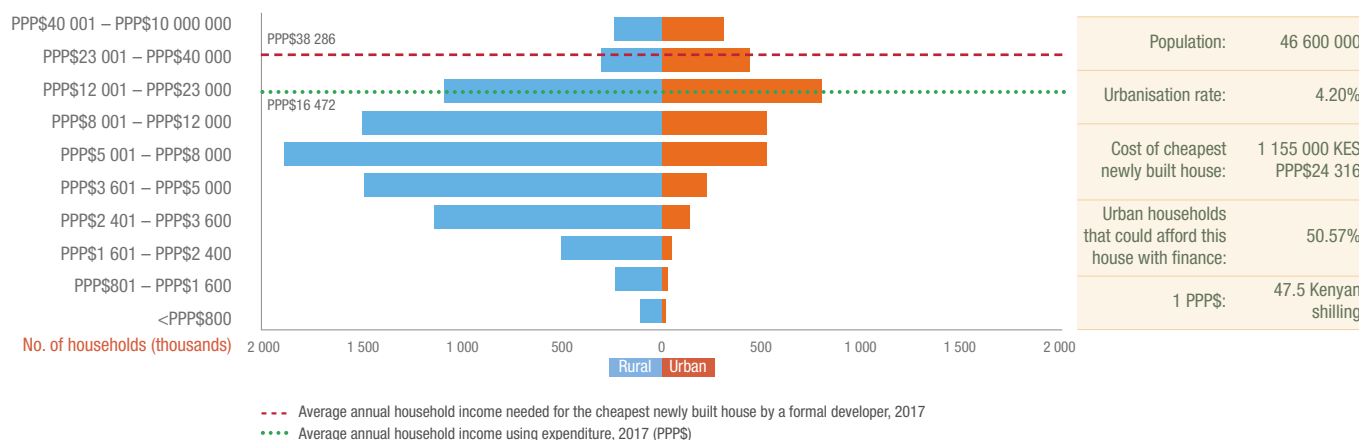
Housing supply

In late 2016, President Kenyatta made an explicit commitment to increasing affordable housing supply, promising 500 000 affordable housing units in the course of his five-year term as president.²¹ With an estimated two million unit backlog, nearly 61 percent of urban households living in slums, and a 4.2 percent urbanisation rate, some analysts have called this a drop in the ocean.²² The Kenya Property Developers Association (KPPDA) suggests that Kenya actually needs to develop 200 000 new units annually, versus the 50 000 currently being constructed.

Analysis undertaken by CAHF suggests that the value of housing construction in 2016 was Ksh272 billion (US\$2.7 billion), equivalent to about 6.3 percent of Kenya's GDP. This comprised Ksh119 billion (US\$1.19 billion) in gross value added, and a further Ksh153 billion (US\$1.5 billion) in intermediate inputs purchased from the primary, secondary and tertiary sectors of the economy. Just under a tenth of this (9.3 percent) was imported – or 16 percent of all manufactured goods used in the housing process. After adjusting for import leakages, CAHF estimates that housing construction has a direct impact output multiplier of 2.16.²³

KENYA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

The profile of housing delivery has shifted over the past 15 years. Hass Consult monitors the mix of property types available in Kenya on an annual basis. In 2001, apartments comprised 23.5 percent of Kenya's residential property market, while semi-detached houses represented another quarter (24.5 percent) and detached houses comprised the majority (52 percent). By the end of 2017, the ratios had shifted entirely, with apartments comprising almost half of the total market (48.7 percent), semi-detached houses still at a quarter (24.9 percent) and detached houses at 26.4 percent.²⁴

Rental housing is a significant feature in Kenya. Much of this middle-income rental housing is offered by small scale landlords who build 20 to 40 units on small, family-owned plots. This investment is generally financed with equity, and the pooling of personal loans, or a loan from the SACCO, as the accommodation is built incrementally. The units are basic, often with poor lighting and limited cross ventilation, and no common amenities. They are managed by the owner or a third party agent. At the same time, developers are building larger formal estates of more than one hundred apartments, and selling these on a condominium or sectional title basis to investors, who then rent them out to a lower or middle income target market. For example, Karibu Homes offers entry-level two-bedroom, standard units from Ksh3.43 million (US\$34 200). The Riverview development comprises of three and four storey walk-ups, rather than stand-alone units.²⁵ To contain price, these developments are usually on the urban periphery. Developers finance the construction with their own equity, cash instalments from individual buyers and bank debt. Investor units then enter the pool of rental stock, either managed directly by the investor themselves, or a third party.²⁶

Housing Cooperatives are an important affordable housing supplier.²⁷ The National Cooperative Housing Union (NACHU), an apex organisation made of registered housing cooperatives, works to provide affordable and decent housing to Kenyans in low income communities.²⁸ NACHU has more than 800 housing cooperatives in eight regions of Kenya and has become a leading organisation in the provision of housing microfinance, capacity building and technical services.

Government is a significant player in the housing supply sector, and increasingly so with the announcement of the "Big Four" plan. In the 2018 Budget Statement of the National Treasury, US\$1.5 billion is allocated to public private partnership projects for housing for civil servants, police and prisons, and for affordable housing in the period 2018-2020. The statement also confirms the continuation of existing government programmes: investment in low-cost houses through slum upgrading, and the provision of infrastructure services and income-generating activities in informal settlements.²⁹

The KPDA was established in Nairobi in 2006, to represent stakeholders in property development in Kenya. The association has 138 members.³⁰ With the national focus on affordable housing, the KPDA has formed an Affordable Housing Task Force to collate member perspectives, and engage with government for policy change. According to the KPDA's Affordable Housing Task Force, there are many

challenges to the delivery of affordable housing, starting with poor urban planning and the failure of municipalities to service land, leaving it to developers who then add this to the purchase price. High costs of construction are in part due to Kenya's very high import duties, poor import logistics, and an unfavourable tax regime. Construction finance has become increasingly limited since the introduction of the interest rate caps, and mortgage finance remains both unaffordable and inaccessible.³¹ A key constraint relates to the inefficient titling process, which, according to the World Bank's Doing Business survey for 2018, involves nine steps and takes 61 days.³² High incidental costs result in an additional six percent being added to the cost of the unit, to accommodate stamp duty, legal fees, valuation fees and facilitation fees.³³

Property markets

Kenya has a vibrant upper income property market that is eagerly tracked by various analysts. In 2018, Cytonn reported that Kenya's real estate sector remains an attractive asset class in large part because of returns (24.3 percent over the last five years) that are almost double that of traditional asset classes (which averaged 13.2 percent). Looking specifically at the Nairobi market, Cytonn found that the residential sector recorded total returns of 8.2 percent in 2017/18.³⁴

Rapid property price appreciation (Hass Consult estimates that property values have increased by 4.46 times since 2000), however, has put pressure on housing affordability, and some suggest this is constraining market growth as the high end market becomes saturated. In the second quarter of 2018, property prices increased by 3.6 percent increase for the quarter (and an annual change of 5.1 percent). Hass Consult views the improvement in sales and rentals as a sign of Kenya's economic recovery, with the main growth in the price and rental of semi-detached houses.³⁵ The Kenya Bankers Association's Housing Price Index offers a slightly different view, with a 1.76 percent rise in the second quarter of 2018, suggesting a stabilising of house prices. Drivers of the index continue to relate to the size of the house, parking availability, and access to water through a borehole.³⁶

A key challenge in Kenya's housing sector relates to land titling. The issuing of title deeds is a flagship programme of the government, which has registered over 2.43 million title deeds between July 2013 and February 2017. The government is also engaging in the digitisation of its 57 land registries, which have been keeping manual records since 1895. While the President's Delivery Unit reports that the Nairobi registry is fully digitized, however, developers argue that titling remains cumbersome.³⁷

Policy and regulation

In Kenya, the Ministry of Land, Housing and Urban Development and the National Land Commission (NLC) are the two main institutions responsible for land administration. The ministry is part of the executive arm of the national government while the NLC is an independent body that was created by the 2010 Constitution.

The inclusion of affordable housing as one of the four pillars of growth in the President's "Big Four" plan has stimulated a range of policy and regulatory

interventions in the housing sector. In its 2018 Budget Review, National Treasury announced a series of legislative and administrative interventions, relating to sound planning that is responsive to household affordability; a focus on housing location and the use of public land for affordable housing; a reduction in the cost of construction through interventions in the construction value chain; increasing access to end-user finance, through growing the capacity of the mortgage lending sector with the introduction of a Kenya Mortgage Refinance Company; administrative efficiencies, especially in relation to access to land and formal title; and the introduction of public private partnerships to expedite administrative approvals, enhance access to well-located land, and improve inter-governmental coordination.³⁸

The creation of a National Housing Development Fund was also introduced through a proposed amendment to the Employment Act. This amendment will allow for the introduction of a one percent tax on gross monthly salary and a matching contribution by employers to be contributed to the fund. In June, Cytonn quoted the local press in clarifying that individuals in the affordable housing target market would be eligible to access their savings in the NHDF to purchase housing through tenant purchase schemes, or as a deposit towards financing their home purchase with a mortgage. With the effective demand created by the NHDF, the state would enter into PPPs for housing construction, offering housing on a lottery basis to NHDF depositors.³⁹

The Budget Policy Statement also announces the reduction of the corporate tax rate for developers who construct at least 100 units per year, and the plans to establish a National Social Housing Development Fund to strengthen the National Housing Corporation. A review of the National Construction Authority Act, the Built Environment Bill and related legislation is also planned.⁴⁰ The Finance Bill introduced amendments to the Central Bank of Kenya Act to include the regulation of mortgage refinance companies. Effectively, this paves the way for the setting up of state-backed Kenya Mortgage Refinancing Company to create liquidity in the mortgage market.

Other legislation and policy under development for the achievement of the Affordable Housing programme in Kenya include amendments to the National

Social Security Fund Act to increase contributions; an amendment of Retirement Benefits Authority Act, to allow NSSF to invest more than 30 percent in real estate; an amendment of Stamp Duty Act to exempt first time home owners from paying stamp duty; the imposition of a tax on idle land; a review of the PPP Act; and a reduction in property transfer costs.⁴¹

The country's Ease of Doing Business ranking has improved remarkably. The country moved up 12 places, from a ranking of 92 in 2017 to 80 in 2018.⁴² The World Bank's Doing Business Report notes that Kenya scrapped the clearance fees previously payable to the National Environment Management Authority and the National Construction Authority which effectively reduced construction cost.

Opportunities

With clear political will promoting a range of interventions to ensure its success, the future of Kenya's affordable housing sector looks very positive. Government's ambition is not insubstantial: the promise of 500 000 new affordable housing units by 2022 will more than double current output, such that National Treasury estimates that the real estate and construction sectors will contribute 14 percent to GDP.

For this all to work, however, there is an entire value chain of interventions that require attention. The effective supply of land and infrastructure at the local, county level, is on the top of this list. The devolution of powers to the 47 county governments is promising, but they will need to engage explicitly with the time and cost of the housing procedures they control. Other policy interventions do look imminent. For its part, the KPDA is mobilising the private sector and creating a useful platform for debate and innovation through its Affordable Housing Task Force.

A key opportunity that must not be lost in the push towards scale, however, is for small scale initiatives that mobilise local level capacity, support entrepreneurialism, and often better target the affordability realities of households that seek improved housing conditions. This will require much better targeted housing financing products, whether for developers or end-users, whether for incremental construction or larger scale developments. The promise of a KMRC that is aware of this market diversity is encouraging.

¹ Speech by His Excellency Hon. Uhuru Kenyatta, C.G.H., President and Commander in Chief of the Defence Forces of the Republic of Kenya during the 2017 Jamhuri Day Celebrations at the Moi International Sports Centre, Kasarani on the 12th December 2017. <http://www.president.go.ke/2017/12/12/speech-by-his-excellency-hon-uhuru-kenyatta-c-g-h-president-and-commander-in-chief-of-the-defence-forces-of-the-republic-of-kenya-during-the-2017-jamhuri-day-celebrations-at-the-moi-international/> (Accessed 29 Sept 2018).

² African Development Bank Group (2018). Kenya Economic Outlook. <https://www.afdb.org/en/countries/east-africa/kenya/kenya-economic-outlook/> (Accessed 29 Sept 2018).

³ KNBS (2018). Economic Survey 2018. <https://www.knbs.or.ke/download/economic-survey-2018/> (Accessed 29 Sept 2018).

⁴ Trading Economics (2018). Kenya Government Debt to GDP 1998-2018. <https://tradingeconomics.com/kenya/government-debt-to-gdp> (Accessed 30 Sept 2018).

⁵ Central Bank of Kenya. Kenya National Bureau of Statistics & FSD Kenya (2016). The 2016 FinAccess Household Survey on financial inclusion. Nairobi, Kenya: FSD Kenya. <http://s3-eu-central-1.amazonaws.com/fsd-circle/wp-content/uploads/2016/02/30093031/The-2016-FinAccess-household-survey-report4.pdf> (Accessed 29 Sept 2018).

⁶ Central Bank of Kenya (2018). www.centralbank.go.ke (Accessed 29 Sept 2018).

⁷ Central Bank of Kenya (2018). Bank Supervision Annual Report 2017. https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/873911276_2017%20Annual%20Report.pdf (Accessed 29 Sept 2018).

⁸ Central Bank of Kenya (2017). Monetary Policy Committee Report, October 2017. https://www.centralbank.go.ke/uploads/monetary_policy_reports/907887845_19th%20MPC%20REPORT%20-%2020October%202017.pdf (Accessed on 29 Sept 2018).

⁹ Central Bank of Kenya (2018). Bank Supervision Annual Report 2017. https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/873911276_2017%20Annual%20Report.pdf (Accessed 29 Sept 2018).

¹⁰ Central Bank of Kenya (2018). Bank Supervision Annual Report 2017. https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/873911276_2017%20Annual%20Report.pdf (Accessed 29 Sept 2018).

¹¹ Central Bank of Kenya (2018). Bank Supervision Annual Report 2017. https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/873911276_2017%20Annual%20Report.pdf (Accessed 29 Sept 2018).

¹² Central Bank of Kenya, Kenya National Bureau of Statistics & FSD Kenya (2016). The 2016 FinAccess Household Survey on financial inclusion. Nairobi, Kenya: FSD Kenya. <http://s3-eu-central-1.amazonaws.com/fsd-circle/wp-content/uploads/2016/02/30093031/The-2016-FinAccess-household-survey-report4.pdf> (Accessed 29 Sept 2018).

¹³ World Bank (2017). Kenya Economic Update. April 2017. Edition No. 15. Housing Unavailable and unaffordable. <http://documents.worldbank.org/curated/en/988191491576935397/pdf/114115-REVISED-PUBLIC-KenyaEconomicUpdateFINALFINALMay.pdf> (Accessed 29 Sept 2018).

¹⁴ Wood, D (2018). Case Study Series 12: The role of savings and credit cooperative organizations in Kenya's housing finance sector. Centre for Affordable Housing Finance in Africa. March 2018. <http://housingfinanceafrica.org/app/uploads/case-study-NO-12-formatted.pdf> (Accessed 29 Sept 2018).

¹⁵ Kiganda, A (2017). Kenyan SACCOs to offer interest-free housing loans plan. Construction Review Online. 21 July 2017. <https://constructionreviewonline.com/2017/07/kenyan-saccos-to-offer-interest-free-housing-loans-plan/> (Accessed 30 Sept 2018).

¹⁶ See Langhan, S (2016). Case Study Series 2: The role of mortgage liquidity facilities in housing finance: lessons learned from Egypt, Tanzania, Nigeria and Malaysia. Centre for Affordable Housing Finance in Africa. February 2016. <http://housingfinanceafrica.org/documents/case-study-2-the-role-of-mortgage-liquidity-facilities-in-housing-finance-lessons-learned-from-egypt-tanzania-nigeria-and-malaysia/> (Accessed 30 Sept 2018).

¹⁷ Encasa @ Mombasa Road Price List. March 2018. <http://www.suraya.co.ke/wp-content/uploads/2016/03/Encasa@Mombasa-Rd-Price-List-March-2018.pdf> (Accessed 30 Sept 2018).

¹⁸ These calculations were made using CAHF's Housing Affordability Calculator. See <http://housingfinanceafrica.org/dashboards/calculating-mortgage-housing-affordability-africa/> (Accessed 30 Sept 2018).

¹⁹ Encasa @ Mombasa Road Price List. March 2018.

²⁰ KNBS (2018). Economic Survey 2018. <https://www.knbs.or.ke/download/economic-survey-2018/> (Accessed 29 Sept 2018).

²¹ Speech by His Excellency Hon. Uhuru Kenyatta, C.G.H., President and Commander in Chief of the Defence Forces of the Republic of Kenya during the 2017 Jamhuri Day Celebrations at the Moi International Sports Centre, Kasarani on the 12th December 2017. <http://www.president.go.ke/2017/12/12/speech-by-his-excellency-hon-uhuru-kenyatta-c-g-h-president-and-commander-in-chief-of-the-defence-forces-of-the-republic-of-kenya-during-the-2017-jamhuri-day-celebrations-at-the-moi-international/> (Accessed 29 Sept 2018).

²² Mugo, D (2018). State's promised 500,000 low cost homes a drop in the ocean. Daily Nation 11 Jan 2018. <https://www.pressreader.com/kenya/daily-nation-kenya/20180111/282192241383892> (Accessed 30 Sept 2018).

²³ Gardner, D, K Lockwood and J Pienaar (2018). Kenya Private Sector Diagnostic: Affordable Housing & Construction Value Chain 'Deep Dive' – Draft report, not for circulation. Centre for Affordable Housing Finance in Africa.

²⁴ Hass Consult (2018). Housing Price Index Quarter Two Report 2018. <http://www.kba.co.ke/downloads/KBA-HPI%20Issue%2015.pdf> (Accessed 30 Sept 2018).

²⁵ See Karibu Homes. <http://karibuhomes.com> (Accessed 30 Sept 2018).

²⁶ Shah, S (2018). CAHF Benchmarking Research: How can we use CAHF study to spur Kenyan housing sector. 30 August 2018. <http://housingfinanceafrica.org/documents/presentation-seeta-shah-cahf-community-of-practice/> (Accessed 30 Sept 2018).

²⁷ Mwololo (2018). Cooperatives to deliver 500 000 social housing Units. Daily Nation. <https://www.nation.co.ke/lifestyle/dn2/Cooperatives-to-deliver-social-housing-units/957860-4670584-1jqr1z/index.html> (Accessed 24 Aug 2018).

²⁸ See NACHU. <https://nachu.or.ke> (Accessed 30 Sept 2018).

²⁹ Republic of Kenya, National Treasury (2018). Medium Term 2018 Budget Policy Statement – Creating Jobs, Transforming Lives – “The Big Four” Plan. Feb 2018. <http://www.treasury.go.ke/component/download/send/195-budget-policy-statement/732-2018-budget-policy-statement.html> (Accessed 30 Sept 2018).

³⁰ See Kenya Property Developers Association. <http://www.kpda.or.ke> (Accessed 30 Sept 2018).

³¹ KPDA, ijenga (2018). Affordable Housing in Kenya: Investment cases for developers building affordable homes in Nairobi. Industry Report. 26 June 2018. <http://housingfinanceafrica.org/documents/affordable-housing-in-kenya-investment-cases-for-developers-in-nairobi/> (Accessed 30 Sept 2018).

³² World Bank (2018). Doing Business 2018: Kenya. <http://www.doingbusiness.org/content/dam/doingBusiness/country/k/kenya/KEN.pdf> (Accessed 30 Sept 2018).

³³ KPDA, ijenga (2018). Affordable Housing in Kenya: Investment cases for developers building affordable homes in Nairobi. Industry Report. 26 June 2018. <http://housingfinanceafrica.org/documents/affordable-housing-in-kenya-investment-cases-for-developers-in-nairobi/> (Accessed 30 Sept 2018).

³⁴ Cytonn Report (2018). Nairobi Metropolitan Area Residential Report 2017/18 & Cytonn Weekly #26/2018. 8 July 2018. <https://cytonnreport.com/research/nairobi-metropolitan-area-residential-report-cytonn-weekly-262018#focus-of-the-week> (Accessed 30 Sept 2018).

³⁵ Hass Consult (2018). Housing Price Index Quarter Two Report 2018. <http://www.kba.co.ke/downloads/KBA-HPI%20Issue%2015.pdf> (Accessed 30 Sept 2018).

³⁶ Kenya Bankers Association (2018). Housing Price Index, September 2018. <http://www.kba.co.ke/downloads/KBA-HPI%20Issue%2015.pdf> (Accessed on 30 Sept 2018).

³⁷ Government of Kenya (2018). Flagship Projects. <https://www.deliver.gov.ke/flagship> (Accessed 31 July 2018).

³⁸ Republic of Kenya, National Treasury (2018). Medium Term 2018 Budget Policy Statement – Creating Jobs, Transforming Lives – “The Big Four” Plan. Feb 2018. <http://www.treasury.go.ke/component/download/send/195-budget-policy-statement/732-2018-budget-policy-statement.html> (Accessed 30 Sept 2018).

³⁹ Cytonn Report (2018). Eurobonds in Sub-Saharan Africa, & Cytonn Weekly #25/2018. 24 June 2018. <https://cytonnreport.com/research/eurobonds-in-sub-saharan-africa-cytonn-weekly-252018#real-estate> (Accessed 30 Sept 2018).

⁴⁰ Republic of Kenya, National Treasury (2018). Medium Term 2018 Budget Policy Statement – Creating Jobs, Transforming Lives – “The Big Four” Plan. Feb 2018. <http://www.treasury.go.ke/component/download/send/195-budget-policy-statement/732-2018-budget-policy-statement.html> (Accessed 30 Sept 2018).

⁴¹ See <http://www.president.go.ke/affordable-housing/> (Accessed 30 Sept 2018).

⁴² World Bank (2018). Doing Business 2018: Kenya. <http://www.doingbusiness.org/content/dam/doingBusiness/country/k/kenya/KEN.pdf> (Accessed 30 Sept 2018).

Lesotho



Overview

Lesotho is a mountainous, landlocked country surrounded by the Republic of South Africa, with an estimated population of 2 263 253 people in 2018. The population growth rate increased from 0.68 to 1.2 percent in 2016. In 2016, 31.7 percent of the population lived in urban areas while 68.3 percent lived in the rural areas.¹ The national household average size is estimated at 4.8 persons for rural areas and 3.4 persons in urban areas. The rural population stands at 1 590 277 and the urban population 68 5938 in 2018.² The urbanisation rate of Lesotho is 3.5 percent a year. There are 10 main urban centres, namely Maseru City, Teyateyaneng (TY) Berea, Maputsoe Leribe, Hlotse Leribe, Botha-Bothe, Mafeteng, Mhales'hoek, Moyeni Quthing, Thaba-Tseka and Qachas'nek.

The inflation rate in Lesotho was recorded at 2.90 percent in July 2018 and is estimated to be 3.30 percent by the end of September, 2018.³ According to Trading Economics global models and analysts' expectations, it is further estimated that inflation will stand at 3.10 percent in 12 months time.⁴ The GDP was US\$2.30 billion in 2016 and increased to US\$2.64 billion in 2017.⁵ The GDP growth rate was 2.40 percent in 2016 and 4.60 percent in 2017. This contributed to economic growth as a result of the following sectors as main contributors: agriculture, manufacturing, mining and quarrying. Other services and goods as well as taxes also contributed to Lesotho's economy.

The GDP per capita in 2017 was recorded at LSL18 612.45 (US\$1 409.20).⁶ Lesotho's overall fiscal position remained weak for most of 2017/18, with sporadic spikes of shortages in cash and foreign reserves. Government revenue is projected to be LSL845.7 million (US\$59.3 million) below budget by the end of March 2018.⁷ The fiscal deficit is estimated at 5.7 percent of GDP for the fiscal year 2017/18, up from the budgeted 4.8 percent.⁸

Access to finance

Lesotho has a limited banking sector. Access to housing finance is mainly mortgage finance, with approximately 400 loans a year provided to borrowers who earn above LSL1 285 (US\$900) a month. This sector is regulated by the Central Bank of Lesotho and is dominated by Standard Lesotho Bank Limited (SLB), First National Bank (FNB), Nedbank Lesotho and Lesotho Postbank (LPB). Nedbank Lesotho has 10 main branches spread across the seven districts of Lesotho, four of which are based in Maseru District. Standard Bank has 16 branches throughout the country, with four in Maseru. LPB is the only bank that does not offer a

KEY FIGURES

Main urban centres	Maseru City Teyateyaneng
Exchange rate: 1 US\$ = [a] 13 Jul 2018	14.69 Loti
PPP Exchange rate (Local currency/PPP\$) 1 Loti = [b]	5.00
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018 [b]	6.21 5.60 4.80
Population [c] Urban population size 2016 [d]	2 264 063 685 938
Population growth rate [c] Urbanisation rate	1.33% 3.50%
Percentage of the total population below National Poverty Line [e]	40.0%
Unemployment rate [f]	28%
GDP (Current US\$) 2016 [b] GDP growth rate annual 2016 [b]	US\$2 639 million 5.59%
GDP per capita (Current US\$) 2016 [b]	US\$1 181
GNI per capita (Current US\$) 2016 [b]	US\$1 280
Gini co-efficient [g]	54.2
HDI global ranking 2017 HDI country index score 2017	159 0.52
Is there a deeds registry? [h]	Yes
Number of residential properties that have a title deed [h]	65 958
Lending interest rate	10.00%
Mortgage interest rate Mortgage term (years)	11.87% 20
Downpayment	15%
Mortgage book as a percentage of the GDP	4%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$6.83
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	214 694 Loti
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$14 615
What is the size of this house (m ²)?	40m ²
What is the average rental price for this unit (US\$)?	US\$170
What is the minimum stand or plot size for residential property?	375m ²
Ease of Doing Business Rank [i]	104
Number of procedures to register property [i]	4
Time to register property (days) [i]	43 days
Cost to register property (as % of property value) [i]	8.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	Bank of Lesotho
[b]	World Bank World Development Indicators
[c]	Worldpopulationreview.com
[d]	Lesotho Bureau of Statistics
[e]	United Nations Indicators for Monitoring the Millenium Development Goals
[f]	Indexmundi
[g]	Trading Economics
[h]	Lesotho Land Administration Authority
[i]	World Bank Doing Business

mortgage finance product. Lesotho has an operational credit bureau system with approximately 137 000 individuals and 220 000 accounts registered in the bureau.⁹ Credit information enquiries, mostly by banks, have risen to 13 000 since the establishment of the bureau two years ago.¹⁰ The Lesotho ministerial cabinet is preparing legislation on the Secured Transaction Regime that would permit movable property to serve as collateral.

SLB offers home loans from LSL100 000 (US\$7 570.20) up to LSL10 million at the rate of 12.5 percent a year payable over a 20-year period. SLB has an estimated 2 100 mortgages and the average loan size is LSL328 833 (US\$23 076).¹¹ The total amount of home loans outstanding in 2018 is LSL208 915.45 (US\$15 815.3) and this represents 6.95 percent of the outstanding loans. It also offers pension-backed loans, but these are not recorded separately from normal loans. FNB Lesotho also offers home loans at an interest rate of 11.25 percent a year. Nedbank Lesotho offers home loans to purchase property.

It requires a bond initiation fee of LSL5 700 (US\$431.50) as a once-off cost for processing the home loan, occupational rent if the client moves in before the transfer date, and the bond registration costs.

LPB provides financial services predominantly to the under-served Basotho in the urban areas and previously un-served rural population. LPB has 42 branches throughout the country and ATMs but it does not provide mortgages.¹²

There are 235 non-banking financial institutions, 51 active financial cooperatives, 11 insurance companies, four licensed asset managers, 30 licensed insurance brokers, 102 pension funds, and six collective investment schemes, including two money market funds. There are 29 registered micro lenders in Lesotho and it is estimated that there are an additional 50 microlenders that are not registered with the central bank. Among these micro lenders, there are only two that are providing housing-related loans in a specific housing portfolio and these are Lesana Financial Services and Letshego Financial Services. The average loan size given by Lesana Financial Services is LSL36 736.15 (US\$2 781). The loans are payable at an interest rate of 21.5 percent for housing-related loans and 45 percent for other loans. The loan duration ranges from a year to over a period of 60 months. In 2018, there are 4 743 housing micro finance loans provided by Lesana Financial Services and its unsecured lending interest is 17.96 percent.¹³

Affordability

Lesotho is classified as one of the least developed countries globally; 40 percent of its total population is living below the international poverty line of LSL15.20 (US\$1.25) a day.¹⁴ Above 20 percent of the population is at risk of multi-dimensional poverty, HIV/AIDS, hunger, and unemployment.¹⁵ The unemployment rate remains very high and is estimated at 28.1 percent of the economically active population aged 15 years and above.¹⁶

The Lesotho Housing Profile 2016 revealed that approximately 70 percent of Basotho households earn less than LSL1 000 (about US\$ 70) a month. The cost of housing to household expenditure ratio is 4:1. Seventy percent of the total urban housing stock in Lesotho is provided through the informal channels and rental affordability is estimated at 25 to 30 percent of household expenditure.¹⁷ Therefore, urban households can afford to occupy just a single room and pay between LSL208 (US\$14.59) to LSL250 (US\$17.54) a month for rent.¹⁸ A significant number of Basotho people cannot afford to buy formally developed houses despite the 17 percent of Basotho earning a salary in the formal market, as the average loan size provided by Standard Lesotho Bank is US\$23 076 or LSL328 833.

In Lesotho the price of the cheapest newly built house by a formal developer or contractor is LSL193 059.55 (US\$14 615). The average rental price is LSL2 575.90 (US\$195) a month. Only middle and high income earners can afford this type of a house, which is normally a two-bedroomed house with an average size of 40m².

The minimum plot size according to 1990 Lesotho Planning Standards is 375m² and at the current land market prices, plots are sold at LSL100 (US\$7.57) a square metre. This remains unaffordable for most low income Basotho. Notwithstanding all these challenges, Basotho still rely on social networks and inheritance to own property with a small percentage, 23 percent, living in houses they financed through bank loans. Some build their homes themselves while others live in homes that they have inherited.¹⁹

Housing supply

Although the right to adequate housing is reflected in the Constitution of Lesotho, the government has not yet fulfilled its mandate to facilitate the realisation of this right. The Lesotho Housing Profile (2015) estimated that a total of 99 000 dwellings (or 170 000 rooms) will have to be constructed by 2025 to meet the demand for housing in Lesotho. An estimated 5 200 dwellings or 9 000 rooms a year are needed to meet the annual urban housing demand.²⁰ This is largely because of urban migration, new household formations, overcrowding and a largely obsolete housing stock. According to the UN-Habitat definition of a slum, almost 68 percent of Lesotho households live in slum conditions.

Lesotho Housing and Land Development Corporation (LHLDC) is a government parastatal mandated to deliver formal housing in Lesotho. The LHLDC has taken

a phased approach to housing delivery. Maseru South West (MASOWE) Project Phase I and II was implemented between 2000 and 2010. MASOWE Phase III was implemented between 2010 and 2016 where only 34 houses were built and sold between 2010 and 2016. In MASOWE IV, LHLDC had 448 residential plots with 189 earmarked for low income housing. The average plot size of these units was 450m². An additional 227 were earmarked for middle to high income housing with plot sizes ranging from 700m² to 800m². LHLDC also faces challenges of adequate housing finance to be able to execute its housing mandate effectively and satisfactorily. There was an additional 17 two-bedroom housing project in Linakotseng that was initiated by the Ministry of Local Government and Chieftainship as a low income housing project and later transferred to LHLDC in 2015. All 17 houses have been sold between 2017 and 2018.

LHLDC also provides rental for middle income households at an average of US\$343.16, and US\$480.42 for high income households. The Maseru Municipal Council (MMC) is responsible for planning and allocating land within the designated city boundaries and for housing development in public-private partnerships (PPP). In 2017, MMC sold out serviced sites for the high income earners in the inner city of Maseru at LSL250 (US\$19.04) a square meter. Plot sizes were 40m² and 30m² at Matala Phase II and sold at a price of LSL150 (US\$11.42) a square metre. These were primarily targeted at middle income households. Low income buyers have also been considered. The provision of 36 plots selling at LSL60 (US\$4.57) a square metre located at Khubelu area provides an opportunity for low income households who intend on constructing incrementally over time.

There is a booming market for private housing developers to do satellite town housing developments in partnership with the MMC. This includes a pipeline housing development currently under negotiation, called "MORERO City Development: Sustainable Infrastructure for a better future". The aim of this new housing project is to provide a mixed-use development located in the South West of Maseru, 5km from the Maseru City Centre. The project will require 400ha of land for residential housing, office space and education facilities.²¹ The development will also include a retail complex, hotel and sport facilities. The project is meant to be delivered over a four-year period.

To date, the NGO Habitat for Humanity has helped 2 724 households with various housing solutions. Between July 2016 and June 2017, 70 two-room houses with pit latrines were built for vulnerable households in the country. From July 2017 to June 2018, an additional 50 pit latrines and two-room houses of 25.92m² were constructed.²² Most of the houses provided under Habitat for Humanity Lesotho are 100 percent subsidised. The NGO is the only one working in the housing sector in Lesotho.

Private Housing Developers in Lesotho include Matekane Group of Companies (MGC) Properties, Lesotho Housing and Land Development Corporation, Creative Properties, Green City Construction and Property Developers, with developments such as the Bridge Estate Rental, Masowe 3 Rental, Thetsane West Rental, New Office Park Masowe, New Development 1 Phuthiatsana River Type A & B and Caledon River Estate New Residential Development. Growth in the construction sector is estimated at 1 percent a year and contributes approximately 9 percent of GDP.²³

MGC Properties has built 20 three-bedroom luxury houses at Mpilo Estate. The price per unit ranges from LSL1.8 million to LSL2.5 million (US\$137 090 to US\$190 403). Sigma Construction and Property Development has developed low, middle, and high income residential houses (both detached and multi-family) in Mabote, Khubetsaana, MASOWE II and III. Their housing stock for sale caters for middle to high income buyers only and ranges from LSL650 000 (US\$44 610) to LSL950 000 (US\$65 199) and LSL1.5 million (US\$102 947) to LSL3.5 million (US\$240 210) respectively. It also caters for low income renters, with rentals ranging from LSL1 800 (US\$123) to LSL2 500 (US\$171); LSL5 000 (US\$343) to LSL10 000 (US\$686) for middle income and LSL15 000 (US\$1 029) to LSL25 000 (US\$1 715) for high income categories.

The cost of a standard 50kg bag of cement in July 2018 was LSL84.84 (US\$6.38) at factory warehouses and LSL100 (US\$7.52) at the retail outlets.

LESOTHO

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Property markets

Property markets are skewed towards potential buyers in the middle to high income category and only a few middle to high income earners rely on real-estate agents. The real-estate sector is not formally regulated, resulting in a lack of data and inflated prices.

The real estate and property markets have recently made use of technologies like website marketing for house rental and sale. MyProperty Real Estate and Property is helping house buyers and renters to find the best and cheapest properties for rent or for sale in Lesotho, both from private sellers or real estate brokers and agents. MyProperty.co.ls uses new technologies to offer the best rates in the country from Maseru to Mafeteng, Pitseng and other parts of the country. It offers various types of properties from apartments, houses, condominiums to plots of land for sale.²⁴

Lesotho has a dynamic land tenure system, characterised by both the customary and statutory land tenure systems. The type of land tenure rights that exist in Lesotho comprise Leasehold, Form C and Title Deed. The 2016 Population and Housing Census (PHC) Report revealed that 16 percent of the population has lease rights; 41 percent has Form C rights, 4 percent has Title Deed and 27 percent and 12 percent²⁵ represents other and none of the above. This implies that only 61 percent of Basotho have land rights documents.

The land legislative and institutional reforms that took place in Lesotho in 2010 supported the establishment of the Land Administration Authority (LAA) and the adoption of the new Land Act 2010, which brought significant improvement in the land sector. It helped speed up the processing of land leases, which improved revenue collection through efficient land billing and collection systems such as land taxes. The LAA has reduced costs and time of registering title by large margins. The registering of titles, which used to take between six and 10 years, now takes 11 days, with a ninety-year lease issued in a month. In 2018, a total of 76 581 leases have been issued and registered with the office of the Register of Deeds at the Land Administration Authority.²⁶

With the support of the World Bank and the Private Sector Competitiveness and Economic Diversification Project, government has improved the construction permit process by moving from manual to electronic and automated systems, reducing the time and cost of issuing the permits.²⁷

Policy and regulation

The National Housing Policy Implementation Strategy 2018-2020, developed in partnership with UN-Habitat, sets out the priority actions and activities that are proposed for the five-year period from 2016 to 2021, towards the achievement of the goals of the National Housing Policy. The goal is to "achieve the progressive realization of the right to adequate housing for all by promoting housing as a basic human right, a social good, an economic investment, job creation opportunity and a strategy for poverty reduction."²⁸

The Maseru Urban Planning and Transportation Study was prepared as a step towards developing an urban policy and structure plan for the City of Maseru and to inform the development of a National Spatial Development Framework. The goals and objectives of this study will provide adequate and varied housing solutions and choices, especially affordable serviced housing, to meet existing and projected needs.²⁹ With the current urbanisation rate, these frameworks will be important in guiding the spatial distribution of people, resources, and the use and consumption of land.

The Maseru Master Plan Readiness Study that was started in 2015 was completed in 2018. This will provide guiding principles for Maseru urban management systems, especially in enhancing municipal finance and real estate development. It will also aid the implementation of housing and neighbourhood development, and will serve as a road map for urban implementation and as a tool for integration of urbanisation across all departments.

The review of the National Strategic Development Plan II and its implementation in 2018 – 2022 will help the country to:

- Promote densification/through zoning and infill development in the inner areas of all urban centres in Lesotho, in which the public sector owns extensive land, but under extremely low-density development. This will make housing more affordable by cutting capital costs and bringing people closer to infrastructure and other services.
- Review, update and adopt the regulatory framework for urban development in the country.
- Develop new frameworks, including the National Urban Policy and the National Spatial Development Framework.
- Adopt: Sectional Title Bill, Maseru Urban Planning and Transport Study for the City of Maseru.
- Review: Development Control Code 1989, Planning Standards 1990.

Lesotho has been given the privilege to chair the Sub-Committee on Human Settlement and Urban Development (HUD) of the African Union Specialized Technical Committee no.8 on Public Service, Local Government, Urban Development and Decentralization (AU-STC no.8). This opportunity will help Lesotho to implement the Harmonized Implementation Framework for the New Urban Agenda, which was adopted in Quito, Ecuador in October 2016. The framework highlights the synergies of the New Urban Agenda with other international commitments such as the Sustainable Development Goals, particularly Goal 11, and the 2036 African Agenda Goals.

Opportunities

There is still an opportunity for property market investment due to the high levels of demand, particularly for the middle to higher income groups. Quite a number of different property developments have been advertised for various housing options in 2018. The most popular one is MyProperty for Real Estate and

Property for sale and rent. In 2018, it had 245 units for rent and 331 for sale across the whole country that it advertised on its website.³⁰

The ongoing legislative and policy reforms coupled with the current developments, which are concentrated mostly in Maseru, leave other districts open for investments in the housing sector. Microfinance institutions continue to increase the number of clients receiving housing microfinance services and this helps provide diversified innovative housing options targeted at lower income earners. As a result of the implementation of the Private Sector Competitiveness and Economic Diversification Project initiative, the number of days required to register a company decreased from 28 to seven.³¹ Additionally, the number of days required to obtain an industrial license decreased from 35 to five days, and the turn-around time for a trade licence was reduced to 15 days from 30-50 days. According to the latest World Bank annual rating, Lesotho is ranked 104 in 2017 among 190 economies in the ease of doing business.³²

Progress made in addressing land allocation and management weaknesses highlighted previously helped to reduce the number of days taken from 30 to 11 days for acquiring a land lease from date of submission, as well as five days to register a deed. The number of land transactions recorded has increased tremendously in 2017 which will facilitate various development initiatives on the pieces of land by the land owners, including housing development. This also increases investment opportunities as commercial banks accept land lease as collateral for loans. An approval of Sectional Titles will create opportunities in property ownership as it enables separate ownership of a section or sections of a building. Apartments can therefore, be owner occupied. Processes to review the 1980 Town and Country Planning Act, which is aimed at promoting orderly development of land in urban areas, are under way. The review document will pave the way to the establishment of planning boards, declare planning areas and set out procedures for the preparation of physical plans which will create opportunities for acquisition of planned sites for development in an efficient manner.

Additional sources

Central Intelligence Agency (CIA) World Factbook (Jan 2018). Lesotho Population below poverty line. <https://www.indexmundi.com/lesotho/> (Accessed July 2018).

Lesotho Bureau of Statistics (BOS). Lesotho Inflation Rate (April 2018). <https://www.tradingeconomics.com/lesotho/inflation-cpi/forecast/> (Accessed 3 Sept 2018).

Mabaleha, Rethabile (2018). Public Relations and Marketing Department. Standard Lesotho Bank. July 2018.

Majale, Dr: Michael (April 2018). United Nations Human Settlements Programme (UN-Habitat). National Housing Implementation Strategy 2018-2022.

Matsoso, Manthatisi (2018). Interview with Compliance Manager, Lesana Financial Services, 25 July 2018.

Ministry of Local Government and Chieftainship (2016). Land Administration Authority Audit Report (2016/17).

Mpaki, Bereng. (January 2017). Credit Bureau expands to corporates. https://www.lesitimes.com/credit_bureau-expands-to-corporates (Accessed July 2018).

Myproperty, Real Estate and Property in Lesotho. <https://www.myproperty.co.ls/> (Accessed July 2018).

Paradza, Dr: Gaynor (July 2018). Women's Access to Land and Housing in Lesotho. Unpublished research report undertaken for Habitat for Humanity Lesotho.

Sephoso Tankiso. Land Administration Authority Newsletter: MOBU News/Volume 6, Issue 1, 2018: Women Access to Land Economic Emancipation. Presented at 2017 Conference on Land Policy in Africa held in Addis Ababa, Ethiopia.

Tipple, Graham (2015). United Nations Human Settlements Programme (UN-Habitat). (October 2015). Lesotho Housing Profile.

United Nations Fund (Nov 2016). UNFPA 6th Country Programme Evaluation: Kingdom of Lesotho 2013-2017. Pg.75.

United Nations Population Fund (July 2018). Lesotho Population 2018: Demographics, Maps and Graphs. (2018). <https://worldpopulationreview.com/countries/lesotho-population> (Accessed 3 Sept 2018).

The World Bank- Doing Business. (2018). Ease of Doing Business in Lesotho. <https://tradingeconomics.com/lesotho/ease-of-doing-business/> (Accessed June 2018).

¹ Bureau of Statistics (2016). National Population and Housing Census.

² Ibid. Pg 13.

³ Trading Economics. Lesotho Inflation Rate – Forecast. <https://tradingeconomics.com/lesotho/inflation-cpi/forecast/> (Accessed 9 Sept 2018).

⁴ Ibid.

⁵ International Monetary Fund (2017). IMF World Economic Outlook: Real GDP Growth.

<https://www.gfmag.com/global-data/country-data/lesotho-gdp/> (Accessed Sept 2018).

⁶ Trading Economics (2017). Lesotho GDP Per Capita PPP. <https://tradingeconomics.com/lesotho/gdp-per-capita/> (Accessed July 2018).

⁷ Dr: Moeketsi Majoro, Budget Speech to the Parliament of Lesotho for the 2018/19 Fiscal Year, 28 February 2018.

⁸ Dr: Majoro, Pg. 2.

⁹ Dr: Majoro, Pg. 4.

¹⁰ Lebohlang Rakotsoane (August 2016). The Post Newsletter: Credit Bureau makes progress. <http://www.thepost.co.ls/business/credit-bureau-makes-progress> (Accessed June 2018).

¹¹ Information submitted from Standard Lesotho Bank from Business Department, July 2018.

¹² Auto Teller Machines placed at strategic public places as a convenient outlet to withdraw money.

¹³ Interview with Compliance Manager, Lesana Financial Services, 25 July 2018.

¹⁴ World Population Review. Lesotho Population (2018). <https://worldpopulationreview.com/country/lesotho-population/> (Accessed 9 Sept 2018).

¹⁵ Ibid.

¹⁶ Central Bank of Lesotho (March 2016). Quarterly Review.

¹⁷ United Nations Human Settlement Programme, UN-Habitat (2015). Lesotho Housing Profile.

¹⁸ Ministry of Local Government and Chieftainship (2016). Lesotho Housing Policy Draft. Pg. 7.

¹⁹ Ibid.

²⁰ UN-Habitat (2015). Lesotho Housing Profile. <https://unhabitat.org/lesotho-urban-housing-profile> Pg. 52.

²¹ Lerotholi, David (2018). MORERO City Development Holdings (PTY) Ltd.

²² Habitat for Humanity Lesotho (June 2018). Global Matrix Tool (GMT) Report.

²³ Ministry of Local Government and Chieftainship (April 2018). National Housing Policy: Implementation Strategy 2018-2022.

<https://www.myproperty.co.ls>

²⁵ Bureau of Statistics (2016). National Population and Housing Census.

²⁶ Director of Leases (2018). Land Administration Authority. <https://www.laa.org.ls/>

²⁷ Dr: Gaynor Paradza (June 2018). The Draft Lesotho Baseline on Women's Access to Land: Research Summary and Recommendations Note.

²⁸ Ministry of Local Government and Chieftainship (2018). National Housing Implementation Strategy - 2018-2022.

²⁹ Maseru City Council (2017). Maseru Urban Planning and Transportation Study.

³⁰ Myproperty Real Estate and Property in Lesotho (2018). <https://www.myproperty.co.ls/>

³¹ Land Administration Authority Audit Report (2016/17), Ministry of Local Government and Chieftainship.

³² The World Bank- Doing Business. (2018). Ease of Doing Business in Lesotho.

Liberia



Overview

The Republic of Liberia is on the West coast of Africa bordered by Sierra Leone to the west, Guinea to the north, Côte d'Ivoire to the east and the Atlantic Ocean to the south. The country became independent in 1847 and now has a population of 4.8 million. It is one of the poorest countries in the world with a Human Development Index (HDI) score of 0.427, placing it at a ranking of 177 out of 188 countries.¹

Liberia's population density is 50 per km² (131 people per m²). Total land area is 96 320km² and 50.8 percent of the population is urban (2 467 489 people in 2018). The median age is 18.7 years.² In 2017, Liberia's population increased by approximately 2.53 percent compared to the previous year.³ Sixty-six percent of the urban population lives in slums. Forty percent of Liberia's population lives in the Capital City Monrovia and 70 percent of Monrovia's population lives in slums. Sixty-eight percent of all employment is informal.⁴

Liberia is a member of several regional institutions including the West African Monetary Institute, West African Monetary Agency, Economic Community of West African States, and the Association of African Central Banks. Liberia's development partners include the World Bank, International Monetary Fund, and the African Development Bank.⁵ It is considered a low income country with a Gross National Income (GNI) per capita of LRD54 396 (US\$370) for 2016 – this is the most recent information available.⁶ Gross Domestic Product (GDP) growth is expected to be 3.9 percent in 2018.⁷ The US\$ exchange rate increased from LRD81.14 in 2017 to LRD147.0171 in July 2018.⁸ The inflation rate increased from a provisional 10.0 percent in June 2017 to 12.4 percent at the end of 2017 – representing a 2.4 percentage point increase.

The provisional inflation rate in 2018 is 17.5 percent, representing an 8.9 percentage point increase above the projected 8.6 percent already reported.⁹ The average lending rates declined from 13.59 percent in 2016 to 13.25 percent in 2017, personal loans from 13.92 percent to 12.97 percent, mortgages from 13.85 percent to 13.33 percent, and time deposit from 3.82 percent to 3.75 percent respectively.¹⁰

The country's economy is dependent on exported natural resources: iron ore, rubber, timber, gold, diamond, coffee, and cocoa. The Ebola epidemic in 2014

KEY FIGURES

Main urban centres	Monrovia
Exchange rate: 1 US\$ = [a] 29 Jul 2018	147.01 Liberian dollar
PPP Exchange rate (Local currency/PPP\$) 1 Liberian dollar = [b]	0.60
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [c]	8.88 12.40 17.50
Population 2017 [d] Urban population size [d]	4 853 516 2 467 489
Population growth rate [d] Urbanisation rate [e]	2.60% 3.24%
Percentage of the total population below National Poverty Line [f]	54%
Unemployment rate [c]	4%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$2 158million 2.45%
GDP per capita (Current US\$) 2017 [b]	US\$456
GNI per capita (Current US\$) 2017 [b]	US\$380
Gini co-efficient [g]	33
HDI global ranking 2017 [h] HDI country index score 2017 [h]	181 0.435
Is there a deeds registry? [i]	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [a]	13.25%
Mortgage interest rate Mortgage term (years)	13.33% 8
Downpayment	30%
Mortgage book as a percentage of the GDP	4%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP [i]	n/a
What is the cost of standard 50kg bag of cement?	US\$8.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	1 200 000 Liberian dollar
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$15 000
What is the size of this house (m ²)?	194m ²
What is the average rental price for this unit (US\$)?	US\$90
What is the minimum stand or plot size for residential property?	1 012m ²
Ease of Doing Business Rank [j]	172
Number of procedures to register property [j]	n/a
Time to register property (days) [j]	6 days
Cost to register property (as % of property value) [j]	16.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Central Bank of Liberia
[b]	World Bank World Development Indicators
[c]	Trading Economics
[d]	Worldometers
[e]	Indexmundi
[f]	Allafrica.com
[g]	Africa Development Bank
[h]	UNDP Development Indicators
[i]	Government of Liberia - Center for National Documents, Records and Archives
[j]	World Bank Doing Business

coupled with a drop in commodity prices has further weakened the country's economy. The total revenue collected in the financial year 2016/17 was LRD77.01 billion (US\$523.8 million), representing a 13 percent deficit against the approved forecast of LRD88.24 billion (US\$600.2 million). Taxes on international trade declined by LRD3.514 billion (US\$23.9 million) or 12 percent.¹¹ Liberia ranks 172 out of 190 countries on the Ease of Doing Business Ranking 2018.¹²

The mortgage sector in Liberia has historically been weak since the collapse of the National Housing and Savings Bank in the 1990s during the civil war. Currently the main commercial bank offering housing loans to the public is the Liberian Bank for Development and Investment (LBDI), while Ecobank provides housing loans to its staff only. In addition, Mutual Fund for Africa, a local credit union, offers construction materials to its clients as a form of housing credit. However, housing microfinance is undeveloped.

The newly elected government under His Excellency George M. Weah, President of the Republic of Liberia, has demonstrated good will by prioritising housing as part of an infrastructure programme. On 20 June 2018, the president launched a LRD1.176 billion (US\$8 million) modern Rural Housing Project in Margibi County to lift rural inhabitants out of poverty. He assured Liberians that all the 15 political sub-divisions will benefit from the project, stressing: "This is my promise

to them.” According to him, the project fulfills a promise made to the Liberian people during the 2017 campaign period.¹³

Access to finance

Access to finance is a major challenge. Liberia is ranked 172 out of 190 economies for access to credit according to the World Bank Doing Business Report 2018.¹⁴ Total credit stock of commercial banks to all sectors of the economy as at November 2017 amounted to LRD53.34 billion (US\$362.8 million), a growth of 31.0 percent when matched against the amount of LRD98.249 billion (US\$666.9 million) recorded in December 2016. Credit to construction is recorded at 6.9 percent.¹⁵ However, the percentage of construction loans disbursed to housing construction is not clear. The number of operating non-deposit-taking microfinance institutions is 16, with 49 networks mainly providing services in the hard-to-reach rural communities across the country. The sector’s client base expanded from 23 478 to 26 326 in 2017. Meanwhile, a diagnostic and assessment study of microfinance sector has resulted in a concept document for a “Tiered Risk-Based Approach to Regulation of Microfinance Institutions in Liberia”.¹⁶

There are nine registered commercial banks in Liberia. The total number of branch networks, windows and annexes across the country reduced from 93 in 2016 to 90 in 2017 due to the closure of some unprofitable branches by Ecobank. There is one development finance company, Liberian Enterprise Development Finance Company, one deposit-taking microfinance institution, Diaconia MDI, and 19 licensed insurance companies with 31 branches across the country. There are two insurance brokerage firms licensed by the Central Bank of Liberia (CBL) to provide insurance intermediation. Registered licensed foreign exchange bureaus increased from 131 in 2016 to 133 in 2017. There are 12 licensed Rural Community Finance Institutions, 260 credit unions, and 2 300 Village Savings and Loan Associations, and two mobile money providers – Orange Money, a subsidiary of Orange Communication Company, and Lonestar Cell MTN Mobile Money Inc. The number of mobile money agents increased from 2 110 in 2016 to 3 162 in 2017. The banking industry, which is the largest subsector of the financial sector (accounting for at least 85 percent of the total assets of the financial sector), witnessed strong growth in its balance sheet in 2017, mainly due to exchange rate depreciation of the Liberian dollar (the reporting currency) and increased business activities during the year. Total assets rose by 30.1 percent compared with 5.4 percent in 2016. Total capital also grew by 38.4 percent compared with 21.2 percent in 2016 while total deposits grew by 19.4 percent compared with 3.8 percent in 2016. Growth in total loans was 36.1 percent compared with 12.3 percent in 2016.¹⁷

In 2017, total assets of the insurance sector reduced by 24.1 percent, capital decreased by 37.1 percent while investment grew by 6.3 percent compared to 2016. These developments were largely attributed to the enforcement of CBL Regulation CBL/RSD/INS/005/2016 Concerning Prudential Requirements of Insurance Companies, which calls for the discounting or disallowance of assets for regulatory solvency purposes. Gross premium income (comprising life and non-life businesses) grew by 33.2 percent, while net income recorded a growth of 24.7 percent.¹⁸

Average interest rates decreased as follows: personal loans from 13.92 percent in 2016 to 12.97 percent in 2017 as well as mortgage loans from 13.85 percent in 2016 to 13.33 percent in 2017.¹⁹ Meanwhile, access to finance is still limited to urban areas while access to affordable long-term credit continues to be a challenge for the majority of the population.

The Government of Liberia encourages home ownership and the development of a mortgage sector to make houses affordable to low and middle income earners. The first subsidised formal mortgage programme for post-conflict Liberia was launched in 2013 by the Liberian Bank for Development and Investment (LBDI), financed with LRD1.470 billion (US\$10 million) from the CBL Mortgage

Credit stimulus initiative. The programme involved LBDI taking ownership of a 30-year old estate built for low income earners and managed by the National Housing Authority (NHA). In addition, 87 new dwellings built by NHA have been sold via LBDI mortgage loans to-date. These are offered to households purchasing NHA housing units at LRD2.940 million (US\$20 000).

Beyond LBDI’s subsidised mortgage product, longer-term financing is required to bridge the affordability gap. An Employer-Assisted Housing Feasibility study revealed that mortgage penetration could be deepened to reach 7 000 formally employed workers should mortgage financing be available within a 25-year term.²⁰

Affordability

Liberia’s public debt stock at 30 November 2017 increased by LRD102.9 million (US\$0.69 million) representing a 13.3 percent increase from LRD113.278 billion (US\$771.2 million) or 36.7 percent of GDP recorded at end-December 2016 to LRD128.51 billion (US\$874.1 million) or 41.3 percent of GDP. At 30 September 2017, the total number of clients in the microfinance sector had increased to 26 352 from 23 478 recorded in June 2017. Total loans outstanding in the sector amounted to LRD705.68 million (US\$4.8 million), compared to LRD661.57 million (US\$4.5 million) at end-June 2017. Total mandatory savings increased to LRD123.49 million (US\$0.84 million), from LRD105.3 million (US\$0.715 million) at end June 2017.²¹ Liberia’s unemployment rate is estimated at four percent²² with 54 percent²³ of the population living below the poverty line.

Affordability is further compounded by low household income earned from salaries and wages. Many Liberians (22.4 percent) earn between LRD6 000 (US\$41) and LRD15 000 (US\$102) monthly, while only 13.5 percent earn over LRD30 000 (US\$204.1). Only 17.1 percent of the urban population earn LRD30 000 (US\$204.1) and above.²⁴ Access to mortgage finance is extremely limited. High levels of poverty and income informality, combined with high interest rates and short tenors (10 years maximum), make housing finance inaccessible to the majority of the population. Fragile land tenure and the falsification of deeds are additional factors which make issuing mortgages more difficult.

A brief affordability analysis of the LBDI-NHA scheme is presented in the table below. The minimum monthly income required to buy a home is LRD56 748 (US\$386) a month, which remains out of reach for most of the population.

Because home ownership is inaccessible to most, rental is a popular option. Rental homes are provided primarily by informal housing promoters. Rents vary according to the location and the quality of homes. They range from LRD3 513 (US\$25) (for a basic room with a shared bathroom) to LRD249 929 (US\$1 700) a month for houses in Monrovia for higher income households and expatriates. Less than one percent of the population has access to government-subsidised homes managed by NHA. The majority of the population in urban areas live in slums or in multi-occupied houses where rents are subject to fluctuations according to demand.

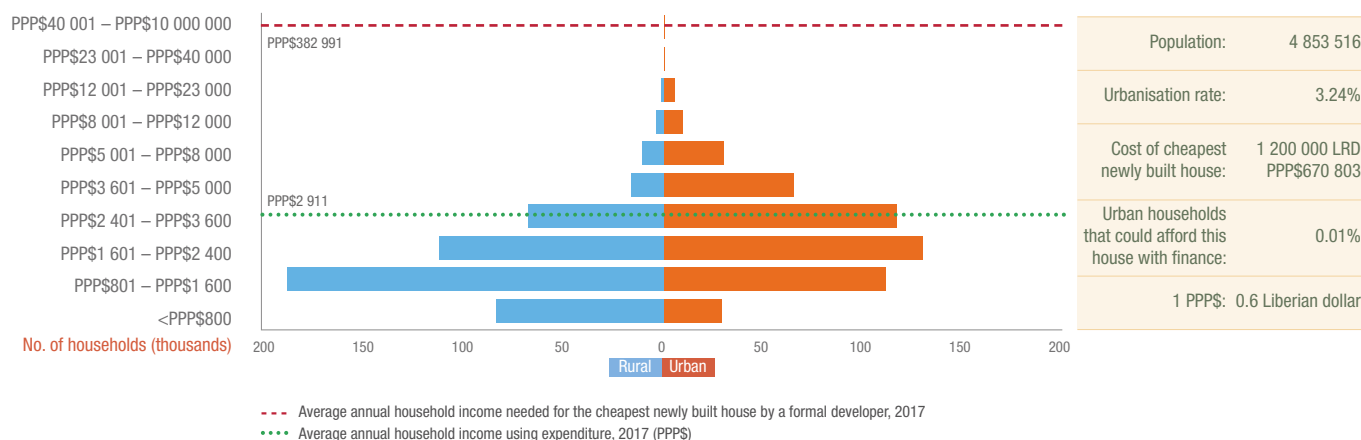
Housing supply

According to the Liberia Institute of Statistics and Geo Information Services “Household Income and Expenditure Survey 2016 published August 2017,” houses in Liberia are classified by material typologies. Most dwelling walls in Liberia are made of mud and sticks – 40 percent. Concrete and cement blocks (26.4 percent) and mud bricks (24.3 percent) are the other most common materials for the walls. There are significant differences between rural and urban dwellings. In rural Liberia the use of mud and sticks and mud-bricks are ubiquitous at 93.5 percent. However, in the urban parts of the country, concrete and cement-blocks, as well as zinc, iron and tin, make up nearly 55 percent of the material used for walls. There is far less diversity in materials used for dwelling roofs as compared to the walls. Zinc sheets, iron or tin are used to roof the majority of dwellings in

Programme LBDI- NHA	LBDI mortgage loan product structure									
	Loan-to-value (LTV) limit	Required down payment in US\$	Loan to homebuyer in US\$	Interest rate	Term (in years)	Term (in payments)	Debt service constant	Required monthly payment in US\$	Minimum monthly income required	Minimum annual income required
US\$15,000 house	70%	\$4 500	\$10 500	8%	10	120	1.21%	US\$127	US\$386	US\$4 633

LIBERIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

the country (86 percent) and nearly all roofs in urban areas (96 percent) are made of zinc sheets, iron or tin. The percent is lower at 75.5 percent in rural areas, where there is a higher prevalence of thatched roofs at 23 percent.²⁵

There is no data on the current housing stock. From available data from the 2014 UN-Habitat Liberia Housing Profile, stock is estimated to be 327 000 dwellings in 2010 and housing needs are 512 000 (2013-2030) at a build rate of 30 000 housing units a year.²⁶ The NHA, a state-owned enterprise, is the only institution providing housing at a relatively large scale although production is still far below what is needed. Since 2013, only 185 housing units were completed by the NHA out of which 70 housing units were completed in 2017, and the construction of an additional 108 housing units is currently underway. The houses are two and three-bedroom units at a subsidised cost of LRD2.205 million (US\$15 000) and LRD2.940 million (US\$20 000) respectively. Between 1962 and 1984, NHA developed and implemented a number of housing programmes in the major cities, producing 1 789 housing units and 600 serviced plots of land for low-cost housing; the investment was estimated at LRD2.940 billion (US\$39.6 million).

Property markets

Like other Anglophone countries in West Africa, the housing market in Liberia is small as the sale of a house is unconscionable to most people. There is a small market in newly-built housing aimed at the Diaspora and higher echelons of Monrovia society.²⁷ According to World Bank Doing Business Report 2018, Liberia is ranked 183 on property registration. There are five procedures involved in registering a property, and costs stand at 15.7 percent of the property value.²⁸ Data on the property market is scarce and, when available, does not reflect market reality. There are no regulations in Liberia affecting the way property is bought, sold, let or rented, apart from the deed/ land registration requirements.

There appears to be three separate markets in urban Liberia: the informal rental market in the poorest neighbourhoods, the market in houses for sale, and the expatriate rental market in Monrovia. Non-Liberians are not permitted to own land in Liberia. In the informal rental market, in poorer neighbourhoods of Monrovia and in the smaller cities, rents are very low.²⁹

Policy and regulation

The legal and regulatory framework governing urban development and specifically housing has been meagre for a long time. However, in addition to the Zoning Law of 1957 and the National Housing Policy (Draft), the Liberia Land Authority has been established to oversee all land issues.

There are several policy and regulatory efforts on land administration and urban renewal. The Act Against Criminal Conveyance of Land (26 August 2014) has been enacted. The Land Rights Act (Draft) is currently at the National Legislature pending approval, and a Framework for National Land Use Planning 2018 is underway by the Liberia Land Authority with inputs from stakeholders. The Act Establishing the National Housing Authority (1960) is under review internally for

possible amendment. The Masterplan Study on Urban Facilities Restoration and Improvement in Monrovia in the Republic of Liberia, November 2009, was conducted to guide citywide planning, while the Urban Policy Discussion Paper leading to the actual urban policy document has been published with support from UN-Habitat and Cities Alliance.

In 2017, the NHA established a Slum Upgrading Unit with support from Habitat for Humanity and Cities Alliance to develop and guide interventions in slum upgrading and affordable housing. The establishment of the Unit is a shift in government policy from addressing the housing needs of formally employed households with verifiable income to low income segments via an incremental housing approach. Voluntary Relocation Guidelines and Slum Upgrading Guidelines, that will eventually lead to the formulations of a Relocation Policy and a Slum Upgrading Policy, are being developed at present. Profiling of slum communities that will enhance policy interventions is being conducted by the Young Men's Christian Association with support from Slum Dwellers International. To date, the profiling of 63 slum communities within greater Monrovia has been completed.

Opportunities

Opportunities in all aspects of Liberia's housing sector exist. Specifically, private funding is required to meet the country's huge urban housing needs. At a policy level, key interventions are required to expand the sector. For example, the completion of the National Housing Policy, National Urban Policy and the approval of the Land Rights Act 2014 are only a few. The need for affordable finance presents opportunities, including the expansion of housing microfinance, establishing mortgage institutions that will provide access to long-term funding at affordable rates, and manpower capacity-building. A National Housing Trust Fund is required to stabilise the sector, especially for those at the lower end of the income pyramid. Addressing affordability opens opportunities in innovations around construction technology and building materials. A market-based approach is needed to accelerate housing delivery as opposed to the Government being the main provider. There is opportunity for the formalisation of a property market that will attract investment into the sector.

Habitat for Humanity International (HFHI) under the Cities Alliance-led Liberia Country Programme has developed a "Slum Upgrading and Affordable Housing Framework". The framework identifies key constraints, opportunities and interventions at various levels – community level, market level, and policy and enabling environment necessary to stimulate systemic change in the housing sector. HFHI is currently supporting the Slum Upgrading Unit of the NHA to implement selected interventions while at the same time enhancing inter-governmental coordination and capacity-building.

Additional sources

- Central Bank of Liberia (2017). Annual Report 2016. Monrovia: Central Bank of Liberia.
- Executive Mansion. "President Sirleaf Dedicates 70 Affordable Housing Units in Brewerville." 14 February 2017.
https://www.emansion.gov.lr/2press.php?news_id=3963&related=7&pg=sp
 (Accessed 21 July 2017).
- Front Page Africa (2017). "National Housing Authority Purchases Land to Relocate West Point." 11 May 2017.
<https://frontpageafricaonline.com/news/2016news/national-housing-authority-purchases-land-to-relocate-west-point/> (Accessed 21 July 2017).
- The World Bank (2017). Doing Business Economy rankings.
<http://ow.ly/CV7030dLhI9> (Accessed 18 July 2017).
- United Nations Population Division (2017). World Population Prospects 2017.
<http://ow.ly/wEuF30dN6Gz> (Accessed 19 July 2017).
- United Nations Development Programme (2016). Human Development Reports: Liberia Human Development Indicators. <http://ow.ly/dzwt30dLgiE>
 (Accessed 18 July 2017).

¹ United Nations Development Programme. Human Development Report, 2016. http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf (Accessed 5 July 2018).

² Worldometers. Liberia population. <http://www.worldometers.info/world-population/liberia-population/> (Accessed 2 July 2018).

³ Statista. Liberia: Population growth from 2007 to 2017 (compared to previous year). <https://www.statista.com/statistics/460211/population-growth-in-liberia/> (Accessed 5 July 2018).

⁴ UN-Habitat (2017). A National Urban Policy for Liberia/ Discussion Paper. UN-Habitat. Pg. 4.

⁵ Central Bank of Liberia Annual Report 2017. Pg. 68.

⁶ The World Bank. World Bank Country and Lending Groups, 2017. <http://ow.ly/Mc8Q30dNbvC> (Accessed 20 July 2017).

⁷ African Development Bank Group. Liberia Economic Outlook. <https://www.afdb.org/en/countries/west-africa/liberia/liberia-economic-outlook/> (Accessed 5 July 2018).

⁸ Central Bank of Liberia. Daily exchange rates. <https://www.cbl.org.lr/2content.php?sub=175&related=298&third=175&pg=sp&pt=Daily%20Exchange%20Rates>

⁹ Central Bank of Liberia. Economic and Financial Bulletin January to March 2018.

¹⁰ Central Bank of Liberia. Annual Report for 2017.

¹¹ Liberia Revenue Authority. Annual Report - Fiscal Year 2016-2017. Pg. V.

¹² World Bank 15th Edition Doing Business Report 2018. <http://russian.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf> (Accessed 3 July 2018). Pg. 4.

¹³ Executive Mansion. "President Weah Launches US\$8 Million Modern Rural Housing Project." 20 June 2018. http://www.emansion.gov.lr/2press.php?news_id=4561&related=7&pg=sp (Accessed 3 July 2018).

¹⁴ World Bank 15th Edition Doing Business Report 2018. Pg. 4.

¹⁵ Central Bank of Liberia. Annual Report 2017. Pg. 22.

¹⁶ Ibid. Pg. 48.

¹⁷ Ibid. Pg. 42.

¹⁸ Ibid. Pg. 49.

¹⁹ Ibid. Pg. 24.

²⁰ Affordable Housing Institute. Employer-Assisted Housing Feasibility Study, Liberia 2016.

²¹ Central Bank of Liberia Annual Report 2017. Pgs. 24, 37, 39, 48, 49.

²² Trading Economics. Liberia unemployment rate. <https://tradingeconomics.com/liberia/unemployment-rate> (Accessed 5 July 2018).

²³ All Africa. "Liberia Poverty Rate Stands At 54 Percent - World Bank Report." <http://allafrica.com/stories/201610190636.html> (Accessed 5 July 2018).

²⁴ Liberia Institute of Statistics and Geo Information Services: Household Income and Expenditure Survey 2016 published in August 2017. Pg. 59.

²⁵ Liberia Institute of Statistics and Geo Information Services: Household Income and Expenditure Survey 2016 published August 2017. Pgs. 35-36.

²⁶ UN-Habitat (2014). Liberia Urban Housing Profile. <https://unhabitat.org/books/liberia-housing-profile/> (Accessed 25 Sept 2018).

²⁷ UN-Habitat (2014). Liberia Urban Housing Profile. Pg. 107.

²⁸ World Bank Doing Business Report 2018. <http://www.doingbusiness.org/data/exploreeconomies/liberia#starting-a-business> (Accessed 3 July 2018).

²⁹ UN-Habitat (2014). Liberia Urban Housing Profile. Pg. 105.

Libya



Overview

Libya is in North Africa, on the Mediterranean Sea, bordered by Niger, Chad, Egypt, Sudan, Algeria, and Tunisia. In 2017, the country had a population of 6.4 million.¹ Libya's economy depends on oil; oil revenue accounted for 38.5 percent of total nominal GDP and oil accounted for 97.2 percent of total exports in 2014.² Prior to the national unrest, Libya was once considered an upper middle income country with the highest GDP in Africa and one of the highest HDI rankings in the world.

The national unrest, which resulted in the fall of Muammar Gaddafi's authoritarian regime in 2011, as well as civil war, tribal and religious militias, and terrorist activities, have weakened the economy and affected some of the neighbouring countries. In 2017, political conflict persisted, despite efforts by the United Nations Support Mission in Libya (UNSMIL) to mediate between the parties. Consequently, the country is still experiencing an escalating humanitarian crisis with more people being displaced by violence. Migrants and refugees are exposed to life-threatening conditions which include sexual assaults and forced labour.

Analyses of North African economic performance often exclude Libya because the volatility of that economy distorts the figures. African Economic Outlook reports that real GDP growth was estimated at 55.1 percent in 2017 after three years of economic contraction, due to a significant increase in oil production (from 400 000 bpd in 2016 to 900 000 bpd in 2017) and a slight increase in oil prices. As a result, the current account deficit is expected to turn into a surplus of 1.8 percent of GDP in 2017.³ This is also expected to increase exports by 62.5 percent and imports by 4 percent - which have been falling with the decline in foreign reserves. After peaking in 2015 at 126.6 percent of GDP, the budget deficit dropped to an estimated 43.3 percent of GDP in 2017. The removal of food subsidies has fuelled inflation which reached 32.8 percent in 2017.⁴

Despite the recently improving economic outlook, uncertainty persists, given Libya's political situation. Consensus on the wording of the Libyan Political Agreement is yet to be reached in preparation for a constitutional referendum and elections before the end of 2018.⁵ Key challenges confronting Libya include restoring the rule of law, putting in place a functional government, reducing economic dependency on the petroleum industry, and reaching consensus on strategies for reconstruction and long-term development.

KEY FIGURES

Main urban centres	Tripoli
Exchange rate: 1 US\$ = [a] 21 Sept 2018	1.38 Libyan dinar
PPP Exchange rate (Local currency/PPP\$) 1 Libyan dinar = [b]	0.60
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	25.90 28.0 24.3
Population 2017 [b] Urban population size 2017 [b]	6 374 616 5 033 461
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	1.28% 1.55%
Percentage of the total population below National Poverty Line	n/a
Unemployment rate [d]	17.7%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$50 984 million 26.68%
GDP per capita (Current US\$) 2017 [b]	US\$7 998
GNI per capita (Current US\$) 2017 [b]	US\$6 540
Gini co-efficient	n/a
HDI global ranking 2017 [e] HDI country index score 2017 [e]	108 0.706
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate [d]	3.00%
Mortgage interest rate Mortgage term (years)	6.00% 30
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? [g]	US\$10.12
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [g]	69 000 Libyan dinar
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [g]	US\$50 000
What is the size of this house (m ²)?	n/a
What is the average rental price for this unit (US\$)? [g]	US\$520
What is the minimum stand or plot size for residential property? [g]	250m ²
Ease of Doing Business Rank [h]	185
Number of procedures to register property	n/a
Time to register property (days)	n/a
Cost to register property (as % of property value)	n/a

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	IMF World Economic Outlook Database
[d]	Trading Economics
[e]	UNDP Development Indicators
[f]	Statista.com
[g]	CAHF Yearbook 2017
[h]	World Bank Doing Business

Once these challenges are addressed, housing and urban infrastructures will likely be among the priorities. Before the conflict, there was resentment and political and social grievances due to an acute shortage of housing units. Currently an estimated 435 000 out of the population of 6 million are internally displaced, and houses, schools, and hospitals are destroyed.⁶ The cumulative deficit in 2014 was 353 139 housing units and the estimated housing units to be implemented to meet the deficit and satisfy the need between 2014 and 2033 is estimated at 1 164 134 units.⁷

Access to finance

Development of Libya's financial sector has stagnated due to Libya's instability, high inflation, and a sustained liquidity crisis.⁸ The House of Representatives established a second central bank operating in eastern Libya, which printed its own Libyan dinars due to the liquidity crisis, injecting an estimated 4 billion illegitimate Libyan dinars into the economy.⁹

For years, the banking sector in Libya was 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. Libya's banking sector was dominated by five state-owned banks: Jumhouria Bank, National Commercial Bank, Wahada Bank, Sahara Bank, Libya Foreign Bank (which controlled about 80 percent of total banking assets),¹⁰ and a stock market which was established in 2006.¹¹

A process of privatisation and banking reform commenced in 2007 with some foreign banks authorised to acquire shares in public banks, the legalisation of joint ventures between foreigners and local investors in 2010, and a rise of interest in seeking new banking licenses.¹²

Bank lending for housing finance is restricted by high collateral requirements, the inexistence of a Libyan land register or a credit bureau, and inadequate central bank regulation. Libya has a very low loan-to-deposit ratio, with the most recent data reporting 28.3 percent as of end 2015.¹³ Domestic credit to the private sector in 2017 was 17.2 percent of GDP.¹⁴ This is largely a result of a steady contraction of real GDP and the crisis in the banking sector.

The ratio of housing finance to GDP is estimated to have remained low at below 1 percent. Once, the Savings and Real Estate Investment Bank would grant subsidised housing loans to Libyan citizens at zero interest rate and tenures up to 30 years. Yet, there was a lack of independent oversight, which allowed mismanagement and many Libyans view these loans as grants, so there are very high default rates. The banks' poor targeting of home loans as well as poor repayment enforcement distort the housing finance market and restrict the development of a functioning mortgage system. Today, it is particularly difficult for low income or small borrowers to access finance for housing.

In 2013, the government passed a law to enforce a strict Islamic Banking regime and ban interest in financial transactions.¹⁵ The law went into effect in January 2015, although implementation has proved a challenge. Libya is the third Middle-eastern country, after Iran and Sudan, to ban non-Sharia compliant banking. Nevertheless, lack of government control of the country has left enforcement of this policy in limbo and many commercial banks have ceased lending, effectively paralyzing the banking sector.

Affordability

Libya's minimum wage in 2018 is LD450 (US\$325).¹⁶ Overall unemployment was estimated at 17.7 percent in 2017 and even higher for youth – up to 45.96 percent – with most of the unemployed holding university degrees.¹⁷ At least 70 percent of the Libyan working population is estimated to be employed in the public sector while a mere 4 percent are working in the private sector and about 120 000 Libyans are self employed.¹⁸ Owing to the political state of affairs and a disruption in business, the unemployment rate has remained high and the earning capacity of Libyans has continued to decline.

Given the housing shortage, rental shares have escalated beyond the affordability of an average household; a one-bedroom unit in central Tripoli costs between US\$400 – US\$600 per month, while rents for units outside the city centre are estimated at US\$376 per month.

Housing for ownership is very difficult to access on the private market due to the limited amount of private land available for purchase and development. As a result, most households in the past would be placed on waiting list for years and stay in poorly serviced informal neighbourhoods until they were able to access a subsidised house from the Libyan government.

Housing supply

Housing in Libya, alongside the provision of free education, transport, and healthcare, has historically been the main responsibility of the government. Public housing with zero percent interest loans was offered to households during Gaddafi's regime. In the 1970's, the government's ambitious programme for housing which sought to address the shortage experienced in the late 1960s was eliminated as there was a surplus from 1973 to 1981. Oil revenue was used to implement Libya's housing programme in accordance with Gaddafi's policy to provide houses for all Libyans, as a result of which there were 17 274 residential units in surplus in 1973. The surplus was absorbed annually until 1982 when there was a deficit which continued to the present. The shortage is due to onerous administrative procedures, population growth, inadequate expertise of local

contractors, legislation that forbids leasing (Act N°4), and a decrease in oil revenue from US\$35.69/barrel in 1981 to US\$11.21/barrel in 1998, in addition to other political issues which caused the decline in the quantity of oil exported and its revenue.¹⁹

The decline in revenue had a negative impact on the economy, particularly the housing sector. Between 1989 and 1996 the private sector was absent in the housing sector due to unfavourable legislation, and the government continued to play an instrumental role in housing supply. As from mid 1990s, Libya enacted numerous laws and regulations to improve the business climate and attract foreign investors. Libya witnessed the return of foreign investors as a result of the favourable business climate coupled with the lifting of UN sanctions in 2003. In 2008, the country started to implement an ambitious housing programme of 396 054 units with facilities.²⁰

The Housing and Infrastructure Board (HIB) of the Ministry of Housing and Utilities (MHU) was traditionally responsible for the implementation of public works contracts. HIB works on infrastructure and public building projects, as well as managing the state's residential projects on a turn-key basis and contracting with both national and multinational firms. At its creation in 2007, HIB was tasked with building 200 000 units. Official figures from the MHU in 2012 indicated that 134 341 housing units were under construction, 94 500 were in their bidding phase, and 11 121 had been completed. The entire programme has been on hold since, with an estimated US\$11 billion worth of uncompleted housing projects (an estimated 60 000 units) under construction. The largest of this was a US\$6 billion contract with China State Construction Engineering Corporation for the Benghazi new town project which comprised 25 000 units. The entire programme was put on hold in early 2011 when the uprising against Gaddafi began. Out of nearly 240 000 housing units contracted, only 11 121 have been completed according to HIB, with another 134 341 under construction and 94 500 still in the bidding stage. In 2014, the housing shortage was estimated at 353 139 units, yet there has been a lot of destruction in cities and displacement of people, which will impact upon housing shortage estimates.²¹

EU-imposed sanctions, which had put restrictive measures on HIB since 2001, were lifted in January 2014.²² The majority of HIB projects have nevertheless remained unfinished due to the poor security situation. Since 2011, many foreign and local investors involved in housing construction in Libya have been forced to abandon or face interruptions in their work. Efforts to resume have been disrupted by continued insecurity, arguments over payments for delays, and increased cost in the intervening period. This resulted in very limited new supply and an increasing housing backlog. In December 2013, AECOM announced a partnership with HIB worth over US\$205 million over a period of 25 months.²³ However the programme is yet to be implemented because of the political instability. Another international firm, Egypt's Al Abd, halted work on housing projects worth US\$102 million in 2015 over ongoing security tensions.

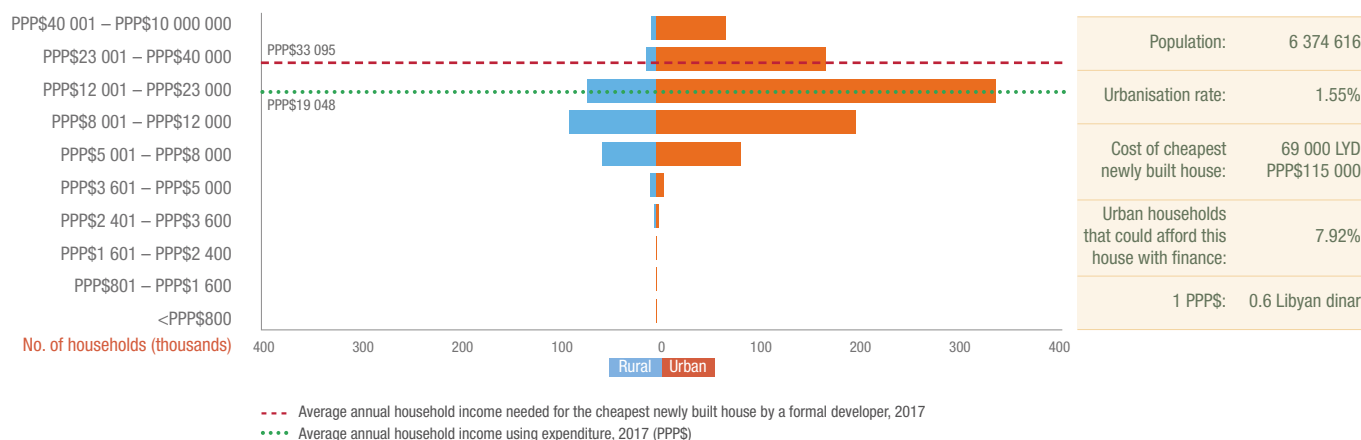
Property markets

After the 1969 coup d'état, approximately 38 000 hectares of land, previously owned by Italian farmers, were confiscated and redistributed among Libyans.²⁴ These plots have been further fragmented over time, as the traditional inheritance system guarantees each son a part of his father's land. In 1971, the state confirmed all confiscated land as state land and was involved in further confiscations of uncultivated land and its reallocation to citizens in accordance with what was considered acceptable to fulfil their needs. Ownership is thus difficult to determine.

Since then, Libya's property market has been influenced by legislation which prevents ownership for leasing purposes. One of the most important laws regarding housing development during Gaddafi's socialism regime, was Law n° 4 which prevented activities for profit purposes, stopped housing rents, and prevented the private sector from building houses for leasing purposes. As a result, many changes occurred which led to administrative instability; there was high turnover among civil servants, both high level decision-makers and low level implementers. The merger and separation of provinces (administrative districts) was another one of the significant causes of administrative instability which provoked confusion in the local and national housing programmes, hence contractors could not carry out their commitments.²⁵

LIBYA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

With Decree 21 in 2006, Libya attempted to open its real estate sector and enable foreign investment in real estate. The decree allowed the HIB to contract private and foreign developers for property development. Although foreigners could buy real estate, a lack of clarity on property rights prevented much uptake; and efforts to open the property and real estate markets have been significantly set back due to the sustained post-revolution instability and subsequent investor scare.

Property markets have, since the revolution, been in disarray as many former owners of confiscated land returned to lobby for the reform of property laws and compensation. Draft bills on property were brought before parliament – nevertheless, nothing has been passed due to the political fragmentation and controversy over such reforms. The situation is further complicated by the fact that many properties have been resold since confiscation and property registration records were destroyed in the early 1980s. It is estimated that up to three-quarters of homes in Tripoli might have been formerly confiscated properties.

Until the ambiguity of property rights is resolved, banks will remain reluctant to register property as collateral. The property market is further constrained by difficulties in doing business. Today, there are no procedures in place for obtaining a construction permit, registering property or resolving insolvency, giving Libya a ranking of 185 out of 190 countries in the World Bank 2018 Doing Business report.²⁶ Corruption is also an issue, with Transparency International's 2017 Corruption Perceptions Index rating Libya 171th in the world out of 175 countries.²⁷

Policy and regulation

Libya housing policy and regulation can be classified under three periods after the coup d'état of 1969: 1970 to 1978, 1979 to 1988, and 1989 to 2000.²⁸

1970-1978

After the coup d'état, a number of laws were passed to organise the housing sector. The resolution of the Council Leadership Decision for leases gave rights to people and companies to lease property. Law 116 of 1972 gave commercial banks the right to give loans for housing, Law 88 of 1975 stipulated the nationalisation of land, and Law 28 of 1976 reduced loan charges by 30 percent and prevented advance rent.

1979-1988

This period was characterised by immense political and economic changes. Libya adopted socialism as an economic system in 1977. This period was marked by Law 4 which prevented leases and restricted the right of ownership to one house, beyond which property was confiscated. The government thus confiscated all dwellings prepared for lease by the private sector. The confiscated dwellings were transferred or rented to inhabitants who purchased or paid for their property by monthly instalments. By the end of this period, Law 88 was passed in 1988. This law granted the right to practise economic activities, including real estate transactions and rental agreements.

1989 – 2000

After the removal of sanctions, more flexible laws were passed. Law 11 which addresses the possession of real estate was passed in 1992. It was later modified by Law 14 which gave the right to possess more than one house or piece of land suitable for construction.²⁹

According to some researchers in the housing sector in the Libyan economy, the policies sought to provide suitable housing for the people of Libya, however some internal and external factors have prevented effective implementation of the policies and led to a gap between the supply and demand for housing.³⁰

Post-Gaddafi Libya is still characterised by uncertainty. Once rule of law is restored, there will be a need for reconstruction. Infrastructure and housing should be top priorities in addition to putting in place policies and regulation that encourage the creation of wealth. Regarding housing, the authorities should adopt policies that promote effective development, promote real estate development, protect the population, and empower Libyans to participate effectively in the reconstruction of their country.

Opportunities

It is estimated by the World Bank that restoring Libya's infrastructure will cost US\$200 billion over the next ten years.³¹ A peace settlement in Libya could lead to a rebound in oil outputs and exports which could improve the fiscal deficit and current account imbalances, and allow Libya to address housing shortages and economic development. As projected by the African Economic Outlook, Libya witnessed significant oil production in 2017 boosting the real GDP growth rate to 55.1 percent. The production of crude oil was at one million bpd in July 2017 – an increase from less than 400 000 bpd in 2016.

Despite the positive economic indicators for 2018, there is still uncertainty for the future. The economic outlook for 2019 depends on the political unity and the extent of improvements in security. However Libya has great potential and opportunities in the areas of infrastructure and housing. Alongside more than US\$ 100 billion for housing, there are other sectors of property development which are also of interest, particularly upper standard hospitality outlets, hotels, chalets, and inns for the yet-to-be-developed tourism industry. With its rich heritage, Libya is a land of multiple civilizations, and blessed with natural resources and a young population. Once Libya achieves peace and stability, addressing the chronic housing shortage and providing housing to internally-displaced persons could become a primary state priority.

- ¹ African Development Bank Group (2018). Libya Economic Outlook: Key Facts. <https://www.afdb.org/en/countries/north-africa/libya/> (Accessed 18 September 2018).
- ² IMF (2016). Economic Diversification in Oil Exporting Arab Countries. Annual meeting of Arab Ministers of Finance – April 2016. <https://www.imf.org/external/np/pp/eng/2016/042916.pdf> (Accessed 20 Sept 2018). Pg.13.
- ³ African Development Bank Group (2018). African Economic Outlook 2018. https://www.afdb.org/leadadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf (Accessed 19 Sept 2018). Pg. 153.
- ⁴ African Development Bank Group (2018). Libya Economic Outlook. <https://www.afdb.org/en/countries/north-africa/libya/libya-economic-outlook/> (Accessed 15 Sept 2018).
- ⁵ United Nations Security Council (2018). "Libyan political agreement still key to holding credible elections, ending crisis, Security Council says in Presidential statement, calling for compromise." 6 June 2018. <https://www.un.org/press/en/2018/sc13366.doc.htm> (Accessed 15 Sept 2018).
- ⁶ Gberie, Lansana (2018). "Forgotten war: A crisis deepens in Libya but where are the cameras?" Dec 2017 - March 2018. Africa Renewal. <https://www.un.org/africarenewal/magazine/december-2017-march-2018/forgotten-war-crisis-deepens-libya-where-are-the-cameras/> (Accessed 16 Sept 2018).
- ⁷ Shawesh, Ezedin Mohamed (October 2016). "Libyan Policy in the Field of Public Housing." International Journal of Research Studies in Science, Engineering and Technology, Volume 3, Issue 10. <http://ijrsst.org/pdfs/v3-i10/2.pdf> (Accessed 17 Sept 2018). Pg. 14.
- ⁸ Al-Shahomy, Sulman S. (2016). "Cash liquidity crisis in Libyan Commercial Banks." 13 Jan 2016. Libya Prospect. <http://libyaprospect.com/index.php/2016/01/13/cash-liquidity-crisis-in-libyan-commercial-banks/> (Accessed 15 Sept 2018).
- ⁹ Pack, Jason (2017). "Libya's Liquidity Crunch and the Dinar's Demise: Psychological and Macroeconomic Dimensions of the Current Crisis." 21 April 2017. US-Libya Business Association. <https://www.libyaherald.com/wp-content/uploads/2017/04/Liquidity-Crunch-in-Libya-report-USLBA-210417-LH.pdf> (Accessed 15 Sept 2018).
- ¹⁰ The Economist Intelligence Unit (2016). "Bank Profits Continue to Shrink." 30 March 2016. <http://countryyeu.com/article.aspx?articleid=1284071912&Country=Libya&topic=Economy&subtopic=Forecast&subsubtopic=Monetary+policy+outlook&u=1&pid=1861011170&oid=1861011170> (Accessed 15 Sept 2018).
- ¹¹ US Department of State. 2011 Investment Climate Statement – Libya. <https://www.state.gov/e/eb/rls/othr/ics/2011/157312.htm> (Accessed 15 Sept 2018).
- ¹² Ibid.
- ¹³ The Economist Intelligence Unit (2016). "Bank profits continue to shrink." 30 March 2016. <http://countryyeu.com/article.aspx?articleid=1284071912&Country=Libya&topic=Economy&subtopic=Forecast&subsubtopic=Monetary+policy+outlook&u=1&pid=1861011170&oid=1861011170> (Accessed 15 Sept 2018).
- ¹⁴ The World Bank – Data (2018). Domestic Credit to Private Sector (% of GDP). <https://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS> (Accessed 16 Sept 2018).
- ¹⁵ Mohammed A M., Abdel Rahim El-Brassi, Nabil Bello, Syed Mussa Alhabshi (2017). "Libya's Transformation to an Islamic Financial System: Issues and Challenges." International Review of Management and Business Research Volume 6, Issue 3 (September 2017). <http://www.irmbjournal.com/papers/1503041381.pdf> (Accessed 19 September 2018).
- ¹⁶ Minimum-wage.org. Libya Minimum Wage Rate 2018. <https://www.minimum-wage.org/international/libya/> (Accessed 18 Sept 2018).
- ¹⁷ Statista.com. Libya Youth unemployment rate. <https://www.statista.com/statistics/812198/youth-unemployment-rate-in-libya/> (Accessed 16 Sept 2018).
- ¹⁸ Dr.Dia Sadek Abuhadra and Dr.Tawfik Taher Ajaali (2014). Labour Market and Employment Policy in Libya, Prepared for European Training Foundation (ETF). http://www.etf.europa.eu/sites/default/files/m/01BE9A2F283BC682C1257D1E0041161A_Employment%20policies_Libya.pdf (Accessed 16 Sept 2018). Pgs. 9-32.
- ¹⁹ Gamal N. Sheibani, and Tim Havarad (2006). "The Reasons For Shortages of Housing In Libya." http://www.irbnet.de/daten/iconda/CIB_DC26989.pdf (Accessed 23 Sept 2018).
- ²⁰ Shawesh, Ezedin Mohamed (October 2016). "Libyan Policy in the Field of Public Housing." International Journal of Research Studies in Science, Engineering and Technology, Volume 3, Issue 10. <http://ijrsst.org/pdfs/v3-i10/2.pdf> (Accessed 23 Sept 2018). Pg. 13.
- ²¹ Mirza, Abdal (2013). "Feature: Libya US\$ 100 billion Housing opportunities." 20 June 2013. Architect's Journal. <https://www.architectsjournal.co.uk/home/feature-libyas-100bn-housing-opportunity/8649627.article> (Accessed 16 Sept 2018).
- ²² Libya Business News (2014). "EU lifts sanctions against HIB." 20 Feb 2014. <https://www.libya-businessnews.com/tag/housing-and-infrastructure-board-hib/> (Accessed 18 Sept 2018).
- ²³ AECOM (undated). "Press release: AECOM announces US\$209-million contract with Libyan Housing and Infrastructure Board for nation-wide housing infrastructure development program." <https://www.aecom.com/dach/press-releases/aecom-announced-today-that-it-has-signed-an-agreement-with-the-libyan-governments-housing-and-infrastructure-board-hib-authorizing-work-valued-at-us209-million-over-a-25-month-period/> (Accessed 17 Sept 2018).
- ²⁴ Metz, Helen Chapin ed. (1987). Land Use and Irrigation. Libya table of Contents. <http://countrystudies.us/libya/63.htm> (Accessed 19 Sept 2018).
- ²⁵ Gamal N. Sheibani, and Tim Havarad (2006). "The Reasons For Shortages of Housing In Libya." http://www.irbnet.de/daten/iconda/CIB_DC26989.pdf (Accessed 23 Sept 2018). Pgs. 120-121.
- ²⁶ World Bank (2018). World Bank Doing Business 2018: Reforming to Create Jobs. <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf> (Accessed 20 Sept 2018). Pg. 4.
- ²⁷ Trading Economics (2018). Libya corruption rank. <https://tradingeconomics.com/libya/corruption-rank> (Accessed 17 Sept 2018).
- ²⁸ Gamal N. Sheibani, and Tim Havarad (2006). "The Reasons For Shortages of Housing In Libya." http://www.irbnet.de/daten/iconda/CIB_DC26989.pdf (Accessed 23 Sept 2018).
- ²⁹ For detailed information, see: <https://www.universiteitleiden.nl/binaries/content/assets/rechtsgeleerdheid/instituut-voor-metajuridica/resolving-real-property-disputes-in-post-ghadafi-libya.pdf>
- ³⁰ Gamal N. Sheibani, and Tim Havarad (2006). "The Reasons For Shortages of Housing In Libya." http://www.irbnet.de/daten/iconda/CIB_DC26989.pdf (Accessed 23 Sept 2018). Pg.116. Also: Fatahall, N. and Omran, A.N. (2018). "Housing Policies and Strategies in Libya: An Overview." ACTA TECHNICA CORVINIENSIS - Bulletin Of Engineering, Tome XI (2018) Facicule I (January-March). https://www.researchgate.net/publication/323116201_HOUSING_POLICIES_AND_STRATEGIES_IN_LIBYA_BRIEF_AN_OVERVIEW (Accessed 20 Sept 2018).
- ³¹ World Bank (2016). "Press Release: Economic Effects of War and Peace in the Middle East and North Africa." 3 Feb 2016. <http://www.worldbank.org/en/news/press-release/2016/02/03/economic-effects-of-war-and-peace-in-the-middle-east-and-north-africa> (Accessed 18 Sept 2018).

Madagascar



Overview

Madagascar is the world's fourth largest island, located off the coast of East Africa with an estimated population of 25.5 million in 2017.¹ The country has a very young and predominantly rural-based population with 60 percent falling under the age of 25² and 64 percent residing in rural areas.³ However, the annual urban population growth rate is high at 4.5 percent a year with total population growth at 2.7 percent in 2017.⁴

The country has experienced good economic growth in the past four years. The estimated GDP growth rate in 2017 was 4.2 percent (up from 2.3 percent in 2013), with a projected growth rate of 5.0 percent in 2018.⁵ Contributing to this growth includes a growing transport-services sector, driven by an increase in domestic tourism, a growing manufacturing sector, largely due to the tax incentives in the country's export processing zones, as well as a highly profitable banking sector. Despite this, the country's primary activity, agriculture, which is reported to employ approximately 80 percent of the population, continues to contract.⁶

2017 was a particularly difficult year for the large proportion of households who rely on rice crops as a source of both food security and income. Following a severe drought and one of the strongest cyclones to hit the country in its history,⁷ rice prices rose by an estimated 30 percent, leading to some of the highest inflation rates in the past five years (9.1 percent as at November 2017).⁸ While inflation has eased in the first quarter of 2018 (7.6 as at March 2018), it is still higher than neighbouring countries.

With the continued poor performance of the agriculture sector and high inflation rates, amongst other challenges, Madagascar remains one of the 10 poorest countries in the world, based on GDP per capita data released by the International Monetary Fund (IMF). As at April 2018, the country's GDP per capita was MGA 1 633 965 (US\$479),^{9,10} and approximately 75 percent of the population are living below the poverty line (defined as US\$1.90 per day).¹¹ However, in recent years, the government has been working hard to improve the country's economic outlook.

Under the IMF's 40-month Extended Credit Facility Arrangement worth US\$304.7 million, awarded to the country in 2016, Madagascar has implemented several reforms to strengthen macroeconomic stability, improve central bank operations and financial supervision, increase revenue generation and prioritise public

KEY FIGURES

Main urban centres	Antananarivo
Exchange rate: 1 US\$ = [a] 21 Sept 2018	3270.00 Malagasy ariary
PPP Exchange rate (Local currency/PPP\$) 1 Malagasy ariary = [b]	901.20
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	6.70 8.10 7.80
Population 2017 [b] Urban population size 2017 [b]	25 570 895 9 301 669
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	2.68% 4.44%
Percentage of the total population below National Poverty Line	n/a
Unemployment rate 2017 [d]	2.10%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$11 500 million 4.17%
GDP per capita (Current US\$) 2017 [b]	US\$449
GNI per capita (Current US\$) 2017 [b]	US\$400
Gini co-efficient	n/a
HDI global ranking 2017 [e] HDI country index score 2017 [e]	161 0.5129
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate	n/a
Mortgage interest rate Mortgage term (years)	19% 20
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? [g]	US\$8.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [g]	465 975 000 Malagasy ariary
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [g]	US\$50 000
What is the size of this house (m ²)? [g]	95m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property? [g]	100m ²
Ease of Doing Business Rank [h]	162
Number of procedures to register property [h]	6
Time to register property (days) [h]	100 days
Cost to register property (as % of property value) [h]	9.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	IMF World Economic Outlook Database
[d]	Central Intelligence Agency (CIA) World Factbook
[e]	UNDP Development Indicators
[f]	Statista.com
[g]	CAHF Yearbook 2017
[h]	World Bank Doing Business

spending, strengthen the judicial system and decrease corruption. However, political uncertainty linked to the upcoming presidential elections in late 2018 is a risk to the country's continued development, as are external factors including the rising global oil price and ever-present risk of natural disasters.¹²

Access to finance

According to the latest available data, there are 11 banks, 25 deposit-taking microfinance institutions and 18 other financial institutions operating in Madagascar.¹³ Of the 11 banks, 10 are foreign-owned and the top four banks own close to 90 percent of total assets and deposits.¹⁴ The government holds a minority stake in three of the top four banks.¹⁵

Madagascar's banking sector is reported to be "on average, sufficiently capitalised, liquid and very profitable" with asset quality steadily improving since 2013. According to Banky Foiben'i Madagasikara, the country's Central Bank (hereinafter "BFM"), as at March 2018, total banking assets stood at MGA 9.7 trillion (US\$2.8 billion).¹⁶ In the same period, non-performing loans (NPLs) to total gross loans was 7.9 percent, down from a high of 11.6 percent in December 2013, while the sector's return on assets and return on equity was 4.5 percent and 43.2 percent respectively.¹⁷

Despite a well-performing sector, banking penetration remains very low in Madagascar. According to 2017 Global Findex data, less than 10 percent of adults (age 15 or older) report having an account (either personally or with someone else) at a bank or other financial institution. Further, the latest FinScope data suggests that 41 percent of Malagasy households are completely excluded from the financial sector.¹⁸ However, mobile money offers some promise for financial inclusion. Between 2014 and 2017, mobile money account usage increased three-fold from 4.4 percent in 2014 to 12.1 percent in 2017.¹⁹

The reach of microfinance institutions (MFIs) has also improved in recent years. In 2016, the household penetration rate of MFIs was 30.4 percent, up from 19.5 percent in 2011.²⁰ Despite good growth, the sector still struggles with limited profitability and high loan losses. In 2016/17, the return on equity ranged from negative 10 percent to positive 23 percent (depending on the type of MFI) and NPLs ranged from 6 percent to 21 percent.²¹

Low levels of financial inclusion, high interest rates, lack of collateral and limited information on borrowers, constrain access to and usage of credit in Madagascar. In 2017, 3.6 percent of adults (age 15 or older) reported borrowing from a financial institution in the past 12 months, while 2.4 percent reported having an outstanding home loan at a bank or other financial institution.²² As at June 2017, there were over 900 000 borrowers (97 percent of which were individuals) recorded in the country's public credit registry with 3.9 million open/active loans.²³ This includes all loans from banks and MFIs. In the same period, total credit granted to the economy was MGA 4.2 trillion (US\$1.2 billion), of which 12 percent constituted long-term credit (primarily to the real estate sector), while 35 percent was medium-term credit.²⁴

With bank interest rates ranging from 9 percent to 24 percent per year²⁵ and effective interest rates reaching up to 50 percent,²⁶ it is not surprising that bank lending is only accessible to a small portion of the population (and corporates). Interest rates are market-determined and clearly reflect the inherent risk in the country's credit market, as well as the cost of capital. As at November 2017, the BFM lending rate was 9.50 percent (up from 8.30 percent in 2016).²⁷

Despite a small mortgage loan market, several banks offer housing-related loans including BNI Madagascar, Bank of Africa Madagascar (BOA), BFV-Société Générale (BFV-SG), AccèsBanque Madagascar, Banque Malgache de L'océan Indien (BMOI), BGF Bank, and Mauritius Commercial Bank (MCB). Loans terms vary depending on the purpose of the loan. The maximum loan term for land acquisition or home improvement/renovations is 96 months, while loans to purchase or construct a house range from 36 months to 240 months.²⁸ Interest rates do not appear to vary depending on the type of loans. For example, BNI Madagascar charges 15 percent per annum plus a 2.2 percent initiation fee for all types of real estate loans (land acquisition, house purchase or construction), while BFV-SG charge the same rate for home purchase/construction and home renovation projects (18 percent per annum). Banks primarily target salaried individuals and application criteria includes a monthly contribution of no more than 33 percent of monthly income and at least a 10 percent deposit.

A few microfinance institutions also offer housing-related loans, namely Baobab (formerly MicroCred), OtivTana and Première Agence de Microfinance. The loans are primarily for home improvements and have a maximum loan term of 36 months. Maximum loan amounts vary considerably from MGA 50 million to MGA 600 million and interest rates are charged monthly on a declining balance.²⁹ For example, Baobab charge 3 percent a month on a declining balance with a once-off 2.4 percent administrative charge on new loans. Of the 10 MFIs registered on MixMarket with available credit data, Baobab has the largest gross loan book of MGA 249 billion (US\$72 million) with over 33 000 active borrowers.³⁰

In an effort to improve credit decision-making in the country, expand the borrower base and grow the performance of the credit sector, a new Credit Information Law (N°2017-045 of 15 February 2018) was passed. The new Credit Law governs the establishment, operations and supervision of private credit bureaus in Madagascar. In early 2018, the BFM started the process of identifying and selecting an international credit bureau to operate in the country. The appointed private credit bureau will be responsible for providing credit information and credit risk

services to support all lending sectors and institutions (financial and non-financial, regulated and non-regulated).³¹ According to the BFM, once the country's first private credit bureau is operational, the public credit registry, will be reviewed and potentially repurposed for internal use.³²

Affordability

Given the high rate of poverty, housing is unsurprisingly largely unaffordable to the majority of the population in Madagascar. The country has a large but low-paid working population. As at 2016, the total unemployment rate in the country was 2.1 percent.³³ However, in the same year, 95 percent of adults were reported to have a personal monthly income of MGA 400 000 (US\$116) or less.³⁴

For almost half of the adult population (47 percent), the principle source of income is farming or farming-related activities, while 14 percent of adults are self-employed in unregistered businesses. Only 15 percent of adults are salaried workers.³⁵ Household affordability is further affected by natural disasters. Almost 40 percent of adults (4.3 million people) said that they experienced an agricultural shock in the past year.³⁶

The textile industry is another key employer in the country. Following the country's reinstatement to the African Growth and Opportunity Act (AGOA) in 2014, several large international clothing retailers relocated their factories to Madagascar including M&S, Zara, American Eagle and Woolworths. In 2016, approximately 45 000 workers were employed in textile-related jobs in the country's export processing zones (EPZ),³⁷ located around Antananarivo and Antsirabe, the two largest cities in Madagascar. In addition to the preferential trade agreements in the EPZs, the textile industry benefits from the country's low wages.

As at March 2018, the minimum monthly wage was MGA 168 019 for non-agricultural workers and MGA 170 422 for agricultural workers (approximately US\$49).³⁸ Assuming a factory worker earns three times the minimum wage (approximately MGA 500 000 or US\$145 p/m), which is in line with the wages of someone falling between a high skilled and low skilled worker,³⁹ they should be able to afford rentals or loan repayments of around MGA 166 000 a month (using the bank's affordability ratio of 33 percent). This is far below the affordability required to rent or purchase a property on the formal market.

A one-bedroom apartment in the city centre of Madagascar's capital city, Antananarivo, rents for between MGA 500 000 and MGA 1.6 million (US\$145 – US\$464) per month, while a three-bedroom apartment in the same area rents for MGA 1.8 million – MGA 3 million (US\$522 – US\$870) per month. Rentals are 30 percent to 60 percent cheaper outside of the city centre.⁴⁰

A recently constructed 70m² two-bedroom house just outside of the capital city can cost around MGA 89 million (US\$25 810).⁴¹ With a 15-year loan at 15 percent per annum, monthly repayments on this property would be around MGA 1.2 million (US\$348), which is within the reach of only a small portion of the population.

Housing supply

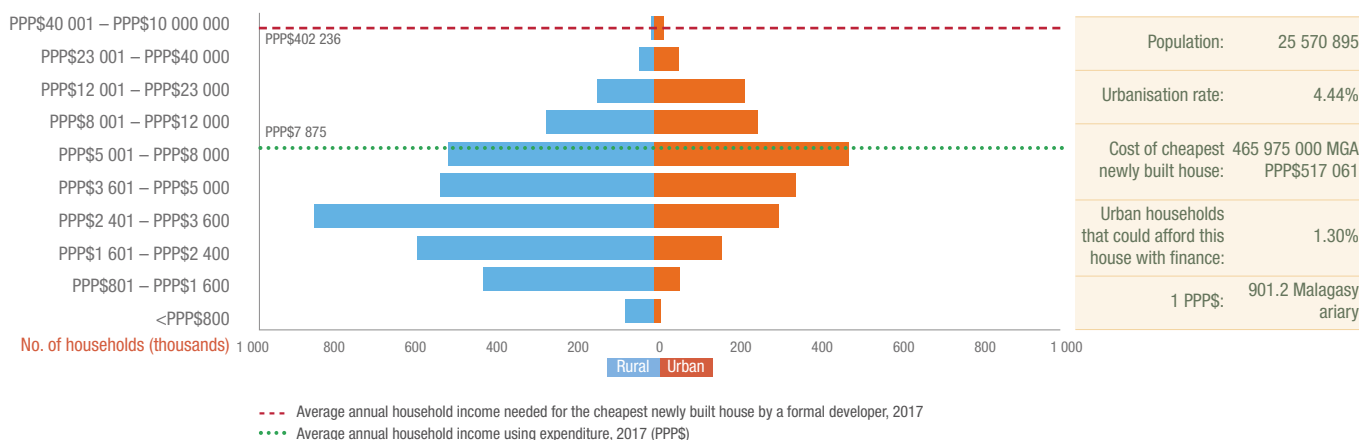
Slum dwellings are characteristic of urban living conditions in Madagascar. Based on the lasted available data (2014), 77.2 percent of urban households live in slums.⁴² According to the Periodic Household Survey of 2010, about 86.5 percent of the country's households live in self-built, traditional housing. 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.

Access to basic services is very low. In 2015, 51.5 percent of the total population had access to an improved drinking water source;⁴³ this was higher in urban areas at 81.6 percent.⁴⁴ In the same period, only 12 percent of the population had access to improved sanitation.⁴⁵

Access to electricity is also very low, however, with plans to tap into the country's rich renewable energy sources, this should soon change. Madagascar is one of the countries participating in the Climate Investment Fund's (CIF) Scaling up Renewable Energy in Low Income Countries Programme (SERP). The SERP forms part of Madagascar's New Energy Policy which aims to provide electricity to 70 percent of households by 2030, through a combination of hydroelectricity, wind power, and solar energy.⁴⁶

MADAGASCAR

Annual income profile for rural and urban households based on consumption (PPP\$)

Source <https://www.cgidd.com/>

Public housing developers in Madagascar include Societe d'Equipement Immobilier de Madagascar (SEIMAD) and Agence Nationale d'Appui au Logement et a l'Habitat (ANALOGH). According to a 2015 Habitat report, the combined impact of these two developers has, in the past, been negligible with most of the housing being unaffordable for the poor. However, in 2016 ANALOGH announced a plan to construct 500 social housing units per year starting in 2017, with the aim to build 10 500 units in total.⁴⁷ As at February 2018, fifty social housing units had been built in the rural district of Miarinarivo, about 100km outside of the capital city.⁴⁸ While several other housing projects are listed on their website, it is unclear if they have started construction or not.

Urban development and improving the living conditions of the poor in Madagascar has largely been driven by the international donor funders and NGOs. Since 2012, the African Development Bank (AFD) together with financing from the European Union and Malagasy Government, has implemented a large-scale urban development and infrastructure project in Antananarivo, called the Lalaneky Project. The project is currently in its third phase and focuses on improving the water drainage, sewerage systems and sanitation in target neighbourhoods. It is estimated that 950 000 households across 220 neighbourhoods will benefit from the project.⁴⁹

The European Investment Bank (EIB) has also undertaken a project to modernise the road network in Madagascar. The project plans to upgrade two sections of national roads – 348 km of road in total. By improving road infrastructure, the project hopes to spur on much-needed economic development and growth in the country, as well as improve the mobility of people.⁵⁰ Furthermore, Habitat for Humanity has been working in the country since 2000 and has helped an estimated 4 460 families improve their living conditions,⁵¹ while UN-Habitat undertook a participatory slum upgrading programme between 2013 – 2015.⁵²

Property markets

Given the low levels of affordability, it is not surprising that most of the residential housing development and sector at large is focused on high-income households and expatriates.⁵³ Few, if any, private property developers focus on building affordable, well-located units. Aside from the low levels of affordability, other constraints to new development include the time and cost of accessing construction permits and registering a property, in addition to the inefficient but developing land administration system. These constraints are all reflected in the country's poor ranking on the World Bank's Doing Business Indicators (DBI).

In terms of registering property, the country ranks 161st out of 190 countries (down from 159th in 2017). It currently takes six procedures, 100 days and 9.1 percent of the property value to register a property in the country. The inefficiency of the process is further exacerbated by the number of departments and agencies that are involved in the process including the Property Registry, Topographical Service, Regional Planning Service and the Tax Authority.

Likewise, the process for acquiring a construction permit is equally lengthy and costly. According to the World Bank Doing Business Report, it currently takes 16 procedures, 185 days and close to 55 percent of the property cost to obtain a building permit in Madagascar. Madagascar also performs poorly with respect to quality of land administration. Out of a possible score of 30, Madagascar scores 8.5, just below the Sub-Saharan Africa average of 8.6. The country falls short on this measure for several reasons including the lack of electronic database for checking encumbrances (i.e. mortgages, restrictions etc.), the lack of registry containing geospatial data on privately-held properties, and the lack of national database to verify the accuracy of identity documents.⁵⁴ However, since 2014 the government has embarked on a pilot project to digitise existing land titles and, as at January 2018, 65 percent of titles in the Avaradrano district were digitised.⁵⁵ However, it must be noted that there are currently only 25 000 registered titles in the district.

Until Madagascar has a sufficiently robust and reliable land titling and registration system, the country's housing market will remain suppressed by households' inability to realise value from their property and land. However, where private titled land is available and owned by the state, the Malagasy Government needs to create policies which facilitate and encourage the new development of affordable housing solutions, including owner-occupied and rental housing, as part of a broader urban development agenda.

Policy and regulation

Since 2005, land reform in Madagascar has focused primarily on issues related to land tenure and administration. Central to the reforms are two laws: the 2005 Framework Law and the 2006 Law on Untitled Private Property, which implemented two major changes: the decentralisation of land registration to local land offices and the transferral of untitled land rights from the government to individuals. Following these developments, the decision was made to transfer the administration of non-titled land to the Local Land Offices (LLO) and establish a new form of legally-binding land ownership, known as the Land Certificate. This is in addition to Land Titles.

The difference between Land Titles and Land Certificates is that the latter are issued by the LLOs on request and only if the requestor's ownership rights have been validated by the community and local authorities. In other words, it is a "socially-validated" ownership right to private non-titled land. The Land Certification process was set up as a demand-led system placing the burden on households to request secure tenure.⁵⁶ As at 2018, around 257 000 land certificate applications had been received in total, of which 142 000 (approximately 55 percent) were granted.⁵⁷ That's an average of approximately 111 000 Land Certificates granted per year since 2006.

The Land Certification system was based on an established informal (not legally recognised) system called *petits papiers*. *Petits papiers* are handwritten documents prepared for the purpose of property transactions (sale, inheritance and attesting

property) which are typically signed by witnesses or stamped by the local chief/authority. A 2013 survey of 1 800 predominantly rural households in Madagascar found that *petits papiers* were used to formalise 90 percent of sale transactions.⁵⁸

Land Titles, on the other hand, are issued by the Land Administration Office to households residing on State-owned land. In an effort to speed up the transfer of land ownership, the government launched the Operation Domaniale Concerted (ODOC) project in February 2018, which plans to provide 100 000 titles to qualifying households by 2020.⁵⁹

In terms of foreign-ownership of land, foreign companies are not allowed to own land in Madagascar but they may acquire land through leasehold (99-year lease contracts). However, the 2017 Investment Law (Law No. 2007-036) provides some leeway into land ownership for foreign-managed companies in Madagascar provided the land is purchased for commercial purposes.⁶⁰

Aside from the abovementioned laws, there are no other housing-specific policies in place. The country's policy environment, characterised by the agenda set out in the 2017 Economic Development Document produced by the Ministry for Economy and Planning, remains focused on issues related to inclusive economic growth, land tenure problems, underdeveloped sanitation infrastructure, persistent inflation and the erosion of purchasing power, limited and inefficient financial system, governance problems, and the impact of adverse weather conditions. Based on the available information, housing is not identified directly as a mechanism for social development or as an objective of the policy.

Opportunities

The potential for growth and development in Madagascar is pegged to its ability to stabilise the macroeconomic environment, particularly in the face of upcoming presidential elections. Least of all because the international donor community, which the country is highly dependent on, is very sensitive to political uncertainty, given the country's history of political upheaval and poor governance. In addition, the country's growth is dependent on the continued performance of key sectors such as domestic tourism and the manufacturing and textile sector. Both sectors are labour-intensive and hold the potential to grow the country's formal, salaried

labour force and reduce households' overall dependency on the fragile agricultural sector. In addition, and more specifically related to the textile industry, opportunities exist to explore employer-led housing solutions for the large numbers of urban-based, low-paid factory workers.

While the country has some way to go before it has an efficient land administration and registration system, good progress has been made in recent years. With improved access to secure title, more opportunities exist for households to realise value from their properties and land. While it might be too soon to tell, the impact of improved land security on the country's property market should be monitored to see if and how it has affected change (either by way of increasing property values, the number of transactions taking place, or the level of investment households' put into their existing properties).

There are further opportunities for both the microfinance and banking sector to continue to adapt their products to cater for the housing needs of low income earners and non-salaried workers. Given the country's continued risk of natural disasters, particularly cyclones, opportunities exist for innovative insurance products that can protect households' (and their assets) in the event of such risks. The country's rich renewable energy sources also provide opportunities for the financing of energy-efficient products which can improve the living conditions of many households across rural and urban areas.

Overall, Madagascar's current focus on realising inclusive economic growth, macroeconomic stability, good governance, improve land tenure and administration and basic infrastructure (roads, sanitation, drainage, sewerage), is a sound strategy given that the country's housing market cannot flourish with the abovementioned factors in place.

Websites

- <https://tradingeconomics.com/>
- <http://www.observatoire-foncier.mg/cartegf.php>
- <http://www.doingbusiness.org/>
- <https://www.themix.org/mixmarket/countries-regions/>
- <http://databank.worldbank.org/data/source/world-development-indicators/>
- <http://www.banque-centrale.mg/>

¹ The World Bank (2017). World Development Indicators. <http://databank.worldbank.org/data/source/world-development-indicators/> (Accessed 21 September 2018).

² IndexMundi (2018). Madagascar Demographic Profile 2018. https://www.indexmundi.com/madagascar/demographics_profile.html. (Accessed 21 September 2018).

³ The World Bank (2017).

⁴ Ibid.

⁵ The World Bank (2018). Madagascar Economic Update. Fostering Financial Inclusion. June 2018. <http://documents.worldbank.org/curated/en/789051532448517077/pdf/1128782-REPLACEMENT-Digital-MEU-Fostering-Financial-Inclusion.pdf>. Pg.2. (Accessed 21 September 2018).

⁶ Ibid.

⁷ Ritzen, Y. (2018). Cyclone Ava kills at least 29 in Madagascar. Aljazeera. 9 January 2018. <https://www.aljazeera.com/news/2018/01/cyclone-ava-kills-29-madagascar-180109184951149.html> (Accessed 21 September 2018).

⁸ The World Bank (2018). Also: Trading Economics (2018). <https://tradingeconomics.com/madagascar/inflation-cpi> (Accessed 21 September 2018).

⁹ IMF (2018). IMF DataMapper. https://www.imf.org/external/datamapper/NGDPDPC@WEO/OEMDC/ADVECC/WEO_WORLD (Accessed 19 September 2018).

¹⁰ 1 USD = MGA 3 419.80

¹¹ The World Bank (2018). Pg. 18.

¹² IMF (2018). IMF Country Report No. 18/239. July 2018. <https://www.imf.org/en/Publications/CR/Issues/2018/07/25/Republic-of-Madagascar-Third-Review-Under-the-Extended-Credit-Facility-and-Request-for-46120> (Accessed 23 September 2018).

¹³ IMF (2016). IMF Country Report No. 16/377. Financial System Stability Assessment. <https://www.imf.org/external/pubs/ft/scr/2016/cr16377.pdf>. (Accessed 23 September 2018). Pg. 11.

¹⁴ The World Bank (2018). Pg. 4.

¹⁵ IMF (2016). Pg. 10.

¹⁶ BFM (2018). Bulletin of March 2018. http://www.banque-centrale.mg/index.php?id=m6_2_41 (Accessed 23 September 2018). Pg. 28.

¹⁷ IMF (2018). Pg. 27.

¹⁸ Finmark Trust (2016). FinScope Consumer Survey Madagascar 2016. http://www.finmark.org.za/wp-content/uploads/2016/11/finscope-madagascar-2016-launch-presentation_en.pdf (Accessed 23 September 2018).

¹⁹ The World Bank (2017). Databank – Global Financial Inclusion. <http://databank.worldbank.org/data/reports.aspx?source=global-financial-inclusion> (Accessed 23 September 2018).

²⁰ World Bank (2018). Pg. 23.

²¹ Cenfri (2017). MAP Madagascar: Financial inclusion diagnostic findings. <https://cenfri.org/map/madagascar/> (Accessed 23 September 2018).

²² The World Bank (2017). Databank – Global Financial Inclusion.

²³ BFM (2018). Improving credit reporting in Madagascar: Request for Proposal. 12 March 2018. http://www.banque-centrale.mg/index.php?id=m6_2_1 (Accessed 25 September 2018). Pgs. 13 – 14

²⁴ BFM (2018). Bulletin of March 2018. Pg. 78

²⁵ Cenfri (2017).

²⁶ The World Bank (2018). Pg. 13.

²⁷ BFM (2017). Evolution du taux directeur de la Banque Centrale. http://www.banque-centrale.mg/index.php?id=m5_2_1 (Accessed 23 September 2018).

²⁸ Review of banks' websites.

²⁹ Review of banks' websites.

³⁰ MixMarket (2018). Madagascar Market Overview. https://www.themix.org/mixmarket/countries-regions/madagascar?order=gross_loan_portfolio&sort=desc (Accessed 25 September 2018).

³¹ BFM (2018). Improving credit reporting in Madagascar: Request for Proposal. Pg. 15.

³² Ibid. Pg. 11.

³³ African Economic Outlook (2018). <http://dataportal.opendataforafrica.org/tovgys/african-economic-outlook-2018?country=1000280-madagascar>

³⁴ FinScope (2016).

³⁵ Receive a salary/wage either from an individual, farm, private company or government entity.

³⁶ Cenfri (2017).

³⁷ GEFF (2016). The GEFF in Numbers. http://www.geff.com/?page_id=668&lang=fr. (Accessed 26 September 2018).

³⁸ EY (2018). Global Tax Alert. 24 April 2018. [https://www.ey.com/Publication/vwLUAssets/Madagascars_minimum_wage_increase_impact_social_contributions/\\$FILE/2018G_02146-181Gbl_Madagascar%20-%20Minimum%20wage%20increase%20and%20ts%20impact.pdf](https://www.ey.com/Publication/vwLUAssets/Madagascars_minimum_wage_increase_impact_social_contributions/$FILE/2018G_02146-181Gbl_Madagascar%20-%20Minimum%20wage%20increase%20and%20ts%20impact.pdf). (Accessed 25 September 2018).

³⁹ Trading Economics (2018). <https://tradingeconomics.com/madagascar/wages-high-skilled> (Accessed 25 September 2018).

⁴⁰ Numbeo (2018). Cost of Living in Antananarivo. <https://www.numbeo.com/cost-of-living/in/Antananarivo> (Accessed 25 September 2018).

⁴¹ Jumia House Madagascar (2018).

⁴² The World Bank (2017). World Development Indicators

⁴³ Improved drinking water: use of any of the following sources: piped water into dwelling, yard, or plot; public tap or standpipe; tubewell or borehole; protected dug well; protected spring; or rainwater collection.

⁴⁴ Indexmundi (2018). Madagascar Factbook. <https://www.indexmundi.com/madagascar/> (Accessed 26 September 2018).

⁴⁵ Improved sanitation: use of any of the following facilities: flush or pour-flush to a piped sewer system, septic tank or pit latrine; ventilated improved pit (VIP) latrine; pit latrine with slab; or a composting toilet.

⁴⁶ Ministry of Water, Energy and Hydrocarbons (2018). Investment Plan for renewable energy in Madagascar. https://www.climateinvestmentfunds.org/sites/cif_enc/files/sreinvestment_plan_for_madagascar_final.pdf (Accessed 26 September 2018). Pg. 26.

⁴⁷ Midi Madagasikara (2016). ANALOGH-500 social housing will be built in 2017. 3 December 2016. <http://www.midi-madagasikara.mg/politique/2016/12/03/analogh-500-logements-sociaux-seront-construits-2017/> (Accessed 26 September 2018).

⁴⁸ ANALOGH (2018). <http://www.analogh.mg/index.php/122-construction-de-logements-sociaux-a-ambosary-ambohidratrimo> (Accessed 26 September 2018).

⁴⁹ EFSO (2017). Promoting investment in the Neighbourhood and Africa. https://ec.europa.eu/europeaid/sites/devco/files/efso-report_en.pdf (Accessed 26 September 2018). Pgs. 39 – 40.

⁵⁰ Ibid.

⁵¹ CAHF (2017). Housing Finance in Africa Yearbook (8th Edition). http://housingfinanceafrica.org/app/uploads/2017_CAHF_YEARBOOK_14.10-copy-compressed.pdf (Accessed 26 September 2018). Pg. 171.

⁵² UNHabitat (nd). Madagascar. <https://unhabitat.org/madagascar/> (Accessed 26 September 2018).

⁵³ Knight Frank (2017). Africa Report 2017/2018. <https://www.knightfrank.com/publications/africa-report-2017-18-4576.aspx> (Accessed 26 September 2018). Pg. 27.

⁵⁴ The World Bank (2018). Ease of Doing Business in Madagascar. http://www.doingbusiness.org/en/data/exploreconomies/madagascar#DB_rp (Accessed 26 September 2018).

⁵⁵ MATSF (2018). 65% of the land titles with the Cirdoma Avaradrano are already digitized. 12 January 2018. <http://www.mepate.gov.mg/65-des-titres-fonciers-aupres-du-cirdoma-avaradrano-sont-deja-numerises/> (Accessed 26 September 2018).

⁵⁶ Burnod, P et al. (2014). Land certification in Madagascar: formalizing (f) or securing? https://www.researchgate.net/publication/282007992_Land_certification_in_Madagascar_formalizing_for_securing (Accessed 26 September 2018).

⁵⁷ Madagascar Land Observatory (2018). <http://www.observatoire-foncier.mg/cartegf.php> (Accessed 26 September 2018).

⁵⁸ Burnod, P et al. (2014).

⁵⁹ DGGFPE (2018). Domerial operation concerted: 300 families receive their land titles. 1 June 2018. <http://www.dggfpe.mg/index.php/2018/06/01/operation-domaniale-concertee-300-familles-recivent-leurs-titres-fonciers/> (Accessed 27 September 2018).

⁶⁰ ALB (2018). Special Report on Investment in Africa 2018. Country chapter for Madagascar. <https://www.africanlawbusiness.com/specialreport/madagascar> (Accessed 27 September 2018).

Malawi



Overview

Malawi is a small, landlocked country with an estimated population of 18.6 million people,¹ which is expected to grow to 20.2 million by 2020.² The country has a young and predominantly rural population. Based on 2017 data, 64.9 percent of the population are under the age of 24³ and 83.4 percent of the population live in rural areas.⁴ However, Malawi's urban population is growing faster than the rural population. In 2017, the annual urban population growth rate was 4.1 percent while the rural population growth rate was 2.6 percent.⁵ The majority of the urban population reside in four main areas including Lilongwe, Blantyre, Mzuzu and Zomba.⁶

Malawi ranks amongst the world's poorest countries and performs poorly on various indicators. Gross domestic product (GDP) per capita in 2017 hit a record high (but still very low) of US\$486.45, while inflation was recorded at 8.6 percent in June 2018.⁷ In 2017, Malawi's GDP growth rate picked up to 4 percent, up from 2.5 percent in 2016.⁸ However, the country's growth prospects are expected to be slightly lower in 2018 following adverse weather conditions and an army worm infestation affecting the agriculture sector.⁹ Malawi also continues to score low on the United Nations Development Programme (UNDP) Human Development Index (HDI), coming in 171th place out of 189 countries on the 2018 statistical update.¹⁰

Malawi's construction sector saw good growth in 2017 at 4.8 percent compared to 3.4 percent in 2016.¹¹ This was largely driven by improved public investment towards large infrastructure projects including the heavily delayed Kamuzu Barrage in the Machinga District¹² and the construction of a dual carriageway in Lilongwe.¹³ Despite the increased public investment, the construction sector only accounts for approximately 3 percent of the country's annual GDP.¹⁴

Access to finance

Malawi's financial sector has consolidated in the last three years following a number of acquisitions including that of the state-owned Malawi Savings Bank (MSB) by FDH Holdings Limited in 2015,¹⁵ and the acquisition of IndeBank by the National Bank of Malawi (NBW) in 2016.¹⁶ While there are 10 banks operating in the country (down from 12 in 2016),¹⁷ the sector is concentrated around two banks which own almost half of the sector's total assets and total deposits.¹⁸

According to the Reserve Bank of Malawi (RBM), the country's banking sector is profitable, liquid, and adequately capitalised. While total assets declined by 3.7 percent to K1 514.9 billion (US\$2.08 billion)¹⁹ during the 6-month period from December 2017 to June 2018, asset quality improved with the ratio of non-

KEY FIGURES

Main urban centres	Lilongwe Blantyre
Exchange rate: 1 US\$ = [a] 6 Aug 2018	725.99 Malawian kwacha
PPP Exchange rate (Local currency/PPP\$) 1 Malawian kwacha = [b]	205.60
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [a]	0.20 7.10 8.60
Population [c] Urban population size 2016 [d]	19 209 248 3 172 780
Population growth rate Urbanisation rate	2.80% 3.80%
Percentage of the total population below National Poverty Line [e]	51.0%
Unemployment rate [f]	6%
GDP (Current US\$) 2017 [e] GDP growth rate annual 2017	US\$6 300 million 4.6%
GDP per capita (Current US\$) 2017 [b]	US\$338
GNI per capita (Current US\$) 2017 [b]	US\$320
Gini co-efficient [g]	45.0
HDI global ranking 2017 [h] HDI country index score 2017 [h]	171 0.477
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	
Lending interest rate [a]	31.64%
Mortgage interest rate Mortgage term (years)	35.5% 10
Downpayment	10%
Mortgage book as a percentage of the GDP 2014 [j]	1.5%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP [i]	n/a
What is the cost of standard 50kg bag of cement?	US\$8.27
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [j]	15 000 000 Malawian kwacha
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [j]	US\$20 657
What is the size of this house (m ²)? [j]	75m ²
What is the average rental price for this unit (US\$)? [j]	US\$234
What is the minimum stand or plot size for residential property? [j]	300m ²
Ease of Doing Business Rank [k]	110
Number of procedures to register property	6
Time to register property (days)	69 Days
Cost to register property (as % of property value) [k]	1.60%

NB: Figures are for 2018 unless stated otherwise.

[a]	The Reserve Bank of Malawi
[b]	World Bank World Development Indicators
[c]	Worldpopulationreview.com
[d]	Worldometers
[e]	Trading Economics
[f]	ieconomics.com
[g]	Oxfam Malawi
[h]	UNDP Development Indicators
[i]	Indexmundi
[j]	Malawi Housing Corporation
[k]	World Bank Doing Business
[l]	Hofinet

performing loans decreasing to 12.7 percent from 15.7 percent. However, this is still far above the regulatory benchmark of 5.0 percent. Lending to the real estate sector also remains low at 0.4 percent of the loan book.

Financial inclusion remains a challenge in Malawi. According to the 2017 Global Findex data, 23 percent of adults (15 years or older) in Malawi report having an account (either a personal or shared account) at a bank or another type of financial institution.²⁰ Including mobile money services, this proportion increases to 33.7 percent.

Given the relatively low levels of financial inclusion, it is unsurprising that there are very low levels of consumer borrowing in the country. In 2017, only 8.6 percent of adults (15 years or older) reported borrowing money from a financial institution or using a credit card in the past 12 months.²¹ In the same period, less than 6 percent of adults reported having an outstanding housing loan (either personally or together with someone else).

Financial inclusion is in part constrained due to limited access to suitable formal financial products and services in rural areas. According to the Microfinance

Information Exchange (MIX), 46 percent of all financial access points are located in Malawi's two largest cities, Lilongwe and Blantyre.²²

Until recently, the lack of credit information in the country constrained lending. The legal framework for credit information sharing was established following the enactment of the Credit Reference Bureau (CRB) Act in 2010. The Act was amended in 2015 to remove ambiguities which had hindered its roll out and by August 2016, the country had its first operational credit bureau (CRB).²³ However, the establishment of the CRB has not been without challenges and it is reported that the banking institutions are not utilising its services as they are expected to.²⁴ Few banks offer mortgages in Malawi, namely the National Bank of Malawi (NBM), Standard Bank, FDH Bank and New Building Society (NBS). However, overall, access to mortgage finance is limited by household affordability and strict eligibility criteria including a minimum 10 percent cash deposit, a minimum of three to six months history with the bank and three months of payslips. Furthermore, banks only offer mortgages on properties located in areas "deemed acceptable to the Bank".²⁵ This means that the unbanked population and the casually self-employed (for example, small-scale farmers) are largely excluded.

In the fourth quarter of 2017, the RBM revised the base lending rate to 16 percent from 18 percent, maintaining the downward trend of the past two years.²⁶ The main mortgage financiers have responded to the policy rate by equally reducing their lending interest rates. As at January 2018, NBS, the largest mortgage provider, charge 25.5 percent on mortgage loans (down from 27.5 percent in June 2017).²⁷ NBM currently have the lowest rates on mortgages at 23 percent, while CDH Investment and FDH charge 24.5 percent and 25 percent respectively.^{28, 29}

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 access to foreign exchange. The main source of funds for mortgages remains retail funds, with most surplus funds being invested in Treasury bills.

The microfinance sector also offers a broad range of loans that provides some leeway to housing finance. As at December 2017, there were 45 registered microfinance institutions in Malawi.³⁰ Total assets for the microfinance sector increased from K35.3 billion (US\$48.5 million) in December 2017 to K39.9 billion (US\$54.8 million) in June 2018.³¹ However, during the same period, the loan portfolio for the sector decreased from K19.9 billion (US\$27.3 million) to K18.5 billion (US\$25.4 million).

The deposit-taking subsector (comprised of one MFI, FINCA Malawi Ltd) registered a profit of K101.7 million (US\$139 856) in June 2018 compared to K45.0 million (US\$61 883) in June 2017. The improved profit is largely due to growth in income from investments. Conversely, the recorded losses in the non-deposit taking sector continue to deepen. As at June 2018, the registered loss in this subsector was K246.5 million (US\$338 984) compared to a K206.5 million (US\$283 976) loss in the previous year. Contributing to this loss was the increase in NPLs from 16.5 percent in December 2017 to 21.8 percent in June 2018.

The primary MFIs that offer short-term housing loans include: Select Financial Services, Epik Finance, and Greenroot Microfinance. Epik Finance, for example, offers incremental building loans to low and middle income earners; the maximum loan value is US\$900 (K500 000), repayable over 18 months. Habitat for Humanity (HfH) has sustained its partnerships with two housing microfinance lenders: Opportunity Bank of Malawi (OBM) and Select Financial Services. Through this partnership, low income households access small habitat loans from the microlenders and HfH provide them Construction Technical Assistance (CTA).

Malawi's pension sector has grown in recent years due to growing membership numbers and the performance of the Malawian Stock Exchange. The sector's investment is primarily directed towards listed equities and government securities. Investment in real estate currently stands at 6.1 percent.³²

While limited tenure security may still be an issue with regard to accessing housing finance in Malawi, the lack of a national identification system should soon no longer be an issue. The National Registration and Identification System (NRIS project) was launched in October 2016 with the support of the UNDP.³³ The mass ID registration campaign started in May 2017 and is expected to be completed by 2019.

Affordability

According to data published by the International Monetary Fund in April 2018, Malawi is the third poorest country in the world based on GDP per capita figures.³⁴ Furthermore, based on a subjective-assessment of economic wellbeing, in 2016, close to 70 percent of households in Malawi considered themselves to "poor" or "very poor".³⁵

According to the latest available labour force data from 2013, the majority of economically active adults (aged 15 – 64 years old) in Malawi work in the agriculture sector and levels of self-employment are high (54.4 percent of employed adults are employers or own-account workers). Informal employment relationships also dominate the labour market.³⁶

In July 2017, the Malawi Government raised the daily minimum wage from K787.70 (US\$1.07) to K962.00 (US\$1.30).³⁷ Assuming a worker is employed for the full month (20 working days) at the revised minimum wage, they can expect to earn a gross monthly income of approximately K19 240 (US\$26.50). However, given the high levels of informal employment, many workers might earn even less than this.

Given the low levels of income and high rate of informal employment, few Malawians qualify for mortgage finance. Prices of a newly built entry-level house, built by a developer, average K8.5 million (US\$11 643).³⁸ Since only 30 percent of a household's income is allowed towards servicing of loans or mortgage payments, a borrower needs to earn at least K700 000 (US\$978.9) to afford the house. Thus even the cheapest house is only accessible to highest income earners. Furthermore, most mortgage lenders target salaried individuals thereby excluding a large portion of the Malawian workforce. National Bank provides a mortgage as small as K500 000 (US\$684.9); and the least mortgage value at Standard Bank is approximately K4 million (US\$5 479.80). Repayment periods range between 15 and 20 years.

Housing supply

According to the IHPS 2016 data, there is a decreasing trend in the number of owner-occupied and renter households in Malawi. In 2016, approximately 68 percent of households owned their dwellings (down from 73 percent in 2010), while 18 percent rented (down from 19 percent in 2010). This appears to be driven by an increase in households taking up free dwellings (9.8 in 2016 compared to 4.8 percent in 2010). Owner-occupied dwellings are concentrated in rural areas (79.2 percent of rural households report owning their dwellings), while renter household dominate in urban areas (49.9 percent of urban households report renting their dwellings). Approximately 38 percent of urban households own their dwellings.³⁹

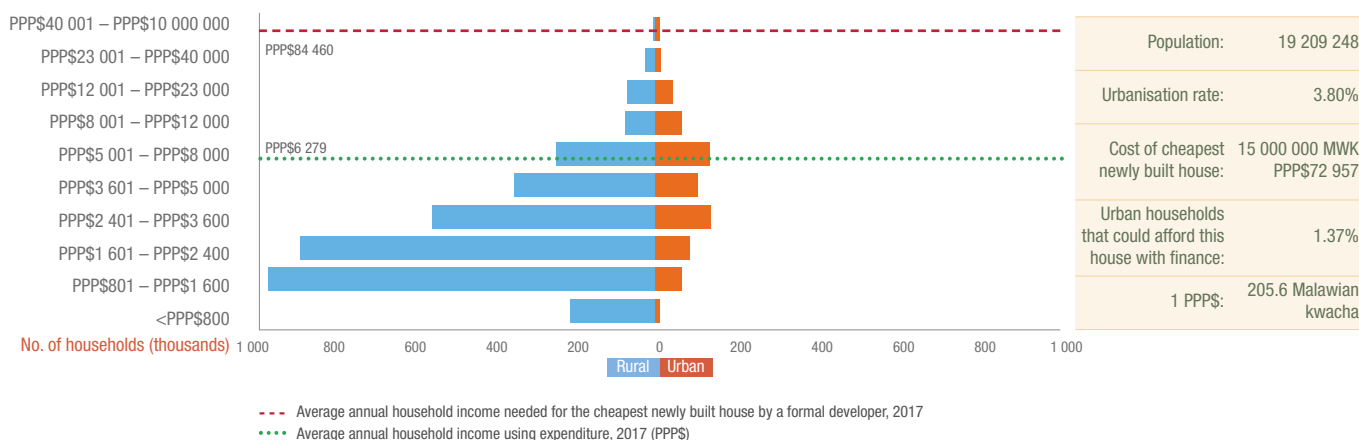
In 2016, approximately 68 percent of dwellings were constructed using permanent or semi-permanent materials, while 32 percent were constructed using traditional materials (down from 42 percent in 2010).⁴⁰ In 2016, the average household size was 4.8 persons (this is the same in both rural and urban areas). Furthermore, 16.8 percent of all households were overcrowded (have four or more people per habitable room).

As can be expected, there is a vast difference in terms of access to services among urban and rural households. In 2016, the dominant source of drinking water in rural areas was borehole water (72.1 percent), while in urban areas it was piped water into a yard/communal area (61.9 percent). Approximately 18 percent of households in urban areas reported having piped water into their dwelling.⁴¹ In terms of electricity, 49.6 percent of households in urban areas reported having access to electricity (up from 40.1 percent in 2013), compared to only 5.8 percent of rural households. However, access to flush toilets remains low; only 15.3 percent of urban households reported having access to a flush toilet in 2016.⁴²

Despite some improvements in access to services, an increasing proportion of households in Malawi consider their housing situation to be inadequate. According to the IHPS 2016, over half of all households surveyed reported inadequate housing (up from 44.2 percent in 2010). Habitat for Humanity Malawi estimates that 21 000 new housing units are needed every year for the next 10 years to meet housing demand.⁴³

MALAWI

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Housing developers in Malawi include public and private providers. Parastatal Malawi Housing Corporation (MHC) is the main public provider that builds and rents out relatively cheap houses targeting low, middle and high income urban households. Historically, rentals for most of MHC's residential properties have not kept pace with increases in cost limiting MHC's capacity to scale and sustain services. Since 2011, MHC rentals have increased by an average 12.3 percent but each adjustment has been met with resistance from tenants. However, a recent ruling by the High Court in October 2017 has allowed the MHC to proceed with rental increases of approximately 48 percent.⁴⁴

In 2017, the cheapest MHC house, a bedsitter, attracted a monthly rentals of K9 000 (US\$12.30) while the most expensive is rented for K300 000 (US\$410.95). Occasionally, the Corporation puts some houses for sell and existing tenants are given first option to purchase the houses.

MHC owns approximately 6 000 housing units countrywide⁴⁵ with a reported waiting list of over 60 000 Malawians.⁴⁶ MHC has a poor track record of delivering on its plans to build new houses. The institution was expected to build 4 200 houses and develop 5 800 plots between 2007 and 2011, however only 481 houses were completed. Similarly, in 2015, MHC's CEO announced that they were planning to construct 25 000 houses in the country's three major cities, however, as of June 2016, the Corporation had only started constructing 17 houses.⁴⁷ The latest reports suggest that MHC is planning to construct 15 000 houses with 2 500 expected to start in 2018/19.⁴⁸ A recent development for the MHC was the passing of the MHC Amendment Bill 2016 which allows the organisation to run as a commercial entity.⁴⁹

The Decent and Affordable Housing Subsidy Programme (DAHSP) launched by the government in 2014 aimed to help the poor own decent, well-constructed homes. However, according to news reports, the programme has failed to make any significant impact.⁵⁰ Low income earners, especially those living in peri-urban and rural communities, have also benefited from previous projects by NGOs and public private partnerships. Habitat for Humanity (HfH) is reported to have built over 3 000 low-cost houses and latrines in Malawi.

Previously, both the Centre for Community Organisation and Development (CCODE) and HfH also provided housing loans to low income households, but they both changed their approaches to only provide construction training assistance.⁵¹ Furthermore, the Cities Alliance, a global partnership for urban poverty reduction, initiated a slum upgrading programme in partnership with UN-Habitat in January 2011 focusing on the cities of Blantyre, Lilongwe, Mzuzu and Zomba.

As of 2015, Enterprise Development Holdings (EDH), a social enterprise formed from CCODE, had successfully negotiated for more than 2 000 plots of land and constructed over 780 low cost rental houses in Lilongwe and Blantyre. However, EDH has stopped construction of new units and most of its housing stock has been put up for sale.⁵²

More recently, Lafarge launched the Maziko House project in 2014. The project aimed to provide low income families with 'economical but decent houses' using innovative construction techniques and materials that claimed to cut construction costs and time significantly.⁵³ It is unclear how many houses were built under this scheme. Lafarge has since launched a new affordable housing product in Malawi called DURABIC Homes which uses the same innovative construction material (a soil-stabilised earth-cement brick) as that used in the Maziko House project.⁵⁴ Private housing suppliers in the country include; Press Properties Limited, Kanengo Northgate, NICO Assets, Knight Frank, Enterprise Development Holdings, and FSD Limited.

Property markets

Land in Malawi is managed by either the Ministry of Lands, Housing, and Urban Development, Malawi Housing Corporation, City Councils, traditional leaders, and private entities. Most households live in unplanned settlements using customary practices due to the scarcity of serviced land for low income housing.

According to Knight Frank, a drop in demand for residential rental properties in Lilongwe from international donors and business communities has led to an oversupply of properties with rentals indexed to the US dollar.⁵⁵ Furthermore, the report states that there is trend towards less expensive rental properties in medium density areas that are quoted in the local currency. However, these market changes do not appear to have translated into lower rental prices, yet. As of August 2018, rental for single bedroom units in the city centre ranged from K145 435 (US\$200) to K363 587 (US\$ 500) while a three bedroom in the city centre ranged from K290 870 (US\$400) to K799 891 (US\$1 100).⁵⁶ These costs are slightly higher than last year's rates.

Knight Frank further report that residential sales have slowed down in 2017/18 due the difficult economic environment. However, the country's property market has been struggling since the initial devaluation of the Kwacha in 2012 which resulted in a fall in both the rental and sales markets⁵⁷ and the continued devaluation of the currency to the US dollar throughout 2015/16.⁵⁸

In terms of the ease of registering a property in the country, the World Bank ranked Malawi 96th out of 190 countries in the 2018 Doing Business Index. The process involves six procedures, over 69 days at a total cost of 1.6 percent of the property value. In terms of the quality of land administration, out of a score of 0 – 30 (with 30 representing the best quality), Malawi scored 10.5 in 2018.⁵⁹

Policy and regulation

Housing-related policies feature amongst national priorities in Malawi's strategic papers. Malawi's Vision 2020 places greater focus on developing and upgrading human settlements for 'equitable access to housing for all'. Further, the new Malawi Growth and Development Strategy (MGDS III) recognises that Malawi lacks a human settlement framework and that the majority of urban residents live in sub-standard housing and/or informal settlements. The MGDS III intends to bridge the housing

gap by “increasing access and availability of affordable and decent houses”. Strategies included in the MGDS III include: the registration of customary land parcels and the digitization of land records, as well as property valuations and assessments.

The country has also ratified the Global Agenda for Housing, Habitat III, which binds governments to ensure everyone has access to “adequate, safe and affordable housing and basic services” by 2030.⁶⁰

Despite not having a National Housing Policy in place (it has been in draft form since 2007), in recent years, a number of land-related Bills have been passed by parliament. These include a revised: Land Act, Physical Planning Act, Customary Land Act, Registered Land Act, Land Acquisition Act, Local Government Act, and Malawi Housing Corporation Act.⁶¹ The Customary Land Act has ignited debate over the role of chiefs in land administration with opposers of the bill arguing it strips chiefs of their traditional powers over land and overburdens poor people to pay for land leases. Proponents argue the new law gives rural communities an opportunity to own land individually, which they can then register and use as collateral in the future. In line with the MGDS III, the Registered Land (Amendment) Act provides for title registration throughout the country for all land categories including customary estates.⁶²

With the passing of the Land Act 2016 and Customary land Act 2016, two major departures have been made to the country’s historic tenure system. Firstly, land in Malawi is now only classified into public or private land, whereas customary land used to have its own classification.⁶³ Customary land is now classified as private land except for unallocated customary land which is classified as public. Secondly, all land is vested to the Republic in perpetuity, as opposed to it being vested to the president.⁶⁴ However, a potential deterrent for foreign investors is the clause relating to foreign ownership of land in the amended Land Act. The Act limits the maximum period of leasehold to non-Malawian citizens to 50 years, with the caveat that longer leasehold’s may be permitted if more time is required for the realisation of an investment.⁶⁵

To date, some of the major constraints to the development of Malawi’s mortgage

market include limited access to privately-owned land, lack of secure tenure, inability to use rural-based land and houses as collateral and an inefficient land registration system. The successful implementation of the above-mentioned policies and legislation and should, hopefully, ease these constraints in the coming years.

Opportunities

Malawi has faced tough economic conditions in recent years and continues to perform poorly on various macroeconomic indicators. Poverty levels remain high and affordability and access to decent housing remains a major challenge for the country. However, recent improvements in land reform policies and planned improvements to the country’s land registration system and title deed system are encouraging prospects.

A key development in recent years has been the reclassification of customary land to private land. The primary benefit of this being that a large portion of the predominantly rural population will now be able to own land individually and potentially use this land as collateral for future housing investments.

Furthermore, the base lending rate in Malawi continues to decline and currently stands at 16 percent down from 18 percent in 2017. The banks and other lending institutions have responded accordingly by cutting their rates thereby improving access to and affordability of loans, including mortgages. The country’s housing market continues to struggle following the devaluation of the Malawian Kwacha and subsequent depreciation of the currency to the US dollar in the following years. However, the recent developments in land policy and the government’s commitment to improving housing conditions, as set out on the MGDS III, signal positive prospects for the country’s housing market in years to come.

Websites

- <http://www.doingbusiness.org/>
- <http://hdr.undp.org/en>
- <http://www.nsomalawi.mw/>
- <https://www.rbm.mw/>

1 United Nations (2017). World Population Prospects. Data Booklet. 2017 Revision. https://population.un.org/wpp/Publications/Files/WPP2017_DataBooklet.pdf (Accessed 17 September 2018).

2 United Nations (2017). World Population Prospects. Volume II: Demographic Profiles. 2017 Revision. https://population.un.org/wpp/Publications/Files/WPP2017_Volume-II-Demographic-Profiles.pdf (Accessed 17 September 2018). Pgs. 477 – 479.

3 United Nations (2017). Pg. 477.

4 The World Bank (2017). World Development Indicators. <http://databank.worldbank.org/data/source/world-development-indicators> (Accessed 18 September 2018).

5 Ibid.

6 Worldpopulationreview.com (2018). <http://worldpopulationreview.com/countries/malawi-population/cities/> (Accessed 17 September 2018).

7 Trading Economics (2018). Malawi – Economic Indicators. <https://tradingeconomics.com/malawi/indicators> (Accessed 19 September 2018).

8 The World Bank. (2017).

9 The World Bank (2018). Sub-Saharan Africa. Macro-Poverty Outlook. Spring Meetings 2018. <http://pubdocs.worldbank.org/en/72044149245091991/mpp-ssa.pdf> (Accessed 18 September 2018).

10 UNDP (2018). Human Development Reports. 2018 Statistical Update. <http://hdr.undp.org/en/2018-update> (Accessed 18 September 2018).

11 The Reserve Bank of Malawi (2017). Financial and Economic Review. Vol 51 – Number 4. Pg.23.

12 Andsen-Mana, T. (2018). Upgraded Kamuzu Barrage ready October end. 29 July 2018. Nyasa Times. <https://www.nyasatimes.com/upgraded-kamuzu-barrage-ready-ctoher-end/> (Accessed 18 September 2018).

13 The Reserve Bank of Malawi (2017). Pg. 23.

14 African Development Bank Group (2018). African Economic Outlook Malawi. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/Malawi_country_note.pdf (Accessed 18 September 2018).

15 FDH Bank (2015). FDH Bank Ltd recapitalization update. <http://www.fdh.com.mw/index.php/press-releases> (Accessed 18 September 2018).

16 National Bank of Malawi (2016). Annual Report 2016. <https://www.natbank.com.mw/index.php/publications/annual-reports/81-annual-report-2016/file> (Accessed 18 September 2018).

17 The Reserve Bank of Malawi (2017). Financial Institutions Supervision Annual Report 2017. Pg.12.

18 The Reserve Bank of Malawi (2018). Financial Stability Report, June 2018. Pg.8.

19 Exchange rate as at 18 September 2018. 1 US\$ = 727.174 MWK

20 The World Bank (2017). <https://globalindex.worldbank.org/sites/globalexindex/files/countrybook/Malawi.pdf>

21 Ibid.

22 The MIX (nd). Reaching Rural Areas is the Key to Unlocking Full Financial Inclusion in Malawi. <https://www.themix.org/news/mymix/reaching-rural-areas-key-unlocking-full-financial-inclusion-malawi> (Accessed 18 September 2018).

23 CRB News (2017). Message from Credit Data CRB Ltd. <https://www.creditdatamw.com/category/news/> (Accessed 18 September 2018).

24 Ibid.

25 FDH Bank (2018). Mortgages. <http://www.fdh.com.mw/index.php/products/asset-finance/mortgages#full-details> (Accessed 19 September 2018).

26 The Reserve Bank of Malawi (2017). Financial & Economic Review. Vol 51 – No. 4. Pg.10

27 NBS (2018). <https://www.nbs.mw/index.php/treasury/ratesandtariffs/interest-rates> (Accessed 21 September 2018).

28 CDH Investment Bank (2018). <https://www.cdh-malawi.com/index.php/interest-rates> (Accessed 19 September 2018).

29 FDH Bank (2018). <http://www.fdh.com.mw/index.php/rates-tariffs/bank-interest-rates> (Accessed 19 September 2018).

30 The Reserve Bank of Malawi (2017). Financial & Economic Review. Vol 51 – No. 4. Pg.39.

31 The Reserve Bank of Malawi (2018). Financial Stability Report, June 2018. Pg. 29.

32 The Reserve Bank of Malawi (2017). Financial Institutions Supervision Annual Report. Pg.24.

33 UNDP (2017). NRB issues the first national identity cards to Malawians. <http://www.mw.undp.org/content/malawi/en/home/presscenter/articles/2017/11/09/nrb-issues-the-first-national-identity-cards-to-malawians.html> (Accessed 18 September 2018).

34 IMF (2018). IMF DataMapper. <https://www.imf.org/external/datamapper/NGDPPDC@WEO/OEMDC/ADVEC/WEO/WORLD> (Accessed 19 September 2018).

35 National Statistical Office Malawi (2017). Pgs. 88 & 92.

36 National Statistical Office Malawi (2014). Malawi Labour Force Survey 2013. http://www.nsomalawi.mw/images/stories/data_on_line/demography/Labour%20Force/Labour%20Force%20Survey%202013/Key%20Finding%20Report_Labour%20Force%20Indicators.pdf (Accessed 19 September 2018).

37 Thipa, G. (2017). Fears Rise Over Wage Avoidance. Daily Times. 13 July 2017. <https://www.times.mw/fears-rise-over-wage-avoidance/> (Accessed 19 September 2018).

38 This is based on an analysis of real estate ads in Malawi’s daily newspapers and also top real estate websites sites such as <http://www.nyumba24.com>

39 National Statistical Office Malawi (2017).

40 Ibid.

41 Ibid.

42 Ibid.

43 Habitat for Humanity Malawi (2018). <https://www.habitat.org/where-we-build/malawi> (Accessed 19 September 2018).

44 Chilanga, Z. (2017). Malawi Housing Corporation wins case to effect rental hike. 31 October 2017. <https://www.nyasatimes.com/malawi-housing-corporation-wins-case-effect-rental-hike/> (Accessed 19 September 2018).

45 Ibid.

46 Katona, M. (2017). Malawi Housing Corporation rescinds rental hike. 16 June 2017. <https://www.times.mw/malawi-housing-corporation-rescinds-rental-hike/> (Accessed 19 September 2018).

47 Interview with MCH employee.

48 Ibid.

49 Malawi Housing Corporation (2017). MHC Public Service Reforms Presentation. <http://www.mhcmw.org/index.php/mhc-media/publications/8-mhc-public-service-reforms-presentation> (Accessed 19 September 2018).

50 Chikoko, R. (2017). Housing subsidy flop. 21 October 2017. <https://mw.nation.com/flop-housing-subsidy/> (Accessed 19 September 2018).

51 CCODE (2015). Situational Assessment of Rural Housing in Malawi: A Case Study of Salima District. Unpublished.

52 Interview with an EDH employee.

53 LaFarge (nd). Maziko Houses brochure. https://www.lafarge.mw/sites/malawi/files/documents/Maziko_Houses_Brochure.pdf (Accessed 19 September 2018).

54 DURABRIC (2018). <https://www.durabric.com/durabric-homes>. (Accessed 19 September 2018). Export.gov (2016). Malawi Banking Systems. <https://www.export.gov/article?id=Malawi-banking-systems>. (Accessed 19 September 2018).

55 Knight Frank (2017). Africa Report 2017/2018. <https://www.knightfrank.com/publications/africa-report-2017-18-4576.aspx> (Accessed 19 September 2018).

56 Numbeo (2018). Cost of Living in Malawi. https://www.numbeo.com/cost-of-living/country_result.jsp?country=Malawi (Accessed 19 September 2018).

57 Knight Frank (2013). Africa Report 2013. <https://content.knightfrank.com/research/155/documents/en/africa-report-2013-2013.pdf> (Accessed 19 September 2018).

58 The Reserve Bank of Malawi (2016). Press Statement. Malawi Kwacha Depreciation and Near-Term Prospects. 28 January 2016. <https://www.rbm.mw/MediaCenter/PressReleases/> (Accessed 19 September 2018).

59 The World Bank (2018). Ease of doing business in Malawi. http://www.doingbusiness.org/en/data/explore/economies/malawi#DB_rp (Accessed 19 September 2018).

60 Ministry of Lands, Housing and Urban Development (2015). Malawi Habitat III Report. <http://habitat3.org/wp-content/uploads/Malawi-Final-Habitat-3-Report-Oct2015-1.pdf> (Accessed 19 September 2018).

61 Mlaka, E. (2018). New land law overview: Key changes. http://www.kas.de/wf/doc/kas_53120-1522-2-30.pdf?180716124546. (Accessed 19 September 2018).

62 Ibid.

63 Note: Public land can be classified as either government land or unallocated customary land. Private land can be split into customary estate, leasehold land and freehold land.

64 Ministry of Agriculture, Irrigation and Water Development (2017). Shire Valley Irrigation Project. Resettlement Policy Framework. 10 August 2017. <http://documents.worldbank.org/curated/en/572641502362203937/pdf/SFG3554-RP-P158805-Box405293B-PUBLIC-Discovered-8-10-17.pdf> (Accessed 19 September 2018).

65 Ibid.

Mali



Overview

The Republic of Mali is one of the largest countries in West Africa covering an area of 1 248 574 km². Mali's total population was estimated at 18.5 million in 2017, still growing at an annual rate of three percent.¹ This is projected to double by 2030, while the urban population will triple from the current level of 40.7 percent.² In Mali, four out of 10 people live in urban areas.

Mali is one of the poorest countries in the world. According to the UNDP's Human Development Index, it ranked 175 out of 188 countries in 2016. Life expectancy at birth is estimated at 57.5 years. Gross national income (Atlas method) was US\$770 per capita in 2017, among the lowest in the world. In 2016, 44.8 percent of Malians were living below the international poverty line (US\$1.9; 2011 PPP).³

With the July 2013 presidential election, the political situation stabilised, and this was strengthened with the signing of peace agreements with rebel groups in May and June 2015. However, challenges remain on the way to full peace all over the country, as sporadic outbreaks of violence due to rebel or jihadist attacks were noted in several parts of the country in 2017 and 2018. New presidential elections were held in July and August 2018, which saw the re-election of President Ibrahim Boubacar Keita. GDP growth remained strong over the past five years and reached 5.8 percent in 2016 and 5.5 percent in 2017; and is projected to be five percent in 2018 and 2019. GDP growth in Mali is driven by gold exports and the primary sector (thanks to good harvests), but also a rebound in the ICT sector and increased public investments to reduce the infrastructure gap. Inflation remained under control and jumped from -1.8 percent in 2016 to two percent in 2017 due to high food prices and an increase in the international oil price.⁴

President Ibrahim Boubacar Keita fell short in delivering on his promise to provide 50 000 housing units between 2013 and 2018. Less than 13 000 units had been delivered as of May 2018. In 2016, the Banque de l'Habitat du Mali (BHM), the Mali Housing Bank, one of the pillars of the Mali Housing Policy, was absorbed by the Banque Malienne de Solidarité (BMS). It is too early to judge whether this operation has been successful or not.

As a member of the West African Economic and Monetary Union, Mali will certainly benefit from the signing of a US\$155 million financing agreement

KEY FIGURES

Main urban centres	Bamako
Exchange rate: 1 US\$ = [a] 18 Sept 2018	574.34 CFA franc
PPP Exchange rate (Local currency/PPP\$) 1 CFA franc = [b]	217.00
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018	-1.80 2.00 n/a
Population 2017 [b] Urban population size 2017 [b]	18 541 980 7 683 982
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	2.90% 4.84%
Percentage of the total population below National Poverty Line	40.70%
Unemployment rate [b]	7.9%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$15 288 million 5.30%
GDP per capita (Current US\$) 2017 [b]	US\$824
GNI per capita (Current US\$) 2017 [b]	US\$770
Gini co-efficient 2009 [b]	33.00
HDI global ranking 2016 [d] HDI country index score 2016 [d]	175 0.442
Is there a deeds registry?	Yes
Number of residential properties that have a title deed [e]	151 551
Lending interest rate [b]	5.30%
Mortgage interest rate Mortgage term (years)	8.75% 6
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages [f]	452
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$7.82
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	13 577 850 CFA franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$23 639
What is the size of this house (m ²)?	60m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	150m ²
Ease of Doing Business Rank [g]	143
Number of procedures to register property [g]	5
Time to register property (days) [g]	29 days
Cost to register property (as % of property value) [g]	11.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	African Development Bank - African Economic Outlook
[d]	UNDP Development Indicators
[e]	Mali Ministry of Finance
[f]	Central Bank of West African States
[g]	World Bank Doing Business

between the Region Mortgage Refinancing Facility (CRRH-UEMOA), the West African Development Bank and the World Bank, which aims at increasing access to affordable housing finance to households with modest revenues.

Mali has consistently improved its ranking on the Starting a Business indicator of the Doing Business Report from 172 in 2016 to 108 in 2017, and to 104 in 2018.

Access to finance

In 2018, the financial sector consisted of 13 banks,⁵ three financial institutions, two pension funds – a social security fund for private sector employees (the National Institute of Social Welfare) and a pension fund for public sector employees (the Retirement Fund of Mali) – 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 Hypothécaire du Mali, or FGHM). Five banks in Mali formally offer housing loans. Some commercial banks also offer up to CFA 30 million or US\$52 229⁶ for equipment loans for housing enhancement, acquisition or construction of housing for individuals at a 12 percent

(but negotiable) interest rate over five years. Many of these banks (such as Ecobank Mali and Coris Bank International Mali) are also active in supporting housing projects through partnerships, either with developers or housing cooperatives such as the Agence de Cessions Immobilières and the Confédération Nationale des Sociétés Coopératives D'habitat du Mali.

Despite the number of financial institutions, access to finance as measured by credit-to-GDP ratio was estimated at only 25.1 percent in 2017, according to Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest – BCEAO) statistics. In 2017 there were 402 bank branches and 417 ATM machines, most of which were concentrated in urban areas.⁷ As of December 2017, a total of CFA 2 230 billion (US\$3.88 billion) of loans were emitted, only a six percent increase from 2016. According to the 2016 Annual Report of the Commission Bancaire de l'UMOA, there are 1 339 486 bank accounts in the country.⁸ More recent information is not available. Specific data on housing finance is difficult to obtain as it is not collected on a regular basis by the Central Bank and made public.

General lending rates are between eight and nine percent on average for long-term loans (mortgages), above the West African Economic and Monetary Union (WAEMU) average of 7.7 percent in 2013.⁹ Interest rates on deposits have remained almost constant at around 3.5 percent.

In 2015, following an assessment of the financial sector in Mali, the dismantlement of the Mali Housing Bank was recommended, and led to its absorption by the BMS in May 2016. Indeed, the fiscal sustainability of BHM which was subsidised by the Government of Mali as one of its main housing policy instruments was seriously questioned. It is also important to mention that despite the creation of the Caisse Regionale de Refinancement Hypothécaire (CRRH), a regional mortgage refinancing facility, Malian banks are among those which take less advantage of it – Mali is the country with the lowest number of banks affiliated to the CRRH. However, housing finance continued to grow, with the Mali branch of Bank of Africa launching the “Prêt ma maison” in 2016. This new mortgage product is offered over a period of 15 to 20 years at a moderated interest rate. The amount of the mortgage depends on the applicant's revenue and the interest rate is negotiable, with an approximate minimum of eight percent per year. No down-payment is required from the applicant to obtain the loan, but standard guarantee conditions apply (for example, a secure job or a stable source of revenue). The BMCE Group of which Bank of Africa is part of, offers similar products in other countries such as Benin and Togo. Since this product is new, it is difficult at this point to measure take-up.

The microfinance sector, which soared in Mali at the end of the 1990s, is facing important challenges, exacerbated by the 2012 political crisis. The 2015 World Bank Financial Assessment conducted on the Mali financial sector identified the major challenges the microfinance sector faced. These included, among others, an increase in the default rate and consequently an increase in the risk portfolio, and a deterioration of the profitability of the sector and loss of confidence from affiliated members. According to BCEAO, the number of microfinance institutions (networks) in Mali decreased from 105 at the end of March 2017 to 85 at the end of March 2018 (excluding affiliated members of networks). On a sample of 21 microfinance institutions representing about 90 percent of the sector, there was a total of 472 service points for a total of CFA 100.3 billion (US\$174.62 million) outstanding credits and CFA 76.5 billion (US\$133.18 million) in deposits for a total of 1.136 million clients.¹⁰ The joining of Microcred in 2014 (of which the International Finance Corporation is a shareholder) helped mitigate the microfinance crisis in Mali. Reforming the microfinance sector is part of the International Monetary Fund programme signed with the Mali Government, which is currently being implemented.

Housing microfinance is very limited in Mali, with only one microfinance network, Nyesigiso, offering housing microfinance. Nyesigiso, in partnership with FGHM, provides mortgage loans for the acquisition of housing units on serviced sites (the maximum amount of these mortgages is CFA 20 million, or US\$34 819, over up to 15 years) and construction loans for financing the construction of new housing units, for up to CFA 3 million (US\$5 223), payable over a maximum of 36 months.¹¹

The FGHM, created in 2000 to cover losses incurred by financial institutions in the case of default by mortgagees, and to sustain home ownership for households, remains one of the strongest pillars of Mali housing policy. FGHM offers two products: mortgage guarantee and social housing guarantee. This was 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.

In February 2018, Mali launched its first Islamic bond or *Sukuk*, for a total of CFA 150 billion (or US\$261 million) over the period 2018-2025 at an annual interest rate of 6.25 percent. Part of the proceeds of the bond will finance the government's affordable housing programme.

Affordability

While land and housing are not expensive by international standards, very low incomes mean that formal housing is still unaffordable for a large proportion of the population. According to Office Malien de l'Habitat (OMH) data,¹² the cheapest housing unit built by a developer in 2017 costs CFA 13 577 850 or US\$23 639 (including land costs). This house was built on a 200m² plot, over 59.62m². This means that it cost on average US\$396.49 per square meter to build such a house. Prices in the capital city of Bamako are as high as double that of other areas. However, in the provision of serviced plots, the focus is on plots costing between CFA 1.5 million and CFA 2 million (between US\$2 611 and US\$3 482) in cities all over the country. A standard galvanised iron sheet, often used in self-build initiatives, costs between CFA 3 000 (US\$5.22) for a 4kg sheet and CFA 6 000 (US\$10.44) for a 7kg sheet. The minimum acceptable size land plot is around 160m².

Cement price continues to drop since the completion of several cement plants around the country (the Dio plant, the Diamou plant, the Astro plant, and the Diamond plant). Only five years ago, a ton of cement was sold at around CFA 120 000 (US\$208.92) or CFA 6 000 (US\$10.44) for a bag of 50kg. As of June 2018, the same 50kg bag of cement costs CFA 4 490 or US\$7.82, a slight increase from the 2017 price. This follows the general downward trend in cement prices in West Africa, with an increased interest from major investors in the region such as West African Cement (WACEM), Dangote Cement, Lafarge and Heidelberg Cement.

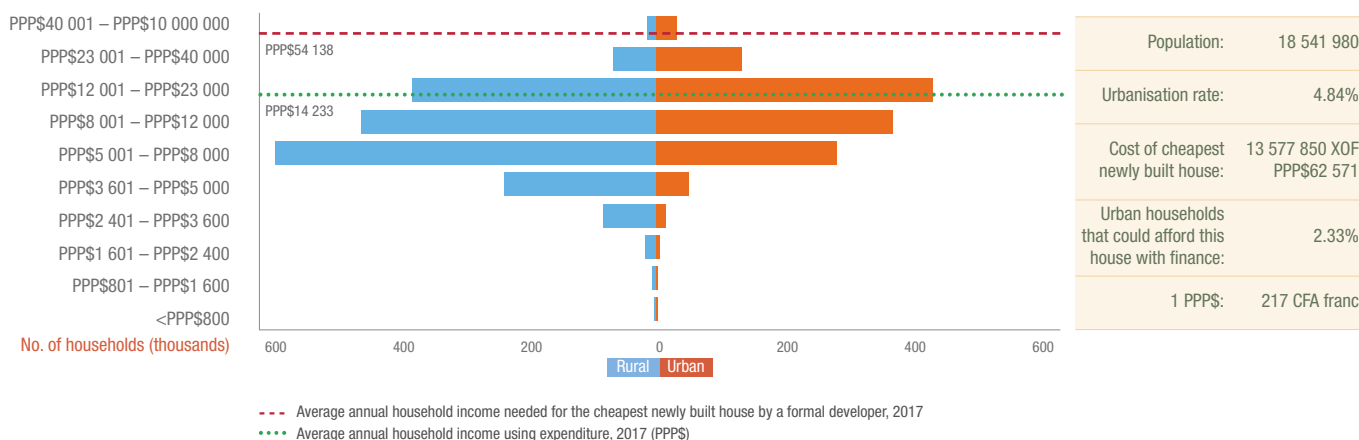
The average annual income as estimated by the per capita gross national income (Atlas Method) was at US\$780 in 2017. The price of the cheapest housing unit is therefore about 29 times the annual per capita income. This justifies the government's emphasis on affordable housing and subsidy programmes to support people to acquire housing. In the absence of regular household surveys (the most recent of which was undertaken in 2010), it is difficult to obtain accurate information on household income and expenditure patterns, including what kind of housing different households can afford.

Housing supply

A recent World Bank study estimated the need for housing in Mali at about 82 500 units per year, 51 100 in urban areas and 31 400 in rural areas.¹³ In line with similar initiatives by his predecessors, the President of Mali launched an important housing programme in 2013, with the goal of delivering 50 000 affordable housing units by the end of his term in 2018. The government's strategy to achieve this goal is based on public private partnerships with major companies in the housing construction sub-sector. Several partnerships have been concluded with, among other important actors, the Association des Promoteurs Immobiliers du Mali (Malian Association of Real Estate Developers), the Association Professionnelle des Banques et Etablissements Financiers du Mali, the Chinese company China Machinery Engineering Corporation, and Palmer Energy and Construction Corporation, a US-based company. Several local banks, including Coris Bank International, Ecobank-Mali, BMS, Banque Internationale Pour le Mali, Bank of Africa, Banque de Development du Mali, and Banque Nationale de Developpement Agricole, partnered with real estate developers to support the Presidential Social Housing Programme. All this is spearheaded by OMH, one of the major players in the public sector. Among other things, OMH: (i) administers the government's subsidy programme in partnership with the FGHM; (ii) negotiates and signs public private partnerships with potential investors; (iii) manages the acquisition and sales of newly built housing units; (iv) ensures that government lands are serviced to

MALI

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

host housing development projects; and (v) administers the allocation of housing to potential beneficiaries so as to ensure transparency and fairness. The Government increased the OHM budget by more than 200 percent between 2016 and 2017 to support the supply of housing. The OMH budget more than doubled for the year 2017 jumping from about CFA 23 billion (US\$40.04 million) to CFA 73 billion (US\$127.09 million) with the clear goal of getting as close as possible to the 50 000 housing units target. However, only 12 566 housing units were delivered on the programme at the end of May 2018 due, among other things, to weak resource mobilisation to support the programme.

In April 2018, the Abu Dhabi Fund for Development signed a US\$30 million loan agreement with the Mali Government to support its social housing programme. This is a significant development, as the signed agreement will bring much-needed resources into the sector. Indeed, the housing programme in Mali has been threatened by the government falling short of fulfilling its obligations towards partner banks and developers that blocked the programme (by withholding the keys of complete housing units) for a few months before an agreement was found, to release the 12 566 completed units. Likewise, Shelter Afrique promised in February this year a US\$100 million investment in the housing programme for the coming years.

Despite tremendous efforts by the government to provide housing to its population, self-construction remains the main means of housing supply. A 2011 Shelter Afrique study on the real estate sector in Mali estimated that almost 75 percent of the housing supply in the country constituted self-constructed units. Self-construction involves two approaches: simple self-construction and assisted self-construction, the latter involving direct technical assistance from the Malian Housing Office, available only to housing cooperatives.

Property markets

In Mali, most land is owned by the government (mainly central); however, many individuals claim ownership without proper land titles. To secure the property market, the government is progressively putting in place a national cadastre, focusing first on urban areas and regional capitals. Mali has put in place a Permanent Secretariat for Domain and Land Reform, a new institution under the Ministère du Domaine de l'Etat et des Affaires Foncières to spearhead land reform and lead the development of a national cadastre. The first phase covers six communes of the Bamako District and eight communes of the Kati circle.

Despite these challenges, property markets function somehow in Mali, with the OMH, BMS and a few small private real estate developers as the main actors. Developers and banks also serve in the role of real estate agents. Developers agree to sell all completed housing units to the OMH, which in turn sells them to households under leasing or direct purchase contracts. BHM and a few other commercial banks, as well as the microfinance network Nyesigiso, provide housing loans or mortgages up to CFA 20 million (US\$34 820) over a 20-year term at an average interest rate of about 10 percent a year. The loans are then guaranteed

by FMGH. A down-payment of 30 percent of the purchase price is required by BHM, which then finances the remaining 70 percent with a mortgage.

Difficulties remain that hinder the efficient functioning of Mali's property markets, despite significant efforts by the government. According to the World Bank's 2018 Doing Business Report, obtaining construction permits involves 13 procedures, takes 124 days and costs 6.2 percent of the property value. This places Mali in 134th place out of 190 countries, eight places up from its 2017 ranking. On the registering property indicator, Mali ranked 137 out of 188 countries in 2018, two places down compared to 2017. Indeed, it still takes five procedures and 29 days, and costs 11.1 percent of the property value to register a property. Also, the quality of the land administration index remains low at 8 on a 0-30 scale, despite the significant land administration reform launched since 2016, which led to the creation of a separate Directorate for Public Land Administration and a Directorate for the National Cadastre. This is part of efforts undertaken by the Malian Government to modernise land administration. At the end of 2017, a total of 149 391 out of 151 551 available property titles were digitalised.¹⁴ In addition, all land archives from the Bamako District and the Kati Circle were successfully moved to a modernised archive room as of the end of 2017.

To face the demand for housing, especially in urban areas, a rental market is developing around big agglomerations such as Bamako (where 37 percent of households are renters) and other secondary cities where the housing demand is high. It is estimated that 34 percent of urban dwellers rent their housing units. Aggressive housing policy implementation has slowed down the development of informal settlements, which was as high as 65 percent in 2002.¹⁵

It is also worth noting that a few websites developed by small real estate operators often advertise and try to maintain up-to-date opportunities for selling or buying properties, mostly around Bamako and other urban centers.

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 of this strategy is to improve living conditions throughout the country by promoting access to decent housing for people with low and intermediate incomes. In line with this, the government created several institutions to facilitate access to housing, such as the OMH, the Mali Housing Agency created in 1996, and more recently the Land Registry Department and the State Property Department for land administration. The agency is the main facilitator of relationships between different actors in the sector; and is 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 BMS and the FGHM) and subsidising the interest rate on loans for eligible mortgage applicants, mostly members of housing cooperatives.

Members of housing cooperatives benefit from a subsidised interest rate ranging from 7 to 11 percent depending on the monthly income of the eligible applicant. Besides this, individual housing cooperative members with monthly incomes lower than CFA 75 000 (US\$ 130.57) and CFA 100 000 (US\$ 174.10) 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 OMH.

The *Banque de l'Habitat du Mali (BHM)* no longer exists, as it has been absorbed by the *Banque Malienne de Solidarité* in 2016 because of poor performance. 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 region, including a law on condominiums (Law 01-106 of 10 December 2001), a law governing property development (Law 99-40 of 10 August 1999) and a law on housing finance (Law 01-105 of 10 December 2001). These measures have increased the number of local real estate developers operating in the housing market and the number of housing cooperatives.

Land administration is improving significantly, with the launching of the national cadastre project, and the enactment of the separation of the Land Registry Department (Executive Order No. 2017-024/P-RM of 30 March 2017) and the State Property Directorate (Executive Order No. 2017-025/P-RM of 30 March 2017). Besides this, to ensure improved land titling management and reduce land disputes, the government has deployed new software for the management of urban housing concessions (Concessions Urbaines d'Habitation – CUH) and rural housing concessions (Concessions Rurales d'Habitation – CRH) to 12 specialised offices of Private Land and State Property Administration.¹⁶ Expansion of this will continue as the development of the national cadastre expands.

In June 2015, the Parliament of Mali voted a new law on Credit Reference Bureaus in compliance with the WAEMU directives on the matter. This is a key development for the housing sector as it will enhance the credit environment in Mali.

Opportunities

Malian authorities at the highest level have made the provision of affordable housing a top priority of their political and social agenda, as shown by different policy and laws voted to govern the housing sector, and the commitment of the Presidential Social Housing Programme to provide 50 000 housing units in five years. Along with Senegal and Cote-d'Ivoire, the Malian housing sector is one of the most vibrant of the WAEMU region. Mali is also working on improving its land administration through the development of a national cadaster, and strengthening property rights enforcement, through new institutions. Likewise, regional projects such as the US\$150 million International Development Association-funded Affordable Housing Finance Project, will ease access to housing finance for low income and informal sector workers, to enable them to access property. The most recent available data estimated the housing needs in Mali at about 82 500 units per year, of which 51 100 is for urban areas and 31 400 is for rural areas. This is in line with the government ambition of providing 50 000 housing units over the period 2013-2018. The government programme has raised the interest of several investors in the housing construction sector in Mali. However, there is still a lot of room, at least for the coming years, for newcomers, to meet housing demand in Mali. Housing supply is currently influenced by the

government, which is active in contracting public private partnerships to that end, the goal being the promotion of house ownership, mainly affordable housing, given the low level of income in the country. Experience from the past few years clearly showed that national capacities to meet the needs for housing construction are limited, which leaves room for new developers to come in. Despite a strong political will, the government's housing programme has delivered less than 13 000 housing units over the past five years. During his second term, President Ibrahim Boubacar Keita has already committed to continue supporting the provision of social housing. Opportunities also exist in the rental segment of housing, especially in urban areas where four inhabitants out of 10 are in the market for rentals.

Additional sources

AfDB, OECD, UNDP and UNECA (2017). African Economic Outlook 2017. Country Note Mali. Abidjan, June 2017.

AfDB (2018). African Economic Outlook 2018. Abidjan, June 2018.

Droit Afrique. Mali Code domanial et foncier - Ordonnance n°00-027 du 22 mars 2000. <http://www.droit-afrique.com/upload/doc/mali/Mali-Code-2000-domanial-et-foncier-MAJ-2002.pdf> (Accessed 10 September 2018).

Gouvernement du Mali (1995). Ministère de l'Urbanisme et de l'Habitat. Stratégie Nationale du Logement. Bamako: 1995.

Gouvernement du Mali (2009). Ministère du Logement, des Affaires Foncières et de l'Urbanisme. Note sur le marché du logement au Mali. Bamako, Aout 2009.

INSTAT-Mali (2018). Prix Moyen de Vente et Indice des Matériaux et Produits de Construction à Bamako (Bâtiment avec Couverture en Dalle BA). Mois de juin 2018. Bamako. INSTAT-Mali. Juillet 2018. http://www.instat-mali.org/contenu/pub/imc0618_pub.pdf (Accessed 19 August 2018).

Shelter Afrique (2011). Etude sur le Secteur de l'Immobilier au Mali: Nairobi, 2011.

UMOA (2016). Rapport Annuel de la Commission Bancaire 2016. Abidjan, Décembre 2016. https://www.bceao.int/sites/default/files/2018-05/rapport_annuel_com_ban_umoa_2016_internet.pdf (Accessed 20 August 2018).

United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, custom data acquired via website. <https://esa.un.org/unpd/wpp/> (Accessed 19 August 2018).

World Bank (2018). Doing Business 2018: Reforming to Create Jobs. Washington, DC: World Bank.

World Bank (2018). World Development Indicators 2017. Mali Data: 2017. <https://data.worldbank.org/country/mali> (Accessed 19 August 2018).

World Bank (2018). Macro Poverty Analysis Outlook 2018. Sub-Saharan Africa Country-by-Country Analysis and Projection for the Developing World. Washington, DC: World Bank.

Websites

<https://www.bceao.int>

<http://www.nyesigiso-mali.org/>

<https://landportal.info>

¹ United Nations, Department of Economic and Social Affairs, Population Division (2017).

² World Bank (2017). World Development Indicators: Mali Data 2017.

³ World Bank (2018) <http://pubdocs.worldbank.org/en/720441492455091991/mpo-ssa.pdf> (Accessed 20 August 2018).

⁴ World Bank (2018). "The World Bank in Mali". <http://www.worldbank.org/en/country/mali/overview> (Accessed 20 August 2018).

⁵ BCEAO (2018). "Paysage bancaire au 30 juin 2018". <https://www.bceao.int/fr/content/paysage-bancaire> (Accessed 20 August 2018).

⁶ All conversion of CFA Francs to US\$ are based on the conversion rate of US\$ 1 = CFA Francs 574.39, as of 20 August, 2018 on <http://coinmill.com/>

⁷ BCEAO (2018). Annuaire Des Banques et Etablissements Financiers De L'UMOA 2017. <https://www.bceao.int/sites/default/files/2018-08/Annuaire%20des%20banques%20et%20C3%A9tablissements%20financiers%20de%20l%27UMOA%202017.pdf> (Accessed 20 August 2018).

⁸ UMOA (2017). Rapport Annuel de la Commission Bancaire 2016. https://www.bceao.int/sites/default/files/2018-05/rapport_annuel_com_ban_umoa_2016_internet.pdf (Accessed 20 August 2018). Pg.151.

⁹ BCEAO (2014). Note d'analyse sur les conditions de financement bancaire de l'habitat dans les pays de l'UMOA. October 2014. https://www.bceao.int/sites/default/files/2017-11/3note_d_analyse_sur_les_conditions_de_financement_bancaire_de_l_habitat_dans_les_pays_de_l_uemoa.pdf

¹⁰ BCEAO (2018). Principaux Indicateurs des SFD de l'UMOA au 31 mars 2018. <https://www.bceao.int/sites/default/files/2018-07/Indicateurs%20au%2031%20mars%202018-4.pdf> (Accessed 20 August 2018).

¹¹ Nyesigiso. "Nyesigiso: Une référence en matière d'épargne et de crédit au Mali: Services Aux Particuliers". http://www.nyesigiso-mali.org/tab_produit.php (Accessed 9 Sept 2018).

¹² Conversation with an Office Malien de l'Habitat (OMH) official on 22 July 2018.

¹³ World Bank Finance and Markets Global Practice (2016). Financial Sector Assessment Programme – Development Module – Mali: The Banking System and Credit to the Economy; Technical Note, December 2015. <http://documents.worldbank.org/curated/en/894621467999119269/pdf/105294-FSAP-P153363-PUBLIC-Mali-FSAPDM-TN-Banking-Public.pdf> (Accessed 19 August 2018).

¹⁴ Gouvernement du Mali (2018). Rapport Annuel D'Evaluation De La Mise En Oeuvre Du Prem – 2017. February 2018. http://carfp.finances.gouv.ml/files/Rapport_Execution_PREM_AU_31-12-2017_VF.pdf (Accessed 19 August 2018).

¹⁵ According to the director of OMH Mali during a presentation at a Shelter Afrique symposium on affordable rental housing in Mali, in May 2015.

¹⁶ These are decentralized offices of the Land Registry Department and the State Property Directorate.

Mauritania



Overview

Mauritania is classified as a lower middle income country with an economy dominated by natural resources and agriculture. The country connects the Maghreb region and Sub-Sahara Africa with a population mainly dependent on agriculture and livestock. Despite its relatively low GDP, the country's mineral resources include iron ore, gold, copper and phosphate rock. According to the IMF country report, Mauritania's economy continues to recover at three percent projected growth for 2018.¹ On average, inflation is slated to remain moderate at 2.7 percent with the current account deficit contracting due to a surge in mining and fishing exports. Mauritania plans to enhance its strategies to fight corruption, improve the business environment as well as ensure financial sector reforms with sound fiscal policy and a judicious borrowing strategy.

Mauritania is highly urbanised with 53.7 percent of its population concentrated in urban areas. The capital city, Nouakchott, hosts 37.6 percent of the urban population. The rate of urbanisation was at 4.28 percent in 2018 according to the World Fact Book.² Initially planned and built as an administrative capital in 1958 for fewer than 15 000 people, Nouakchott now has a population of over one million. As more people moved to the urban areas, the nomadic lifestyle that was prevalent before this period decreased extensively to approximately seven percent of the population, posing capacity challenges at the local government level for city planning, economic integration, and the provision of basic services and infrastructure. Approximately a quarter of the urban population is connected to electricity, half to water, and only a small fraction to sanitation networks.

Mauritania has a population of 4.4 million and a Human Development Index of 0.513 with a ranking of 157.³ The GNI per capita growth was 2.04 in 2017 and is projected at 3.1 percent for 2018 and 3.9 percent for 2019. This is indicative that Mauritania is a relatively poor country and still has high levels of income inequality. Unemployment rates in Mauritania are estimated at 10.2 percent as at December 2017 with youth unemployment higher at 18.57 percent. Youth constitute 60 percent of the population. In Mauritania, 31 percent of the population live in relative poverty and 16.6 percent of the population is living in extreme poverty mostly in rural areas.⁴

Mauritania continues to improve its ranking in the World Bank's Doing Business at 150 out of 190 countries, gaining 10 ranks from the previous year.⁵ This is mainly due to the consistent elimination of the minimum capital requirements and

KEY FIGURES

Main urban centres	Nouakchott Nouadhibou
Exchange rate: 1 US\$ = [a] 9 Jul 2018	355.52 Ouguiya
PPP Exchange rate (Local currency/PPP\$) 1 Ouguiya = [b]	102.90
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [d]	1.50 2.30 3.30
Population [e] Urban population size [e]	4 568 285 685 938
Population growth rate [e] Urbanisation rate [e]	2.17% 3.20%
Percentage of the total population below National Poverty Line [f]	40.50%
Unemployment rate [d]	11.80%
GDP (Current US\$) 2017 [g] GDP growth rate annual 2017 [d]	US\$5 440 million 3.1%
GDP per capita (Current US\$) 2017 [g]	US\$1 370
GNI per capita (Current US\$) 2017 [b]	US\$1 100
Gini co-efficient 2016 [b]	40.50
HDI global ranking 2017 [h] HDI country index score 2017 [h]	159 0.520
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	27 000
Lending interest rate [d]	9.00%
Mortgage interest rate Mortgage term (years)	8% 10
Downpayment	35.00%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$7.74
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	10 371 229 Ouguiya
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$29 172
What is the size of this house (m ²)?	120m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [i]	150
Number of procedures to register property [i]	4
Time to register property (days) [i]	49 days
Cost to register property (as % of property value) [i]	4.60%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Knoema.com
[d]	Trading Economics
[e]	Worldometers
[f]	Indexmundi
[g]	IMF World Economic Outlook Database
[h]	Countryeconomy.com
[i]	World Bank Doing Business

for expanding borrower coverage in the credit registry. With the support of the World Bank and African Development Bank, the country continues to use the action plan that focuses on clearer property rights; simpler administrative procedures and taxation; streamlined investor protection; and an updated judicial system.

Access to finance

Mauritania has established a roadmap to preserve financial stability for the financial sector in line with the IMF's Financial Sector Assessment Program to deepen the financial markets. This is in accordance with existing strategies to commence risk-based bank supervision with actions to improve on the regulatory framework. In 2014, Mauritania attempted via a charter to implement a stock exchange. To date, the efforts have proven fruitless as there is no stocks and bonds market. Mauritians generally rely on commercial bank loans for credit. Recently, there

has been a rise of microfinance institutions that offer mostly short-term loans with high interest rates. Access to housing finance in Mauritania through the formal banking system is still exceptionally difficult as financial services are not accessible to the majority of the population as most of the citizens are informally employed and remain either unbanked or underbanked.⁶ Only 17 percent of the population is included in the formal economy. Although the World Bank cites access to finance as the top constraint to the Mauritanian private sector, the IMF country report for the Extended Credit Facility Arrangement on Mauritania in March 2018 shows there are signs of improvement to the economy through sizable policy adjustments on finance. Cash is the most common means of payment in the domestic economy. Lending to both the private sector and individual households continues to be low, while limited access to credit and high costs of financing constrain entrepreneurial activity.

Business regulatory reforms have made it considerably easier to do business in the country. The World Bank's 2018 Doing Business Report's 'ease of getting credit' category ranking decreased two points from 157 to 159. The credit registry coverage for Mauritania's adult population has increased from 6.6 percent in 2017 to 7.1 percent. Ordinarily, agglomeration yields visible positive effects, however, in Mauritania these are few due to a fragmented, shallow and extremely informal credit market. Urban centres are characterised by informality, poor infrastructure, and poor service coverage, self-employment and weak human capital – characteristics which are neither favourable for attracting the private sector to invest nor for creating an enabling environment for the development of higher-productivity services and tertiary sectors. Although the government promotes privatisation to attract foreign investment, the World Bank noted that access to finance remains a drawback to investing in Mauritania.

The number of banking institutions remains unchanged with 25 national and foreign banks operating in Mauritania, even though only some 15 percent of the population holds bank accounts.⁷ In May 2018, Attijari Bank launched its first digital/mobile bank as an initiative to innovate and diversify banking products currently available in the market. Attijari Bank is said to have 40 branches and 8 000 customers in its portfolio.⁸ In 2018, there were 21 registered microfinance institutions; two specialised financial institutions: Caisse de Dépôts et de Développement, a public development bank created in 2011 with special legal status, and Finance, Conseils, et Investissement; two pension funds; 12 insurance companies; two active microfinance networks, the largest Agence de Promotion des Caisses Populaires d'Épargne et de Crédit with 51 offices, and Oasis Mutual and Investment Credit; and 32 exchange bureaus. These institutions operate under the purview of the Central Bank of Mauritania.

The sector remains underdeveloped with more than 80 percent of the financial sector's assets held by commercial banks. Due to fiscal and external trends at the end of 2017, the IMF estimated the debt-to-service ratio to be at 14.7 percent. Although the banking system seems well-capitalised overall, some banks are still not meeting the minimum capital requirement and are under-provisioned. Asset quality remains weak.⁹ Increased non-performing loans (NPLs) naturally lead banks to lend less credit. In March 2018, Mauritania drafted a law on loan recovery "aimed at improving mechanisms for credit recovery and enforcement of collateral by banks."¹⁰ The draft law, which is currently sitting with parliament, will facilitate the removal of NPLs from bank balance sheets. With Mauritania's already chronically low mortgage lending rates, a decrease in NPLs will inadvertently promote credit for housing finance.

Mauritania still has an extremely small mortgage market with no specialist housing lending banks, essentially new limiting instruments to facilitate the financing of housing. According to the 2014 Financial Sector Assessment Program, Mauritania lacks vital instruments such as a housing loans fund; a housing loans refinancing fund; long-term housing loans with periodically re-negotiable rates that minimise interest rate risks due to a mismatch between assets and liabilities; housing savings plans that provide stable resources; and microcredit for housing. CAPECs have undertaken limited operations in financing housing.

The Central Bank of Mauritania continues to strengthen its regulatory framework and supervision capacity to support the continued development and stability of the financial system. However, opening branches outside the main urban centres of Nouakchott and Nouadhibou has not encouraged an increase in the use of

banking services. The World Bank's 2018 Ease of Doing Business Report indicates that there are no private bureaus and only 7.1 percent of adults are registered on a public credit registry. Household credit was at 38 percent in June 2016 and dominated by credit to the private sector. The effectiveness of mortgages has been hampered by banks' lack of diligence in registering mortgages, given high registration fees. In response, the authorities reduced the registration fees in 2006.

Affordability

There are two main types of housing. First, substandard dwellings (tents, shacks/huts, barabques and m'bar) representing 32.5 percent of all housing and second, formal dwellings comprising the remaining 67.5 percent. Since independence, the government has placed enormous emphasis on housing development and the eradication of slums, making homeownership relatively high despite the high incidence of poverty.

The Urban Development Project aims to combat poverty in precarious settlements in Nouakchott and Nouadhibou, combining access to housing, access to credit, vocational training, and local development. It was launched in outlying settlements and land parcels around Nouakchott and enabled long-term residents of city slums to move to an improved urban environment on rationalised plot patterns with registered land titles in a test environment. The results of this project were as follows: outcomes were satisfactory, risk to development outcome was moderate, bank performance was satisfactory, and borrower performance was satisfactory.

Certain lessons learned include that the project method is not the most efficient way for workable capacity building. Developing local governmental capacities needs a national programme, based on sustainable resources and strong political commitment that ultimately will be reinforced by donors. The project revealed the viability and sustainability of microcredit operations for creating income activities in Mauritania. Slum upgrading has limitations when there is a lack of established appropriate regulatory frameworks for land development in an urban environment.

Accommodation is the one of the most expensive items of household expenditure. The average one-bedroom flat in the city centre costs approximately MRO90 000 and MRO80 000 outside the city.¹¹

Mauritania's GNI is very low at US\$1 120, and remains higher than its GDP, suggesting more foreign investments within the country than external investments, making it unlikely that most Mauritians would be able to afford these properties.

Housing supply

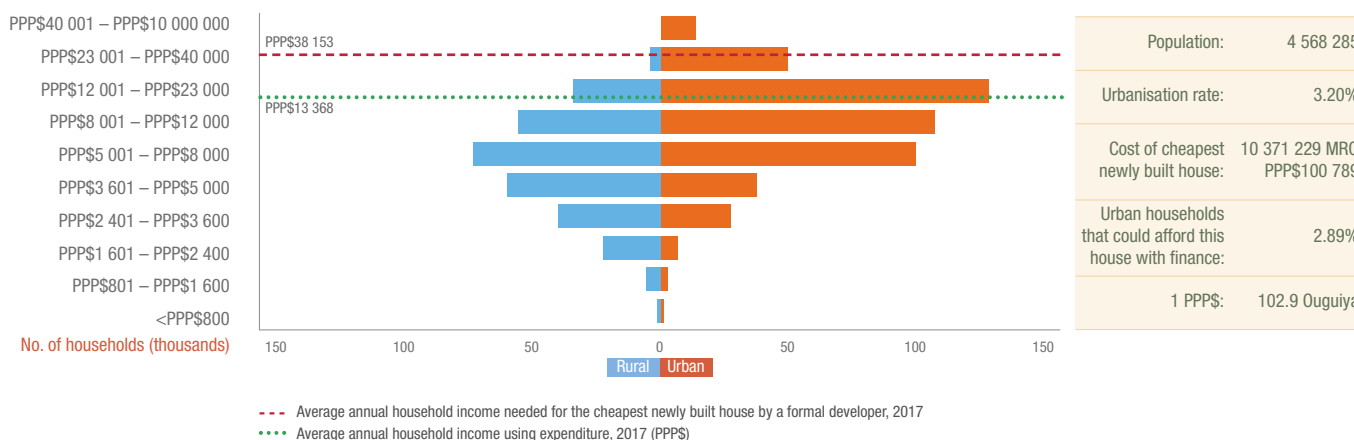
The Mauritanian housing sector remains largely unchanged since 1975 when the government introduced regulations, which included persuading government employees to purchase their own property to reduce the demand for public housing and attract developers to start work on private development. Construction remains a relatively small portion of GDP, and is included in the industry category in the World Bank indicators.¹² However, it is difficult to extrapolate the exact percentage from the latest available figures. Housing resources are strained, and a large percentage of the urban population lives in substandard housing, such as tents, huts, or shacks. Self-construction has therefore continued to be the main method of building houses in Mauritania.

At present, the top end of the residential development market is wholly local and still dominated by the ad hoc construction of buildings for owner-occupation or leasing mainly to the expat market in Teveragh Zeina. Many diplomatic staff are housed in accommodation that has been built within embassy compounds.¹³

A low cost housing microcredit system was instituted under PDU, the Urban Development Project, which helped to produce 5 000 housing units in Nouakchott and Nouadhibou. The determination of the government authorities to clear squatter settlements and offer people more decent housing led to the development and implementation of neighbourhood-based integrated restructuring programmes. The first of these between 2003 and 2007 was a pilot in El Mina. Subsequently, government opted for a more affordable, participatory approach to rehabilitate the other informal settlements of Nouakchott and Nouadhibou. This entailed engaging with representatives in awareness raising and

MAURITANIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

information sharing as well as a broad enumeration of households. The programme has been successful in both the Arafat and Hay Saken informal settlements.

The kebbe and the gazra, the two types of informal housing still prevalent in the urban areas, were initially the result of spontaneous settlements; yet they are still standing, and similar construction continues.¹⁴ Government efforts to eliminate the problem of informal settlements have not yielded the desired results. To fight against the proliferation of slums, the Mauritanian government implemented policy evictions, which were a scheme or plan to evict squatters in the early 1980s. However, with the spread of kebbes, politicians still prefer to preserve social peace and consider more consensual solutions. Despite these efforts, high levels of mistrust between government officials and informal sector dwellers remain.

In 2017, external investment into the property market appeared to be materialising and, according to the Middle East Monitor, Qatari-funded housing projects were being developed in the municipality of Jadir Al-Mahkan in the southern state of Tarrza consisting of 100 housing units.¹⁵ The project was suspended due to the accusation of Qatar supporting terrorism. No further information appears to be available about the project.

Property markets

Article 15 of Mauritania's 1991 constitution guarantees private property and the 2012 Investments Code, which was reformed in 2016, further outlining the protection of private property rights. The 1983 Law on land Tenure which was clarified in a decree in 2000 in terms of its concrete application regulates land property in Mauritania. However, it is important to note there are still inefficiencies in the judicial capacity to settle land disputes, given the challenge in accessing and registering land. According to the World Bank, Mauritania has made great strides in addressing these challenges with more transparent systems. This makes purchase or leasing of land less precarious as the ambiguity between state and customary land laws gets restructured.

Private property is one of the most politically critical and perilous aspects of Mauritania where the majority of the population lives in rural areas, as well as on partly-registered or non-registered land in urban areas. Information on property rights continues to be mixed, with cases of state agents attributing plots of land to individuals not related to settlement programmes as well as the fact that three agencies are in charge of land designation with overlapping responsibilities: the Ministry of Housing, Urbanisation and Planning (responsible for land management), the Ministry of Finance (responsible for land allocation), and the Agency for Urban Development.¹⁶

Recently, Mauritania launched a land registry website that provides details on registry services such as property transfer regulations, procedures and fees as well as other pertinent information to the public. Previously, the lack of cadastral information and cumbersome legal procedures hampered the transfer of property

titles to Mauritians. The digital registry was established in 2015 by the Ministry of Economy to provide more transparent land allocation. The Land Registry Agency within the Ministry of Habitat maintains all information regarding property titles, mortgages and other tax related matters. Due diligence is performed prior to the final title transfer to register a property. Owners require a notarised sale agreement and a title certificate.¹⁷ According to the World Bank's Ease of Doing Business 2018 data, Mauritania is ranked 98 of 190 countries for registering a property. The process requires four procedures, takes 49 days to complete the transfer of property, and costs 4.6 percent of the property value.

The latest available data from the Directorate of Land and State Assets is from 2016, which indicated that there was a total of 27 075 official deeds registered, of which 27 003 were in urban areas and 72 in rural areas. Of the 27 075 deeds, 92 percent were titled to men and eight percent to women. In terms of overall housing, there were 38 574 occupancy permits listed implying that the rental market has about 11 499 units making it 29 percent of the market. It was previously estimated that the city of Nouakchott had more than 500 000 provisional property deeds which were delayed in titling due to previous institutional overlap of jurisdictions.¹⁸ This information remains unchanged with no new information available.

Policy and regulation

The policy and regulation framework in Mauritania has been improving in the housing finance sector, as risk associated with the lack of solid and unequivocal laws has been lowered due to increased transparency of information. Changes continue to be made to improve this, but the pace is not sufficiently swift to address the policy dichotomies. In 2018, Mauritania made starting a business easier by combining multiple registration procedures. To become an owner in Mauritania one must obtain permission to occupy the land by hakems (officials). The public often regards this licence as a property right in itself; however, it has no final legal value. It is issued against the price of land and the cost of demarcation. From this point, the beneficiary has two years to build (according to planning regulations) before claiming the outright ownership. This process is complex and slow. Many incidents of abuses, illegal occupation, land speculation and issuing of fraudulent title by hakems have been reported. In 2018, Mauritania made it easier to enforce contracts with the introduction of court automation, which allows for electronic payments to the courts as well as electronic publications of cases and judgements.

The rapid urbanisation that followed the droughts of the 1970s outstripped the ability of government to manage urban growth and the provision of housing. Some institutional mechanisms aimed at liberalising and promoting the sector together create a loose policy framework. Property-based local revenues are minimal and further hamper the ability of local governments to provide basic infrastructure, particularly to the informal settlements on the urban fringe where most of the urban growth is concentrated. The main policy and regulation frameworks governing the housing sector include:

- Mauritania Constitution of 1991 – Article 15 provides that the right to property is guaranteed; however, the law may limit the scope of the exercise of private property if the requirements of economic and social development require this;
- Land Code, ordinance 83-127 of 5 June 1983 – Article 2 “The State recognises and guarantees private ownership of land which in accordance with Sharia contribute to economic and social development of the country”;
- Law No. 99-031 of 20 July 1990, as amended by Law No 2005-08 of 30 January 2005, and its implementing texts – established real estate development in the country; and
- World Bank/International Monetary Fund's Poverty Reduction Strategy Paper III (2011-2015) action plan – Part of this programme aims to improve living conditions by making decent low cost housing available and providing proper amenities and infrastructure. The approach has focused mainly on: 1) adopting and implementing a national housing strategy; 2) significantly increasing the supply of housing; 3) encouraging real estate development, with a view to quickly providing a diverse supply of dwellings at a cost that is accessible to households; 4) continuing and expanding the Twizé low cost housing programme to the major urban areas; and 5) implementing a system for financing housing taking into account the needs of households, as well as those of real estate developers.

Mauritania Constitution of 1991 Article 15 – provides that the right to property is guaranteed; however the law may limit the scope of the exercise of private property if the requirements of economic and social development require this;

Opportunities

Mauritania continues to be one of the top 10 reformers worldwide in the World Bank's Doing Business ranking. There is opportunity to continue strengthening structural reforms to promote improved property rights and streamline investor protection with support from the World Bank and the African Development Bank. Mauritania has recently experienced growing revenues from the mineral resources sector, which should have a positive impact on the availability of credit to households, and promote investment opportunities in the financing of housing if these revenues can be redirected to investment that assists in diversifying the economy.

Historically, Mauritania has been relatively open to foreign direct investment (FDI). High-level government officials in Mauritania remain diligent about their objectives to improve the business climate in order to attract more FDI, particularly from Western countries. There is no law prohibiting or limiting foreign investment, which can target any sector of the economy. There are no laws or regulations specifically authorising private firms to adopt articles of incorporation or association, which limit or prohibit foreign investment, participation, or control. There are no other practices by private firms to restrict foreign investment.

Furthermore, there are always opportunities for both the public and private sectors to strengthen the development of housing finance and increase its supply. Efforts should continue to be targeted towards establishing refinancing and guarantee mechanisms and creating new products, such as housing savings plans, long-term mortgages and renegotiable mortgage products. The major players in this case would be commercial banks venturing into developing building societies that will support individual housing loans as well as favourable loan terms for construction companies. These would complement those recommended by the World Bank's Country Partnership Strategy for the government to explore the feasibility of establishing: 1) a loans recovery company and/or a mortgaged real property management company; 2) a mortgage refinancing fund; and 3) a mortgage guarantee fund.¹⁹

Sources

International Monetary Fund (2013). Islamic Republic of Mauritania: Poverty Reduction Strategy Paper. <http://www.imf.org/external/pubs/ft/scr/2013/cr13189.pdf>. (Accessed 3 August 2018).

Banque Populaire de Mauritanie (2018). Tamouil Seken. http://www.bpm.mr/En/tamouil-seken_11_258. (Accessed 18 July 2018).

Demircuc-Kunt, A. et al (2014). The Global Findex Database 2014: Measuring Financial Inclusion around the World. Policy Research Working Paper 7255. <http://documents.worldbank.org/curated/en/187761468179367706/pdf/WPS7255.pdf>. (Accessed 3 August 2018).

Global Finance Magazine (2017). Mauritania GDP and Economic Data Country Report 2017. <https://www.gfmag.com/global-data/country-data/mauritania-gdp-country-report>. (Accessed 18 July 2018).

IECONOMICS (2018). Mauritania - Interest Rate. <https://ieconomics.com/mauritania-interest-rate>. (Accessed 18 July 2018).

UN Habitat (2017). Habitat Worldmap: Mauritania. <http://habitat-worldmap.org/es/pais/africa/mauritania/#HOUSING-MARKET>. (Accessed 18 July 2018).

Wabha, S. (2002). The evolution and impact of shelter and poverty alleviation strategies in marginalized settlements in Nouakchott, Mauritania. PhD Thesis. Harvard University.

The World Bank (2014). Financial Inclusion Data / Global Findex Mauritania. <http://datatopics.worldbank.org/financialinclusion/country/mauritania>. (Accessed 18 July 2018).

World Bank (2018). Ease of Doing Business in Mauritania. <http://www.doingbusiness.org/data/exploreeconomies/mauritania/registering-property>. (Accessed 18 July 2018).

Worldometers (2018). Mauritania. <http://www.worldometers.info/world-population/mauritania-population/>. (Accessed 18 July 2018).

¹ International Monetary Fund (IMF) (2018). Islamic Republic of Mauritania: First Review Under the Extended Credit Facility Arrangement-Press Release; and Staff Report. Country Report, No. 18/137. <http://www.imf.org/en/publications/cr/issues/2018/05/30/islamic-republic-of-mauritania-first-review-under-the-extended-credit-facility-arrangement-45917> (Accessed 17 June 2018).

² Central Intelligence Agency (2018). The World Fact Book, Mauritania. <https://www.cia.gov/library/publications/the-world-factbook/geos/mr.html> (Accessed 25 July 2018).

³ Human Development Reports (2018). Mauritania 2018. <http://hdrundp.org/en/countries/profiles/MRT> (Accessed June 23 2018).

⁴ World Bank Group (2018). World Development Indicators (2018). <https://data.worldbank.org/country/mauritania> (Accessed 29 June 2018).

⁵ World Bank (2018). Doing Business Report: Mauritania. <http://www.doingbusiness.org/reports/global-reports/-/media/WBG/DoingBusiness/documents/profiles/country/MRT.pdf> (Accessed 3 August 2018).

⁶ Bertelsmann Stiftung (2018). BTI 2018 Country Report – Mauritania. http://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2018/pdf/BTI_2018_Mauritania.pdf (Accessed 3 August 2018).

⁷ Bureau of Economic and Business Affairs (2017). Investment Climate Statements for 2017: Mauritania. <http://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2017&dld=269757> (Accessed June 20 2018).

⁸ Financial Afrik (2018). Mauritania Attijari bank launches its first digital bank. <https://en.financialafrik.com/2018/05/01/mauritania-attijari-bank-launches-its-first-digital-bank/> (Accessed 20 June 2018).

⁹ IMF (2018).

¹⁰ IMF (2018).

¹¹ Numbeo (2018). Cost of living in Mauritania. <https://www.numbeo.com/cost-of-living/in/Nouakchott-Mauritania> (Accessed 15 June 2018).

¹² World Development Indicators (2018).

¹³ Dessie, E (2013). Land, informality and notions of secure tenure- perceptions from Nouakchott, Mauritania. http://www.rennes.net/bdf_fiche-analyse-1024_en.html (Accessed 3 August 2018).

¹⁴ Ibid

¹⁵ The Middle East Monitor (2017). Mauritania suspends housing projects funded by Qatar. <https://www.middleeastmonitor.com/20170705-mauritania-suspends-housing-projects-funded-by-qatar/> (Accessed 27 June 2018).

¹⁶ Bertelsmann Stiftung (2018).

¹⁷ Bureau of Economic and Business Affairs (2017).

¹⁸ Bal, S, Baro, M. and O'Sullivan, N. (2015). Women's Access to Land in Mauritania : A Case Study in Preparation for the COP. <https://openknowledge.worldbank.org/handle/10986/22938> (Accessed 6 July 2018).

¹⁹ World Bank (2013). Mauritania - Country partnership strategy for the period FY2014-2016 (English). <http://documents.worldbank.org/curated/en/294641468056337844/Mauritania-Country-partnership-strategy-for-the-period-FY2014-2016> (Accessed 3 August 2018).

Mauritius



Overview

The Republic of Mauritius (Mauritius) is a small island nation of only 2 040km² in the Indian Ocean, with a population of 1.27 million people as at December 2017 (396 335 households in 2016). It is located 2 000km off the southeast coast of the African continent, which includes the islands of Mauritius, Rodrigues, 560km² east of Mauritius, and the outer islands of Agaléga, St. Brandon and two disputed territories. The islands of Mauritius and Rodrigues form part of the Mascarene Islands, along with nearby Réunion. The nation's exclusive economic zone covers 2.3 million km² of the Indian Ocean, including approximately 400 000km² jointly managed with the Seychelles. Mauritius comprises nine Districts, one Autonomous Region, and two Dependencies. The capital city of Mauritius is Port Louis.

The Mauritian economy is well-run, with sound political and economic management practices reflected by the Mo Ibrahim Foundation ranking Mauritius first in Africa in terms of governance. Economic growth remained unchanged from the 2016 rate of 3.6 percent and it was fuelled mainly by construction and financial services. While the Mauritian economy has diversified since independence in 1968, it is still dependent on sugar, textiles and tourism for foreign income and its main market remains Europe.

Mauritius is seeking to become a high income economy within the next 10 years. The growth strategy is anchored around an ambitious public investment programme and improvements in the business climate. However, fiscal space is limited, and competitiveness bottlenecks are limiting the gains from trade. The vibrant Global Business Sector faces pressure from international anti-tax avoidance initiatives. Thus, in the 2018-2019 National Budget, the Government announced major reforms in line with recommendations made by the Organisation for Economic Co-operation and Development.

Mauritius' fiscal deficit was recorded at 3.5 percent of Gross Domestic Product (GDP), at the end of the fiscal year 2016/17, as the government rolled out several new social programmes but reduced capital spending. In September 2017, the Bank of Mauritius (BOM) cut the key policy rate by 50 basis points to 3.5 percent, with the intention of stimulating investment into the productive sectors of the economy.

KEY FIGURES

Main urban centres	Port Louis
Exchange rate: 1 US\$ = [a] 9 Sept 2018	34.31 Mauritian rupee
PPP Exchange rate (Local currency/PPP\$) 1 Mauritian rupee = [b]	16.30
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	1.00 13.70 5.10
Population 2011 [c] Urban population size 2011 [c]	1 265 309 499 349
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	0.09% -0.17%
Percentage of the total population below National Poverty Line [d]	10.00%
Unemployment rate [d]	7.1%
GDP (Current US\$) 2017 [a] GDP growth rate annual 2017 [b]	US\$13 338 million 3.8%
GDP per capita (Current US\$) 2017 [b]	US\$10 547
GNI per capita (Current US\$) 2017 [b]	US\$10 140
Gini co-efficient [d]	40.00
HDI global ranking 2017 [e] HDI country index score 2017 [e]	65 0.790
Is there a deeds registry?	yes
Number of residential properties that have a title deed	n/a
Lending interest rate 2017 [f]	6.81%
Mortgage interest rate [f] Mortgage term (years) [f]	5.50% 30
Downpayment [f]	10%
Mortgage book as a percentage of the GDP	20.10%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	277 277
Gross Rental Yield in City Centre Outside City Centre	0.04% 0.04%
Construction as a % of GDP [d]	4.00%
What is the cost of standard 50kg bag of cement?	US\$6.67
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	1 220 000 Mauritian rupee
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$35 382
What is the size of this house (m ²)?	50m ²
What is the average rental price for this unit (US\$)?	US\$125
What is the minimum stand or plot size for residential property?	100m ²
Ease of Doing Business Rank [g]	25
Number of procedures to register property [g]	5
Time to register property (days) [g]	17 days
Cost to register property (as % of property value) [g]	6.00%

NB: Figures are for 2018 unless stated otherwise.

- [a] Coinmill.com
- [b] World Bank World Development Indicators
- [c] IMF World Economic Outlook Database
- [d] Statistics Mauritius
- [e] UNDP Development Indicators
- [f] Bank of Mauritius
- [g] World Bank Doing Business

The World Bank ranked Mauritius first in Sub-Saharan Africa and 25th globally, in terms of the ease of doing business. Mauritius made starting a business easier by exempting trade fees for licenses below Rs5 000 (US\$145) and introducing the electronic certificate of incorporation. Improvements were also noted in terms of registration of property, dealing with construction permits and trading across borders. The GDP was estimated at US\$13.34 billion in 2017, and GDP (PPP) per capita was over US\$10 140,¹ amongst the highest in Sub-Saharan Africa.

Access to finance

Mauritius boasts a vibrant financial services sector, contributing about 12 percent to the GDP. Basic financial sector infrastructure, such as payment, securities trading and settlement systems, are modern and efficient, and access to financial services is high, with more than one bank account per capita. BOM acts as the Central Bank and the regulator for banking institutions, while the Financial Services Commission supervises the non-bank financial institutions including the stock exchange and insurance companies.

Mauritius has relatively active capital markets. The institutional and technical infrastructure of the Stock Exchange of Mauritius (SEM) is developed, but the market is characterised by low volume and poor liquidity – as is typical of small economies. The fixed income market is relatively well developed. BOM regularly issues a diversity of government securities and the country has a sovereign debt rating of Baa1 by Moody's.

As at the end of June 2017, the financial system comprised 23 banks, of which 10 were local, nine were subsidiaries of foreign banks and four were branches of international banks. Two banks provided private banking services exclusively and one bank conducted Islamic banking exclusively. The banking sector had a network of 204 branches, 10 counters, six mobile vans and 454 Automated Teller Machines (ATMs). There were five foreign exchange dealers, seven money changers and eight non-bank deposit-taking institutions.²

All the banks have licenses to carry out banking business locally and internationally. The Mauritius Commercial Bank and the State Bank of Mauritius are among the largest banks in the East African region. The banking system is highly concentrated, with two of the major banks servicing 60 percent of the domestic market.

The country's commercial banks are well capitalised, well regulated, liquid and profitable. The capital adequacy ratio increased from 17.6 percent in 2016 to 17.9 percent in 2017, mainly due to the capital base increasing at a higher rate of 6.2 percent relative to a rise of 4.1 percent observed in the risk-weighted assets.³ Banks in Mauritius remained adequately capitalised, with a capital adequacy ratio that is above the regulatory minimum. In 2017, the profitability of banks increased and the asset quality improved as a result of a decline in the amount of non-performing loans from 7.1 percent in June 2016 to 7.0 percent in 2017 (impaired credit in Mauritius declined while impaired credit outside Mauritius continued to increase). Exposure of banks to large borrowers, measured as a percentage of banks' capital base, fell from 204 percent in 2016 to 150 percent in 2017.

Deposits went up from 73.2 percent in 2016 to 74.6 percent in 2017. The advances-to-deposits ratio, which indicates the extent to which funds mobilised by way of deposits have been utilised to finance lending activities, decreased from 74.3 percent in 2016 to 69.9 percent in 2017, reflecting a somewhat faster rise in deposits compared to lending.⁴

Some 15 banks offer mortgage finance, and the use of mortgage finance is generally high by African standards, although it has declined recently. According to the Mauritius Housing Census, just over 12 percent of houses were mortgaged in 2011, versus 16 percent in 2000. Mauritius has a relatively large pension industry, and 51.4 percent of the labour force are contributors. The national pension fund is also involved in the housing sector and, for example, lends money to the Mauritius Housing Company (MHC).

MHC was incorporated as a public company in 1989 to address the housing finance requirements of the population, paying careful attention to low income households. In 1982, MHC introduced a special savings scheme, which has been a major source of contributions. This scheme encouraged Mauritians to save with the MHC so as to be later eligible for a housing loan. Thus, MHC is a deposit-taking institution and provides architectural, technical, legal and insurance services.

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 increases 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. Though no improvement is noted in the country's insolvency-resolving capacity, there has been nonetheless a change in its ranking in the World Bank Doing Business 2018 from 39th in 2017 to 36th in 2018. While there are no private credit bureaus, 82.1 percent of the population are included in the public credit registry.

The FinScope Mauritius Study 2014 revealed a high level of financial inclusion, with only 10 percent of adults (above 18) classified as financially excluded; 85 percent of the adult population is banked; 49 percent use non-bank products/services; and 26 percent use informal mechanisms to manage their finances. Financial inclusion rates are hampered by income regularity as most financial products are pegged to consistent income.

According to BOM, households continued to accumulate debt in a low interest rate environment, led by mortgages, while loans for consumption purposes declined in absolute terms. The stock of household debt relative to their disposable income fell in 2017 when compared to the 2016 figures, but a slight

increase was noted in mortgages. Over 90 percent of household debts are collateralised and the fall in interest rates has reduced the debt service cost of households.

Against a backdrop of low interest rates, household indebtedness, measured as the ratio of household debt to disposable income, dropped to 52.3 percent in 2017 compared 53.2 percent in 2016. Corporate indebtedness also declined from 53.1 percent in 2016 to 50.1 percent in 2017. Domestic debt of corporates accounted for around 88 percent of total corporate debt in June 2017. As a ratio to GDP, it dropped from 46.4 percent in 2016 to 44.2 percent in 2017. External debt of corporates, which accounted for approximately 12 percent of total corporate debt, have also declined in nominal terms and as a ratio to GDP, from 6.6 percent of GDP in 2016 to 6.0 percent in 2017.

Affordability

Average monthly household disposable income increased from Rs29 420 (US\$853.22) in 2012 to Rs36 810 (US\$ 1 067.54) in 2017, an increase of 25.1 percent. According to Statistics Mauritius, in 2012, most households (92.7 percent) owned their dwellings or were supplied one free by parents or relatives, 6.4 percent rented their dwellings (compared to 8.4 percent in 2006/07) and less than one percent were supplied free by the employer. Household ownership was higher in rural regions, while 10.5 percent of households in urban regions lived in rented dwellings against 3.5 percent for their counterparts in rural regions.

Some 45 percent of households are indebted, of which more than half have a housing debt. According to the 2012 Household Budget Survey (HBS), 45.3 percent of households reported having made at least one debt repayment during the month compared to 46.5 percent in the 2006/07 Household Budget Survey. Housing remained the largest component of debt repayment.

Mauritius has a relatively comprehensive social security system that includes a range of government subsidies for housing. The government uses state-owned companies to improve affordability for housing, namely MHC and the National Housing Development Company (NHDC), a parastatal body set up in 1991 to serve low income Mauritians. The NHDC offers both fully developed units and site-and-service options at subsidised rates.

The NHDC sells concrete housing units of 50m² to families earning less than Rs20 000 (US\$580.03). Assistance is targeted by household range of income as follows:

Group 1	Rs6 200 (US\$179.81) to Rs10 000 (US\$290.01);
Group 2	Rs10 000 (US\$290.01) to Rs15 000 (US\$435.02); and
Group 3	Rs15 001 (US\$435.02) to Rs20 000 (US\$580.03).

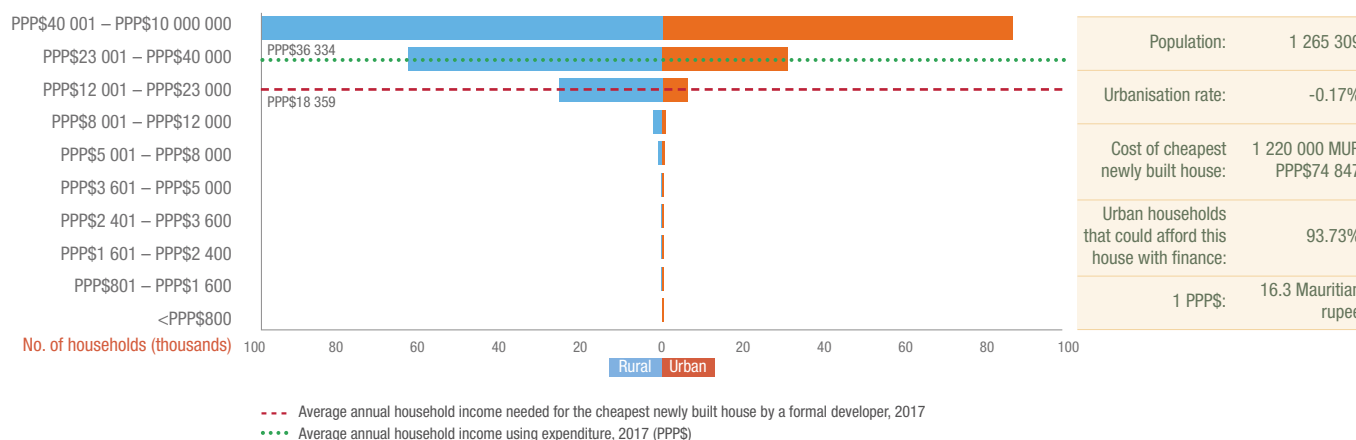
There is a government subsidy of 66.67 percent of the price of the unit for Group 1, 50 percent for Group 2 and 20 percent for Group 3. Housing units are built on leased land and the annual rental varies based on the income of the family from Rs1 (US\$0.03) to Rs3 000 (US\$87). The maximum duration is 30 years and the interest rate is 6.5 percent for the first five years, 8 percent for the next five years and after that 10 percent.

The NHDC site-and-service scheme provides applicants with a plot of 250m² of state land through a lease for an annual rent of Rs3 000 (US\$87). Qualifying income criteria is a monthly income of between Rs10 000 (US\$290.01) and Rs25 000 (US\$725.04). Beneficiaries of serviced lots have to construct their own houses within the time-frame stipulated in their lease agreement. While these schemes cover the majority of the population, a minority of the working population, the lowest paid, still cannot afford to meet their housing needs, resulting in incidences of squatting. The government's National Empowerment Foundation (NEF) is responsible for this category of the population.

Under the "Right to Buy" policy introduced in 2007, the Government made it possible for the 19 442 owners of ex-CHA houses to buy the state land on which their houses stood, for a nominal amount of Rs2 000 (US\$58). Vulnerable families who could not benefit from the scheme are treated on a case-to-case basis and granted the land free of charge through a waiving of the purchase price and registration fees.

MAURITIUS

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Government also encourages self-help construction of housing units by very low to low income families who already own a plot of land and are having difficulties with constructing a concrete housing unit. These families are financially assisted through a grant scheme either for the casting of roof slabs to complete their construction or for the purchase of building materials to start their construction of a housing unit of up to 150m². Households in Group 1 are eligible for a grant of Rs100 000 (US\$2 900.15) while those in Group 2 are eligible for a grant of Rs70 000 (US\$2 030.10) and in Group 3 are eligible for a grant of Rs50 000 (US\$1 450.07). A grant of Rs60 000 (US\$1 740.07) is given to households earning less than Rs10 000 (US\$290.01) for slab casting of a second house (extension unit). The maximum grant for the purchase of building material is Rs65 000 (US\$1 885.10) for households earning less than Rs10 000 (US\$290.01).

The cost of building a single-storey house, as measured by the Construction Price Index has increased marginally in 2017 mainly as a result of an increase in the price of blocks and sand. However, since 2009, the index has risen by 16.3 points. The cheapest newly built house, currently on the market, costs around US\$35 382 (Rs1.22 million) excluding the land, and is 50m² with two bedrooms, a living and dining room, kitchen, toilet/washroom and small veranda. Minimum plot size is 250m² in urban areas. A bag of 50 kgs of cement costs US\$6.67 (Rs230) (incl. VAT).

Property markets

The government expects the real estate sector to be a primary growth driver. 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.

According to the World Bank's 2018 Doing Business Report, it takes 17 days and five procedures on average to register property (which ranks Mauritius as best on the continent and 35th globally with a marked improvement in the score). Mauritius has made it easier to transfer property by eliminating the transfer tax and registration duty, implementing a complaint mechanism and publishing service standards. The registration process costs on average 0.6 percent of the value of the property.

Policy and regulation

The planning and management of housing and land in Mauritius is the responsibility of the Ministry of Housing and Lands which has set up a comprehensive array of support 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. Spatial data for land use management and planning is facilitated by the Land Administration Valuation and Information Management System (LAVIMS).

Prior to 2006, social housing was solely the responsibility of government. But as demand kept growing and the government could only build around 900 units a year (with a waiting list of 25 000 housing units in 2015), the private sector was called to participate through various Public Private Partnership projects. An interesting aspect of the Finance Act of 2009 requires companies, as part of their corporate social responsibility, to pay two percent of their book profit after tax into a Corporate Social Responsibility Fund. This Fund can be used on approved projects, among which social or subsidised housing is a high priority. Moreover, interest on mortgage is tax exempted for first houses for middle income earners.

Housing supply

The 2011 Housing and Population Census reports that there are 356 900 housing units in Mauritius and Rodrigues. According to the Housing and Population Census of 2011, 99.4 percent of households have access to electricity and 94.2 percent have access to water inside their homes. Most housing stock in Mauritius is of good quality: 91 percent of the dwellings are durable with only 4.8 percent of the population living in iron/tin walled houses. The Census also found that 90.5 percent of residential dwellings were used as a principle residence, 1.7 percent as secondary dwellings and 7.8 percent were vacant. Semi-detached houses and blocks of flats went up to 16.6 percent of total stock, from 11.5 percent in 2000.

The housing stock increased more in rural than in urban regions. It is reported that 77.7 percent of the housing units were non-mortgaged while 12.3 percent were mortgaged in 2011. Furthermore, 88.9 percent owned their dwelling while eight percent rented, and 3.1 percent had free accommodation. The average monthly rent for housing was Rs4 400 (US\$127.61) in 2011, representing an increase of 91 percent since 2000 and currently it stands around Rs5 000 (US\$145). In line with the Consumer Price Index, the rental price since 2012 has increased marginally by 3.8 points.

The household size decreased from 3.92 in 2000 to 3.56 in 2011 and the number of persons per room decreased from 0.91 to 0.79.

Successive government budget proposals have ensured that all citizens have a house providing decent living conditions. The strategy focuses on social and low income housing as well as facilities for middle income families.

1. The Housing Empowerment Scheme targets middle income families earning up to Rs50 000 (US\$1 450) monthly. Under the scheme, banks require five percent minimum downpayments and provide loans of up to 95 percent of the cost of a residential unit. The moratorium period is two years on capital repayment. The Government guarantees 20 percent of the loan amount and reimburses VAT of up to Rs300 000 (US\$8 700) on the construction of any house or purchase of an apartment costing less than Rs2.5 million (US\$72 504). For its part, the MHC provides, free of charge, at least 12 types of architectural plans for each house of an area of 1 000ft² to 1 200ft². The

interest rate is 2.5 percent above the repo rate, presently at 5.50 percent. Twelve banks are involved in this project.

2. In the national budget 2018-19, the Government announced projects to finance construction of 1 000 low cost housing units for families whose monthly income is below Rs10 000 (US\$290.01). The size of the housing units will be increased from 39m² to 50m². Funds were also provided for the construction of 700 housing units for vulnerable families under the NEF.
3. With regard to middle income families, the current bank limit of loan funding (up to Rs5 million (US\$145 000)) of up to 90 percent of the residential property has been removed. Moreover, the eligibility criteria for social housing schemes of the NEF and the NHDC have been increased so as to be realigned with the new poverty threshold on an adult basis of the Social Register of Mauritius.

These programmes complement the extensive investment that the public and private sectors have made in housing development. Since 2011, the NEF has constructed more than 300 core housing units of 32m² each. It is projected to build 700 additional such units within the next two years. Furthermore, by 2012, the NHDC had built more than 12 000 units, and a further 10 000 units were in the pipeline. An innovative subsidy scheme offered by government through the NHDC promotes self-build approaches. Households with a monthly income of between Rs10 000 (US\$290) and Rs25 000 (US\$725) and who have neither received a grant previously nor already own a property are entitled to apply for land that is periodically made available. Grants are also provided for casting of slab or purchase of building materials. 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 it must be completed within 18 months. Beneficiaries can apply to the MHC to finance the construction and can access architectural services from the MHC for Rs2 (US\$0.05) per ft².

Furthermore, 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 percent of the development must be for low income households, for which the sale price is determined by the government. A Social Housing Development Fund was also established, capitalised with Rs1.5 billion (US\$43.5 million) to encourage the creation of not-for-profit Housing Development Trusts. A Marshall Plan against poverty was also announced in the Budget 2015. Under this project, as part of their social responsibility, companies will have to take under their wings pockets of poverty situated in the region where the companies are located. Thus, the private sector will also assist in poverty alleviation.

Opportunities

Mauritius has been emerging as an international financial centre since the early 1990s and is the easiest place to do business in Africa. Currently, the Government of Mauritius is working on a blueprint for the financial services sector. Several major reforms have also been announced for this sector in the 2018/19 National Budget which will impact on income and employment and consequently on the housing market. 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 (COMESA) and the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC), pointing to its strategic location.

According to the African Executive (2014), for Mauritius to become a high income country, it needs to start attracting foreign skilled labour. If labour flows are similar to those experienced by Dubai, Hong Kong and Singapore at a similar stage, over the next decade Mauritius should be ready and willing to accommodate some 5 000 to 20 000 foreigners annually, with a total of 100 000 to 200 000 for the

period. In the short run, such an influx could be accommodated in the various real estate projects. However, going forward, this offers a greater opportunity in middle to higher end housing finance, as foreign investment and wealth increase in Mauritius.

Additional sources

- African Development Bank Group – African Economic Outlook 2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf (Accessed 22 July 2018).
- African Development Bank Group - Mauritius Country Strategic paper 2014-2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/2014-2018_-_Mauritius_Country_Strategy_Paper.pdf (Accessed 22 July 2018).
- Bank of Mauritius (2017). Annual Report for the year ended 30 June 2017.
- Bank of Mauritius (2017). Financial Stability Report.
- Economist – Economic Intelligence Unit (2018). Country Risk Service: Mauritius. <https://store.eiu.com/product/country-risk-service/mauritius> (Accessed 1 Sept 2018).
- Financial Services Commission (2017). Annual Report 2016.
- Heritage Foundation (2017). 2017 Index of Economic Freedom.
- Mauritius Banking Association (2013). The Banking Industry. www.mba.mu/pdf/The-Banking-Industry-FSR-Aug2013.pdf (Accessed 26 July 2018).
- Ministry of Finance and Economic Development, Mauritius (2018). National Budget 2017-18.
- Mo Ibrahim Foundation (2018). Ibrahim Index of African Governance Index Report 2018.
- Statistics Mauritius (2011). 2011 Housing Census – Main Results. <http://statsmauritius.govmu.org/English/CensusandSurveys/Documents/ESI/esi2011.pdf> (Accessed 25 July 2018).
- Moody's (2018). Mauritius, Government of. <https://www.moody.com/credit-ratings/Mauritius-Government-of-credit-rating-600017176> (Accessed 24 Sept 2018).
- Statistics Mauritius (2012). Household Budget Survey 2012.
- The African Executive (2014). How Mauritius Can Become a High Income Country.
- The World Bank (2018). Doing Business 2018: Reforming to create jobs. Mauritius.
- Trading Economics. Mauritius GDP Annual Growth Rate. <https://tradingeconomics.com/mauritius/gdp-growth-annual> (Accessed 1 Sept 2018).
- UN Habitat (2012). Mauritius National Urban Profile. <https://unhabitat.org/books/mauritius-national-urban-profile/> (Accessed 23 July 2018).

Websites

- www.africanexecutive.com
- www.bom.mu
- www.fscmauritius.org
- www.govmu.org
- www.statsmauritius.govmu.org
- <http://gis.govmu>
- www.mba.mu
- www.mhc.mu
- www.nhdcm Mauritius.com
- www.pwc.com/mu
- www.housing.govmu.org/
- www.mofed.govmu.org/www.nef.mu

¹ The World Bank (2018). The World Bank Open Data. <http://povertydata.worldbank.org/poverty/country/MUS> (Accessed 26 July 2018).

² Bank of Mauritius (2017). Annual Report for the year ended 30 June 2017. Pg. 92.

³ Bank of Mauritius (2017). Pgs. 92-93.

⁴ Bank of Mauritius (2017). Pgs. 94-95.

⁵ Bank of Mauritius (2017). Pgs. 106-118.

⁶ Ministry of Housing & Lands (2018). Housing Division. <http://housing.govmu.org/English/DeptOrg/Divisions/Pages/Housing-Division.aspx> (Accessed 20 July 2018).

⁷ Statistics Mauritius (2011). 2011 Housing Census – Main Results. <http://statsmauritius.govmu.org/English/CensusandSurveys/Documents/ESI/esi2011.pdf> (Accessed 25 July 2018).

Morocco



Overview

Morocco is a lower-middle income country in North Africa with one of the most diversified and developed economies on the continent. Despite its exposure to a succession of crises in recent years (the global financial crisis of 2008, protracted low growth in its European trading partners since 2009, and the onset of the Arab Spring in 2011), the Moroccan economy has remained resilient. Morocco has several comparative advantages that provide reasons for optimism for the country's future. These include relative security compared to the rest of the region, an attractive geographical position for investors, a relatively diversified economic base, and a large pool of young workers.¹ While the country does not have any hydrocarbon wealth, it does have an estimated 70 to 75 percent of the world's reserves of phosphates and is the third largest phosphate producer after the United States and China. The phosphate and auto industries are the country's top export sectors.

The Moroccan economy recovered significantly in 2017. Economic growth picked up in 2017 to 4.1 percent against 1.1 percent in 2016² mostly driven by the rebound of the agricultural sector that accounts for close to 15 percent of Morocco's GDP and employs close to 40 percent of the Moroccan workforce.

Exports continued their good performance in 2017 with a volume growth of 10 percent. Morocco is recognized as one of the best emerging markets for foreign investment and attracted nearly US\$2.57 billion in foreign direct investment in 2017, an increase of 12 percent over 2016.³ Morocco is currently ranked 69⁴ on the World Bank's Doing Business index.

In 2017, the sales of cement, a key indicator of the construction sector, declined by 2.54 percent against a decline of 0.7 percent in 2016,⁵ accumulating the 6th consecutive annual decline. This is explained by the decline in housing starts, whether for social housing or self-build housing that absorbs around 40 percent of national consumption.⁶

Bank loans granted to the real estate sector rose in 2017 by 4.2 percent (against +2.5 percent in 2016). This performance is due to the increase of housing loans by +3.6 percent (against +5.2 percent in 2016) and loans to real estate developers by +8.7 percent (against -4.6 percent in 2016).⁷

In 2017, the consumer price index (CPI) increased by 0.7 percent. The increase concerned both food products (+0.1 percent) and non-food products (+1.4 percent).⁸

KEY FIGURES

Main urban centres	Casablanca Rabat
Exchange rate: 1 US\$ = [a] 12 Jul 2018	9.4 Moroccan dirham
PPP Exchange rate (Local currency/PPP\$) 1 Moroccan dirham = [b]	3.50
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018	1.60 0.70 2.40
Population [c] Urban population size [c]	35 230 036 21 968 000
Population growth rate [c] Urbanisation rate [b]	1.06% 2.10%
Percentage of the total population below National Poverty Line 2014 [c]	4.8%
Unemployment rate [c]	10.2%
GDP (Current US\$) 2017 [c] GDP growth rate annual 2017 [d]	US\$113 000 million 4.1%
GDP per capita (Current US\$) 2017 [c]	US\$3 247
GNI per capita (Current US\$) 2017 [b]	US\$2 863
Gini co-efficient 2014 [c]	39.50
HDI global ranking 2015 [e] HDI country index score 2015 [e]	123 0.647
Is there a deeds registry? [f]	Yes
Number of residential properties that have a title deed [f]	5 800 000
Lending interest rate [g]	5.53%
Mortgage interest rate [d] Mortgage term (years) [d]	4.96% 21
Downpayment [h]	20%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre [i] Outside City Centre [i]	20.57 20.51
Gross Rental Yield in City Centre [i] Outside City Centre [i]	4.86% 4.9%
Construction as a % of GDP [j]	6.50%
What is the cost of standard 50kg bag of cement? 2016	US\$8.50
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	140 000 Moroccan dirham
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$14 893
What is the size of this house (m ²)?	55m ²
What is the average rental price for this unit (US\$)? [g]	US\$106
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [k]	69
Number of procedures to register property [k]	6
Time to register property (days) [k]	22 days
Cost to register property (as % of property value) [k]	6.40%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Haut Commissariat au Plan
[d]	Bank Al-Maghrib
[e]	UNDP Development Indicators
[f]	National Agency for the Land Conservation of Cadastre and Cartography
[g]	Ministry of Economy and Finance - Morocco
[h]	Meilleurtaux.ma
[i]	Numbeo
[j]	Y.B. Batiment Management and Construction
[k]	World Bank Doing Business

The real estate price index (which gives detailed information on all formal property transactions in the country) rose by five percent in 2017 after an increase of 1.3 percent in 2016, which is due to the rise in the prices of residential properties (+4.9 percent), land (+5.3 percent) and commercial real estate (+7 percent).

Despite good growth prospects, the country remains in the bottom half of the group of countries with medium human development. The value of Morocco's human development index for 2015 was 0.647 and the country was positioned 123rd out of 188 countries.⁹ This is primarily due to the extremely low literacy rates of approximately 65 percent, and an unemployment rate that increased from 9.9 percent in 2016 to 10.2 percent in 2017, with a higher rate registered among youth at 26.5 percent.¹⁰ The living conditions of urban and rural communities differ significantly. Poverty rates are higher in rural areas.¹¹ The poverty rate in 2014 was 4.8 percent at the national level, 9.5 percent in rural areas, and 1.6 percent in urban areas. Educational opportunities are lower in rural areas, where many children drop out of primary school.

Social tensions increased in 2017, mostly in the northern region of the Rif, due to demands for better access to health services, jobs, and greater public investments.

In addition, a consumer boycott campaign was launched in April 2018, targeting food, oil and gas companies. The goal of this campaign is to protest against rising inflation and persistent urban and youth unemployment.¹²

Access to finance

In recent years, Morocco's banking sector has continued to deepen, with total bank assets reaching 140 percent of GDP, and has become more diversified, including a rapid expansion into Sub-Saharan Africa. Banks are well-capitalised and profitable and benefit from stable funding sources. In 2016, in aggregate, the capital adequacy ratio stood at 14.2 percent¹³ well above the Basel III requirements, and bank profitability has been stable. However, since 2012, the non-performing loan ratio has been rising due to weaker economic activity and strains in the corporate sector, reaching 7.7 percent in March 2018.¹⁴

In 2016, there were 83 institutions that fell under the supervision of Bank Al-Maghrib,¹⁵ Morocco's central bank, including 19 commercial banks, 33 finance companies (including 2 companies specialised in housing finance), 13 microfinance associations and the Central Guarantee Fund.

Following the new banking law (n°103-12) adopted in 2014, which introduced participative banks (in Morocco the term "participative" is used instead of "Islamic"), Bank Al-Maghrib in January 2017 gave approval to open five participative banks and three participative windows.¹⁶ Among the very first products offered on the market by these banks is housing Murabaha.¹⁷

In January 2018, Morocco adopted a more flexible exchange rate regime.¹⁸ The Central Bank would continue to set the dirham price on the basis of a basket of euros (60 percent) and dollars (40 percent) but with a much greater margin of flexibility. The fluctuation band went from 0.3 to 2.5 percent in each direction. This measure is aimed at strengthening the resilience of the national economy to exogenous shocks in order to support its competitiveness and to improve its level of growth.

On 13 July, 2017, law 40-17 was adopted by the government. The law further strengthens the Central Bank's independence and extends its supervisory powers.¹⁹ It gives it total independence from the executive branch and political partisanship, therefore granting more credibility to monetary policy.

Morocco has the most advanced and diverse housing finance market in the region. There is a wide range of sources for mortgage lending in the country, from public and private commercial banks, as well as consumer credit companies and microfinance institutions. Typical terms are 15-25 years, and housing finance can be between 50 to 100 percent of the property's appraised value. Up to 70 percent of residential properties have fixed interest rates. In March 2016, the Central Bank cut its key interest rate by 25 basis points to 2.25 percent – its lowest rate since 2000. As of 19 June 2018, this interest rate remained unchanged.²⁰

The financing of the real estate sector by banks continues to recover, after a slump seen a few years ago. Its evolution in 2017 confirms this trend. Real estate loans have ended 2017 with an annual growth of 4.2 percent and an outstanding amount of MAD257.2 billion (US\$27.3 billion). The financing of real estate developers has especially benefited from this turnaround, rising from -4.6 percent in 2016 with outstanding loans of MAD55.5 billion (US\$5.9 billion) to +8.7 percent in 2017, with outstanding loans of MAD60.3 billion (US\$6.4 billion). On the other hand, housing loans have slowed down, as they went from 5.2 percent growth in 2016 with outstanding loans of MAD188.7 billion (US\$20.1 billion) to 3.6 percent in 2017 with outstanding loans of MAD195.4 billion (US\$20.8 billion).²¹ In addition, a steady decline in mortgage lending rates has been observed in Morocco over the past five years. From 2012 to 2017, rates went from six percent to five percent on average.

Partnerships between banks and the government (GoM) make lending more accessible to middle and low income families, through the establishment of mortgage guarantee funds. FOGARIM stands for "Fonds de Garantie pour les Revenus Irréguliers et Modestes," or "Guarantee Fund for Irregular and Low Incomes." Launched in 2004, FOGARIM guarantees 70 percent of a mortgage loan made to a household with an informal income for the purchase of a unit worth less than MAD250 000 (US\$26 596). Monthly instalments are capped at MAD1750, around US\$186 (upper income threshold) and 40 percent of the

household's income (lower threshold).²² Another guarantee programme, FOGALOGÉ, targets moderate income civil servants, middle class independent workers and non-resident Moroccans buying or building houses up to about MAD one million (US\$106382) in value.

The figures for 2017 show a decline in the number of the fund's beneficiaries, which was limited to 11 650 for FOGARIM and 5 129 for FOGALOGÉ, compared to 12 709 and 5 676 respectively in 2016. On the other hand, the granted amounts have almost stagnated to stand out at MAD1.9 billion (US\$202 million) for the FOGARIM and MAD1.4 billion (US\$ 149 million) for the FOGALOGÉ.

FOGARIM is open to all banks in theory, but two of them grant more than 80 percent of all FOGARIM loans.²³ While FOGARIM has not been entirely successful at convincing banks to go downmarket and at extending access to housing finance to those with irregular income, it represents a significant improvement compared to the pre-FOGARIM period.

Growth in the microfinance sector has been rapid in Morocco since the Microfinance Act was passed in 1999. Microfinance institutions (MFIs) provide loans for the development of income-generating enterprises (lending to microenterprises accounted for 90 percent of the total)²⁴ and for housing purchase or construction, as well as for connections to basic utilities. In 2016, loans granted by MFIs to customers totalled a gross outstanding amount of MAD6.4 billion (US\$681 million) and the number of beneficiaries reached 900 000.²⁵

A mortgage securitisation framework exists in Morocco since 1999 but its use has been limited, with only four issuances. The framework was revised in 2008, but besides making securitisation structures more flexible, it did not foster its usage for housing finance.

Affordability

Affordability remains an important challenge for housing in Morocco, a country where disparities remain high: the income Gini coefficient was 39.5 percent in 2014.²⁶

Morocco's minimum wage is MAD3 000 (US\$319) a month in the public sector, MAD2 570 (US\$273) a month in the private sector and MAD 69 (US\$7) a day for agricultural workers. Morocco's minimum wage was last changed on 1st July 2015.²⁷ The average annual income per capita in Morocco increased, between 2001 and 2014, from about MAD11 000 (US\$1 170) to MAD19 000 (US\$2 021), marking an average growth of five percent a year.²⁸

The Moroccan government defines two types of affordable housing units, both commonly called "social" housing and differentiated by their maximum price: the first one "Low Real Estate Value – Faible Valeur Immobilière Totale (FVIT) – programme" was created by the 2008 Finance Act with a capped price of MAD140 000 (about US\$14 893) and dwellings covering a surface area of between 50m² and 60m². The programme targets individuals who earn less than twice the minimum wage.²⁹

The second type of social housing was initiated under the 2010 Finance Act with a capped price of MAD250 000 excluding VAT (approximately US\$26 595). The covered surface area is between 50m² to 80m² and no maximum income is required to purchase these housing units.

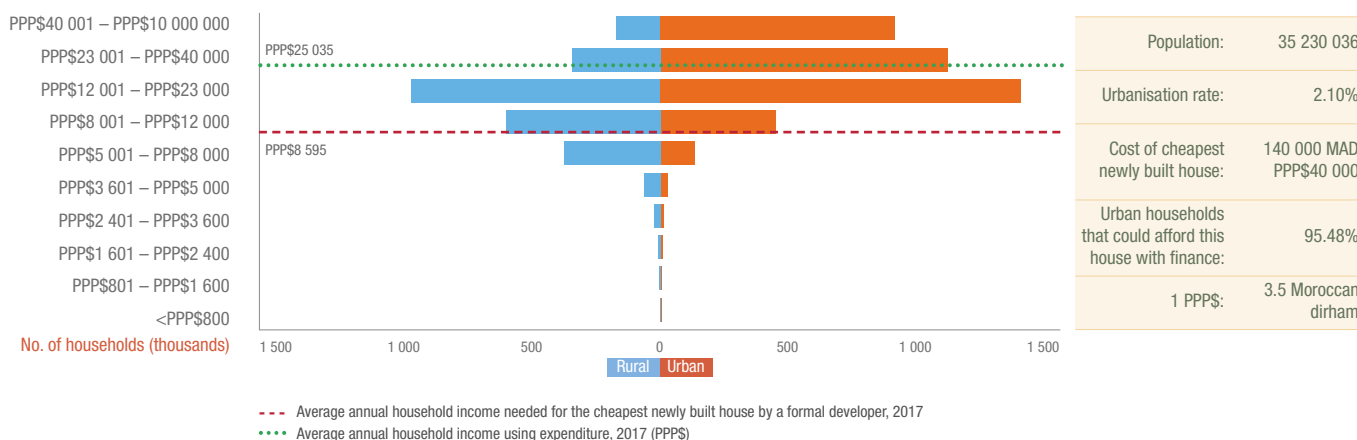
The 2013 Finance Act has introduced the middle income housing programme, which is defined as housing units ranging from 80m² to 150m² and selling at maximum price of MAD6 000 (US\$638) per square metre excluding taxes. This type of housing is aimed at people earning up to US\$2 068 a month.

To stimulate the development of social housing, the GoM offers private developers tax incentives. The total fiscal subsidy over the period 2008-2017 for the FVIT programme is estimated at MAD656 million (US\$70 million)³⁰ and MAD23.6 billion (US\$ 2.5 billion) for the MAD250 000 housing programme.³¹

For the MAD250 000 housing programme, the GoM also provides private developers with non-monetary subsidies in the form of a supply of State land at less than market value, provision of trunk infrastructure at less than market price,

MOROCCO

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

rezoning of agricultural land and/or up-zoning of urban land. Home buyers also benefit from GoM financial aid in the form of payment of the VAT amount (approximately MAD40 000 – US\$4 255).

Given the different subsidies, the MAD250 000 housing programme is popular among private real estate developers: over the period 2010-2017, the number of agreements signed between GoM and private real estate developers totalled 1070 agreements for 1 603 565 housing units.³² However, the FVIT programme is neglected by private real estate developers because of their low margins on this product: over the period 2008-2017, only 43 agreements have been signed for a total of 33 621 housing units.³³ The middle class housing programme is also neglected by private real estate developers given the lack of tax incentives on this product (tax incentives are provided to home buyers). Given the lack of middle class programmes and absence of income cap requirements, the middle class turns towards the MAD250 000 housing programmes that are mainly targeting more disadvantaged Moroccans.

Housing supply

In 2004, the housing stock amounted to 8.86 million housing units in Morocco, of which 69.8 percent was in urban areas and 30.2 percent in rural areas.³⁴

In urban areas, 65 percent of urban households (average size 4.2 persons) occupied a house of the modern Moroccan type “Maison Marocaine Moderne - MMM”.³⁵ Only 17.5 percent of urban households occupied apartment-building units.³⁶ Moreover, 61.9 percent of urban households own their houses compared to 27.3 percent renting.³⁷ Housing ownership is mainly done through self-development. To access home ownership, Moroccans rely heavily on their own funds rather than bank loans.

The housing shortage in 2002 was estimated at 1.2 million units and has been reduced to 400 000 units in 2017 through the implementation of the different social housing programmes (FVIT and MAD250 000 housing programmes).³⁸ Since 2000, over two million social housing units have been built. Housing demand has been increasing by 150 000 units every year, while annual housing production is only around 100 000 units.

The MAD250 000 housing programme supplies 45 808 housing units annually, which represent 33.9 percent of the total national housing supply. Over the period 2010-2017, the total number of achieved social housing units totalled 366 462 units (61.5 percent of the authorised units).³⁹

On the other hand, the FVIT programmes supplies annually only 2 855 housing units, which represent 2.1 percent of the total national housing supply. Over the period 2008-2017, the total number of FVIT housing units achieved totalled 28 549 (65 percent of the authorised units).⁴⁰

The Villes sans Bidonvilles programme (VSB, or “Cities without slums”) started in 2004 in order to eliminate slums throughout Morocco, as they were perceived as a breeding ground for terrorism. The programme has succeeded at providing better living conditions to more than 277 583 households (1.4 million persons). Over the 89 targeted cities, 58 cities have so far been declared free of slums.⁴¹ Government policy through its different housing programmes (VSB, FVIT, MAD250 000 programmes and others) has not only increased the quantity of available housing but also improved the quality of the stock. In 2014, the share of Moroccan households with access to electricity and running water reached 91.6 percent and 73 percent respectively.⁴²

Since 2004, the government has started establishing new master-planned suburbs and cities to better channel further population growth. Consequently, the GoM launched in 2004 the programme of new cities (developed by Al Omrane, a public developer), which include: (i) Tamesna, outside Rabat, is expected to house 250 000 inhabitants; (ii) Tamansourt, located 10km from Marrakech, is designed to accommodate as many as 250 000 people (a five-fold increase from its existing 50 000 residents);⁴³ (iii) Chrafate, located in Tangier, will include 30 000 housing units and accommodate 150 000 inhabitants for a total investment of MAD17 billion (US\$1.8 billion); and (iv) Lahkyayta, located 20km from Casablanca, will accommodate 280 000 inhabitants and include 58 000 housing units.⁴⁴ Other major projects include: (i) the eco-city project in Casablanca that is expected to accommodate 300 000 inhabitants and (ii) two sustainable city projects in the region of Rabat-Salé-Kenitra for a total investment of US\$2.5 billion each. Saudi-Moroccan real estate developer, GARAN, is developing a new urban pole in Bouskoura (250ha) that will include up to 25 000 housing units and accommodate 150 000 people for a total investment of MAD4 billion (US\$425 million).⁴⁵ Furthermore, the International Finance Corporation (IFC) has invested more than MAD207 million (about US\$22.03 million) in development company Alliances Group to boost affordable housing builds.⁴⁶

New supply of affordable housing tends to be apartment buildings of typically four levels, in large-scale projects located on government-provisioned land in peripheral locations. In addition to the cost of land, the average middle class self-built house will cost MAD2 800 – 3 000 per m² (US\$298 – US\$319) for a villa, and MAD2 000 – 2 500 per m² (US\$213 – US\$266) for a traditional Moroccan home and takes eight months to construct.

Property market

In Morocco the registration of land rights is optional.⁴⁷ Two systems of land registration exist: a formal and relatively sophisticated land market maintained by the Land Registry and found predominantly in urban areas, and a traditional system maintained by local leaders. Approximately 30 percent of the land in Morocco (almost all in urban areas) is registered under the formal system.⁴⁸ The country has made significant progress in streamlining its registration process. According to the World Bank, it takes approximately six procedures, 22 days and costs 6.4 percent of the property value to register a property.⁴⁹

According to the “National Housing Demand Survey” of 2015, the national housing demand is estimated at 1 572 893 housing units of which 87 percent is in the urban area (1 359 788 housing units). The demand for housing units accounts for 1 300 000 against demand of 271 100 for land plots (to be used to build mainly MMM). The rental demand is only 13 percent (175 298). For apartments and MMM, the area demanded ranges between 50 and 100 m² with an average number of three to four rooms.⁵⁰

In 2017, the real estate price index registered an increase of five percent (compared to an increase of 1.3 percent in 2016) due to an increase of 4.9 percent for residential properties and 5.3 percent for land. However, the volume of transactions dropped by 7.6 percent after an 8.4 percent increase in 2016, including a decline of 8.7 percent in sales of residential properties and a 4.8 percent drop in sales of land.⁵¹

Policy and regulation

Policies that directly or indirectly have an impact on affordable housing include:

- a) Constitution of 1996, which guarantees private property rights;
- b) Strategie Nationale de Developpement Urbain that places emphasis on the creation of regional growth poles and competitive cities while prompting social cohesion and the efficient use of resources;
- c) Finance Act 2008/2012, which introduced a new social housing programme known as FVIT programme: price capped at MAD140 000 (US\$14 894), covered surface between 50m² and 60m² and targeted at individuals who earn less than twice the minimum wage;
- d) Finance Act 2010/2012 that redefined the social housing programme as a dwelling for a primary residence with a covered area between 50m² and 80m² and a selling price not exceeding MAD250 000 (US\$26 596), VAT excluded. This programme is targeting all socio-professional categories without any special income requirement;
- e) Finance Act 2013/2014, which introduced the middle income housing programme: covered area between 80m² and 150m² and the sale price per square meter of MAD6 000 (US\$638) VAT excluded;
- f) Establishment of a real estate price index (REPI) in 2010 in order to monitor price volatility in the property market;
- g) Enactment of a banking law (n°103-12) in 2014 that introduced the participative banks; and

- h) Introduction of a new law (n°67-12) in 2014 to improve the contractual relations between landlords and tenants.

Opportunities

Over the longer term, Morocco's economic prospects are among the most promising in the Middle East and North Africa region. The country has a young and growing population, an improving business environment, and is well-placed to serve as a manufacturing hub for exporters to Europe and rapidly-growing economies in Sub-Saharan Africa.

While the real estate and construction sectors are currently experiencing a slower period, the demand for affordable housing is still high, particularly among the low and middle income population. This demand, coupled with government-led initiatives and incentives, could continue to present opportunities for investors. Besides, middle class and rental housing are good opportunities but the GoM needs to introduce new measures (ex. tax incentives) to boost these two segments.

The Minister of Housing has already announced several housing programmes to be implemented by 2021 in order to boost supply and further reduce the gap between supply and demand. Furthermore, although slow to develop, covered bonds remains a significant innovation for Morocco, opening up the market for longer and more affordable housing finance.

Additional sources

HCP (2017). “Note d’information du Haut-Commissariat au Plan sur le parc de logements au Maroc à l’occasion de la journée mondiale de l’habitat du 2 octobre 2017”. https://www.hcp.ma/Note-d-information-du-Haut-Commissariat-au-Plan-sur-le-parc-de-logements-au-Maroc-a-l-occasion-de-la-journee-mondiale-de_a2020.html (Accessed 12 July 2018).

UNDP (2016). Human Development Report 2016: Morocco. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MAR.pdf (Accessed 12 July 2018).

Websites

- <http://www.bkam.ma/>
- <https://www.huffpostmaghreb.com/>
- <http://www.mhvp.gov.ma/>

¹ International Monetary Fund (IMF) (2016). 2015 Article IV Consultation- Press Release; Staff Report; and Statement by the Executive Director of Morocco. IMF Country Report No. 16/35.

² Bank Al-Maghrib (BAM) (2018). Réunion du Conseil de Bank Al-Maghrib - 19 juin 2018. <http://www.bkam.ma/Communiqués/Reunion-du-conseil/2018/Reunion-du-conseil-de-bank-al-maghrib-19-juin-2018> (Accessed 12 July 2018).

³ HUFFPOST. <https://www.huffpostmaghreb.com/>

⁴ The World Bank (2018). Doing Business 2018 – Reforming to create jobs – Economic Profile: Morocco. <http://arabic.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Country/MAR.pdf> (Accessed 12 July 2018).

⁵ Fédération Nationale des Promoteurs Immobiliers (FNPI) (2018). <http://fnpi.net.ma/wp-content/uploads/2018/02/Immo-Chifre-Janvier-2018.pdf> (Accessed 12 July 2018).

⁶ L’Economiste. Ciment: Le marché peine à retrouver la croissance. 27 Dec 2017. <https://leconomiste.com/article/1021984-ciment-le-marche-peine-retrouver-la-croissance> (Accessed 12 July 2018).

⁷ Direction du Trésor et des Finances Extérieures (DTFE) (2017). Note de conjoncture premiers résultats 2017. <https://www.finances.gov.ma/> (Assessed 12 July 2018).

⁸ BAM (2018).

⁹ UNDP (2018). http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MAR.pdf

¹⁰ Haut Commissariat au Plan (HCP) (2017). La Situation du marché du travail en 2017. https://www.hcp.ma/La-Situation-du-marche-du-travail-en-2017_a2108.html (Accessed 12 July 2018).

¹¹ HCP. Introduction de Monsieur Ahmed LAHLIMI ALAMI, Haut Commissaire au Plan, à la présentation des résultats de l’enquête nationale sur la consommation et les dépenses des ménages au Maroc. https://www.hcp.ma/Introduction-de-Monsieur-Ahmed-LAHLIMI-ALAMI-Haut-Commissaire-au-Plan-a-la-presentation-des-resultats-de-l-enquete_a1819.html (Accessed 12 July 2018).

¹² Reuters (2018). Morocco consumer boycott has big business in its sights. 30 May 2018. <https://www.reuters.com/article/morocco-protests/morocco-consumer-boycott-has-big-business-in-its-sights-idUSL5N1SP35Z> (Accessed 12 July 2018).

¹³ BAM (2016). Rapport annuel 2016. <http://www.bkam.ma/Supervision-bancaire/Indicateurs-et-publications/Rapport-annuel-sur-la-supervision-bancaire> (Accessed 12 July 2018).

¹⁴ CEIC (2018). Morocco non-performing loans ratio. <https://www.ceicdata.com/en/indicator/morocco/non-performing-loans-ratio> (Accessed 12 July 2018).

¹⁵ BAM (2016). Rapport annuel 2016. Pg.13.

¹⁶ BAM (2017). Communiqué du Comité des établissements de Crédit relatif à l’agrément pour l’exercice de l’activité bancaire participative. <https://rib.files.wordpress.com/> (Accessed 12 July 2018).

¹⁷ Le Matin (2018). L’offre enrichie par la Mourabaha immobilière. 11 Feb 2018. <https://lematin.ma/journal/2018/loffre-enrichie-mourabaha-immobiliere/287005.html> (Accessed 10 Sept 2018).

¹⁸ Bloomberg (2018). “Morocco adopts more flexible exchange”. <https://www.bloomberg.com/news/articles/2018-01-12/morocco-adopting-more-flexible-exchange-rate-to-boost-standing> (Accessed 12 July 2018).

¹⁹ Challenge (2017). Bank Al Maghrib change de statut. 14 July 2017. <http://www.challenge.ma/bank-al-maghrib-change-de-statut-86346/>

²⁰ BAM (2018).

²¹ Direction du Trésor et des Finances Extérieures (DTFE) (2017). Note de conjoncture premiers résultats 2017. <https://www.finances.gov.ma/> (Assessed 12 July 2018). Pg.37.

²² Hassler (2011). Housing and real estate finance in ddle East and North Africa countries. <http://siteresources.worldbank.org/INT/MNAREGTOPPOVRED/Resources/MENAFflagshipHousingFinance.pdf> (Accessed 10 Sept 2018).

²³ Centre for Affordable Housing Finance in Africa (2016). Case Study 1 | The FOGARIM: A Housing Loan Guarantee for the Informally Employed. <http://housingfinanceafrica.org/documents/the-fogarim-a-housing-loan-guarantee-for-the-informally-employed/> (Accessed 20 July 2017).

²⁴ BAM (2016). Rapport annuel 2016. Pg.52.

²⁵ Ibid.

²⁶ HCP (2016). Royaume Du Maroc Haut Commissariat Au Plan. <https://www.hcp.ma/file/183899/> (Accessed 12 July 2018).

²⁷ Min wage org (2018). Moroccan minimum wage 2018. <https://www.minimum-wage.org/international/morocco> (Accessed 12 July 2018).

²⁸ HCP. Introduction de Monsieur Ahmed LAHLIMI ALAMI, Haut Commissaire au Plan, à la présentation des résultats de l’enquête nationale sur la consommation et les dépenses des ménages au Maroc.

²⁹ Ministère de l’Habitat et de la politique de la ville (MHPV). <http://www.mhvp.gov.ma/>

³⁰ MHPV (2018). Etude d’évaluation du programme FVIT de MAD 140,000.

³¹ MHPV (2018). Etude d’évaluation du programme de logements sociaux à MAD 250,000.

³² Ibid.

³³ MHPV (2018). ‘Etude d’évaluation du programme FVIT de MAD 140,000’.

³⁴ HCP (2017). https://www.hcp.ma/Note-d-information-du-Haut-Commissariat-au-Plan-sur-le-parc-de-logements-au-Maroc-a-l-occasion-de-la-journee-mondiale-de_a2020.html

³⁵ HCP (2014). Habitat au Maroc : Situation du parc de logements et statut d’occupation 2014’. https://www.hcp.ma/downloads/RGPH-2014_t17441.html (Accessed 12 July 2018).

³⁶ HCP (2014). Pg. 4.

³⁷ HCP (2014). Pg. 10.

³⁸ Le 360. <http://rfile360.ma/economie/le-ministere-de-lhabitat-cherche-a-reduire-le-deficit-en-logements-164038>

³⁹ MHPV (2018). ‘Etude d’évaluation du programme de logements sociaux à MAD 250,000’.

⁴⁰ MHPV (2018). Etude d’évaluation du programme FVIT de MAD 140,000.

⁴¹ La Tribune (2018). “Plus de 200.000 familles ont bénéficié du programme « villes sans bidonvilles », selon l’Habitat”. 22 May 2018. <https://int.ma/plus-de-200-000-familles-ont-beneficie-programme-villes-bidonvilles-selon-habitat/> (Accessed 12 July 2018).

⁴² HCP (2014). Pg. 12.

⁴³ Oxford Business Group (2014). The Report: Morocco 2014.

⁴⁴ MHPV (2018). “Villes et Zones d’Urbanisation Nouvelles”. <http://www.mhvp.gov.ma/>

⁴⁵ Garan La Vie Eco. “Bouskoura : le moyen standing à partir de 7 000 DH/m²”. <http://www.garan.ma/old/uploads/images/presse/9.pdf> (Accessed 12 July 2018).

⁴⁶ Alliances Développement Immobilier. http://www.alliances.co.ma/images/publications-financieres/14-00256-Note_dinfo3-14.pdf

⁴⁷ Chef du Gouvernement (2015). Rapport de synthèse sur l’état des lieux du secteur foncier. <http://www.gadadirinvest.com/> (Accessed 12 July 2018).

⁴⁸ USAID. “Morocco: Property Rights and Resource Governance”. https://land-links.org/wp-content/uploads/2016/09/USAID_Land_Tenure_Morocco_Profile.pdf (Accessed 10 Sept 2018).

⁴⁹ World Bank (2018). Doing Business Indicators 2018. <http://www.doingbusiness.org/data/exploreconomies/morocco> (Accessed 12 July 2018).

⁵⁰ MHPV (2016). Enquête nationale sur la demande en habitat. <http://www.mhvp.gov.ma/> (Accessed 12 July 2018).

⁵¹ BAM (2017). Communiqué du Comité des établissements de Crédit relatif à l’agrément pour l’exercice de l’activité bancaire participative.

Mozambique



Overview

Mozambique is a very low-income country on the East Coast of Southern Africa. Provisional reports from the 2017 Population and Housing Census put the total population at 28.8 million people.¹ One third of the population lives in cities. With an urbanisation rate estimated at 3.81 percent per annum, however, this proportion is expected to increase in line with urban growth patterns across the continent.

The country suffers from high levels of poverty and vulnerability. While poverty rates have improved, they are still high, estimated at 41-45 percent of the national population in 2014/15.² GDP per capita reached a still low 'high' of US\$519 in 2017.³ In 2017, the United Nations Development Programme's (UNDP) Human Development Report (HDR) ranked Mozambique 180th out of 189 countries.⁴ High unemployment (25 percent in 2017)⁵ persists while the vast majority of the labour force relies on subsistence farming and informal activities. The government approved a long-term National Strategy for Development, *Estratégia Nacional de Desenvolvimento (ENDE)* for the 2015 to 2035 period.⁶ The ENDE places particular emphasis on industrialization and identifies agriculture, fisheries, industrial diversification, infrastructure, the extractive industries and tourism as key priority areas.

The economy in Mozambique has been volatile in the past few years, in part as a result of declining global commodities prices and a fall in agricultural production due to climatic change, but also due to an unstable political environment, a suspension of donor support to the national budgets, and a downward review of the sovereign rating.⁷ By the end of 2016, the Bank of Mozambique intervened with monetary policy that contained the inflationary pressure and stabilised the Metical exchange rate, which had depreciated by 60 percent in 2015. By August 2018, the annual inflation rate was at 5.02 percent, up from 2.33 percent in April 2018, but down dramatically from its November 2016 high of 26.35 percent.⁸ In August 2018, the Central Bank announced annual GDP growth of 3.4 percent⁹ down from 3.8 percent in 2016, and well below the 8.8 percent average of the past twenty years. KMPG reports that more than half of GDP growth in 2016 resulted from the tertiary (services) sector, of which housing (8.7 percent growth) and financial services (17.9 percent growth) were the most productive. The construction sector grew by 11.4 percent in 2016, but slowed in 2017 due to the impact of the exchange rate and rising interest rates on the import of materials.¹⁰

KEY FIGURES

Main urban centres	Maputo
Exchange rate: 1 US\$ = [a] 16 Jul 2018	60.03 Mozambican metical
PPP Exchange rate (Local currency/PPP\$) 1 Mozambican metical = [b]	21.20
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018 [b]	19.20 17.5 10.56
Population [b] Urban population size [b]	29 668 834 9 736 125
Population growth rate [c] Urbanisation rate [b]	2.87% 3.81%
Percentage of the total population below National Poverty Line [c]	46.10%
Unemployment rate [c]	22.6%
GDP (Current US\$) 2017 [a] GDP growth rate annual 2017 [b]	US\$12 334 million 3.71%
GDP per capita (Current US\$) 2017 [b]	US\$415
GNI per capita (Current US\$) 2017 [b]	US\$420
Gini co-efficient [d]	45.70
HDI global ranking 2017 [d] HDI country index score 2017 [d]	180 0.437
Is there a deeds registry?	yes
Number of residential properties that have a title deed [e]	161 663
Lending interest rate [b]	27.86%
Mortgage interest rate Mortgage term (years) [e]	30% 20
Downpayment	20%
Mortgage book as a percentage of the GDP	1.00%
Estimated number of mortgages	600
Price to Rent Ratio in City Centre [f] Outside City Centre [f]	15.16 17.71
Gross Rental Yield in City Centre [f] Outside City Centre [f]	6.60% 5.65%
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$6.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	3 301 650 Mozambican metical
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$55 000
What is the size of this house (m ²)?	65m ²
What is the average rental price for this unit (US\$)?	US\$300
What is the minimum stand or plot size for residential property?	150m ²
Ease of Doing Business Rank [g]	138
Number of procedures to register property [g]	6
Time to register property (days) [g]	40 days
Cost to register property (as % of property value) [g]	5.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	World Bank Open Data
[d]	UNDP Development Indicators
[e]	National Institute of Statistics of Mozambique
[f]	Numbeo
[g]	World Bank Doing Business

A major change in the year has been in the money markets, with a rise of 16-20 percentage points in treasury bill rates, closing at the end of 2017 at 24.32 percent for 91 days, 27.47 percent for 182 days and 28.84 percent for 365 days.¹¹ This has put pressure on banks' retail interest rates, and impacted substantially on the housing investment environment.

Access to finance

The Mozambique financial sector has seen an expansion during the last years, although financial access remains limited. FinScope 2014 for Mozambique reports that 20 percent of the adult population is banked and another four percent is financially included with non-bank institutions; 16 percent of the adult population has access to only informal financial mechanisms; and 60 percent (the highest in all the countries studied by FinScope) is excluded entirely from the financial sector:¹²

The banking sector has 20 registered banks, with the three largest banks accounting for 73 percent of total banking sector assets. A bank capital adequacy ratio of 18 percent in 2016 (up from 17 percent in 2015) is in line with Basel II, and reserves ratio of 27 percent foreign currency and 14 percent national currency. The non-performing loan (NPLs) rate increased slightly to six percent in 2016, up

from four percent in 2014. Lending rates remain very high, with prime rates increasing by about 10.7 percentage points in 2017 and settling at about 27 percent by the end of 2017.¹³ In August 2018, Banco de Moçambique decreased the Standing Lending Facility to 18 percent and prime lending rates to 21.75 percent.¹⁴

Most of Mozambique's commercial banks offer a mortgage product, but the mortgage loan to GDP ratio is very low and was measured at 0.91 percent at the end of 2014 according to Banco de Moçambique. Banks' mortgage portfolios represent 2.42 percent of total outstanding loans. The conditions for mortgage loans are generally restrictive, reflecting the banking industry's austerity. Loan-to-cost maximums are generally set at 80 percent. Commercial banks request another property or fixed assets as collateral for a transition loan at least until the construction is 80 percent completed and can thus be mortgaged. Mortgage interest rates are set at around five percent above prime; as a result, current rates hover around 30 percent with a repayment term of 15, 20 or 25 years and a minimum downpayment of 30 percent. The minimum loan amount is around MZN 300 000 (US\$5 000).

To make housing loans more accessible, some banks offer 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. The Fund for Housing Promotion (FFH) has agreements with several banks to make mortgage loans accessible to public employees. These loans have shorter terms, sometimes of five to ten years. In some cases, the lender requires a guarantee or other forms of collateral. Construction or developer finance is limited and expensive, with rates of up to 30-35 percent.

Although the microfinance sector is vibrant, only five microfinance providers offer an explicit housing microfinance product. There have been significant changes in this industry over the past few years and the depth of financial intermediation remains low. Socremo offers housing loans for home improvements and rehabilitation up to MZN 1 million (US\$16 700). Letshego offers a loan product, "Credimola" of up to MZN 1 million (US\$16 700) for a minimum of 6 months and a maximum of 6 years.¹⁵

Affordability

Housing affordability in Mozambique is severely constrained. Construction costs are estimated to be 30 percent higher than in neighbouring South Africa, as a result of higher material costs, low labour productivity and high financing costs. A small percentage of construction materials are locally manufactured; most materials are imported from South Africa, Portugal and China. Only the most basic materials (such as cement and wood) are sourced locally. The lack of basic infrastructure adds to the total costs of the development. Plots are often far from main roads and not linked to the public water and electricity network.

While the minimum wage was revised in April 2018 to MZN 4 142 (US\$ 69) a month, the majority of the population earns less than US\$100 a month. Banks offering mortgages have a minimum loan amount of MZN300 000 (US\$5 000), which is far out of reach of the majority, yet still far less than the cheapest house in the market. At the current rate of 28 percent, the minimum loan would be affordable only to a household with a monthly income of about MZN 22 000 (US\$370). The mortgage applicant would also need to save a third of the purchase price to cover the deposit requirements, registration costs and taxes, and valuation and origination fees.

As a result, the majority of households build incrementally.¹⁶ With regards to the lack of affordable housing and the lack of access to finance, most families rely on their own savings (as these become available) and local materials to self-construct their homes. UN-Habitat suggests Mozambican families have invested at least US\$3 billion in informal housing in Maputo alone.

Housing affordability is also a challenge in the rental market, where high demand and the lack of adequate supply have resulted in highly inflated prices across all income brackets with owners setting monthly rents in the upper market from US\$1 000 to US\$10 000 a month in Central Maputo. The lower income market is offering rental houses from US\$100 to US\$300 a month in the informal neighbourhoods.

Housing supply

FFH estimates a housing deficit of two million units and over 13.5 million people that require housing. The equivalent of 2.5 million families, or 60 percent of the Mozambican population, live in substandard housing; approximately 70 percent of households in Maputo live in informal housing. While it is estimated that 23 000 units will be needed by the year 2020 in the Maputo areas of Baixa, Museu, Polana, Sommerschild I, Sommerschild II and Marginal, there are currently only 4 500 new housing units expected to enter the market in central Maputo over the same period. The housing deficit is also felt in other emerging economic centres in the country, such as Tete, Nampula and Pemba.

In its previous five-year plan (2010-2014), the government committed to build 100 000 houses and service 300 000 plots of land by 2014. According to local sources, the government only delivered 1922 houses by the end of 2014. The housing target in the new five-year plan (2015-2020) is less ambitious with the state committing to build 35 000 houses by 2019 (7 000 a year), but this number remains unrealistic as the government of Mozambique continues to experience fiscal pressures. Some projects began in Marracuene, Tete and Nampula, but there is not a clear strategy to solve the lack of housing in Mozambique.

There is very limited investment by the private sector in the low-cost housing sector; as investors prefer high-end projects. The Casa Jovem project in Costa de Sol, for example, is a 36 hectare housing project under development on the outskirts of Maputo, and is often mentioned as an example of a private sector affordable housing project. The project comprises 1 680 flats in four to eight storey walk-ups, and 300 houses, of which 100 flats have been constructed to date. However, with the price of flats ranging between US\$47 000 and US\$130 000, it is out of the reach of most Mozambicans.

Potential developers are also put off by the need to build supporting transport and services infrastructure for new sites and the lack of government support for low-cost housing schemes.

Over the years, there have been some promising public-private partnership arrangements, but these have not reached expectations, neither in quantum nor affordability. For example, Intaka started in 2012, with the intention to build 5 000 houses in the southern city of Matola, in partnership with Henan Goujil Mobiliária. Unit prices are between US\$63 000 and US\$158 100. An agreement with the Chinese government promised a further 5 000 houses in other cities. A partnership with a Spanish construction group also wanted to develop 4 500 houses in three provinces, with prices starting at US\$30 000. Construction was supposed to launch in 2014 but work never started.

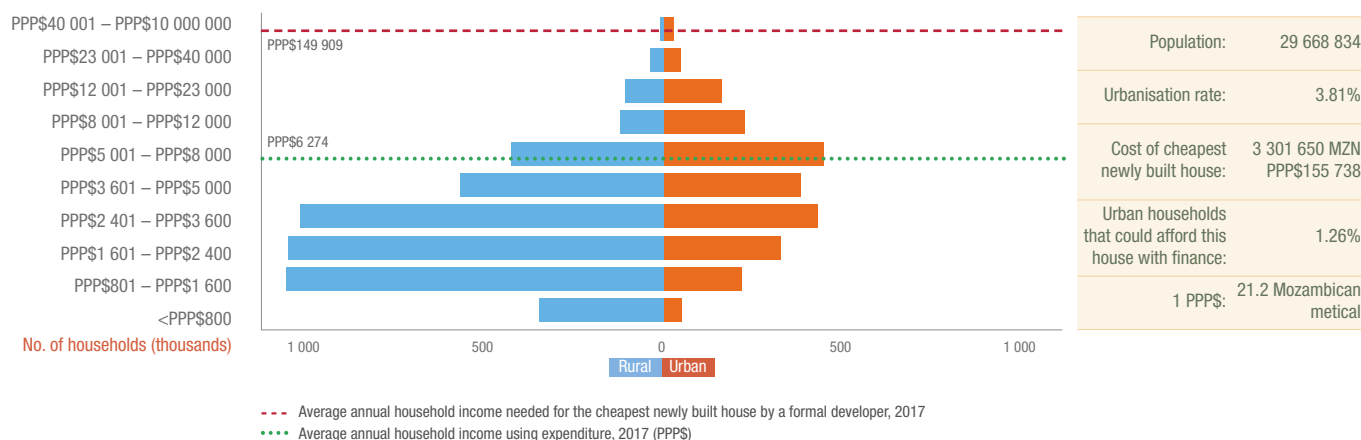
Other developments included a US\$217 million facility provided through three credit lines by the Indian government in 2013 to fund public works and housing projects. The projects included the construction of 1 200 houses in Tete, Zambézia and Cabo Delgado but work never started. In addition, FFH also signed agreements for new social housing projects in the Provinces of Cabo Delgado, Nampula, Tete and Maputo for 50 000 housing units at a total cost of US\$5.5 billion. The Municipality of Maputo signed a memorandum in 2017 with Turkish Akay Constructions to build 5 000 houses in Zimpeto, Polana Caniço and Ka-tembe with a starting cost of US\$70 000. Akay is looking for 2 500 people interested to start the construction of the houses. Nyumba and MCMS has recently announced plans to build 12 000 prefab houses T2 with prices starting at US\$16 700 and sizes of 40 m².

Casa Real, a Mozambican social enterprise focused on affordable housing, has been developing housing at prices between US\$10 000 and US\$50 000. The first ten of these are expected to be made available for sale in September 2018, with funding secured to deliver another 100-150 units in the near future. Casa Real plans to launch a rent-to-buy scheme for low income households who wish to purchase their starter units of 26m², at a price of US\$10 000. Rental amounts will be in the range of US\$90 – US\$100 /month, with priority given to municipal workers in the Beira area.

Casas Melhoradas in Maputo is another approach to improve housing in unplanned settlements using low cost materials.¹⁷ Casa Minha Ida, also in Maputo, is an affordable housing project with an innovative strategy to transform a well

MOZAMBIQUE

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

located informal settlement into a neighbourhood using a land readjustment approach. They are building twenty houses in a first demonstration phase with a plan to scale up to 160 houses in the next five years.

Property markets

Mozambique's property market is dominated by the fact that the state owns all land. Land rights may not be sold, mortgaged or otherwise alienated. The Land Law recognises a "use right to land", known by the Portuguese acronym DUAT (*directo de uso e aproveitamento das terras*). Any investment made on the land itself is considered to be private property and can be bought, sold or mortgaged.

The registration and cadastre systems still only cover limited urban areas. This limits the amount of formally financeable land through mortgages and contributes to a general lack of clarity on property titles. According to the Global Housing Indicators, only 20 percent of properties in the greater Maputo area were registered in 2009.¹⁸ According to the World Bank's Ease of Doing Business indicators, Mozambique ranks 104 out of 190 countries in terms of registering property. It takes an estimated 40 days to complete the six procedures involved in registering property and the process costs an estimated 5.1 percent of the property value. Mozambique scores low on the quality of the land administration index, with a score of 9.5 out of 30.¹⁹

The resale property market is limited. Apart from the fact that secondary sales 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). The problem of collateral enforcement is exacerbated by the long times it takes to go through the courts (on average three years), and that there are many instances of fraudulent titles.

Policy and regulation

The policy and regulation framework governing the housing sector is based on article 109 of Mozambique's Constitution of 2004, which states that all ownership of land vests in the state and that all Mozambicans shall have the right to use and enjoy land as a means for wealth creation and social well-being. The Constitution further provides that the state shall recognise and protect land rights acquired through inheritance or by occupation, unless there is a legal reservation, or the land has been lawfully granted to another person or entity.²⁰

Many of the laws governing property date as far back as the 1960s and have not been updated since. The Land Law of 1997 reasserts the state's ownership of land and provides that individuals, communities and entities can obtain long-term or perpetual rights to use and benefit from land. The Land Law protects the customary rights of communities to their traditional territories and recognises rights obtained through traditional and good-faith land occupancy, as equivalent to rights obtained by government grant. Community land use rights are legally

equivalent to rights granted by the government to individuals and entities. Women and men have equal rights to hold land. Nationals have unrestricted rights of access to land; foreign individuals and entities must have a local residence and an approved investment plan.

Housing is coordinated through two government organisations. The National Directorate for Housing and Urbanization (DNUH) and the Fund for Housing Promotion (FFH), both under "Ministério das Obras Públicas e Habitação" (MOPH), are the two government agencies with a specific mandate for housing. With the reorganization of the MOPH in 2010, the different departmental roles were clarified so that DNUH is in charge of the politics side and FFH has the mandate to act as an implementation agency. At the same time, within the MOPH, a Directorate that is responsible for the building materials was also created.

The Housing Policy of 2011 promised adequate housing at an affordable price for all social groups. The policy recognized the need to improve land management, facilitate access to infrastructure, promote housing construction and enable access to financing resources. Currently, the Housing Policy is being reviewed by DNUH in collaboration with UN Habitat through a Housing Profile for Mozambique that will be the base to implement a new strategy for future plans.

The Financial Sector Development Strategy 2013-2022 (MFSDS) provides an overall vision and a comprehensive and detailed roadmap for reforms in the financial sector. The strategy foresees the elaboration of a policy on housing finance, which will address necessary reforms for the development of the financial market for construction and purchase of housing. A first step in improving housing finance has already been implemented by revising the status of the FFH, giving it access to a variety of refinancing resources. The Economic and Social Plan, and the Slum Upgrading Strategy, both of 2012, add emphasis to housing and urban infrastructure upgrading.

Opportunities

The previously healthy economic growth rates and foreign investment in Mozambique have significantly slowed in the last years. Analysts suggest that the development of the natural gas and coal reserves in Mozambique should have a big impact on GDP growth and create opportunities in the industrial and commercial sectors.²¹

There are a wide range of opportunities for both public and private sectors to strengthen the development of housing finance, as well as increase its supply. Possible initiatives include expanding tailored housing loan products to low income groups and introducing innovative and competitive incremental self-build housing solutions. The growing microfinance industry offers potential for the growth also of housing microfinance, to support incremental housing delivery and the provision of starter plots by the FFH.

With rising building materials, opportunities exist regarding the use of alternate approaches, technologies and local materials that could help to reduce the need for imported building materials and speed up the delivery of affordable housing.

Additional sources

African Development Bank (2018). African Economic Outlook. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf (Accessed 14 August 2018).

Allen, C. and Johnsen, V. (2008). Access to Housing Finance in Africa: Exploring the Issues (No. 7) Mozambique. Paper commissioned by the FinMark Trust with support from Habitat for Humanity. <http://housingfinanceafrica.org/documents/overview-of-the-housing-finance-sector-in-mozambique/> (Accessed 27 Sept 2018).

Banco de Moçambique, Boletim Mensal de Conjuntura Outubro 2017. Relatório Anual – 2016. http://www.bancomoc.mz/fm_pgTab1.aspx?id=106 (Accessed 14 August 2018).

Banco de Moçambique, Conjuntura Económica e Perspectivas de Inflação Junho 2018. http://www.bancomoc.mz/fm_pgTab1.aspx?id=105 (Accessed 9 Sept 2018).

Broll (2014). The Broll Report 2014/2015. <https://www.broll.co.mz/publications/> (Accessed 9 Sept 2018).

Casamoçambique. Property market overview. <http://casamozambique.co.mz/revista> (Accessed 9 Sept 2018).

Cordero, L. (2013). Overview and Trends of Housing Finance in Mozambique. UN-Habitat.

Club of Mozambique. "Employers protest at high interest rates – AIM report. 21 June 2018". <http://clubofmozambique.com/news/employers-protest-at-high-interest-rates-aim-report/> (Accessed 14 August 2018).

Club of Mozambique. "Mozambique: Political change boosts risk-reward score in Southern African markets. 21 June 2018." <http://clubofmozambique.com/news/mozambique-political-change-boosts-risk-reward-score-in-southern-african-markets/> (Accessed 14 August 2018).

Global Real Estate Institute, 2014 Africa GRI 2014: Africa's Most Senior Real Estate Event, Nairobi – 18 & 19 June 2014. Discussion summaries provided by MBA students of the Department of Real Estate and Construction Management (RECM) from the University of Nairobi.

Habitat for Humanity (2011). The Global Housing Policy Indicators Assessment Tool, 23 May 2011.

HOFINET Housing Finance Information Network. Mozambique Macro-Economic Data.

<http://www.hofinet.org/countries/context.aspx?regionID=8&id=115#732> (Accessed 14 August 2018).

Ministry of Finance (2013). Financial Sector Development Strategy.

Ministry of Public Works and Housing (2011). Housing Policy and Strategy for Mozambique.

Prime Yield (2013). Guide to Property Investment in Mozambique.

Price Waterhouse Coopers PWC (2015). Real Estate: Building the future of Africa, March 2015. <https://www.pwc.co.za/en/publications/real-estate-building-the-future-of-africa-2015.html> (Accessed 9 Sept 2018).

Standard Bank (2016). Monthly economic newsletter; Edition June 2016. <http://www.standardbank.co.mz/pt/Boletim-Economico> (Accessed 9 Sept 2018).

World Bank. World Development indicators - Country profile Mozambique. http://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=MOZ (Accessed 14 August 2018).

World Bank - Doing Business. Ease of doing business in Mozambique.

<http://www.doingbusiness.org/data/exploreeconomies/mozambique/#registering-property> (Accessed 14 August 2018).

International Monetary Fund African Department. Republic of Mozambique : Selected Issues. 7 March 2018.

<http://www.imf.org/en/Publications/CR/Issues/2018/03/07/Republic-of-Mozambique-Selected-Issues-45702> (Accessed 14 August 2018).

International Monetary Fund. Press Release No. 17/290. IMF Staff concludes visit to Mozambique. 19 July 2017.

<http://www.imf.org/en/News/Articles/2017/07/19/pr17290-imf-staff-concludes-visit-to-mozambique> (Accessed 14 August 2018).

Websites

<http://www.ine.gov.mz/>

www.bancomoc.mz

¹ XinhuaNet (2017) "Mozambique has 28.8 million people: census." 29 December 2018. http://www.xinhuanet.com/english/2017-12/30/c_136860636.htm (Accessed 23 Sept 2018).

² Ministry of Economics and Finance (2016). Poverty and Well-Being in Mozambique: Fourth National Poverty Assessment (IOF 2014/15). https://www.wider.unu.edu/sites/default/files/Events/PDF/Abstract_Executive_Summary_EN_4Eval_0.pdf (Accessed 23 Sept 2018).

³ Trading Economics (2018). Mozambique GDP per capita. <https://tradingeconomics.com/mozambique/gdp-per-capita> (Accessed 23 Sept 2018).

⁴ UNDP (2018). Human Development Indices and Indicators: 2018 Statistical Update. Briefing note for countries on the 2018 Statistical Update: Mozambique. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MOZ.pdf (Accessed 23 Sept 2018).

⁵ Trading Economics (2018). Mozambique Unemployment Rate. <https://tradingeconomics.com/mozambique/unemployment-rate> (Accessed 23 Sept 2018).

⁶ Republica de Mocambique (2015). Estratégia Nacional de Desenvolvimento. <http://extwprlegs1.fao.org/docs/pdf/moz147210.pdf> (Accessed 23 Sept 2018).

⁷ KPMG (2017). Banking Survey 2017. November 2017. <http://www.amb.comz/index.php/estudos-e-publicacoes/pesquisa-do-sector-bancario/75-banking-survey-2017> (Accessed 27 Sept 2018).

⁸ Trading Economics (2018). Mozambique Inflation Rate. <https://tradingeconomics.com/mozambique/inflation-rate> (Accessed 27 Sept 2018).

⁹ Banco de Moçambique (2018). Comité de Política Monetária. Comunicado No. 04/2018. Maputo, 30 de Agosto de 2018. http://www.bancomoc.mz/fm_pgTab1.aspx?id=16 (Accessed 27 Sept 2018).

¹⁰ KPMG (2017). Banking Survey 2017. November 2017. <http://www.amb.comz/index.php/estudos-e-publicacoes/pesquisa-do-sector-bancario/75-banking-survey-2017> (Accessed 27 Sept 2018).

¹¹ KPMG (2017). Banking Survey 2017. November 2017. <http://www.amb.co.mz/index.php/estudos-e-publicacoes/pesquisa-do-sector-bancario/75-banking-survey-2017> (Accessed 27 Sept 2018).

¹² Murambire, B (2018). Capacitação de Jornalistas (Sistema Financeiro). FSDMoc 25 Julho 2018. http://fsdmoc.com/wp-content/uploads/2018/07/Apresentação-sobre-Inclusão-Financeira_Conceitos-Gerais.pdf (Accessed 23 Sept 2018).

¹³ KPMG (2017). Banking Survey 2017. November 2017. <http://www.amb.co.mz/index.php/estudos-e-publicacoes/pesquisa-do-sector-bancario/75-banking-survey-2017> (Accessed 27 Sept 2018).

¹⁴ Associação Moçambicana de Bancos (2018). Comunicado. Maputo aos 31 de Agosto de 2018. www.bancomoc.mz (Accessed 27 Sept 2018).

¹⁵ See Letshego's website: <https://www.letshego.com/mozambique> (Accessed 23 Sept 2018).

¹⁶ Centre for Affordable Housing Finance (2018). Housing Investment. Chronicles. <http://housingfinanceafrica.org/documents/mozambique-housing-investment-chronicles/> (Accessed 9 Sept 2018).

¹⁷ For more details, see <http://casasmelhoradas.com> (Accessed 23 Sept 2018).

¹⁸ Global Housing Indicators (2009). Maputo, Mozambique. <http://globalhousingindicators.org/en/content/maputo-mozambique> (Accessed 23 Sept 2018).

¹⁹ World Bank (2018). Doing Business: Ease of Doing Business in Mozambique. http://www.doingbusiness.org/en/data/exploreeconomies/mozambique#DB_rp (Accessed 23 Sept 2018).

²⁰ For an English translation of Mozambique's 2004 constitution (as updated in 2007) see https://www.constituteproject.org/constitution/Mozambique_2007?lang=en (Accessed 23 Sept 2018).

²¹ Instituto Nacional Estatística (2016). IESE Instituto de Estudos Sociais e Económicos, Boletim nº 89 Junho 2016. <http://www.ine.gov.mz/> (Accessed 14 August 2018).

Namibia



Overview

Namibia is a middle income country in Southern Africa, with a GDP per capita of US\$5 555 at current prices in 2017, up by US\$214 from 2016.¹ Namibia has been one of Sub-Saharan Africa's most politically stable countries since its independence in 1990, which has aided it in becoming one of the most attractive investment destinations in the region.

Real GDP growth in Namibia was -0.8 percent in 2017, down from 0.7 percent in 2016. According to the African Economic Outlook Namibia profile (2018) and Namibia Statistics Agency, this was due to continued fiscal consolidation by central government, which could be worsened by weak revenues from the Southern African Customs Union (SACU)² and limited investment in the mining sector. In the first quarter of 2018, growth was recorded at -0.1 percent.³ While this shows a negative picture of the economy, it is an improvement from the 2017 average. Subdued growth in 2017 followed a period of impressive growth. Public debt still stands at 44.3 percent of GDP. Inflation was 6.2 percent in 2017.⁴ This is set to decrease following better crop production after the drought.⁵ Real GDP growth is projected to reach 1.1 percent in 2018 and 2.9 percent in 2019 due to a projected increase in agriculture and mining production and the manufacturing sector.⁶ Agriculture and extractive industries are the main sectors driving growth in Namibia with mining contributing 20.6 percent to GDP.

The bulk of Namibia's imports (vehicles, machinery, food products and other consumables), at 56.2 percent, are sourced from South Africa followed by Zambia at 7.0 percent and China at 5.9 percent. According to the African Economic Outlook, Namibia's key exports include diamonds, copper cathodes, fish, copper ores and zinc. Key export destinations are South Africa at 26.7 percent and Botswana at 13.3 percent. The Namibian dollar is pegged to the South African Rand and monetary policy to contain inflation. This leaves the Namibian economy highly vulnerable to shocks in the South African economy as well as the Angolan and Zimbabwean economies.

The provision of affordable housing falls within the Support to Planning, Infrastructure and Housing Programme under the mandate of the Ministry of Urban and Rural Development responding to the Harambee Prosperity Plan's pillar of social progression.⁷ In addition, Namibia's fifth National Development Plan has the following targets: to reduce the percentage of Namibians living in impoverished houses to 12 percent (which is currently growing at 14.2 percent year-on-year)⁸; to service 6 500 erven by 2022 and to upgrade two informal

KEY FIGURES

Main urban centres	Windhoek
Exchange rate: 1 US\$ = [a] 23 Aug 2018	13.40 Namibian Dollar
PPP Exchange rate (Local currency/PPP\$) 1 Namibian Dollar = [b]	6.6
Inflation 2016 [b] Inflation 2017 [c] Inflation 2018 [c]	7.0 6.2 4.0
Population 2016 [d] Urban population size 2016 [d]	2 280 716 1 068 625
Population growth rate 2016 [d] Urbanisation rate 2016 [d]	1.90% 4.25%
Percentage of the total population below National Poverty Line 2016 [d]	10.7%
Unemployment rate 2016 [d]	34.00%
GDP (Current US\$) 2017 [d] GDP growth rate annual 2017 [d]	US\$13 159 million -8.8%
GDP per capita (Current US\$) 2017 [d]	US\$5 555
GNI per capita (Current US\$) 2017 [d]	US\$5 474
Gini co-efficient 2016 [d]	57.2
HDI global ranking 2016 [e] HDI country index score 2016 [e]	125 0.340
Is there a deeds registry?	Yes
Number of residential properties that have a title deed [d]	92 161
Lending interest rate [f]	10.12%
Mortgage interest rate Mortgage term (years) [g]	11.50% 20
Downpayment	0.00%
Mortgage book as a percentage of the GDP	2.10%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre [h] Outside City Centre [h]	8.95 9.81
Gross Rental Yield in City Centre [h] Outside City Centre [h]	11.17 10.19
Construction as a % of GDP 2017 [d]	2.90%
What is the cost of standard 50kg bag of cement?	n/a
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [i]	280 000 Namibian Dollars
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [i]	US\$20 896
What is the size of this house (m ²)?	35m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property? [i]	300m ²
Ease of Doing Business Rank [k]	106
Number of procedures to register property [k]	8
Time to register property (days) [k]	52 days
Cost to register property (as % of property value)	n/a

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Bank of Namibia
[d]	Namibia Statistics
[e]	UNDP Development Indicators
[f]	Namibia Financial Stability Report https://www.bon.com.na
[g]	First National Bank Namibia
[h]	Numbeo
[i]	National Housing Enterprise
[j]	Institute of Public Policy Research
[k]	World Bank Doing Business

settlements.⁹ The unavailability of serviced land has been flagged as one of the key challenges facing housing development. In response, a target has been set to service 26 000 new residential plots by 2019, with an estimated allocation of N\$915.2 million for 2018/19 and N\$1.4 billion in 2019/20.¹⁰ The 2018/19 medium-term budget allocates 9.2 percent of the budget to housing and land.¹¹

Access to finance

The Bank of Namibia, Namibia's Central Bank, regulates all banking activity in the country. Insurance companies and microlenders are regulated by the Namibian Financial Institutions Supervisory Authority (NAMFISA). There are eight licensed commercial banks in Namibia: Bank Windhoek Limited, First National Bank Namibia Limited, Nedbank Namibia Limited, Standard Bank Namibia Limited, Trustco Bank Namibia Limited, Banco Atlantico, Bank BIC Namibia Limited and Letshego Bank Namibia Limited. First National Bank Namibia Limited, Standard Bank Namibia Limited, Nedbank Namibia Limited and Bank Windhoek Limited dominate, with all the other banks being fairly new entrants into the Namibian banking sector. These four banks collectively made up 98.9 percent of the total banking assets in 2017, growing from 98.0 percent in 2016.¹²

According to the NAMFISA quarterly statistical bulletin, there were 7 056 registered non-banking financial institutions as at Q4 2017 which includes 138 pension funds and 317 microlenders.¹³ There are 333 179 members of the pension funds in Namibia with a net income of N\$13 424 million (US\$1 billion). Forty-four percent of investment from pension funds is invested in Namibia and 2.2 percent is invested in property. Microloans are divided into term loans and payday loans. Term loans refers to loans provided for between six and 60 months and payday loans are loans provided on a monthly basis and repayable within 30 days. The total value of the loan book for microlending at the end of 2017 was N\$5 460 million (US\$407 million), of which 98 percent was allocated to term loans. There are 30 913 term loans and 147 397 payday microloans. The average loan size for term microloans is N\$23 777 (US\$1 775) and for payday microloans this is N\$1 620 (US\$121).¹⁴

According to the Namibia Statistics Agency GDP Q1 2018 report,¹⁵ the financial intermediation sector experienced slow growth at 1.4 percent in real value added in the first quarter of 2018, 0.4 percent less than the same quarter in 2017. This was mainly due to the insurance sub-sector. The banking sector, however, increased by 0.4 percent in real value added in Q1 2018 compared to Q1 2017. This growth is due to the “improvement in the overall liquidity position of banks”¹⁶ from Q1 2017 to Q1 2018. Bank deposits grew by 5.9 percent from Q1 2017 to Q1 2018 to N\$91 060 million (US\$6 795 million).

Commercial banks in Namibia are generally regarded as well-capitalised and profitable. Although the banks appear to be healthy, they are nevertheless exposed to risks such as credit risk arising from household mortgages. According to the Bank of Namibia’s Financial Stability Report, the ratio of household debt to disposable income was 83.3 percent at the end of 2017, down by 1.2 percent from 2016. This was due to the contraction in instalment credit and mortgage lending to households, the same as the previous year. Household debt in Namibia is mainly made up of mortgage lending at 51.5 percent of the total loan book,¹⁷ of which 38 percent is towards residential mortgages.¹⁸ The concentration of lending in mortgages heightens the banking sector’s vulnerability to shocks in the property market. Growth in mortgage lending continued to slow by 0.7 percent from 2016 to 2017, standing at 8.0 percent in 2017. Overall poor domestic economic conditions and the introduction of maximum loan-value ratios for non-primary residential mortgages at 80 percent and changes to the Credit Agreement Act added to slower growth in credit extended to households.¹⁹ Mortgage non-performing loans make up 58 percent of the share of total non-performing loans. Household indebtedness slowed from 9.3 percent in December 2016 to 6.7 percent in 2017.

According to the 2018 Namibia Financial Stability Report, while house price inflation decelerated by 1.4 percent from 2016 to four percent at the end of 2017, the stability of the financial system is not under threat currently. This is due to a variety of factors such as sustained demand for housing supply (coupled with slow delivery) and maximum loan-to-value regulation for secondary properties.²⁰ The Financial Stability Report predicts a more stable housing market in Namibia with an increased supply of housing and a slower rate of price increase.

The International Monetary Fund (IMF) (2018) indicates that house prices are overvalued by about 10 percent from 18 percent three years ago.²¹ This, coupled with a house price index that far outperformed the consumer price index from 2010 to end of 2017, has also raised concern for the market and banks’ mortgage exposure. In addition, it’s important to note is that there has been increased pressure on households’ disposable income in the light of a slowing economy and the impact of the economic slowdown in South Africa.

The infrastructure to facilitate mortgage lending is fairly well-developed. The World Bank’s 2018 Doing Business Report scores Namibia seven out of a possible eight on the “depth of credit information” index, as the country now has four private credit bureaus. This score is well above the Sub-Saharan Africa score of three out of eight. In 2016, Namibia improved access to credit information by guaranteeing by law borrowers’ right to inspect their own data. Namibia scores high in ease of getting credit, ranking 68 out of 190 countries in 2018, down six places from 2017.

Microlending for housing purposes is on the rise through organisations such as the Shack Dwellers Federation of Namibia (SDFN), providing building loans ranging from N\$30 000 (US\$2 238) to N\$45 000 (US\$3 358) with the average

being N\$35 000 (US\$2 612). The loans are repayable within a period of 11 years at an annual interest rate of about six percent and a monthly charge of five percent.

Affordability

Literacy levels are significantly high at 87 percent of the population aged 15 years and over.²² The Gini coefficient has decreased over the years to 0.56 indicating reduced levels of inequality. The proportion of households considered poor (not able to afford US\$38 on basic needs per month) has decreased by 2.1 percent from 2009/10 to 2015/2016 to 17.4 percent, but the number of severely poor households (not able to afford US\$29 per month on basic needs) increased by 1.1 percent to 10.7 percent. This indicates that almost 30 percent of the population needs support.

The key sources of income are salaries and wages at 53 percent, followed by pensions at 11 percent, subsistence farming at 10.6 percent, grants at 9.6 percent, and business income at 9.1 percent. There are 125 425 households with outstanding debt in Namibia, which makes up 23 percent of the household population with 70 percent of this debt in urban areas. Debt in the form of bonds makes up just over five percent, indicating that about 6 300 households have an outstanding bond. The average household consumption in Namibia per annum is N\$119 065 (US\$8 885) and the average annual per capita consumption is N\$28 434 (US\$2 121). Households in Namibia spend most of their income on food and beverages (36.3 percent). This is sharply followed by housing at 31.8 percent, making up N\$20 103 million (US\$1 500 million) of total annual household expenditure.

According to the December 2017 First National Bank (FNB) Namibia Housing Price Index, the median house price for 2017 was N\$1.1 million (US\$82 089) up from N\$850 000 (US\$63 432) in 2016. Just over 20 percent of households live in impoverished housing. House prices for the small, medium and large segments range accordingly (based on data from the Namibia Financial Stability Report):

- Small: N\$448 000 (US\$32 432) ≤ value < N\$1 368 000 (US\$102 090);
- Medium: N\$1 368 000 (US\$102 090) ≤ value < N\$3 129 000 (US\$233 507);
- Large: N\$3 129 000 (US\$233 507) ≤ value < N\$6 500 000 (US\$485 074).

According to an article in the *Namibian*: a middle low income earner earns between N\$3 000 and N\$5 999 a month; upper low income earners earn between N\$6 000 and N\$8 999 a month; and a middle income earner earns between N\$9 000 and N\$14 000 a month.²³

The cost of a 50kg bag of cement is US\$7.5. The unemployment rate was recorded at 34 percent in 2016, a 6.6 percent increase from 2014, indicating a decreasing labour force and lack of employment opportunities both of which impact on housing affordability levels.²⁴

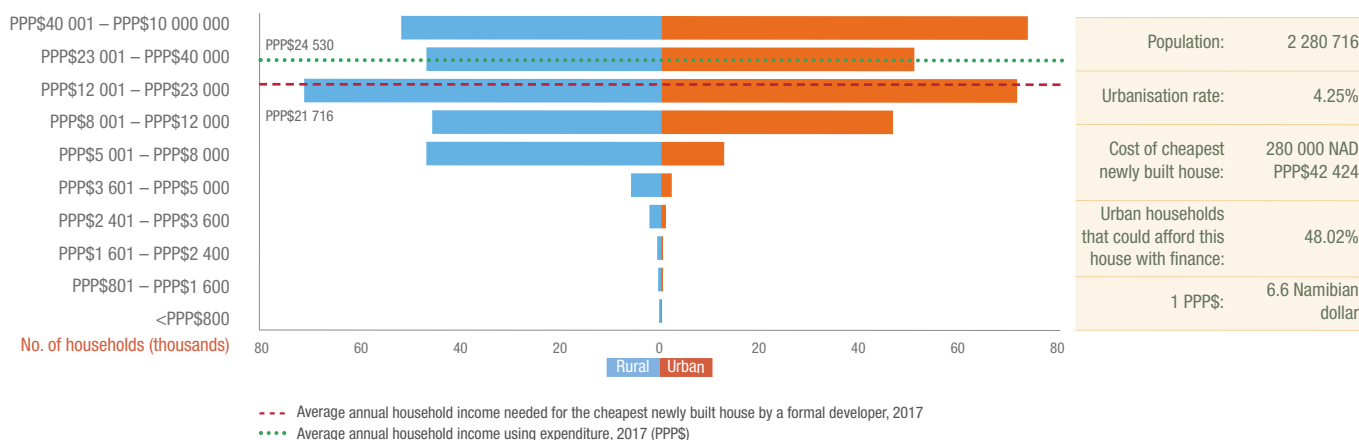
Housing supply

Based on the 2016 Income and Expenditure Survey, 17 percent of households have title deeds, 4.4 percent have leasehold certificates, 12.4 percent have land right certificates, and 22 percent of properties are rental. Key stakeholders in the Namibian housing supply market include government, civil society and the private sector.

The National Housing Enterprise (NHE), a state-owned company under the Ministry of Urban and Rural Development, is responsible for housing delivery and access to housing finance in Namibia in line with the Harambee Prosperity Plan and the 5th National Development Plan to provide 5 000 of the 20 000 housing delivery target in the next four years. In addition, 46 622 houses need to be delivered by the NHE based on the Vision 2030 strategy. The NHE has in the past been tasked to deliver the Mass Housing Programme, which has only delivered 1 500 houses and there are still 87 000 people on the NHE waiting list.²⁵ The NHE indicates the main challenges facing the industry include lack of serviced land, land tenure and property rights issues, limited financial resources, and a growing demand in the face of a 110 000 housing backlog.²⁶ The NHE targets households earning a maximum of N\$30 000 per month and individuals earning a maximum of N\$20 000 a month with a variety of housing finance products offered. The maximum loan size offered is N\$600 000, including transfer and registration fees at prime plus one percent over 20-30 years.²⁷ Some of the projects underway include: construction of 200 houses at Oshakati at approximately N\$500 000 (US\$37 313); construction of 135 houses in Rundu (a joint venture with Salami Island Investments) with houses estimated to be below N\$500 000; and 50 houses in Omuthiya.

NAMIBIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

According to the Development Bank of Namibia (DBN) 2017 Annual Report, The DBN, which is responsible for financing development infrastructure, has provided financing for the servicing of 498 erven (N\$114 million or US\$8.5 million) and for the construction of 736 housing units (N\$436 million or US\$32.5 million) in Namibia to address the need for affordable land and housing.²⁸

Ndhlovu and Remmert (2018) indicate that the three main civil society groups active in Namibia are SDFN, the Namibia Housing Action Group (NHAG) and Development Workshop Namibia.²⁹ However, SDFN is the only group actively providing houses and housing finance supported by NHAG, acting as a community savings scheme. The Ministry of Urban and Rural Development has allocated US\$7 million to SDFN for this financial year and US\$10 million for next financial year.³⁰ Thus far, the SDFN has constructed over 4 000 houses.

The Otjomuise project is implemented by the NHE and the City of Windhoek. Igen Africa has been appointed project manager and is partnering with the South African division of Calgro M3 and Namibian Contractor, Afrikumba. The project amounts to approximately N\$1 billion (US\$74.6 million). Extension 10 has begun with 364 two to three-bedroom units built out of 3 600 planned over three phases, including provision for social facilities.

The private sector continues to engage with the demand for affordable housing. To this end, Ohorongo Cement, FNB Foundation and Pukewitz Foundation partnered with SDFN for the construction of houses for low income families in early 2016, by pledging N\$3 million (US\$ 223 880) to SDFN and NHAG in March 2016. Thus far 292 houses have been constructed in the Hardap region. Houses cost about N\$32 000 each to build and beneficiaries pay off this cost over 11 to 20 years at a five percent interest rate. Nine housing groups were formed with 328 members, making this partnership particularly important because the local community (mainly women) were capacitated in the process to make bricks and excavate the foundations of their homes.

In July 2017, Trustco Properties launched the Ombala Estate, offering affordable two-bedroom and one-bathroom homes targeted at joint monthly incomes of N\$35 000 (US\$2 612). Serviced plots starting at 300m² for the affordable market are available, spanning a total area of 130 103m². The starting price for a plot and plan is N\$689 000 (US\$51 418), which includes the transfer and conveyancing costs. Trustco Bank offers financing.

There are various plans by government through public private partnerships to construct housing as well as to service land for housing in the near future. Examples include investment earmarked by Helao Nafidi Town Council, which is putting aside US\$0.8 million for housing. City of Windhoek aims to service 300 erven by 2019 in Rocky Crest³¹ and invest US\$11 million in 1 200 affordable housing units for example.³² Government generally provides land, and partners provide technical expertise and financing. In addition, various private organisations have housing planned for Namibia. These include Trustco and Groot Systems, a

Namibia-based investment company. Groot has two housing projects planned for Namibia: Trotwood Suburb with 320 units planned and valued at US\$32.6 million, to start in September 2018 with house prices ranging from N\$29 000 (US\$22 014) to N\$750 000 (US\$55 970); and Westerville Township with 3 000 units planned at a value of US\$30 billion.

Property markets

According to the World Bank's 2018 Doing Business Report, Namibia ranks 175 out of 190 countries for ease of registering a property, a drop from 2017's ranking of 174. On average the eight procedures involved in registering a property (higher than the Sub-Saharan Africa number of 6.2 days) still take 52 days and cost 13.8 percent of the property value. In comparison to Sub-Saharan Africa, the time to register property in Namibia is lower by 7.2 days and higher in terms of cost of registering property, indicating the need for improved efficiency to offer competitive advantage. The quality of land administration for reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights ranks 8.5 out of 30 (with 30 being the best score), slightly lower than the Sub-Saharan average of 8.6 and much lower than Mauritius and South Africa which rank 17.0 and 13.5 respectively.

The cost of transfer and registration of full title residential property in 2018 remains the same as 2017, averaging 1.6 percent of the purchase price.³³ When the municipality serviced its own erven, it could offer subsidised plots to poorer residents for as little as N\$6 900 for a 300 m² erf. The cost of servicing the plots was a mere N\$69.35 per m². They were then sold at a subsidised rate of N\$23/ m², but in some areas plots were being sold by private developers at a cost of N\$505 000 for a 600m² erf, effectively placing it beyond the reach of those households most in need.³⁴ The same sentiment is expressed by the National Planning Commission of Namibia in that there is a perception that stakeholders inflate house prices to maximise profits.³⁵

The average time on the market for properties in Namibia is 24 weeks and four days, much higher than the South African average of 14 weeks in Q1 of 2018.³⁶ This was significantly lower for the low and middle income market segments at 13 and 22 weeks respectively, indicating a greater demand in these segments.

Namibia has a history of exorbitant house price inflation; however, the market is correcting itself as there has been constant contraction in house price growth.³⁷ The average house price dropped to N\$1.1 million over the past year (with declines in prices seen mostly in the higher income segments) and is expected to grow at between five and six percent in 2018.³⁸ According to Nambhu (2018), one of the key reasons for the drop in house prices is the new supply of serviced land in the affordable housing market.³⁹ Prices in the lower income segment have grown by 3.4 percent year-on-year.⁴⁰ Housing supply is growing at 4.9 percent year-on-year.⁴¹ According to the FNB Housing Index, December 2017, housing transactions were up 16.2 percent in 2017, mainly driven by new supply in the affordable housing segment. The FNB Housing Index predicts slowing demand in the middle to higher

income segments and that increased mass housing supply in the lower income segment will target backlogs.⁴² The same trend has been seen for rentals.

Policy and regulation

Two key changes to the regulatory environment in Namibia over the past year have been the loan-to-value regulation under the Banking Institutions Act, 1998 (Act No.2 of 1998) for non-primary residential properties Namibia to promote responsible borrowing, “reduce concentration risk for commercial banks” and “promote preferential access to housing for first time home buyers”,⁴³ and the Urban and Regional Planning Bill (Bill 13 of 2017).

The National Development Plan (NDP) was adopted as a medium-term plan after the launch of Vision 2030. Following five reviews of the original plan, the NDP5 was launched in 2017. Speaking at its launch, the Namibian president said housing, especially affordable housing, remains a major developmental challenge in the country.

The National Housing Policy, revised in 2009, guides all actions taken by the Directorate of Housing and guarantees the right to a house, especially for the formerly disadvantaged groups of the society. In addition, the Harambee Prosperity Plan aims to deliver 20 000 houses by 2020 and 26 000 serviced plots of land.

There is a new Urban and Regional Planning Bill, Bill 13 of 2017, aimed at transforming the spatial planning sector by introducing a better planning system for fast-tracking the provision of affordable housing and well-planned areas.

The Agricultural (Commercial) Land Reform Act, No 6 1995 provides for government acquisition of agricultural land for purposes of land reform and redistribution. The National Resettlement Policy of 2001 and the Affirmative Action Loan Scheme are designed to resettle landless households on land acquired under the Agricultural (Commercial) Land Reform Act. The Communal Land Reform Act, No 5 of 2002 regulates the powers of traditional authorities over communal land. The Land Boards grant, record, and cancel land rights in consultation with the traditional authorities.

The National Housing Development Act, No 28 of 2000 establishes a National Housing Advisory Committee, which is responsible for establishing a Housing Revolving Fund by local authority councils and regional councils. The Local Authorities Act, No 23 of 1992, section 57 to 62 deals with Housing Schemes.

The National Housing Enterprise Act, No 5 of 1993 covers the NHE, which is tasked to provide financial assistance through the delivery of affordable housing and credit facilities in the form of housing loans to low and middle income households.

The Namibia Financial Institutions Supervisory Authority Act, No 3 of 2001 was put in place to establish an Authority to exercise supervision over the business of financial institutions and over financial services. The Namibia Estate Agents Act, No 112 of 1976 was established to provide for the establishment of an Estate Agency Affairs Board. The Pension Fund Act, No 24 of 1956 makes provision for registered pension funds to be used as a guarantee.

The Sectional Titles Act, No 2 of 2009, came into operation in December 2014. The Act does away with limitations and shortcomings that restricted development, access to land and property. The Deeds Registry Act, No 47 of 1937 (amended) and the Registration of Deeds in Rehoboth Act, No 93 of 1976 (amended), provide for registration of all freehold titles at central registries maintained in Windhoek and Rehoboth.

Opportunities

While the commitment to improve housing conditions in Namibia is prevalent, with renewed effort and commitment from government, there is a need to stimulate increased involvement by the private sector. Momentum is picking up and a number of public private partnerships are being undertaken, with increased interest in, and supply of, serviced land and affordable housing. The general housing demand is known and inflated and speculative house prices are decreasing, leading to market correction. Importantly, the new loan-to-value regulation targeting non-primary residential property will ensure financial stability. Increased exports and a slow yet steady recovery of the economy is expected (according to the IMF, 2018)⁴⁴ as mining production increases, construction stabilises and manufacturing recovers. This will increase employment and affordability.

Additional sources

- Bank Windhoek (2017). Bank Windhoek announces new interest rates. www.bankwindhoek.com.na (Accessed 29 July 2018).
- Mhunduru, E.N. (2017). LTV regulation to curb mortgage lending dominance on loan books. <http://www.observer.com.na/index.php/business/item/8015-ltv-regulation-to-curb-mortgage-lending-dominance-on-loan-books> (Accessed 4 August 2018).
- National Planning Commission (2018). Status of the Namibian Economy. <http://www.npc.gov.na/> (Accessed 5 August 2018).
- Nunuhe, M. (2018). The housing bubble bursts: House prices in Namibia take a dip. <https://southern-timesafrica.com/site/news/the-housing-bubble-bursts-house-prices-in-namibia-take-a-dip> (Accessed 4 August 2018).
- The World Bank (2018). Doing Business Indicators: Namibia. <http://www.doingbusiness.org/en/data/explore/economies/namibia#> (Accessed 4 August 2018).

¹ Namibia Statistics Agency (2018). Preliminary National Accounts, 2017. <https://nsa.org.na/> (Accessed 21 July 2018).

² African Development Bank (2018). 2018 African Economic Outlook Namibia. <https://www.afdb.org/> (Accessed 15 July 2018).

³ Namibia Statistics Agency (2018). Media Release: Update on Economic Statistics. https://cms.myna/assets/documents/TSB_and_GDP_Q1_2018_Press_statement.pdf (Accessed 29 August 2018).

⁴ Bank of Namibia (2017). Annual Report. <https://www.bon.com.na/CMSTemplates/Bon/Files/bon.com.na/92/92d106b2-a920-4168-be80-ec1645e42e95.pdf> (Accessed 5 August 2018).

⁵ African Development Bank (2018).

⁶ Ibid.

⁷ The Harambee Prosperity Plan is Namibia's nationally adopted development programme from 2016 – 2020.

⁸ Kallil, N. (no date). Namibian Housing Market: FNB Namibia Holdings. http://www.unam.edu.na/sites/default/files/state_of_housing_market.pdf (Accessed 30 August 2018).

⁹ National Planning Commission, Republic of Namibia (2017). Namibia's Fifth National Development Plan. <http://www.npc.gov.na/> (Accessed 1 September 2018), Pg. 68.

¹⁰ Ministry of Finance (2017). Medium Term Expenditure Framework 2017/18-2019/20. <https://www.bon.com.na/CMSTemplates/Bon/Files/bon.com.na/90/901e521e-2c3d-414b-b4a3-cca346947dc8.pdf> (Accessed 19 July 2018).

¹¹ National Planning Commission Namibia, Republic of Namibia (2018). Development Programmes Estimates of Expenditure: Medium Term Expenditure Framework 2018/19-2020/21. http://www.npc.gov.na/wfpb_dl=309 (Accessed 4 August 2018).

¹² Bank of Namibia (2017).

¹³ Namibia Financial Institutions Supervisory Authority (2017). Quarterly Report Namibia: Fourth Quarter. <https://www.namfisa.com.na/wp-content/uploads/2018/06/Quarterly-Statistica-Bulletin-2017-Q4-1.pdf> (Accessed 24 July 2018).

¹⁴ Namibia Financial Institutions Supervisory Authority (2017).

¹⁵ Namibia Statistics Agency (2018). Gross Domestic Product: First Quarter 2018. https://cms.myna/assets/documents/First_Quarter_GDP_2018.pdf (Accessed 5 August 2018).

¹⁶ Namibia Statistics Agency (2018). Gross Domestic Product: First Quarter 2018. Pg. 28.

¹⁷ Bank of Namibia (2018). Financial Stability Report. <https://www.bon.com.na/CMSTemplates/Bon/Files/bon.com.na/99/998aa419-7411-4e75-8024-24ffa12abc23.pdf> (Accessed 6 August 2018). Also: International Monetary Fund (2018). IMF Country Report No. 18/56: Namibia. <https://www.imf.org/~media/Files/Publications/CR/2018/cr1856.ashx> (Accessed 20 July 2018).

¹⁸ Bank of Namibia (2018). Financial Stability Report. <https://www.bon.com.na/CMSTemplates/Bon/Files/bon.com.na/99/998aa419-7411-4e75-8024-24ffa12abc23.pdf> (Accessed 6 August 2018).

¹⁹ Bank of Namibia (2018). Pg. 13.

²⁰ Bank of Namibia (2018). Pg. 34.

²¹ International Monetary Fund (2018). Namibia: Financial System Stability Assessment. <https://www.imf.org/en/Publications/CR/Issues/2018/03/15/Namibia-Financial-System-Stability-Assessment-45723> (Accessed 5 August 2018).

²² Namibia Statistics Agency (2018). Namibia Household Income and Expenditure Survey 2015/16 Report. https://cms.myna/assets/documents/NHIES_2015-16.pdf (Accessed 5 August 2018).

²³ Hartman, A. (2016). Swakop's Balancing Act with Land. <https://www.namibian.com.na/> (Accessed 5 August 2018).

²⁴ National Planning Commission Namibia, Republic of Namibia (2018). Development Programmes Estimates of Expenditure: Medium Term Expenditure Framework 2018/19-2020/21.

²⁵ Nampa (2018). NHE Warns Non-performing Contractors. <https://www.namibian.com.na/> (Accessed 5 August 2018).

²⁶ National Housing Enterprise (2017). National Housing Enterprise Strategy 2017/18-2022/23. <http://www.nhe.com.na/> (Accessed 5 August 2018).

²⁷ Ndhlovu, P. and Remmert, D. (2018).

²⁸ Development Bank of Namibia (2017). Annual Report 2017. <http://www.dbn.com.na/index.php/publication-home/annual-reports/file/147-dbn-annual-report-2017> (Accessed 5 August 2018).

²⁹ Ndhlovu, P. and Remmert, D. (2018).

³⁰ Namibian Broadcasting Corporation (2018). First lady hands over houses to Shack Dwellers Federation at the coast. <https://www.nbc.na/> (Accessed 5 August 2018).

³¹ De Klerk (2018). Development in Rocky Crest. <http://www.we.com.na/> (Accessed 5 August 2018).

³² Likela, S. (2018). City plans N\$148m housing project. <https://www.namibian.com.na/> (Accessed 4 August 2018).

³³ Based on calculations from Sauls Jacobs & Co. Law Firm.

³⁴ Lennon, J. (2018). How Namibia's housing shortage became a humanitarian crisis. https://medium.com/@jade_Lennon/how-namibia-housing-shortage-became-a-humanitarian-crisis-ee05ba14b9b (Accessed 4 August 2018).

³⁵ National Planning Commission, Republic of Namibia (no date). Special Programmes: Housing Sector. http://www.npc.gov.na/?page_id=424 (Accessed 4 August 2018).

³⁶ First National Bank (2018). Property Barometer. https://cdn.mymaws.com/www.saiv.org.za/resource/collection/B70457DF-B11F-442D-94B2-8B1BF7C28C2F/FNB_Property_Barometer_Price_Realism_and_Market_Balance_9_April_2018.pdf (Accessed 4 August 2018).

³⁷ Nambashu, J. (2018). House Prices Fall Again. <http://www.property.com.na/blog/house-prices-fall-again> (Accessed 4 August 2018).

³⁸ Matthys, D. (2018). House prices to grow by 5% - FNB Housing Index Forecast. <https://economist.com.na/33022/markets/house-prices-to-grow-by-5-fnb-housing-index-forecast/> (Accessed 4 August 2018).

³⁹ Nambashu, J. (2018).

⁴⁰ Nambashu, J. (2018).

⁴¹ Kallil, N. (no date).

⁴² First National Bank (2017). FNB Residential Property Monthly. <https://www.fnbnamibia.com.na/downloads/namibia/housingIndex/HousingIndex201712.pdf> (Accessed 4 August 2018).

⁴³ Bank of Namibia in Mhunduru, E.N. (2017).

⁴⁴ International Monetary Fund (2018). IMF Country Report No. 18/56: Namibia. <https://www.imf.org/~media/Files/Publications/CR/2018/cr1856.ashx> (Accessed 20 July 2018).



In 2018 all the commercial banks operating in Niger offer housing loans to employees of formal registered companies and other international governmental and non-governmental organisations. Some of the banks have agreements with the companies and organisations to offer preferential interest rates to employees. The loans are secured by the employer or are mutual guarantee loans. The interest rate is between 6.5 percent and 9 percent, and in most cases a 10 percent downpayment is required at a maximum term of 20 years.

Mortgage financing is still in an embryonic stage due to the low average income of employees and low employment rate. There is no mortgage bank operating in Niger; however, each commercial bank offers housing loans under certain conditions, including employer-provided collateral, as well as partnerships or other agreements with developers in the housing industry. In most cases, downpayment requirements are a minimum of 10 - 25 percent of the loan. The interest rate is 8 - 10 percent, at 7 - 20 years. Apart from banks and other formal enterprises, 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 most West African Economic and Monetary Union countries, long-term funding remains a major challenge for Niger's housing market despite the supply from some banks and microfinance institutions. However, the US\$155 million agreement signed in 2017 between the World Bank and the West African Development Bank (BOAD), the West African Economic Monetary Union (WAEMU) and the West African Regional Mortgage Refinance Company (CRRH) will help address the chronic shortage of long-term finance that adversely impacts on housing finance. The flow of funding will be extended with longer terms for households with moderate and irregular incomes.⁷

Affordability

Access to mortgage finance is limited, and when available, interest rates and loan tenure render the cost of borrowing very high. As such, most Nigeriens cannot afford homeownership. The smallest mortgage available as of 2016 is FCFA 7.5 million (US\$13 050), which, at an interest rate of 10.5 percent and repayable over seven to 15 years, would require a monthly repayment of between US\$132 and US\$176. About 7.5 percent of the country's population earn below US\$3.1 a day, which makes even the smallest mortgage unaffordable. Only about 22 percent of salaried workers representing less than one percent of the entire population (in most cases high-level government officials, and to some extent middle management staff in private companies and international organisations), have access to housing finance.

The majority of the population in the urban areas rent their homes, provided primarily by informal housing promoters and SONUCI. Rents vary according to quality and location and range from the equivalent of US\$169 to US\$3 524 a month for middle and upper income housing in Niamey, the capital. Other forms of rentals include the popularly known 'rooms' or 'room and parlour' arrangements found all over Niger, especially in the popular streets of the capital, ranging from US\$27 to US\$106 a month. At present no company or institution currently provides rentals on a larger scale (including SONUCI which used to do so in the past). Additionally, less than one percent of the population has access to government subsidies for housing due to the fact that only salaried workers (and particularly government employees) qualify for subsidised houses.

Housing supply

Demand is estimated to be 50 000 units per annum for the whole nation, and 6 000 for Niamey alone. According to Sahel Dimanche, the public national newspaper, the rate of housing supply is insufficient to meet the demand, as illustrated by different national surveys. The economic growth and rapid urbanisation have escalated rents and demand for houses, while the absence of mortgage banks in the provision of end-user finance is a major challenge to the development of housing.

There are no recent statistics about the number of registered companies in the construction industry, but most development companies function in the roads and urban infrastructure sector, with very few in the real estate sector. Those in the real estate sector 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. Among MFIs, the most popular scheme 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. In most cases, the loans are insufficient for building a home; therefore, most homeowners must build their homes over time.

Housing stock found all over Niger can be classified into three categories based on the material used for construction: construction with mud and straw, and ceilings of wood (maison en terre cuite /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. In the capital, housing stock is predominantly constructed with durable materials, cement and concrete.

In the 40 years between 1960 and 2000, the government of Niger financed only 1 236 houses. Prior to 2000, the government of Niger only offered government-subsidised homes to government employees and middle to senior civil servants. More recently, the government has introduced policies that are intended to induce the private sector, including public private partnerships and facilitating land access for developers as well as tax incentives. To that effect, the housing company Niger Shield has expressed its intention to benefit from the new tax incentives regulation by developing 600 units under a social housing project. The company promised to invest over FCFA 12 billion (US\$21.23 million) over the three years following its tax exoneration.⁸ The Sary - Koubou project in Niamey, financed by government, is another good example of recent progress, providing 174 one- to four-bedrooms houses. Each home is constructed on 200m² - 400m² of land and all were delivered as of 2016. Other projects include 100 homes in Dosso by SONUCI (Dosso Sogha) delivered in August 2015, 100 houses "Cite de renaissance" in Niamey, 198 houses by Society Federal Niger development in Niamey, 50 houses by SATU SA in Dosso, 76 houses in Maradi by DB IMMO, and 248 houses for the military in Niamey. The government acquired 88 hectares of land and 1 000 plots of land. The general secretary of the Confédération Démocratique des Travailleurs du Niger (CDTN) and the managing director of Société Fédérale Niger Développement (FND) entered into a partnership agreement for the development of social housing in Niamey 4. The type of units will vary from two rooms to four rooms and from 200 m² to 400 m². The price range will be from FCFA 9 856 666 (US\$17 439) to FCFA 19 884 513 (US\$35 182) excluding taxes. FND is the developer and will deliver 1 000 units under the first phase. The entire project is strictly targeted for CDTN employees.⁹

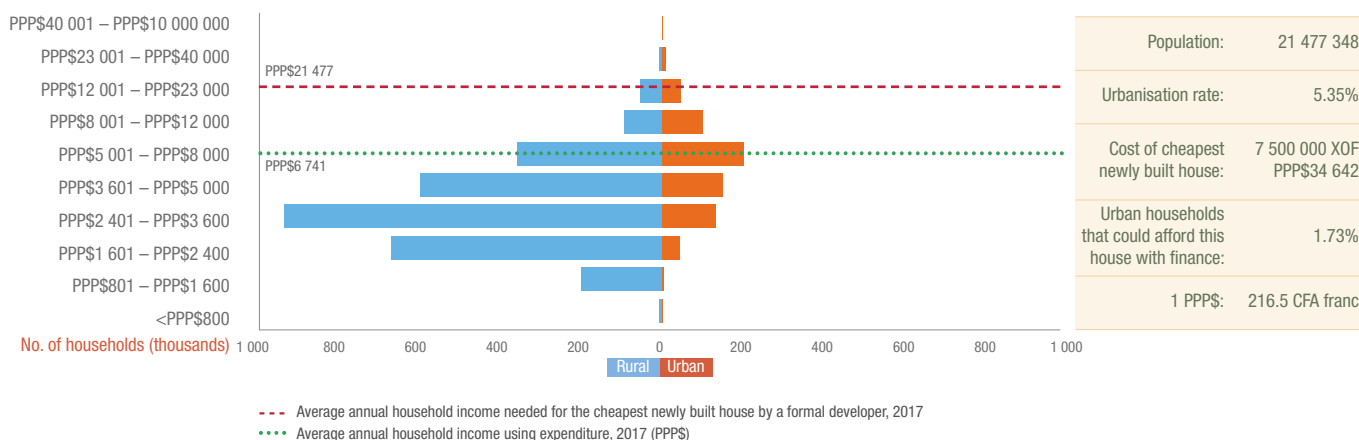
According to the housing ministry, the rate of housing supply is insufficient to meet the demand, despite incentive policies to encourage the private sector to invest in mass construction of economic and affordable houses. Demand remains high and housing is one of the priorities of the current presidential programme of Renaissance 2. To date the programme is yet to be implemented. Affordable housing is among the presidential campaign promises and housing remains one of the priorities of the government, as illustrated by the ambitious housing goals of 25 000 houses to be built from now through 2021, or about 6 250 per year.¹⁰ To attain this goal, the Nigerien government signed a memorandum with China Construction First Group (CCFG) during the China-Africa summit. The project will also be supported by the Niger Housing Bank and the African Solidarity Funds and should be implemented through several constructing phases of 2 000 units.¹¹ In 2016, the administration initiated a programme to work with the Chamber of Commerce to encourage local entrepreneurs to take advantage of the incentive policies to boost supply and satisfy the national need for affordable housing. There has been a lot of publicity concerning the different developers and the products offers in the local press, over the radio and to some extent in the banks, but there is little or no information about the number of units constructed and delivered.

Property market

Property prices have risen steadily over the past decade given an increase in demand for houses (and insufficient supply) due to economic growth, population growth, the influx of non-governmental organisations, and the increase in urbanisation. Affluent Nigeriens, neighbouring Africans, and the Diaspora are buying properties and investing heavily in modernising the stock of residential and

NIGER

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

commercial properties in the capital and other cities. The growth in the market is expected to continue due to the growing demand for houses and commercial outlets, coupled with the president's ambitious programme, known as 'Niamey Nyala' or 'Niamey the cute', a programme to transform Niger's capital into a modern, attractive city.

According to the 2018 World Bank Doing Business Report, Niger ranks 144th out of 190 economies in terms of ease of doing business, 164th in dealing with construction, and 116th in terms of registering property.¹² Four procedures are required to register property (with six procedures required, on average, across Sub-Saharan Africa), and the process takes 35 days (almost half the Sub-Saharan African average). Niger has reduced the cost of registering a property from 9 percent to 6.5 percent of the property value, but the cost of registration is still relatively high. Overall Niger has improved its ranking in the Doing Business Report as a result of the government efforts in improving the country's business climate.

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 on 29 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. However, to date the National Housing Fund Scheme and the National Research Centre have not been created.

In 2012, the Public Private Partnership Act was adopted regarding 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 investment, the new Code of Investment enacted through Loi No. 2014-09 of 16 April 2014 provides for tax incentives available for many sectors including social housing. For instance, during the construction phase, the project will be exonerated from custom taxes and VAT for all materials and equipment which is unavailable locally; during the exploitation phase, the profit made from the project will also be tax-free. A variety of other tax incentives are applicable throughout the development of the project.¹³

In terms of urban planning and land administration, the Land Administration Law (la Loi d'Orientation sur l'Urbanisme et l'Aménagement Foncier, or LOUAF) was adopted in March 2008.¹⁴ LOUAF deals with customary property rights and decentralisation. The adoption of LOUAF has contributed to the clarification of responsibilities between the central authority and communal authorities which

has facilitated the registration of properties in rural areas. Prior to implementation, it was impossible to register rural land or properties. There are no recent statistics on the number of registered 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 land ownership rights (for example, full and temporary rights, as well as customary rights), and some reform in land administration and the registration of properties to obtain full ownership rights. As a result, the process has improved, although some difficulties persist. There is no official data for the number of full ownership rights of land and property titles, or Titre Foncier issued since Sheida, the reform system adopted by the UEMOA countries in 2006 to simplify the process of obtaining full ownership title. The reform has also reduced the cost of registration and has eliminated unnecessary bureaucratic authorisations. However, La loi de finance introduced in 2018 and currently in effect will certainly impact on overall cost of registration.

In summary, Sheida, LOUAF and the new investment code will hopefully contribute to accelerating the development of housing and housing finance in Niger. In addition, Niger adopted a law in June 2013 providing for urban planning and urban management, which was signed in 2014 as a major reform in urban regulation. It is expected that the decree will facilitate the implementation of projects of upgrading slums and contribute to making urbanisation a tool for economic and social development.

Opportunities

Niger offers potential opportunities for housing and mortgage products due to shortages in affordable and adequate houses, its high rate of urbanisation, its demography, exploitation of mineral resources, the exploitation of petroleum in spite of a recent drop in global demand, the construction of new cement factories, the ambitious government programme of the current president, and a significant increase in middle class Nigeriens. Niger is very rich in mineral resources especially resources such as limestone and gypsum used in making cement.

Because Niger is landlocked, it pays relatively high logistics costs. Low energy production constrained growth of the cement industry, but the rate of urbanisation, the government programme for housing and the development of energy (the salkadama coal reserve alone could produce 600 MW) and infrastructure favours the development of the cement industry. The growth of cement industries will not only increase production and reduce costs, but will generate employment, revenues for the government, and accelerate the development of urban infrastructures and housing.

Niger's property market is young and offers investment opportunities in all sectors of the market: retail, residential, commercial, industrial and hospitality. Currently a great deal of construction of roads, commercial buildings and hotels is taking place,

and there is further room for growth. Considerate efforts are being deployed by the government to modernise the major cities, especially Niamey, the capital, and to encourage investors to participate in the multi-billion infrastructure and housing programme of the country. There is a huge market for the development of affordable houses and a lot of incentives are offered to stimulate that segment of property market. The reform in land management, registration of properties and fiscal advantages offered by the government of Niger Republic to formal private enterprises are important tools for stimulating the development of the property market and housing finance.

Sources

African Development Bank (2018). African Economic Outlook 2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf (Accessed 1 October 2018).

African Development Bank (2018). Statistics Pocket Book Doing Business 2017: Ranking of African Economies by Quintiles. <https://www.afdb.org/en/knowledge/publications/the-afdb-statistics-pocketbook/> (Accessed 2 October 2018).

Agence Nigérienne de Presse (2018). Signature d'une Convention entre le Promoteur Immobilier et la CDTN. 29 Jan 2018. <http://www.anp.ne/?q=article/signature-d-une-convention-entre-un-promoteur-immobilier-et-la-cdtm-pour-la-construction-des#sthash.qgUa4dn5.sGz4So83.dpbs> (Accessed 2 October 2018).

BCEAO (2017). Rapport Annuel 2017. https://www.bceao.int/sites/default/files/2018-07/Rapport_annuel_2017.pdf (Accessed 1 October 2018).

The Investment Policy Hub (2014). Code d'Investissements. <http://investmentpolicyhub.unctad.org/InvestmentLaws/laws/206> (Accessed 3 October 2018).

Ministère de l'Équipement de l'habitat et de l'Aménagement du territoire et Cabinet du Premier Ministre, consultant Gilles Horenfel (2002). Revue de la politique de financement de l'habitat au Niger; Rapport Final Provisoire.

The Mix. Niger: www.themix.org/mixmarket/countries-regions/niger (Accessed 14 September 2018).

Niamey.com (2016). Niger: Construction de 25 000 logements sociaux d'ici 2021 (officiel). July 2016. <http://news.niamey.com/h/73871.html> (Accessed 14 September 2018).

Niamey.com (2018). En Chine, le Gouvernement signe avec une entreprise chinoise, un mémorandum pour la construction de 25 000 logements au Niger. 31 August 2018. <http://news.niamey.com/h/87137.html> (Accessed 2 October 2018).

Niamey et les 2 jours (2018). La Société Niger Shield en Passe de Bénéficiaire des Avantages Fiscaux pour la Construction de 600 Logements Sociaux. 9 March 2018. <https://www.niamey2jours.com/la-gestion-publique/social/0903-2006-la-societe-niger-shield-en-passe-de-beneficiaire-des-avantages-fiscaux-pour-la-construction-de-600-logements-sociaux> (Accessed 2 October 2018).

Le Sahel (2008). La Loi d'Orientation sur l'Urbanisme et l'Aménagement Foncier Adopté. <http://nigerdiaspora.net/journaux/sahel26-03-08.pdf> (Accessed 3 October 2018).

The United Nations Development Program (2018). Human Development Report. <http://hdr.undp.org/en/2018-update> (Accessed 14 September 2018).

World Bank Data (2017). Country profile. http://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=NER (Accessed 14 September 2018).

World Bank (2017). World Bank Group supports access to Affordable Housing in West Africa. <https://www.worldbank.org/en/news/press-release/2017/10/13/world-bank-group-supports-access-to-affordable-housing-finance-in-west-africa> (Accessed 2 October 2018).

World Bank Group (2018). The Little Data Book on Financial Inclusion. <https://openknowledge.worldbank.org/bitstream/handle/10986/29654/LDB-FinInclusion2018.pdf?sequence=1&isAllowed=y> (Accessed 1 October 2018).

¹ World Bank Data (2017).

² The United Nations Development Program (2018).

³ African Development Bank (2018). African Economic Outlook 2018. Pg. 162.

⁴ World Bank Group (2018). The Little Data Book on Financial Inclusion. Pg. 117.

⁵ BCEAO (2017). Rapport Annuel 2017.

⁶ The Mix. Niger: www.themix.org/mixmarket/countries-regions/niger (Accessed 14 September 2018).

⁷ World Bank (2017). World Bank Group supports access to Affordable Housing in West Africa.

⁸ Niamey et les 2 jours (2018). La Société Niger Shield en Passe de Bénéficiaire des Avantages Fiscaux pour la Construction de 600 Logements Sociaux. 9 March 2018.

⁹ Agence Nigérienne de Presse (2018). Signature d'une Convention entre le Promoteur Immobilier et la CDTN. 29 Jan 2018.

¹⁰ Niamey.com (2016). Niger: Construction de 25 000 logements sociaux d'ici 2021 (officiel). July 2016.

¹¹ Niamey.com (2018). En Chine, le Gouvernement signe avec une entreprise chinoise, un mémorandum pour la construction de 25 000 logements au Niger. 31 August 2018.

¹² African Development Bank (2018). Statistics Pocket Book Doing Business 2017: Ranking of African Economies by Quintiles.

¹³ The Investment Policy Hub (2014). Code d'Investissements.

¹⁴ Le Sahel (2008). La Loi d'Orientation sur l'Urbanisme et l'Aménagement Foncier Adopté.

Nigeria



Overview

Over the past year, Nigeria has been on the path of economic recovery following the significant economic challenges faced in 2016/17. Most of the market indices showed a positive trend in the first half of 2018. The GDP annual growth rate was 1.9 percent in Q1 2018, and 1.5 percent in Q2 2018, consolidating the end of the 2016 recession, which turned in Q2 2017 when 0.55 percent GDP growth was achieved. Although still in the double-digits, inflation has been on a downward trend over the last 18 months stopping at 11.6 percent in June 2018. The Naira has stabilized against the US Dollar, even though liquidity is still constrained. At the Stock Exchange, market capitalisation reached an all-time high of N25.39 trillion in January 2018 and closed at N23.50 trillion (US\$64.8 billion) in July 2018.¹

There is a new optimism within the investor community, bolstered by oil prices reaching US\$70 in late January 2018. Oil production averaged 2 million barrels per day in the first four months of 2018. Although the 2018 budget was premised on 2.3 million barrel per day at US\$51 per barrel, production is at 1.9 million per day² and the buoyant oil price continues to boost the economy.

The investment climate in Nigeria has also improved within the last year. Many Ministries, Departments and Agencies, led by the Nigeria Investment Promotion Commission (NIPC) and the Presidential Enabling Business Environment Council (PEBEC) are working assiduously to improve the investment climate in Nigeria. Foreign exchange policy directives by the CBN (Central Bank of Nigeria), and the government's continued execution of its economic diversification policy, away from a mono-focused oil economy, are having a positive impact. As a result of these initiatives, Nigeria has shown a marked improvement in the World Bank's 2018 Ease of Doing Business ranking, climbing 25 positions to 145th overall, making it one of the top ten most improved countries internationally.³ With a national budget of N9.12 trillion (US\$25.33 billion) for 2018, and the Ministry of Power, Works and Housing being allocated 6.5 percent of this budget, there is clearly a deliberate focus by government on infrastructure, which will certainly impact housing and housing finance. Stakeholders are of the opinion that these factors will increase direct investment (whether foreign or local) in the construction and housing space.

However, following the kick-off of political activities and the distractions that a pre-election year can create in an economy, the question in the minds of many is whether government will continue to forge ahead on the mammoth task of

KEY FIGURES

Main urban centres	Lagos Kano
Exchange rate: 1 US\$ = [a] 17 Jul 2018	305.3 Nigerian naira
PPP Exchange rate (Local currency/PPP\$) 1 Nigerian naira = [b]	102.7
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [a]	12.77 15.91 11.61
Population [c] Urban population size [d]	198 000 085 99 000 000
Population growth rate Urbanisation rate	2.60% 4.94%
Percentage of the total population below National Poverty Line [d]	67.0%
Unemployment rate Q3 2017 [e]	18.8%
GDP (Current US\$) [e] GDP growth rate annual Q1 2018 [e]	US\$375 550 million 1.9%
GDP per capita (Current US\$) [e]	US\$2 412
GNI per capita (Current US\$) [f]	US\$2 080
Gini co-efficient [g]	43.00
HDI global ranking [h] HDI country index score [h]	152 0.527
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [i]	25.00%
Mortgage interest rate Mortgage term (years)	19.50% 20
Downpayment	25%
Mortgage book as a percentage of the GDP	1%
Estimated number of mortgages	24 414
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	3.72% 8.42%
Construction as a % of GDP [j]	3.72%
What is the cost of standard 50kg bag of cement?	US\$8.42
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	5 000 097 NGN
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$13 888
What is the size of this house (m ²)?	62m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [k]	145
Number of procedures to register property [k]	11
Time to register property (days) [k]	70
Cost to register property (as % of property value) [k]	n/a

NB: Figures are for 2018 unless stated otherwise.

[a]	Central Bank of Nigeria
[b]	World Bank World Development Indicators
[c]	National Population Commission (NPC)
[d]	Central Intelligence Agency (CIA) World Factbook
[e]	Trading Economics
[f]	World Bank Poverty and Equity Data Portal
[g]	Indexmundi
[h]	UNDP Development Indicators
[i]	Nigeria Mortgage Refinance Company
[j]	Nigeria Bureau of Statistics (NBS)
[k]	World Bank Doing Business

Member organisations of the African Union for Housing Finance (AUHF):

Haggai Mortgage Bank
Nigeria Mortgage Refinance Company

diversifying the economy through its initiatives in agriculture, manufacturing, ICT, trade and investment and mining, or it whether it will show bias to the dictates of its political base.

As at the first quarter 2018, the Nigerian real estate sector accounted for 5.63 percent of the country's gross domestic product.⁴ There is sparse progress in the government's stated annual production of one million standardised affordable housing units. According to the Managing Director of Federal Mortgage Bank of Nigeria (FMBN), the housing deficit is estimated at between 17 to 20 million housing units, increasing annually by 900 000 units, with a potential cost of N6 trillion (US\$16 billion). The Federal Ministry of Finance recently launched the Family Homes Fund, a Public-Private Partnership between the Federal Ministry of Finance and the Nigeria Sovereign Investment Authority (NSIA), which will have the federal government give as part of the Medium Term Expenditure Framework (MTEF) seed funding of N100 billion per annum (US\$278 million) over the next five years. It is hoped that the funds from this five-year planning cycle will be matched by domestic and external partners to help give discounted mortgages

to potential homeowners. Currently, the World Bank is reviewing the possibility of leveraging the seed funding.

Almost half of Nigeria's population lives in cities, and it continues to witness a disproportion in supply and demand between social economic brackets. While a newly built development in a high-income area like Ikoyi in Lagos is reportedly 60 percent empty, overcrowding is a major issue in many poorer areas. This leads to increased conversion of rural areas to semi-urban and urban spaces, often without the necessary plans and policies in place.

Nigeria has a low homeownership rate of 25 percent, lower than that of Indonesia (84 percent), Kenya (73 percent), and South Africa (56 percent).⁵ The major issues that continue to affect housing in Nigeria include constraints related to the high cost of securing and registering secure land title, inadequate access to finance, slow administrative procedures, and the high cost of land. Good news however, is the recent set-up of Mortgage Warehouse Funding Limited (MWFL). MWFL is a special-purpose company set up by member mortgage banks with the objective of providing short-term liquidity and funding for the origination of their mortgages. In addition, the Nigerian Mortgage Refinance Corporation (NMRC) has assisted to improve liquidity in Nigeria's nascent mortgage institutions.

Access to finance

According to EFINA (Enhancing Financial Innovation & Access) in collaboration with the Nigerian Bureau of Statistics, financial inclusion declined between 2014 to 2016, as growth in the adult population over the period outpaced growth in the banked population. This was despite an increase in the number of adults formally banked (36.9 million or 38.3 percent in 2016) or otherwise formally included (another 10 million adults, or 10.3 percent of the adult population). In 2016, 41.6 percent of the adult population, or 40.1 million adults, remained financially excluded.⁶ This posed a challenge to the CBN's target of reducing the number of financially-excluded Nigerians from 46 percent in 2010 to 20 percent by 2020. The CBN recently licensed mobile money operators and super agents known as the Shared Agent Network Expansion Facilities (SANEF). SANEF is aimed at an aggressive roll-out of a network of 500,000 agents to offer basic financial services.

There are 58 financial service providers (30 mortgage banks, 21 commercial banks, 7 microfinance banks) that provide financing for housing demand and supply. Amongst these are 43 active mortgage providers, six Commercial Banks, 30 Primary Mortgage Banks, and seven Microfinance banking (MFB) institutions.

It is clear that the mortgage finance industry in Nigeria is still in its infancy, targeting primarily high income earners and largely excluding middle and low income earners. For the majority of Nigerians, mortgage finance is not an option due to the lack of a robust land tenure and financial system, and because loan repayment costs remain prohibitively high. Mortgage finance therefore remains a very small percentage of Nigeria's GDP, at 0.58 percent in comparison to the UK (80 percent), USA (77 percent), and South Africa (31 percent).

A number of secondary market institutions provide services intended to expand Nigeria's mortgage sector, beginning with the Federal Mortgage Bank of Nigeria (FMBN), Nigeria's apex mortgage institution, which promotes mortgage lending and manages the Nigerian housing policy. The FMBN raises capital through the National Housing Fund (NHF), which obtains funding mostly from salaried employees earning N3 000 (US\$8.33) and above monthly, who are required to contribute 2.5 percent of their salary. Although the scheme is open to all, the recruitment structure has previously mostly targeted larger companies, recruiting middle income earners and hitherto ignoring the low income earners in Small and Medium Enterprises (SMEs). However, in a recent policy shift in 2018, FMBN has not only created uniform underwriting standards for the informal market and SMEs to augment the uniform underwriting standards for the formally employed market, but they have reduced required equity contributions for borrowers in different house price categories. For example, the downpayment for house prices of up to N5 million (US\$13 889) is now zero percent (from 10 percent) and downpayment for house prices of N5.01 million (US\$13 889) and up to N15 million (US\$41 667) is now 10 percent (formerly ranging between 10 percent to 30 percent).⁷ FMBN offers one of the lowest mortgage rates on its products – 6 percent, compared to all banks, which range from 16 to 28 percent. Maximum

tenor of loans is 30 years, although most are granted with shorter terms. Between January to June 2017, the bank received N9.5 billion (US\$26 million) in capital through the NHF and disbursed a sum of N1.1 billion (US\$3 million) to borrowers.

The Nigerian Mortgage Refinance Company (NMRC) is licensed to provide long-term secondary market refinancing. As at the end of 2016, the NMRC had refinanced mortgages amounting to N8 billion (US\$22 million) – the amount of its inaugural bond issue. In June 2018, the company successfully issued N11 billion (US\$30.5 million) 13.80 percent series 2 bonds to refinance eligible mortgage loans originated by the lending institutions in its network. The amount is part of NMRC's bond issuance under its N440 billion (US\$1.2 billion) medium term note programme. The bond issuance was rated 'AAA' by both Global Credit Rating Co. and Agosto & Co. It is important to mention that the bond was fully guaranteed by the Federal Government of Nigeria.

The Mortgage Warehouse Funding Limited (MWFL) was created and launched in late 2017. The MWFL aims to ease the current lack of liquidity for mortgage origination in the market by providing a source of short-term funding for primary mortgage banks. MWFL's operations are designed to support the mandate of the NMRC's refinancing focus.

Affordability

More than half of Nigeria's estimated population of 198 million live on less than US\$1 a day. The unemployment rate increased from 10.4 percent in Q1 2016 to 18.8 percent in Q3 2017.⁸ Coupled with the high rate of unemployment, the minimum wage remains at N18 000 (US\$60.28) per month, which has remained constant for the past six years, even with a high and increasing inflation rate currently at 11.6 percent.

Home purchase and rent prices have grown ahead of general inflation. A standard three-bedroom, middle-income apartment in urban locations currently commands a rent of approximately US\$5 000 per annum and a purchase price of US\$100 000. Overall, both at the state and federal level, there is a strong push by the administration to focus interventions on lower income earners who are aspiring to be homeowners, and have been traditionally sidelined by the property market which is predominately controlled and used by the elite. However, new housing construction remains limited in supply and prohibitively expensive for middle and lower income households. Fifty to sixty percent of total construction inputs go to building materials. Although the Naira – US Dollar exchange rate has stabilised considerably within the last year, it is expected that the price of construction will continue to increase as many construction items remain on the government's list of 44 items disqualified from getting foreign exchange from the Central Bank of Nigeria (CBN), forcing importers to source materials from a scarcer and often more expensive black market.

In an effort to ensure that land transactions are carried out with minimum difficulty, in January 2015, Lagos State cut down land use charges from 13 percent to 3 percent of the property's value. The Federal Government is also pushing for a reduction in land transaction fees from 16 percent to 3 percent.

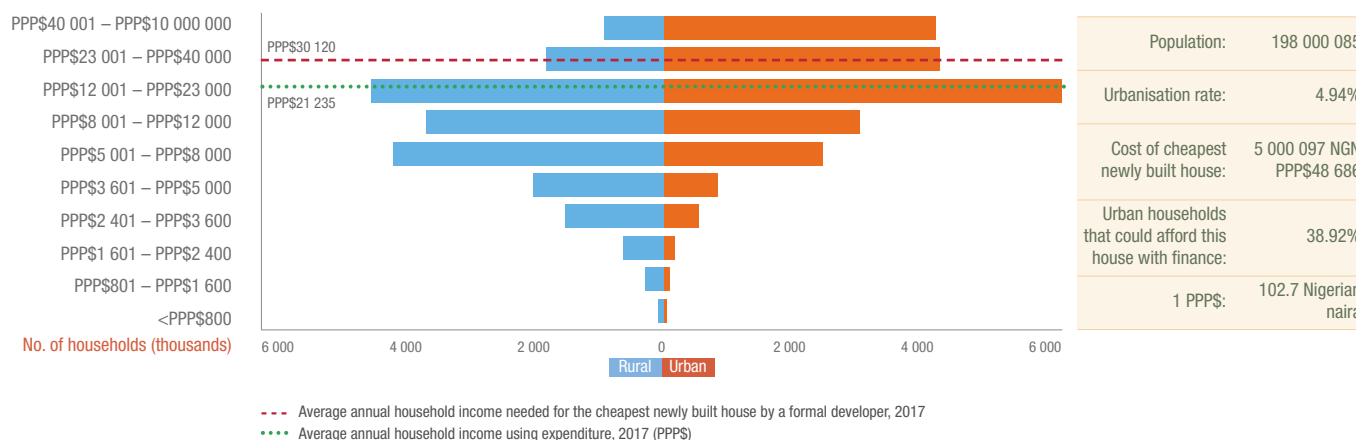
As a result of the high cost and limited production of affordable housing in Nigeria, 51 percent of Nigerians live in rented accommodation, 40 percent of whom are paying between N20 000 (US\$55.56) and N100 000 (US\$222.22) yearly.⁹ With the majority of the population forced to rent and low regulatory monitoring regarding rentals, landlords and estate agents dictate the market. To curb this, the Lagos Tenancy Bill of 2011 was promulgated as a law. Amongst other aspects, it states that landlords can only charge for one year's rent in advance. However, the law is not being enforced and people seeking rental accommodation still face issues of landlords requesting payments of two or more years. Agency fees are another expense the Lagos Tenancy Law has been unable to govern, and it is very high in Nigeria, ranging from 5 to 10 percent, in comparison to countries such as Ghana (5 percent), and Kenya (1.25 percent). This is fuelling the rise of innovative schemes by property developers such as rent-to-purchase, in which you pay a larger rent than usual, but have the option of purchasing the home at the end of the rent stay.

Housing supply

In Nigeria, neither the government nor the private sector provides sufficient housing units especially for the masses that need and demand it. Formal housing

NIGERIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

production is at approximately 100 000 units per year and this is highly inadequate because at least 1 000 000 units are needed yearly to bridge the 17 to 20 million housing deficit by government's target date of 2033 (if the population continues at its annual growth rate of 3.5 percent). It is estimated that it will cost US\$363 billion to curb the current housing deficit and the number is expected to keep growing.

President Muhammad Buhari stated that his government would supply two million new middle-class homes in the first year of his tenure (2015), and one million new middle-class homes for every following year. This would be coupled with four million low income houses and homeowners by the end of his first four year term. This was to be rolled out with longer mortgage payment structures, however, given the myriad of economic challenges the country faced over the last year, housing has not been high on the political agenda. There was also to be a National Infrastructure Development Bank capable of providing nominal single digit interest rates, but this has also not been implemented as yet.

The rapid population increase and rural to urban migration have contributed to the shortfall of housing in Nigerian urban centers. The unresolved tenure arrangements, cost of building materials, access to infrastructure, deficiency of housing finance arrangements, stringent loan conditions from mortgage banks, time to process legal documents and inadequate government housing policies are also major issues affecting housing delivery.

Lagos has taken the lead in housing supply with a vast array of new projects on the way. Orange Island (focused on the middle class) is to cover 150 hectares of land in Lekki, at an estimated cost of N40 billion (US\$ 111 million). It should accommodate 25 000 people and be completed by 2019. The upcoming Lekki Free Trade zone has triggered a rash of housing development in Ibeju, Lekki with numerous residential estates being built.

Most of the new developments are led by the private sector and target the middle and upper classes. Most developments targeted at the lower income bracket are government led; unfortunately no remarkable impact has been made thus far.

Property markets

The real estate sector which accounts for 5.63 percent of the Nigerian economy, in GDP terms, has been plagued with market uncertainty and declining demand, reflective of the underperformance in the mortgage and consumer lending sectors. Additional drivers to the sector's underperformance include the slow economic recovery rate since the last recession and rising house production costs. The economic slowdown has severely impacted the demand side of the market, which has led to high vacancy rates, especially in the prime and luxury property markets. Abuja is beginning to witness some marginal increase in house prices following a significant drop in 2017. Lagos has seen a marginal increase especially in mid-market property segments. Property markets in the North East, affected by political instability and security have seen a significant drop given a high level of

uncertainty; while the neighbouring markets to the North East have seen a marginal increase in property values as a result of migration to these regions.

A review of house prices in four major towns in Nigeria by The Roland Igbinoba House Price Index (RI Index) in the second quarter of 2018 suggests that the housing sector is consistently recovering from the effect of the recent recession.¹⁰ Between April and June 2018, most places in Lagos recorded increases in prices compared with Q4 2017 and Q1 2018. There was a significant rise in prices from Q4 2017 to Q2 2018, across all house types (2,3,4 and 5-bedroom houses) in most areas in Lagos, especially Ajah, Agege, Ikoyi Lekki, Gbagada, Ibeju-lekki, Isolo, and Surulere axis of Lagos.

Movements of house prices were also on the increase in Abuja in the second quarter of 2018. Areas such as Dakwa, Kaura, Lokogoma, Mbora, Utako, and Wuse recorded an increase in prices of all house types (3, 4 and 5 bedroom) with the smallest increase seen in the 3-bedroom houses. Prices however was erratic across all house types in Apo, Asokoro, Guzape, Gwarinpa, Jabi, Karsana, Karshi Katampe, Kubwa, Lugbe, Mabuchi and Maitama.

In Port Harcourt, several areas also experienced increase on house prices with reference to the last quarter of 2017. In Kaduna, movements of house prices seemed to reflect the changes experienced in other parts of the nation.

Overall, the RI Index for the second quarter of 2018 suggest that there is significant improvement in house prices in all the four major towns: Lagos, Abuja, Port Harcourt and Kaduna. The slow but improving economy no doubt impacted on house prices.

Policy and regulation

The 1999 Nigerian Constitution states that all citizens have the right to acquire and own immovable property. Similarly, Vision 20:2020¹¹ advocates for adequate housing for all Nigerian citizens. "Vision 20:2020 is the economic transformation blueprint for stimulating Nigeria's economic growth and launching the country onto a path of sustained and rapid socio-economic development."

The National Housing Policy of 2012 emphasizes the role of private sector financing, highlighting that it should be involved with mass housing, skills acquisition, disaster management, urban renewal, slum upgrading, and job creation. The target of the policy is to guide the building of one million houses yearly, through a variety of schemes such as NMRC. However, the policy has not resulted in any significant execution in the housing market in Nigeria. This may not be unconnected with the fact that there is lack of political will to implement the policy.

The Land Use Act (1978) continues to dictate and hinder the land market in Nigeria. To date the objective of the Act, which was to make land more easily available, has not been achieved. Instead the Act has been seen to be an onerous process by the citizens. Formerly, land could be bought from communities,

individuals, and institutes, but due to the Land Use Act, urban land is managed by the Governor of a state through a Land Use and Allocation Committee who dispenses land through the granting of Certificates of Occupancy. 'Other lands' (not urban) is managed by Local Government through a Land Allocation Advisory Committee. Legally a Nigerian who has a Certificate of Occupancy, which is expensive and often takes an average of three to years to obtain, does not own the land but is a statutory occupant, as the government remains the sole trustee of land.

According to the 2018 Doing Business survey, Nigeria ranks 179th out of 190 countries in registering properties. The twelve procedures involved take 105 days and cost an estimated 11.1 percent of the property value. Of these, it is the fifth procedure: submitting the application for processing the Governor's Consent and obtaining the title (required in terms of the Land Use Act 1978) that takes the longest, at 90 days.¹²

Opportunities

Given the economic slowdown, it is expected that there will be a slow recovery in pure market-driven activity within the housing market. Government-driven initiatives are expected to be the main driver of growth within the housing market, yet these are likely to be constrained for the period leading up to, and immediately preceding, the election in 2019. With respect to market segments, the prime and luxury market segment is expected to face the slowest growth and continued high levels of vacancy. Currently, the luxury supply market is far outpacing demand, with many projects that were started during the oil boom years, coming to fruition now and remaining empty. The middle-income market is expected to grow the fastest as the economy recovers, but will require the delivery of more affordable housing products to meet this market. Overall, the bulk of households will continue to resort to house rental and accessing housing in the informal land and housing market, especially in Nigeria's rapidly growing cities.

With the coming on board of the Family Homes Fund, local and foreign investors are now being sensitised to the benefits of investing in the middle and low-income segments of the market. The middle-income segment currently remains the most attractive, with the speed of occupancy in the Lekki axis of Lagos highlighting demand potential in this area. More land area in other states should be dedicated to this, as the middle-income purchasers are also key to developing a healthy mortgage system and a growing housing market.

Regardless of the investments and programmes being introduced in the market (e.g. NMRC, NHFP, FMBN), efforts need to be established to ease the access to housing and housing finance, focusing on the constraints currently facing property registration, housing finance access and affordability, the high costs and time taken for housing construction and constraints imposed by current rental laws. Notwithstanding these constraints, Nigeria is the most populous country in Africa and offers significant potential demand for housing contractors and developers to meet, if this is carefully matched with the desires and affordabilities of households.

Additional sources

- Adegboye, K. (2016). Lagos government plans 50 housing unit in every LGA. Vanguard. 24 May 2016. <https://www.vanguardngr.com/2016/05/lagos-govt-plans-50-housing-units-every-lga/> (Accessed 24 Sept 2018).
- Aderinokun, K. (2016). Lafarge Africa: Expanding Low Cost Housing for Lower Income Nigerians. This Day Live. 29 May 2016. <https://www.thisdaylive.com/index.php/2016/05/29/lafarge-africa-expanding-low-cost-housing-for-lower-income-nigerians/> (Accessed 24 Sept 2018).
- Alao, T. (2017). "Analysts express concerns over 2017 budget on real estate sector." 8 Feb 2017. Nigerian Tribune. <https://www.tribuneonline.com/61452/> (Accessed 28 Aug 2018).
- Awosusi, D. (2017). Best Property Developments Under Construction in Lagos. PropertyPro Insider: 13 April 2017. <https://www.propertypro.ng/blog/best-property-developments-undergoing-construction-in-lagos/> (Accessed 24 Sept 2018).
- Awosusi, D. (2017). Land Use Act in Nigeria – Explained. PropertyPro Insider: 18 April 2017. <https://www.propertypro.ng/blog/land-use-act-in-nigeria-explained/> (Accessed 24 Sept 2018).
- Doherty, A. (2016). "Understanding the concept of rent to own". 24 May 2016. Punch (Accessed June 2016). <https://punchng.com/understanding-concept-rent/> (Accessed 5 Sept 2018).
- Komolafe, B. (2018). Financial Inclusion: CBN, banks target 60m Nigerians with 500,000 agents' network. Vanguard. 28 March 2018. <https://www.vanguardngr.com/2018/03/financial-inclusion-cbn-banks-target-60m-nigerians-500000-agents-network/> (Accessed 28 Aug 2018).
- Kumo, G (2018). Mortgage Dearth: Nigeria's homeownership lowest in Africa. Vanguard. 08 July 2013. <https://www.vanguardngr.com/2013/07/mortgage-dearth-nigerias-homeownership-lowest-in-africa-fmbn/> (Accessed 31 Aug 2018).
- Okonji, E (2018). Addressing the challenge of financial inclusion in Nigeria. This Day. 10 June 2018. <https://www.thisdaylive.com/index.php/2018/06/10/addressing-the-challenge-of-financial-inclusion-in-nigeria/> (Accessed 31 Aug 2018).

Websites

- www.cbn.gov.ng
- www.fmbn.gov.ng
- www.howwemadeditinafrica.com
- www.nigerianstat.gov.ng
- www.socialhousingnigeria.com
- www.thenationonline.net
- www.lapo-nigeria.org
- www.population.gov.ng
- www.pebec.gov.ng
- www.cbn.gov.ng

¹ CEIC (2018). "Nigeria Market Capitalisation: Nigeria Stock Exchange". <https://www.ceicdata.com/en/nigeria/nigeria-stock-exchange-market-capitalization/market-capitalization-nigeria-stock-exchange> (Accessed 16 September 2018).

² Adugbo, Daniel. "Oil production in June drops to 1.89b/d – FG". 10 July 2018. Daily Trust. <https://www.pressreader.com/nigeria/daily-trust/20180710/281788514821631> (Accessed 31 Aug 2018).

³ World Bank (2018). Doing Business: Ease of Doing Business in Nigeria. <http://www.doingbusiness.org/en/data/exploreconomies/nigeria/> (Accessed 24 Sept 2018).

⁴ Shola Ayeotan. "Analysis of real estate market contribution". 30 May 2018. <https://nigeria realestatehub.com/analysis-of-real-estate-market-contribution-to-nigeria-gdp.html/> (Accessed 17 Sep 2018).

⁵ Gimba 'Yau' Kumo, paper presented at the 6th Abuja Housing Show.

⁶ EFINA (2017). Key Findings: EFINA Access to Financial Services in Nigeria (A2F) 2016 Survey. <http://www.efina.org/assets/A2F/2016/Key-Findings-A2F-2016.pdf> (Accessed 24 Sept 2018).

⁷ Ochayi, Chris (2018). "Housing : FG grants zero percent equity loans not exceeding N5m to civil servants". 13 July 2018. Vanguard. <https://www.vanguardngr.com/2018/07/housing-fg-grants-0-equity-for-loans-not-exceeding-n5m-to-civil-servants/> (Accessed 5 Sept 2018).

⁸ Trading Economics (2018). Nigeria Unemployment Rate 2006-2018. <https://tradingeconomics.com/nigeria/unemployment-rate> (Accessed 24 Sept 2018).

⁹ Kolawole, Y (2014). 51% of adult Nigerians live in rented houses – NOI Polls. <https://www.vanguardngr.com/2014/11/51-adult-nigerians-live-rented-houses-noi-polls/> 24 Nov 2014. Vanguard. (Accessed 24 Sept 2018).

¹⁰ Igbino, R. (2018). Roland Igbino House Price Index, Quarter 2, 2018 Report. <http://reic-ng.com/roland-igbinoba-house-price-index-ri-index/>

¹¹ National Planning Commission (December 2009). "Nigeria Vision 20:2020 – Economic Transformation Blueprint". <http://www.nationalplanning.gov.ng/images/docs/NationalPlans/nigeria-vision-20-20-20.pdf> (Accessed 17 Sep 2018).

¹² World Bank (2018). Doing Business: Ease of Doing Business in Nigeria. <http://www.doingbusiness.org/en/data/exploreconomies/nigeria/> (Accessed 24 Sept 2018).

Rwanda



Overview

Many policies of the Rwanda government aim to improve general living conditions and the provision of services. In 2017 the GDP was estimated to be 6.1 percent higher in real terms compared to 2016.¹ GDP per capita was at US\$774 and had increased from US\$735 in 2016.² Rwanda's economic growth rate is projected to be 7.2 percent in 2018 by the International Monetary Fund (IMF).³ While growth is mainly driven by the services and agriculture sectors, the contribution of real estate activities is eight percent of GDP.⁴ The real estate and construction industries have become important drivers of economic growth in Rwanda. Construction accounted for 51 percent of the industry growth, with 12.8 percent average annual growth in 2010-2015.⁵

Rwanda's credit rating in 2017 was B with a stable outlook.⁶ Rwanda was ranked 58th in the 2017/2018 Global Competitive Report⁷ and is the most competitive place to do business in the East African Community. It is positioned 41st out of 190 economies in the World Bank Doing Business 2018 survey, an improvement by 15 places on the previous year.⁸

The newly adopted National Strategy for Transformation 2018-24 (NST 1) bundles the strategic goals from the Second Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS 2), Vision 2020, the Sustainable Development Goals (SDGs), the African Union's Agenda 2063 and the Vision 2050 of the East African Community. Since 2013, Rwanda has emphasised urbanisation, taking a proactive approach to promote well-planned urban and human settlement development that enhances local and national economic growth and ensures quality of life. While the National Housing Policy's (2015) vision of "access to housing for all" is well under implementation, housing still remains a key concern. The government's commitment to facilitating housing is reflected in a framework that is continuously being complemented. After the triggered increase of real estate activities, professionalism in the construction industry supply chain is among the sector priorities identified by the new Sector Strategic Plan 2018-24 (SSP) for the Urbanisation and Human Settlement Sector.

Consolidating the impacts of policy efforts from the previous years is observed, and a further increase in investment in large-scale, affordable housing projects is expected. Besides this, attempts are being made to facilitate residents in formal, individual construction where permissible.

KEY FIGURES

Main urban centres	City of Kigali Muhanga
Exchange rate: 1 US\$ = [a] 25 Jun 2018	872 Rwandan franc
PPP Exchange rate (Local currency/PPP\$) 1 Rwandan franc = [b]	305.70
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [a]	6.90 4.80 n/a
Population 2012 [c] Urban population size 2012 [c]	10 515 973 1 737 684
Population growth rate 2013 Urbanisation rate 2017 [b]	1.80% 5.57%
Percentage of the total population below National Poverty Line 2013 [c]	39.0%
Unemployment rate 2017 [c]	13.2%
GDP (Current US\$) 2017 [c] GDP growth rate annual 2017 [c]	US\$8 944 million 6.1%
GDP per capita (Current US\$) 2017 [c]	US\$774
GNI per capita (Current US\$) 2017 [b]	US\$700
Gini co-efficient 2013 [c]	45.00
HDI global ranking 2015 [d] HDI country index score 2015 [d]	159 0.498
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	8 400 000
Lending interest rate [b]	16.76%
Mortgage interest rate [b] Mortgage term (years)	16.76% 15
Downpayment	20%
Mortgage book as a percentage of the GDP	1%
Estimated number of mortgages [a]	60 000
Price to Rent Ratio in City Centre Outside City Centre	150 200
Gross Rental Yield in City Centre Outside City Centre	7.5% 6.5%
Construction as a % of GDP [c]	8.00%
What is the cost of standard 50kg bag of cement?	US\$12.80
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	17 500 000 Rwandan franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$19 768
What is the size of this house (m ²)?	80m ²
What is the average rental price for this unit (US\$)?	US\$175
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [e]	41
Number of procedures to register property [e]	3
Time to register property (days) [e]	7 days
Cost to register property (as % of property value) [e]	10.00%

NB: Figures are for 2018 unless stated otherwise.

- [a] National Bank of Rwanda
 [b] World Bank World Development Indicators
 [c] National Institute of Statistics Rwanda
 [d] UNDP Development Indicators
 [e] World Bank Doing Business

Access to finance

In June 2017, the local financial sector consisted of 11 commercial banks, four microfinance banks, one development bank and one cooperative bank. The total number of microfinance institutions is 473, of which 18 have limited liability company status.⁹ A total of 455 are savings and credit cooperatives (SACCOs) and Umurenge-SACCOs.¹⁰ The institutions are complemented by non-bank financial institutions, including 16 insurers,¹¹ a public, mandatory pension scheme offered by the Rwanda Social Security Board and 62 voluntary occupational pension schemes. The pension sector continues to grow and is the second largest contributor to financial sector assets after the banking sector.¹² Eleven percent of investment in the insurance sector is in property.¹³ Ten banks are originating and funding mortgage loans: Equity Bank, Bank of Kigali, Urwego Opportunity Bank (UOB), Ecobank, I&M Bank, Crane Bank, KCB Bank Rwanda, CogeBanque, Access Bank and BPR.

The total outstanding mortgage debt is FRW 453 860 688 million or US\$534.31 million (in 2016), estimated at about one percent of GDP.¹⁴ New loans in the financial year 2015/16 were worth FRW 207 967 850 million (US\$244.83 million).¹⁵ Banks increased lending to the mortgage sector with an annual growth rate of 38.4 percent in 2016; non-performing mortgages were 5.1 percent in June 2016.¹⁶ There are an estimated 60 000 mortgages in the country.

The cost of financing is high for both investors and end users. Access to finance is difficult despite the continuous improvement of lending conditions over the past decade. Investors borrow at 15-16 percent while beneficiaries borrow at 17-21 percent. Mortgage loans require high downpayments and high minimum loan rates. Mortgage borrowing periods are now up to 20 years. With less than 10 percent of the labour force employed in the formal sector; low per capita income, irregular household incomes, and insufficient household income data, few benefit from conventional mortgage finance schemes.¹⁷ Better access to mortgage finance for the end user intends to grow the number of housing mortgages to match the housing demand, estimated far above 30 000 units annually, and to improve the financial capacities of households seeking formal housing. A steady annual increase of accessed housing mortgages has been set as one of the targets by the new SSP of the Urbanisation and Rural Settlement Sector.

Lenders are still challenged with evaluating the creditworthiness of households. Nevertheless, as of June 2017, Rwanda has had a private credit reporting system which collects information from mandatory and voluntary participating institutions. The Credit Information System will contribute to reducing costs and the risk of lending. Additionally, "the country has commenced the journey towards mobilization of savings"¹⁸ to address funding for long-term investments. Efforts are under way to educate toward a culture of saving and to prepare the ground for saving products specifically targeting improved access to housing finance. The domestic savings promotion agenda includes plans for a long-term savings scheme. Mechanisms that allow risk reduction to borrowing and support life-time saving for housing are not yet part of the financing landscape. Developing long-term investment and long-term savings is paramount to housing finance.

A Capital Market Master Plan is expected to advance a strategic agenda across East African financial markets, as the main constraints (and opportunities) in the sector relate to liquidity of banks and lenders and the availability of long-term investment capital with high prices for long-term finance.¹⁹ The lack of equity funding for large-scale housing projects, and a parallel difficulty in finding construction debt financing in suitable quantities, results in a tendency of the few developers in Rwanda to build on a small scale.

To make housing more affordable, a mixed set of instruments that target the supply and demand sides of housing is being implemented. Since December 2015, infrastructure and public facilities for affordable housing projects are financially supported based on a Prime Minister's Order. On 30 June 2017, the cabinet approved the establishment of the Affordable Housing Financing Fund. The entity is planned to be operational from late 2018 after adoption of a legal framework to back its functioning with the objective to improve access to housing mortgages for households and to supply-side finance for developers. Housing mortgage lending conditions are expected to improve, with lending terms to increase up to 30 years and interest rates reduced through subsidisation for the benefit of those who were not able to access mortgages until now, including households with monthly incomes as low as FRW 200 000 or US\$240.

Alternative instruments must complement the mortgage products, such as help-to-buy, rent-to-own and renting, based on the realisation that the current mortgage market does not yet have the capacity to provide off-take assurance to developers of new homes in the short term. The feasibility of issuing green bonds is being explored, and a scheme piloting green affordable housing concepts is being prepared under Rwanda's Green Fund FONERWA for application to the Green Climate Fund.

Affordability

In 2015, Rwanda had the highest discrepancy in Africa between the Gross National Income per capita and the cost for the cheapest newly constructed (formal) house²⁰ with less than 10 percent of households able to afford a formal housing unit. Since EDPRS 2, the government has been using a framework which facilitates private sector-led housing finance and construction and the National Housing Policy (2015) has initiated a discussion about how to enable "access to housing for all".²¹

Median annual household incomes in the City of Kigali are about US\$824 in the first market quintile, US\$1 766 for the second quintile, US\$2 943 for the third quintile, US\$5 415 for the fourth quintile and US\$15 069 for the fifth quintile.²²

According to the International Growth Centre (IGC), an annual growth in real income can be registered for the first three quintiles (4.9 percent, 7.6 percent and 5.4 percent respectively), while incomes for the fourth quintile remain stable (0.3 percent growth) and incomes in the fifth quintile group decline (-5.2 percent). The national average annual household income differs significantly from household incomes in Kigali at US\$368.²³

Despite the discrepancy between affordable and actual house costs, the gap between household incomes and construction costs is reducing, with the cheapest formal house in the market now just below US\$20 000. According to estimates by the IGC in 2017, the bottom 20 percent of the population need homes below US\$11 850, the bottom 40 percent need homes below US\$23 700, and the bottom 60 percent need homes below approximately US\$37 900, while the top 20 percent can afford housing.²⁴

On a wider policy approach, housing shall become increasingly affordable by addressing i) cost-efficiency in design, construction and construction management; ii) increase of material resources; iii) decrease of unit sizes and floor area per person; iv) use of technologies and design skills which lower construction cost; and v) facilitation of households to co-locate with economic opportunities.²⁵ A recent study demonstrates that should all the aspects be addressed, construction costs could significantly decrease to as low as US\$170 a square meter floor area and the household income segment that could theoretically afford a housing unit would be between about US\$170 and US\$685.²⁶

The Rwanda Ministry of Infrastructure (MININFRA) encourages home builders and developers to use locally-made construction materials. It has been officially explained that the use of earth materials is not illegal. District governments in partnership with planning firms are steadily preparing for land subdivision plans to lay out space for formal access and utilities in formerly unplanned areas, and to facilitate building permitting in areas where there is high interest in individual construction. The effort is paying off with residents more easily adapting to the new planning and building requirements, which have been carefully drafted to facilitate formal home building for low income households and reduce informal growth in the urban planning areas.

Housing supply

The incentives introduced in 2015 clearly appeal to affordable housing investors. Government-subsidised housing development has thus far been approved for about 600 units but over the course of the coming years, 4 500 units are expected through involvement of the Development Bank of Rwanda (BRD) with 20-30 percent equity participation.²⁷

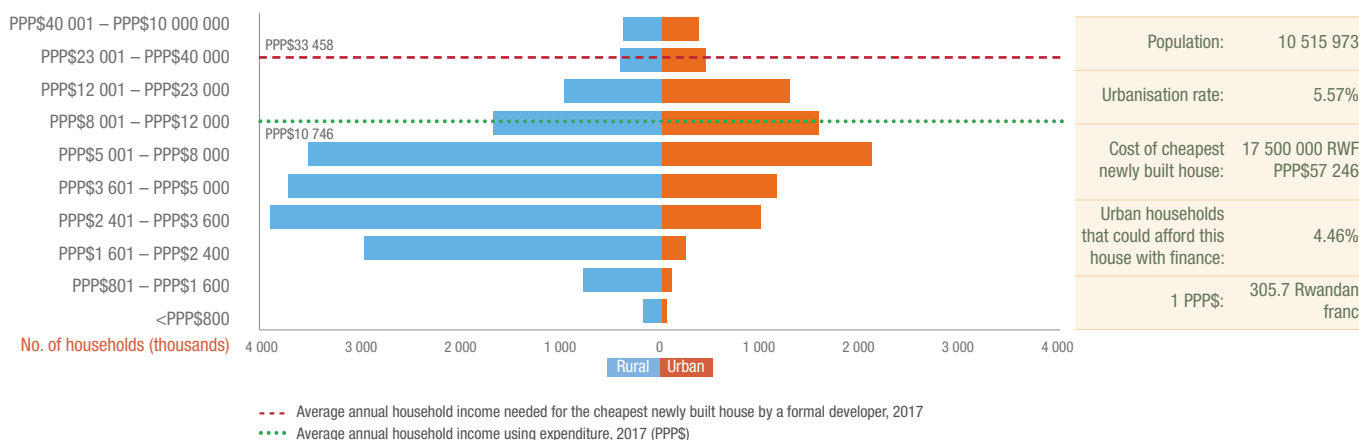
The continued dependency on imports in the construction industry is a result of the limited local industry, which stems from a lack of volume.²⁸ The government nevertheless strongly promotes investment in the construction industry and in facilities for the local production of building materials as part of its Made in Rwanda programme. Examples of new production facilities include: Strawtech, a factory producing light steel profiles; SMEs that are producing standardised burnt bricks more efficiently; and an SME producing stabilised soil blocks in a purpose-built production facility. The most recent player in the country to start producing construction materials in 2017 is AfriPrecast Ltd., producing pre-cast, pre-stressed concrete element products with the target of increasing efficiency in the construction process, economy of scale and durability. The plant has the capacity to supply East and Central Africa. Rwanda's cement producer CIMERWA has invested US\$170 million in a new modern dry process production plant with a cement production capacity of 600 000 tons/year by mid-2018.²⁹ The Kigali Cement Company has a production capacity of 100 000 tons/year, expected to increase with investments from the recent acquisition by Kenya's ARM Cement. Prime Cement has signed a partnership with a Danish firm to build a US\$65 million cement grinding plant in Northern Rwanda with an operational capacity of 0.7 mt/year; a proposed second phase will add an integrated clinker plant within the next five years.³⁰

Property markets

Registering property in Rwanda now only requires a three step-process, has reduced to seven days and costs 0.1 percent of the property value. Rwanda thus ranks second out of 190 economies on the ease of registering property.³¹ The

RWANDA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Ministerial Order Determining Urban Planning and Building Regulations and the Ministerial Order Determining Building Permits were slightly amended for even higher efficiency in permitting processes. Rwanda has also embarked on an online building permitting platform, which was first spearheaded by the City of Kigali and is now also operational in the secondary cities, with countrywide access being rolled out by 2024. Increases in property transactions are expected in Kigali and the secondary cities with more efficient building and more accountable issuing of building permits and the availability of urban master planning documents.

When modelling cost-efficient, high-density housing, the projected costs for land are at one percent of a project outside of Kigali and four percent in Kigali; infrastructures and public facilities may account for 26 to 32 percent of project costs outside of Kigali and 41 percent in Kigali. House construction itself comprises between 66 and 73 percent of the total project cost in urban areas outside of Kigali and 55 percent in Kigali.³²

The National Housing Policy 2015 and a resolution from the High-Level Leadership Retreat 2018 have highlighted the significance of not using expropriation as a tool for local governments when servicing land for housing, but to collaborate with the land holders, to not cause artificial inflation of land costs.

Policy and regulation

The National Housing Policy 2015 strategises the way towards a positive impact on living conditions, an increase of employment rates and growth in the local construction industry. It further covers aspects of public responsibility and partnership and lays the ground for a framework that enables the private sector to satisfy the growing demand for housing. The policy highlights measures to increase the purchasing power through saving, pooling of individual resources and financing models inclusive of low income earners.

In 2017, the National Informal Urban Settlement Upgrading Strategy was validated. Urban upgrading is to tap existing and future land and property equity, help integrate housing neighbourhoods that offer affordable housing and conserve large housing stock. Five options for implementing and upgrading projects have been identified with action foreseen countrywide to reduce the percentage of urban population living in under-serviced settlements. The strategy details the procedures to tap into opportunities for collaborative development in urban renewal, with the original landholders forming cooperatives to finance their development projects or teaming up with a private investor holding shares in redevelopment or a (Social) Real Estate Investment Trust.

The Law N°10/2012 of 02 May 2012, Governing Urban Planning and Building in Rwanda, guides the overall framework for urban planning and building. It is implemented through a set of orders providing clear procedures for local development management for sustainable, integrated and inclusive development, with auditing and public inspection components. An amended version of the law from 2012 is expected to be submitted to parliament in the second half of the year.

Two legal documents adopted in 2015 intend to facilitate private investment in affordable housing. The Prime Minister's Instructions N°001/03 of 23 February 2017, determining the conditions and procedures for obtaining government support for affordable and high-density housing projects first adopted in 2015, are a step taken to attract investment for affordable housing and represent the government's commitment to financing neighbourhood infrastructure in projects fulfilling affordability and efficiency conditions.³³ The Law N°06/2015 of 28 March 2015 for Investment Promotion and Facilitation offers a preferential corporate income tax rate for affordable housing projects and accelerated depreciation for investment in constructions worth US\$ 1.8 million or more.

The new SSP pronounces more emphasis on professionalism in the construction industry and the regulation and monitoring of professional bodies. Linked to this effort, a Ministerial Order on liability for professionals in the industry is in its drafting stage, targeting the life expectancy of a building, its livability and sustainability. Added to this are newly launched green building compliance requirements, and an internationally recognised voluntary certification system of the green building scheme which is under way. The Rwanda Green Building Organisation was launched on 22 November 2016. The green building requirements in Rwanda explicitly target i) energy efficiency; ii) water efficiency; iii) land use efficiency; iv) material efficiency; v) environmental protection; vi) indoor environmental quality; and vii) cost efficiency of operation.³⁴

The National Bank of Rwanda (BNR) initiated several legal revisions and complementary measures in the finance, microfinance and insurance sub-sectors. Among the tax laws expected to be amended this year is the Law N°59/2011 of 31 December 2011 establishing the sources of revenue and property of decentralised entities and governing their management with a focus on property taxes.

Opportunities

Rwanda's National Housing Policy³⁵ reacts sensitively and holistically to the in-country housing situation by demonstrating innovative solutions to challenging conditions. In an effort to overcome the limited resources at micro and macro levels, the Rwandan government aims to complete a sensitive facilitation framework based on good collaboration with the private sector. The policy promotes the development of housing finance and develops solutions for collectively carried risks to ensure that the large population groups with low and irregular income receive opportunities to improve their socioeconomic circumstances.

Additional work is planned to complete and harmonise fiscal, monetary and tax policies to enhance household incomes through developing employment opportunities, domestic productivity and the production of building components and materials.³⁶ The private sector, with government facilitation, should take on the development of a long-term investment sector, including the insurance industry, private sector pension funds and other long-term savings vehicles. It should foster

active and fair competition in mortgage lending backed by securitisation legislation.³⁷ Emphasis should be on the promotion of saving and de-risking products for private beneficiary households and on facilitating the finance sector to offer more accessible housing mortgages. Further activities target resource efficiency and professionalism in the construction industry and increased local and regional competitiveness – these are priority actions outlined in the SSP 2018-24. More projects should target formal rental housing and the integration of real estate management components. Although partially addressed in the Condominium Law from 2010,³⁸ additional regulations for real estate management are still needed. Amongst these are operation, maintenance, and service charge regulation; a tenancy law; changes to securities exchange rules to allow issue of index-linked bonds; and the completion of a framework that facilitates rental housing companies. The economics and finance models around cooperative and rental housing models should be further explored in pilot projects.

Sites with a total surface area of approximately 55 hectares in Kigali and the six secondary cities are available for development of high-density mixed-use housing through the districts. This would increase supply quantities in the short term. About 496 hectares have been identified for possible affordable housing investment in the mid term.³⁹ Future growth will be driven by a combination of continued government investments in infrastructure and private investments in construction. In addition to catering for domestic demand, Rwanda also provides opportunities for investors to manufacture and export construction materials and skills to the regional market.

Sources

Bookstaber, Michael (2015). Business Plan for Development Bank of Rwanda (BRD) to Support and Grow the Housing Production and the Housing Finance Sectors of Rwanda (Second draft).

Buckley, R., Ilberg, A. and Murray, S. (2015). Rwanda's Urban Housing Policies: A Summary of the Current Situation and Some Suggestions.

Government of Rwanda (2013). Rwanda Financial Sector Strategy 2013-2018, Final Report. http://www.minecofin.gov.rw/fileadmin/templates/documents/sector_strategic_plan/Financial_Sector_Strategic_Plan_June2013.pdf (Accessed 11 July 2018).

Government of Rwanda (2013). Second Economic Development Poverty Reduction Strategy 2013-18 (EDPRS 2).

Government of Rwanda (2015). Integrated Household Living Conditions Survey, Main Indicators Report, EICV 2013/14.

<http://www.statistics.gov.rw/publication/main-indicators-report-results-eicv-4> (Accessed 5 July 2018).

Government of Rwanda (2015). National Housing Policy.

Government of Rwanda (2015). Rwanda Poverty Profile Report 2013/2014, Results of Integrated Household Living Conditions Survey. <http://www.statistics.gov.rw/publication/rwanda-poverty-profile-report-results-eicv-4> (Accessed 5 July 2018).

Government of Rwanda (2017). National Informal Urban Settlement Upgrading Strategy.

Government of Rwanda (2017). National Strategy for Transformation 2017-24.

Government of Rwanda (2017). Urbanisation & Human Settlement Sector Strategic Plan for National Strategy for Transformation 2017-24, 2018/19 - 23/24.

Government of Rwanda (2018). The Annual Economic Report Fiscal Year 2016/2017.

Ministry of Infrastructure / IPE Global (2017). Consultancy for the Establishment of Cost- Efficiency Standards for Affordable Housing Projects.

National Bank of Rwanda (2017). BNR Annual Report 2016/2017. https://www.bnr.rw/fileadmin/uploaddoc/BNR_Annual_Report_2016-2017.pdf (Accessed 5 July 2018).

Republic of Rwanda (2011). The 2010/11 Integrated Household Living Conditions Survey (EICV3), National Institute of Statistics, Rwanda.

Republic of Rwanda (2011). Thematic Report Income, 2010/11 Integrated Household Living Conditions Survey (EICV3), NISR.

Republic of Rwanda (2015). The 2013/14 Integrated Household Living Conditions Survey (EICV4), NISR.

Schwab, K. (ed.) (2018). World Economic Forum: The Global Competitiveness Report 2017-2018. <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018> (Accessed 10 July 2018).

The World Bank (2015). Stocktaking of the Housing Sector in Sub-Saharan Africa, Challenges and Opportunities.

The World Bank (2018). Doing Business 2018: Reforming to Create Jobs, Rwanda.

Xinhua. Publication from 2018-03-23. Rwanda's economic growth rebounding, continued reforms needed: IMF. http://www.xinhuanet.com/english/2018-03/23/c_137060601.htm (Accessed 1 July 2018).

Websites

www.bnr.rw

<https://www.bpmis.gov.rw/#>

¹ National Institute of Statistics Rwanda (NISR) (2017). GDP National Accounts 2017.

² NISR: Gross Domestic Product – 2017.

³ Xinhua. Publication from 2018-03-23. Rwanda's economic growth rebounding, continued reforms needed: IMF. http://www.xinhuanet.com/english/2018-03/23/c_137060601.htm

⁴ NISR: Gross Domestic Product – 2017.

⁵ Business Sweden-The Swedish Trade & Invest Council (2017): Opportunities in the Construction Industry in Rwanda, Fact Pack. Pg. 6. <https://www.business-sweden.se/contentassets/46366e8d9f584bf495f139ae7f2020d7/factpack---construction-industry-in-rwanda---2017.pdf>. (Accessed 2 July 2018).

⁶ Rated by credit rating agency Standard & Poor.

⁷ Schwab (2018). The Global Competitiveness Report 2017-2018.

⁸ The World Bank (2018): Doing Business 2018, Rwanda.

⁹ The National Bank of Rwanda (BNR) (2017): BNR Annual Report 2016/17. Pgs. 32/33.

¹⁰ Savings and credit cooperatives at sector level.

¹¹ BNR (2017).

¹² BNR (2016): BNR Annual Report 2015/16. Pg. 24.

¹³ BNR (2017). Pg.43.

¹⁴ BNR (2017). Pg.82.

¹⁵ Ibid.

¹⁶ Development Bank of Rwanda (2016). Financial stability Report 2016-17. Pg. 13.

¹⁷ Buckley, R., Ilberg, A. and Murray, S. (2015). Rwanda's Urban Housing Policies: A Summary of the Current Situation and Some Suggestions.

¹⁸ Price Waterhouse Coopers (2018). Presentation: Reimagine the possible: Rwanda's 2018/2019 National Budget Insights and Highlights.

¹⁹ Ibid.

²⁰ The World Bank (2015). Stocktaking of the Housing Sector in Sub-Saharan Africa, Challenges and Opportunities.

²¹ Government of Rwanda (2015). National Housing Policy.

²² IGC estimate for 2014. In IGC (2017): Housing Demand, Results from Updating the 2012 Housing Demand Model. (Presentation document).

²³ Republic of Rwanda (2011). Thematic Report Income, 2010/11 Integrated Household Living Conditions Survey (EICV3), NISR.

²⁴ IGC (2017): Housing Demand, Results from Updating the 2012 Housing Demand Model. (Presentation document).

²⁵ Government of Rwanda (2015). National Housing Policy.

²⁶ Ministry of Infrastructure / IPE Global (2017). Consultancy for the Establishment of Cost-Efficiency Standards for Affordable Housing Projects.

²⁷ Joint Sector Review of the Urbanization and Rural Settlement Sector (June 2016).

²⁸ Altair Ltd. (discussion 2018).

²⁹ Ministry of Infrastructure / IPE Global (2017). Consultancy for the Establishment of Cost-Efficiency Standards for Affordable Housing Projects.

³⁰ Ibid.

³¹ The World Bank (2018).

³² Ministry of Infrastructure / IPE Global (2017). Consultancy for the Establishment of Cost-Efficiency Standards for Affordable Housing Projects.

³³ Prime Minister's Instructions No 004/03 of 13/09/2015 Determining the Conditions and Procedures for Obtaining Government Support for Affordable Housing Projects. In Official Gazette n°48 of 30/11/2015.

³⁴ MININFRA working documents.

³⁵ Government of Rwanda (2015). National Housing Policy.

³⁶ Information from consultation with MININFRA and recorded in Kopany, M. (2015) Supporting Affordable Housing in Rwanda – Plans and Options from, Policy Note, IGC.

³⁷ Bookstaber, M. (2015).

³⁸ Law No 15/2010 of 07 May 2010: Creating and organizing condominiums and setting-up procedures for their registration.

³⁹ Ministry of Infrastructure, Status June 2017, Internal brief.

São Tomé and Príncipe



Overview

Sao Tome and Principe (STP) is a lower-middle income archipelago off the west coast of Africa sharing maritime borders with Equatorial Guinea, Gabon, Cameroon and Nigeria. It is the second least populated African country with a national population of just 208 818 and an area of 1 001 km².¹

The country and its economy are highly vulnerable and subject to exogenous market shocks as well as environmental vulnerabilities. The GDP growth rate was an estimated 5.2 percent in 2017 but is projected to increase to 5.5 percent in 2018. This growth is off the back of increased external investments in infrastructure and construction.² The overall fiscal deficit increased from 1.7 percent of GDP in 2016 to 2.1 percent in 2017, with a further projected increase to 2.9 percent in 2018.³ The increasing-deficit trend is expected to remain for as long as expenditures exceed domestic resource collection.⁴

Tourism and public infrastructure project investments have increased economic activity with a recorded GDP of STP8.15 trillion (US\$0.391 billion) in 2017, an increase from STP7.29 trillion (US\$0.35 billion) in 2016.⁵ According to the International Monetary Fund (IMF), despite investment in these sectors, a projected 6 percent growth is required to reduce the poverty rate.⁶ The Sao Tomean government continues to drive the extension of the oil industry, which continues to be identified as a critical sector for growth.⁷ The expectation is that revenues generated from the industry could potentially reduce poverty and enable sustainable economic transformation and growth over the next decade. There are major risks associated with this approach to economic growth due to the weak strategic, legal and regulatory frameworks in Sao Tome. The capacity of public administration, with regard to the transparent management and effective and efficient utilisation of public financial resources has been cited as a concern for growth within the region.⁸ These challenges and opportunities have solicited the involvement of development finance institutions such as the AfDB, the IMF and the World Bank to provide supportive technical assistance as well as funding to ensure the creation of capacity-building strategies that develop economic and financial governance, strengthen strategic planning and programming, and create a more conducive environment for private sector activity.⁹ This is to be achieved firstly through the development of policies and capacity aimed at addressing budget strength and improving credibility, transparency and efficiencies in execution and control.¹⁰ Secondly, the weak reporting and deficient accounting systems must

KEY FIGURES

Main urban centres	Sao Tome
Exchange rate: 1 US\$ = [a] 26 Jul 2018	20 949.5 Dobra
PPP Exchange rate (Local currency/PPP\$) 1 Dobra = [b]	12 463.60
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	4.58 5.48 5.39
Population [d] Urban population size [d]	208 818 144 975
Population growth rate [d] Urbanisation rate [e]	2.20% 3.33%
Percentage of the total population below National Poverty Line 2009 [e]	66.0%
Unemployment rate	13.5%
GDP (Current US\$) 2017 [f] GDP growth rate annual [f]	US\$391 million 5.0%
GDP per capita (Current US\$) 2017 [f]	US\$1 305
GNI per capita (Current US\$) 2017 [b]	US\$1 770
Gini co-efficient 2010 [g]	30.80
HDI global ranking 2015 [h] HDI country index score 2015 [h]	142 0.574
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	n/a
Mortgage interest rate Mortgage term (years)	12.0% 15
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	n/a
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	1 508 364 000 Dobra
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$72 000
What is the size of this house (m ²)?	110m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [i]	169
Number of procedures to register property [i]	8
Time to register property (days) [i]	52 days
Cost to register property (as % of property value) [i]	10.20%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Statista.com
[d]	Worldometers
[e]	Central Intelligence Agency (CIA) World Factbook
[f]	Trading Economics
[g]	Knomea.com
[h]	UNDP Development Indicators
[i]	World Bank Doing Business

be reviewed and amended.¹¹ The third priority is to work with the legislature to minimise the administrative red tape associated with starting a business and to further increase the capacity and influence of the judicial system in defining commercial aspects and regulations.¹² The intention with this strategy is to engage and partner with national and international entities and ministries to reinforce and grow limited economic infrastructure as well as identify and address existing weaknesses within the institutional capacity.¹³

The country has undergone an extensive process of increasing tax revenues which was externally monitored and evaluated. Other funding and economic support strategies include large-scale cooperative agreements signed with other countries including China, with a STP3.04 trillion (US\$146 million) investment agreement over five years with a sectoral focus on infrastructure (mostly around the ports), health and agriculture.¹⁴

The financial sector as a whole is constrained as a result of capital shortages at a corporate level, a lack of bankable projects, and increasingly restricted foreign currency reserves.¹⁵ Furthermore the government's economic policies are not supportive of an emergent private sector: On the whole, despite the increased large-scale investment, the business environment is not ideal due to: high overheads

relating to energy, maintenance, and human capital; high interest rates; a lack of access to long-term financing; further vulnerabilities and instabilities in the banking sector; and a weak judicial system.

Growth in the agricultural and tourism sectors are coupled with high imports, captured at STP668 billion (US\$32.05 million), compared to exports in the first quarter of 2018 which were lower than usual STP19.4 trillion (US\$0.930 million).¹⁶ Cocoa exports remain the dominant commodity, constituting 81 percent of exports. The diverse range of the country's imports exemplify the vulnerability of the country with a large component of the imports being basic food sources such as rice and poultry as well as basic construction materials such as cement.¹⁷

There is resulting pressure for government expenditure to act as a primary economic driver: Due to high import rates, domestic price fluctuations are tied to those of international prices, oil prices being the most notable exemption as fuel prices are fixed.¹⁸ In 2010, the STP Dobra was pegged to the Euro to stabilise the currency. Domestic inflation levels have converged to Euro-area level at an estimated 5.39 percent for 2018.¹⁹

Current government agendas include a reform outlined in the 2016-2018 National Strategy Document, giving priority to: the promotion of good governance, public sector transformation, sustainable and inclusive growth; and strengthening human capital, social service delivery, social cohesion, and social protection. The government has entered into a three-year macroeconomic framework with the IMF under the Extended Credit Facility (ECF) for 2015-2018, which is in line with their programme to reduce the country's high risk of distress.²⁰ Government has also indicated that they will prioritise highly concessional financing (loans with more generous terms than those on the open market), in accordance with the IMF's new debt policy. Under this agreement the government has made a borrowing commitment of STP946 billion (US\$45.4 million) until the end of 2018.²¹ Furthermore the stipulation is that all new borrowing should go toward projects in infrastructure and social spending with a high impact on development, including job creation and poverty reduction.²²

Access to finance

STP has a small financial system. The Central Bank of STP (BCSTP) serves in a supervisory role over the national financial system and defines monetary and exchange rate policies in the country. Commercial banks constitute 98 percent of financial sector assets; the majority of the eight banks, namely Afriland First Bank, Banco Equador; BISTP - Banco Internacional de São Tomé e Príncipe, Commercial Bank of São Tomé and Príncipe, Ecobank, Island Bank, National Investment Bank and Energy Bank, are foreign-owned.²³ Furthermore, the sector is highly concentrated with the largest three banks in possession of almost 75 percent of total assets.²⁴ The private sector has access to local credit, but this is limited and expensive despite it being available to both foreign and local investors on equal terms. The country's main economic actors finance themselves outside STP.

The country is ranked 169th in the World Bank Doing Business Report 2018 for access to credit,²⁵ due to high interest rates and a general lack of regulatory policies to ensure credit distribution.²⁶ Furthermore according to the report, in STP there is no credit bureau or credit registry, the lack of which means that there is no regulatory framework in which credit could be facilitated and monitored, thus increasing the risk of providing credit.

The lack of versatility and portfolio variance is evident at the individual bank level. Some banks do not have credit exposure to all sectors and the size of the credit portfolios vary greatly. In 2015, credit to the construction sector was provided mainly by one bank, and to a large degree the same was true for lending to tourism and manufacturing. This credit concentration increases banks' vulnerability to sector-specific shocks as well as limiting the accessibility of finance across the board.²⁷ However, loans for construction, trade and consumption account for the largest proportions of credit by the economic sector.²⁸

There is currently no state strategy to develop microfinance institutions and no formal regulatory framework to support the growth and development of the sector, which is almost nonexistent with only a single operator.²⁹ The high

concentration of the banking system has led to limited competition. The system is composed of negative profitability, a high component of non-performing loans, and low capital adequacy.³⁰ The banks are faced with capital deficiencies and a lack of feasible projects exacerbated by a dwindling availability of reserves of foreign currency. Banks thereby need to strengthen their risk-assessment criteria for lending, as the limited access to finance serves as an impediment to economic development and poverty alleviation.³¹

In recognition of the poor performance of the financial sector as a whole, the Financial Sector Development Implementation Plan (FSDIP): 2017-2019 was initiated with a focus on policy reforms and actions in three key areas: (i) strengthening financial sector supervision, (ii) increasing financial inclusion, and (iii) upgrading financial infrastructure.³² Only 48 percent of people have a saving account, only 7 percent of small and medium-sized enterprises (SMEs) have a bank loan, and less than 5 percent are clients of consumer finance firms.³³ Currently there is record of a targeted intervention for housing finance, however the constraints of the sector as a whole suggest a limited or rather constrained capacity.

Affordability

Unemployment is at 13.5 percent with an estimated 62 percent of the population living under the poverty line.³⁴ Urban poverty is intensified due to limited employment opportunities, particularly for youth, as well as a reliance on employment opportunities concentrated around one urban centre.³⁵

There is a very limited amount of information available on the cost of living, income levels and housing in general in STP. A cost of living survey was conducted in 2011 by the International Civil Service Commission's secretariat in STP, but the sample size of respondents was very limited. However, the survey provides at least some idea of the situation. According to the study, monthly rental of a three-bedroom house at the time cost STP45 million (US\$2 160) and a five-bedroom house cost STP68 million (US\$3 262).³⁶ In breaking down the disbursement of these rates, apart from the actual rent, the highest cost was for utilities, with a monthly cost of STP4.9 million (US\$234) and STP1 0.3 million (US\$494) respectively. This data is consistent with business cost analyses which indicate that high costs of electricity act as a major barrier to business growth and investment in the country.

The Public Institute of Housing and Real Estate (Instituto de Habitação e Imobiliária, IHI), has indicated the cost of a newly constructed house to be STP625 million (US\$30 000). They provide no indication of the size, yet it is stated that the actual cost of construction is higher. In looking at property listings available through the International Bank of STP (Banco Internacional de S.Tomé e Príncipe), the average cost of a three-bedroom house is approximately STP1.5 billion (US\$72 000). Housing affordability is thereby constrained by the cost of housing and a limited and unclear system of housing credit. Furthermore, for the two-thirds of the population mostly employed in the informal economy, only the informal housing market, community savings and micro-credit schemes (for which there is no accurate detailed data) are affordable.

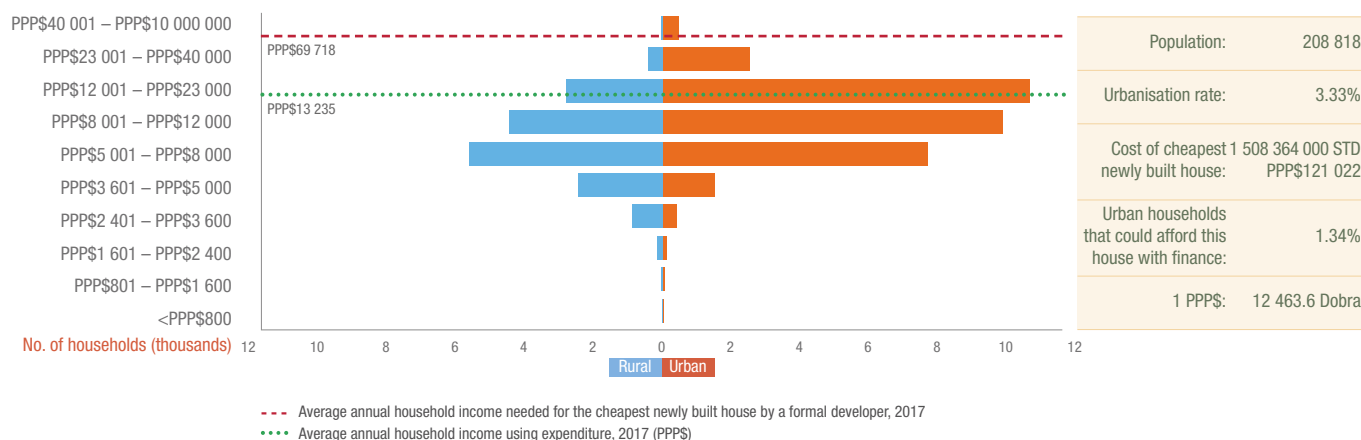
Housing supply

The country gained independence from Portugal in 1975. The right to housing is enshrined in Article 49 of the Constitution of Sao Tome, which states that: "Everyone has the right to housing and environment of human life and the duty to defend" and secondly, "it is incumbent upon the State to plan and execute an integrated housing policy."³⁷

STP has only one main urban centre, the city of Sao Tome, which has 65.6 percent of the urban population and a population density of 208.2 per km². 86.6 percent of which live in slum areas (2014/2015).³⁸ According to a report produced by the National Institute of Statistics (INE), in 2012 the majority (68 percent) of homes were occupied by their owners, with only 14.6 percent renting, 16.3 percent living in free accommodation, and 1.2 percent in other arrangements.³⁹ According to this report, as of 2012 there were 29 182 urban dwellings and 14 846 rural dwellings. The majority (43 percent) of which are one-bedroom units, 37.8 percent two-bedroom, 14 percent three-bedroom, 3.9 percent four-bedroom and 1.3 percent five-bedrooms or more.⁴⁰ On average, a family consists of 5.2 persons, the majority of which live in a one to two-bedroom unit.⁴¹ The level of development of these units is incredibly basic: 76.4 percent of the units have no

SÃO TOMÉ AND PRÍNCIPE

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

water on site and 57 percent have no form of sanitation facilities. However, this is an improvement from 1991 when 80.1 percent of units had no sanitation facilities.

Houses are primarily made from wood with 64.8 percent using wood for construction and 15.3 percent using reclaimed or salvaged wood. Only 19.2 percent of houses were masonry-based. The dominant use of these materials is indicative of how informal housing construction has been undertaken as well as how impoverished the population is. The expansion of informal housing is further indicated by the fact that while the use of masonry has dropped by 4.4 percent since 1991, the use of wood has increased by 12.1 percent over the same period. This trend is expressed further in the prevalence of zinc as the primary roofing material. Houses are incredibly rudimentary and informal.

Property markets

Approximately 86 percent of the land is state-owned, as a portion of land was nationalised when the country gained independence. Given that the state owns the land, concession arrangements are made for farmers that have usufruct rights over the land. Furthermore land can be transferred to private ownership in circumstances in which projects are deemed to be in the national public interest and with adequate compensation.⁴²

STP is ranked 171 out of 190 according to the World Bank Doing Business Report 2018 in ease of registering property. The capacity of the Property Registry limits the efficiency of this process which would serve as a potential obstacle to investment. To register a property, it takes eight procedures, 52 days and costs 10.2 percent of the property value. Registration is done with the Finance Ministry, as well as at the Agricultural Ministry for rural land, or at the Geographic and Registration Services for urban land. Records are all on paper, and property registry and cadastral agencies are not only separate, but they use different identification markers for the same properties. As such, and in conjunction with different land tenure types and forms of use, along with the difficulties in registration, there is duplication of registries with overlapping ownership and confusion amongst types of entitlement, both within the formal and the informal real estate markets. In dealing with construction permits, STP is ranked 103 of 190, with 16 procedures over 67 days (which is comparatively less than regional counterparts' average of approximately 147.5 days).⁴³ STP is ranked 5 out of 15 in the building quality control index.⁴⁴

These constraints to doing business have been exacerbated by high interest rates and limited access by investors to credit, coupled with poor physical infrastructure.⁴⁵ Finance, real estate and business services comprised 4.5 percent of the GDP in 2015, demonstrating a recognition for further investment in this sector. However the dominant focus remains agriculture, forestry, fishing and hunting which constitute 40.4 percent of GDP. This indicates the national focus on improving macroeconomic diversification and strengthening local primary production.

STP was rated with a credit rating of 15, for which its market is deemed 'extremely speculative', which is a low grading that doesn't engender investor confidence.⁴⁶

Policy and regulation

The Second Poverty Reduction Strategy Paper (PRSP-II), produced by the International Development Association (IDA) and the IMF, approved by the STP Cabinet in 2012, outlines four objectives namely: "(i) promoting good governance and public-sector reform, (ii) supporting sustainable and inclusive economic growth, (iii) enhancing human capital and extending basic social services, and (iv) reinforcing social cohesion and social protections, particularly for vulnerable groups".⁴⁷

In 2014, the land reform office of the Ministry of Agriculture, Fisheries and Rural Development announced plans to redistribute 1 500 abandoned land parcels for agricultural production in a bid to combat poverty in Sao Tome.⁴⁸ This programme falls in line with the National Transformation Agenda as part of the STP Vision 2030 which specifies nine objectives: reduce poverty in rural and coastal areas; promote youth employment through education and training; strengthen the health system; reinforce the public and administrative management tool; promote transparency and accountability in relation to the provision of Public Administration; strengthen internal security, public security and coastal security; simplify legislation and improve the business environment; implement infrastructure programs to support growth; and ensure environmental protection and control of operators.⁴⁹

In January 2016 the National Land Use Plan (PNAT) Study Project was approved, funded by the Republic of Sao Tome and Principe through a loan from the African Development Fund of approximately STP31 billion (US\$1.5 million) and implemented by the Ministry of Public Works, Infrastructure, Natural Resources and Environment.⁵⁰ The objective of the project is to contribute to sustainable poverty reduction through coordinated land development which takes into account improved population and activity distribution as well as considering the constraints and potential of the natural environment, socioeconomic specificities of localities and environmental preservation.⁵¹ More specifically the study is intended to provide the administration and local authorities of Sao Tome and Principe with a planning framework that prioritises a coherent, integrated and inclusive approach to national land use.⁵² The expected date of completion is December 2018, however the formalisation of the recommendations therein into an adopted legal framework has no projected timeframe.

Opportunities

The STP Vision 2030 recognises the pitfalls of the current structure in place and seeks to redress issues of poverty, structural inadequacy, economic vulnerability and administrative incapacity. The goals laid out in the plan are being driven largely by state funding, foreign aid and investment. The successful development of port infrastructure driven by Chinese enterprise would constitute a significant step toward improving and opening the geographical and economical gateways into STP and would open STP to foreign business and funding as per the plans specified

in the 2015 Step in London Conference in which potential developments were flagged within various sectors of the economy. These include ecotourism, port development, business parks, energy sector growth, and many other potential projects and reforms.⁵³

In looking forward, the completion of the PNAT Study is critical in determining the direction of development for STP. The impact and effectiveness of this exercise depends upon the adoption of an effective and comprehensive land use policy, in conjunction with an implementation agent or mechanism that ensures oversight and governance of the policy. Housing, and particularly affordable housing, do not appear to be a primary deliverable for the government and investors in STP, however given the objectives of the PNAT, affordable housing is expected to form part of any inclusive or holistic poverty reduction strategy.

Additional sources

Assembleia Nacional de Sao Tome e Principe (2017). <http://www.parlamento.st/> (Accessed 24 September 2017).
World Bank Doing Business (2018). Sao Tome and Principe. <http://www.doingbusiness.org/data/exploreeconomies/s%C3%A3o-tome%C3%A9-and-principe> (Accessed 25 July 2018).

Websites

http://www.nationsonline.org/one-world/sao_tome_principe.htm
www.coface.com
<https://www.statista.com>
<https://knoema.com>
<https://icsc.un.org>
<http://www.ine.st>

1 Worldometers. Sao Tome & Principe Population (LIVE). <http://www.worldometers.info/world-population/sao-tome-and-principe-population/> (Accessed 23 July 2018).

2 Soares Da Gama, F. (2018). Sao Tome and Principe: African Economic Outlook. African Development Bank. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/Sao_Tome_country_note.pdf (Accessed 24 July 2018). Pg. 2

3 Soares Da Gama, F. (2018). Pg. 2.

4 Ibid.

5 Trading Economics (2018). Sao Tome and Principe - Economic Indicators. <https://tradingeconomics.com/sao-tome-and-principe/indicators> (Accessed 25 July 2018).

6 Coface (2018). Sao Tome and Principe: Major Macro Economic Indicators. www.coface.com/Economic-Studies-and-Country-Risks/Sao-Tome-and-Principe (Accessed 23 July 2018).

7 Reuters. "BP Kosmos win rights to two oil blocks in Sao Tome and Principe." 23 Jan 2018. <https://www.reuters.com/article/us-saotome-oil/bp-kosmos-win-rights-to-two-oil-blocks-in-sao-tome-and-principe-idUSKBN1FC133> (Accessed 23 July 2018).

8 African Development Bank Group (2012). Country Strategy Paper 2012-2016. <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/STP%20-%20CSP%202012%20-%202016.pdf> (Accessed 24 September 2017).

9 African Development Bank Group (2012). Country Strategy Paper 2012-2016.

10 African Development Bank Group (2012). Pg. 21.

11 Ibid.

12 Ibid.

13 Ibid.

14 Central Intelligence Agency (CIA). The World Factbook: Africa: Sao Tome and Principe. <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/tp.html> (Accessed 25 July 2018).

15 Soares Da Gama, F. (2018).

16 Trading Economics (2018).

17 OEC (2018). Sao Tome and Principe Profile. <https://atlas.media.mit.edu/en/profile/country/stp/#Imports> (Accessed 4 September 2018).

18 World Bank (2018). The World Bank in Sao Tome and Principe. <https://www.worldbank.org/en/country/saotome/overview> (Accessed 26 July 2018).

19 Statista (2018). São Tomé and Príncipe: Inflation rate from 2012 to 2022. <https://www.statista.com/statistics/729387/inflation-rate-in-s%C3%A3o-tome-and-principe/> (Accessed 8 September 2018).

20 Soares Da Gama, F. (2018).

21 Ibid.

22 Ibid.

23 BISTP-GPC - Banco Internacional de São Tomé e Príncipe - Gabinete de Planeamento e Controlo (2016). "BISTP no Mercado de S. Tomé e Príncipe". Oportunidades de Negócio em São Tomé e Príncipe, Conferências Portugal Global, Lisboa: AICEP Portugal Global, 30 September 2016.

24 IMF (2016). Democratic Republic Of São Tomé and Príncipe. IMF Country Report No. 16/175. <https://www.imf.org/external/pubs/ft/scr/2016/cr16175.pdf> (Accessed 24 September 2018).

25 World Bank Doing Business (2018).

26 Soares Da Gama, F. (2018).

27 IMF (2016).

28 Ibid.

29 Ibid.

30 Soares Da Gama, F. (2018).

31 Ibid.

32 World Bank (2016). Democratic Republic of São Tome and Principe: Financial Sector Development Implementation Plan, 2017-2019. <https://openknowledge.worldbank.org/handle/10986/25684> License: CC BY 3.0 IGO (Accessed 8 September 2018).

33 Ibid.

34 Knoema (2018). Sao Tome and Principe. <https://knoema.com/atlas/Sao-Tome-and-Principe> (Accessed 24 July 2018).

35 World Bank (2018).

36 ICSC (2012). Cost of Living Survey Report. <https://icsc.un.org/resources/cold/csr/current/pp/Sao%20Tome%20and%20Principe-1.1.pdf> (Accessed 24 July 2018).

37 Habitat World Map. Sao Tome and Principe. <http://habitat-worldmap.org/en/pais/africa/sao-tome-and-principe/> (Accessed 25 July 2018).

38 UN-Habitat (2016). UN-Habitat World Cities Report. <http://habitat3.org/the-new-urban-agenda/preparatory-process/national-participation/sao-tome-and-principe/> (Accessed 24 September 2017).

39 Instituto Nacional de Estatística Republica, Democratica de S. Tome e Príncipe (INE) (2012). Características e Condições de vida das famílias e da habitação. <http://www.ine.st/Documentacao/Recenseamentos/2012/TemasRGP2012/10%20CARACTERISTICAS%20E%20CONDICoes%20DE%20VIDA%20DAS%20FAMILIAS%20E%20DA%20HABITACAO%20Recenseamento%202012.pdf> (Accessed 24 September 2017).

40 INE (2012).

41 Ibid.

42 US Department of State (2017). Bureau of Economic and Business Affairs Investment Climate Statements for 2017 – Sao Tome and Principe. <https://www.state.gov/e/eb/rls/othr/ics/2017investmentclimatementatement/s/index.htm?dclid=269771&year=2017#wrapper> (Accessed 8 September 2018).

43 World Bank Doing Business (2018).

44 Ibid.

45 World Bank (2018).

46 Trading Economics (2018).

47 IDA & IMF (2013). Democratic Republic of São Tomé and Príncipe Joint IDA-IMF Staff Advisory Note on the Second Poverty Reduction Strategy. Paper Report No. 72388-ST. <http://documents.worldbank.org/curated/en/935171468304470846/pdf/723880PRSP0P130900IDA0SecM201300169.pdf> (Accessed 24 September 2018). Pg. 1.

48 Graca, R. (2013). Sao Tome Government redistributes land to combat poverty. Deutsche Welle (DW). <http://www.dw.com/pt-002/governo-s%C3%A3o-tomense-redistribui-terras-para-combater-pobreza/a-16966265> (Accessed 24 July 2018).

49 Government of Sao Tome and Principe (2015). Agenda de Transformação-no horizonte 2030, Conferência Internacional dos Investidores e Parceiros de desenvolvimento (Transformation Agenda-Vision 2030. Conference for international investors and partners for development).

50 African Development Fund (2015). Study on the National Land Use Plan-Appraisal Report. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/SAO_PRINCIPLE_AND_PRINCIPLE_AR-Study_on_the_National_Land_Use_Plan_APPROVED.pdf (Accessed 8 September 2018). Pg. ii.

51 African Development Bank Group (2018). Sao Tome and Principe - National Land Use Plan Study Project. <http://projectsportal.afdb.org/dataportal/VProject/show/P-ST-K00-011> (Accessed 8 September 2018).

52 African Development Bank Group (2018).

53 Step In London (2015). Sao Tome e Principe International Conference. <http://www.saotomeislands.com/docs/STeP-IN-LONDON-Book-International-Conference-2015.pdf> (Accessed 24 September 2017).

Senegal



Overview

Senegal is a low income country located in West Africa on the Atlantic Coast. The statistical agency, Agence Nationale de Statistiques et de la Démographie, estimated the population at 15 726 037 inhabitants in 2018,¹ and 3 630 324 of these live in Dakar, the capital. Comprising an area of 196 712km², Senegal is highly urbanised: 44 percent of the population live in urban areas, with a density of 80 people per square kilometre.

Senegal's economic prospects are good. The growth rate of Gross Domestic Product (GDP) is on the rise and projected by African Economic Outlook to increase from 6.8 percent in 2017 to 7 percent in 2018, driven by the secondary and tertiary sectors.² The country has put efforts into improving services that support production, particularly energy and transportation, and growth is expected to continue in 2019. According to the International Monetary Fund (IMF), a stronger and sustainable annual growth rate is anticipated up until 2021, estimated to be 7-8 percent.³ The country's inflation remained low at 1.7 percent in mid 2017 and the exchange rate appreciated in 2018 against some regional and foreign currencies, against the Naira up to 52.1 percent and against the British Pound up to 20.4 percent.⁴ Public debt reached 62 percent of GDP in 2017, up from 58.5 percent in 2016.⁵ Despite the increase, Senegal, according to IMF, is managing its debt carefully and the debt ratio remains well below the West African Economic and Monetary Union (WAEMU/UEMOA) ceiling of 70 percent.⁶ The increase is attributed to the ambitious infrastructure development programmes that have been implemented in recent years, in agriculture, transportation, and special economic zones.

One of the special economic zones is Diamniadio, a multi-functional urban platform and a major project of the Emerging Senegal Plan (ESP) adopted in 2014 to accelerate progress towards becoming an emerging economy by 2035. The project is an instrument for the government of Senegal to transform the economy from low economy status to an emerging and sustainable economy. It is expected that Diamniadio will revolutionise Senegal's urban economy and tackle the housing backlog, a major crisis in Senegal.

Since independence, housing has been a major concern for every Senegalese government because of the scarcity of land and the increasing rates of urban migration, especially to Dakar. In 2015, President Macky Sall initiated capital

KEY FIGURES

Main urban centres	Dakar
Exchange rate: 1 US\$ = [a] 21 Sep 2018	582.1 CFA Franc
PPP Exchange rate (Local currency/PPP\$) CFA Franc = [b]	221.70
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [a]	0.90 1.40 1.50
Population 2017 [b] Urban population size 2017 [b]	15 858 567 7 041 456
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	2.81% 3.62%
Percentage of the total population below National Poverty Line 2017 [c]	46.70%
Unemployment rate 2017 [d]	15.7%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$16 375 million 6.79%
GDP per capita (Current US\$) 2017 [b]	US\$1 033
GNI per capita (Current US\$) 2017 [b]	US\$950
Gini co-efficient [b]	40.28
HDI global ranking 2017 [e] HDI country index score 2017 [e]	164 0.505
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate [b]	5.60%
Mortgage interest rate [f] Mortgage term (years)	7.62% 15
Downpayment	n/a
Mortgage book as a percentage of the GDP [g]	0.86%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement? [g]	US\$5.40
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	10 000 000 CFA Franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$17 392
What is the size of this house (m ²)? [g]	65m ²
What is the average rental price for this unit (US\$)? [g]	n/a
What is the minimum stand or plot size for residential property? [g]	n/a
Ease of Doing Business Rank [h]	140
Number of procedures to register property [h]	5
Time to register property (days) [h]	56 days
Cost to register property (as % of property value) [h]	7.80%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Central Intelligence Agency (CIA) World Factbook
[d]	Trading Economics
[e]	UNDP Development Indicators
[f]	Central Bank of West African States
[g]	CAHF Yearbook 2017
[h]	World Bank Doing Business

expansion beyond Dakar to boost infrastructure development, employment and provide equal access to home ownership for all Senegalese. The government remains active in improving the business environment and supporting private and foreign investments.

Access to finance

Senegal's financial sector is growing and dynamic. Some 25 banks are listed by the Central Bank, as well as four non-bank financial institutions.⁷ Access to finance in the country is among the highest in the WAEMU/UEMOA, though low by global standards. Senegal has improved its rating on financial inclusion, as illustrated by the percentage of the population with a bank account, from 15 percent of the country's population over the age of 15 with a bank account in 2014, to 42.3 percent in 2018; 7.3 percent have savings, and 7.8 percent have loans compared to just 4 percent in 2014. The country's finance sector is growing, as three new banks have been established in the last two years and the number of branches has increased to serve the growing urban population. New products have been introduced, among which are credit cards, automatic teller machines (ATMs) and even consumer credit for automobiles for people with regular revenues.

The microfinance sector is dynamic and provides financial services for all categories of Senegalese in both the urban and rural areas. In 2018, there were 125 MFIs registered on the Mix Market (an online source of microfinance performance data and analysis) with 310 000 active borrowers, a gross loan portfolio of US\$387 million, and US\$226 million in deposits.⁸

In 2017, Senegal remained one of the most active countries among the member states of WAEMU/UEMOA with housing loans valued at CFA 48 billion (US\$83.5 million) out of CFA 288 billion (US\$500.9 million) total housing loans disbursed in the union in 2017. Senegal was second after Côte d'Ivoire.⁹ According to the latest study carried out by BCEAO in 2014, Banque de l'Habitat du Senegal (BHS), the mortgage bank of Senegal, represented 30 percent of the total housing loans (CFA 203.7 billion) of the union in 2013.¹⁰ BHS, founded in 1979, is among the pioneers in the UEMOA. Its main objective is to finance real estate and home ownership, emphasising the affordable housing market. In the same year, 2013, the average interest rate of the union was 7.44 percent and 6.8 percent for Senegal. The average bond term in Senegal was 8.7 years.¹¹ BHS is evolving from a short-term credit facility to a mortgage bank, mobilising funds locally and internationally for mortgage products with longer term maturity. Initially created to serve the low income market, BHS has diversified its services and enlarged the market it targets. Loans are used to acquire land, to build housing and to purchase housing. One of its popular products is "Le Park 35," a mortgage that allows a potential client to acquire a house valued at less than CFA 35 million without a downpayment, at the interest rate of 6 percent, over 20 to 25 years. Among the bank's more popular products is one that offers a reduced interest rate when the borrower saves 10 percent towards the purchase price. BHS has also contributed to the foundation of some of the mortgage banks in the region.

The Senegalese financial sector is flourishing and so is the housing development market. By the end of 2017, all commercial banks offered diversified housing loans. In spite of the market dynamism, access to finance is still a challenge for most of the population who have no bank accounts. According to the 2018 World Bank Doing Business Report, for ease of getting credit, Senegal ranks 142nd out of 190 countries.¹² According to local media, the situation has gotten more difficult since December 2017 when the average interest rate on mortgages rose from 6.4 percent, one of the lowest in UEMOA, to 8.9 percent, the highest in the union.¹³ However sources are somewhat contradictory: according to the BCEAO, the average interest rate for a housing loan in Senegal in December 2017 was 7.62 percent and the average for the union was 8.04 percent.¹⁴ The interest rate is rising but is not the highest in the union. There is one public registry and no private credit bureaus in Senegal.

Affordability

Housing affordability remains limited, given the high price of land, high cost of finance, price speculation and inadequate supply, in spite of government efforts to boost production. Senegal's average interest rate is on the rise from 7.59 percent in 2016 to 7.62 in 2017. There are few developers and many speculators who primarily target higher income earners. Rents and property prices depend on geographical location, the architectural plan and the quality of material used for construction. As a regional headquarters of corporate and international organisations, Dakar has a concentration of expatriates in the residential zones where there are varieties of houses: simple well-constructed houses, apartments, luxurious villas and condominiums. According to Knight Frank, a prime property rental in a residential area is up to US\$2 800 a month for houses in the residential zones, where there is concentration of prime properties and large-scale development under construction.¹⁵ According to the press, speculation is leading to price increases in the suburbs. According to a 2010 local survey, rents have more than doubled in the past years and the minimum rent of a room for students is CFA 50 000 (US\$86.92). According to the local market, the increase in the interest rate up to 7.62 percent will accelerate speculation of rents in the urban areas, particularly in Dakar where most of the population are renters. Prior to the increase, the rentals ranged from CFA 150 000 to CFA 500 000 (US\$260.76 to US\$869.19) per month.

According to Diène Farba, Minister in charge of housing, housing production rose from 4 000 in 2012 to 10 000 in 2016, yet affordability remains a national problem. To this end the government is introducing reforms which includes a new law (Loi N°23-2016) to reduce the cost of production and accelerate the production of

affordable houses for low income groups.¹⁶ A new observatory body (Observatoire de l'habitat social) is proposed by some parliamentarians to control effective application of rules and regulations concerning access to social houses to constrain speculation which is undermining the government's efforts to boost affordability.

About 60 percent of the population earn less than US\$3.10 a day which makes the cheapest house unaffordable. The cheapest newly built house is a three-bedroom house built on 150m² in Diamniadio suburb of Dakar and sold for CFA 13 000 000 (US\$22 598), requiring monthly payments of CFA 88 627 (US\$154) for 15 years. It is expected that the law will contribute to economic growth, eliminate speculation, and boost production and affordability.

Housing supply

Most Senegalese homes are self-built with cement, concrete and stone with corrugated iron for the ceiling, without an architect, and at a total cost of less than CFA 30 million (US\$52 151) or well above, depending on the plan, the geographical situation and the quality of material used. Informal settlements account for 25 percent of urban spaces in Senegal and for 30 percent of inhabited areas in Dakar. However, the situation is changing due to the country's urbanisation planning, infrastructure programme, various housing projects, and the government social housing programme.¹⁷ As a result, formal planned communities are under construction all over the major urban cities especially the greater Dakar area. A critical issue in Dakar is the rapid urbanisation rate and the city's housing backlog, and as such informal settlement persists in the absence of an adequate supply of housing. The majority of the population in the informal settlements are low income earners, vulnerable and exposed to hygiene problems due to inadequate water drainage, sewerage systems and flooding during the rainy season.

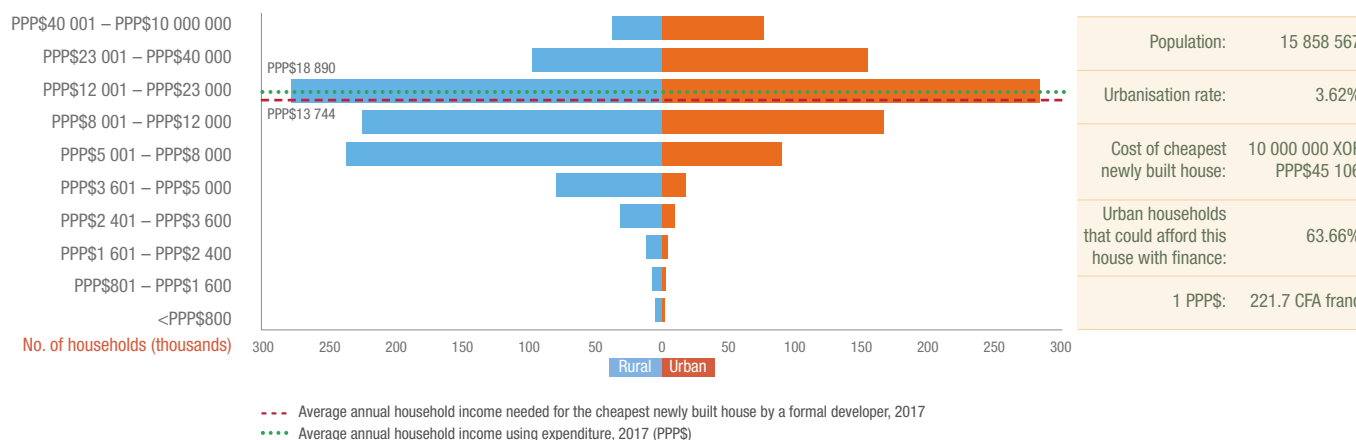
The 2016 housing deficit was estimated to be 322 000 units for the whole of Senegal and 158 000 for Dakar. There are several constraints to the housing supply, especially for low income earners. Insufficient formal market players, limited availability of serviced land, limited availability of relevant financial products, high construction costs and weak policy all constrain the market. In response to these challenges, the government introduced a series of initiatives focusing on the affordable housing market to address housing demand. Among the initiatives are tax breaks for promoters, subsidies offered to first home-buyers, and a land regularisation programme. To boost housing supply, in 2015 the government also granted CFA 1 billion (US\$ 1 738 376) to Fonds de garantie pour des investissements prioritaires (FONGIP) to create a special guarantee fund for small and medium enterprises in the housing sector, and Fonds de garantie pour l'acquisition du logement (FOGALOG) to facilitate access to financing for small and medium enterprises. FONGIP is a national guarantee fund created to facilitate access to financing SMEs in the government's priority sectors, such as housing, especially low income houses, which are among the top priorities. FOGALOG has signed an agreement with BHS and the housing ministry to facilitate access to affordable houses for the Senegalese in the informal sector. The 2015 agreement allows Senegalese households with irregular revenue to access special guaranteed housing loans.

Another important project of ESP is the development of a new city currently under construction. Diamniadio is approximately 30km south west of Dakar and 15km away from the future International Airport of Senegal (Blaise Diagne). The project targets a diverse market – low, middle and upper class. The houses range from two to four bedroom houses, duplexes and town apartments. Compared to Dakar, Diamniadio is well-planned and equipped with social infrastructure, including a new conference centre, an industrial park, the second university of Senegal university campus, commercial centres, schools, hospital and recreational amenities. The government has allocated serviced plots of land and given other incentives to developers to promote small and medium enterprises and enhance housing supply in Senegal.

Recently the government has initiated other measures to increase housing production, including a Social Housing Guidelines Act, the decree defining social housing, and the Prime Minister's order establishing approval processes for production by private developers.

SENEGAL

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Senegal ranks 145 in the 2018 World Bank Doing Business Report in dealing with construction permits. Senegal improved its rank in Ease of Doing Business in 2018 to 140th out of 190 countries, up from 147th in 2017. The country has also improved on its property registration and procedure costs, dropping from 15.2 percent of the property value in 2015 to 10.2 percent in 2016 and 2017, and 7.8 percent in 2018.

New laws and government programmes project a minimum of 15 000 houses to be constructed per year.¹⁸ Ongoing projects include Cite Sicap Lac Rose, situated on 70ha, consisting of 2 427 units, 1 820 of which will be constructed on 200m² plots of land and 607 on 150m² each. Bambilor is a new city about 10 minutes from Lac Rose and 30 minutes from downtown Dakar, and includes Cite CDC, consisting of two to four-bedroom villas, built on 150m² to 200m² and costing between CFA 10 million and CFA 47 million (US\$17 383 and US\$81 703). Cite de l'Emergence is a project of 11-storey buildings of modern apartments, 16 of which will be constructed in Dakar by Group Adoha, a Moroccan real estate developer. The project consists of 700 apartments and the estimated cost is CFA 45 billion (US\$78 million) to be delivered in 2017. All the projects target diverse markets. To date there is no data on the rate of realisation of the ongoing projects or the number of units delivered.

Property markets

Senegal is witnessing dynamic growth in the real estate industry, particularly in Dakar and other urban areas. Factors driving the real estate boom include: government development programmes among which are construction of highways and secondary roads to improve access to all the regions of Senegal; establishment of new urban zones; mass production of houses; population growth; and the reputation of Senegal as a stable democratic country which creates an enabling environment for investors. Additionally, members of the Senegalese diaspora and African investors from neighbouring countries are building second homes for investment.

Over half a million Dakar residents are tenants, and the rental market 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. Presently, access to financing available for producing rental housing on a large scale is improving and the market is promising, considering the efforts of the government in securing long-term financing for affordable homes to sustain the growth in the sector.

According to real estate consultancy Knight Frank's 2017-2018 property report for Senegal, the residential construction market is quite dynamic especially for small-scale schemes. Progress at the larger-scale waterfront development has continued to be relatively slow and prices are dropping. According to the press, rents are escalating for the very low income groups, while the supply of houses for middle income group is improving. Away from the waterfront the market is

buoyant. The Diamniadio and other ongoing projects are under construction, hence the middle to low income household market is booming and there is room for growth. Senegal is also improving on its property registration and procedure costs.

Another important factor to stimulate the market is that institutional publicity, forums, conferences and international forums concerning housing in Senegal are supported by the government. The International Habitat Fair ("Salon International de l'Habitat") was held in Dakar for the second time in October 2017.¹⁹ The conference was a venue for stakeholders to share knowledge and business opportunities for potential investors.

Policy and regulation

Senegal's complex legal and regulatory framework has been identified as one of the factors responsible for the housing deficit. As a result, the present government is addressing the issue through a participative process with all the stakeholders of the sector; hence some reforms are being implemented. New legal frameworks to regulate social housing are intended to accelerate production of affordable houses, reduce cost of production, regulate control, promote innovation, and promote the exploitation of local resources, creating employment and wealth. The new law and accompanied measures hopefully will enhance the effective implementation of other rules and regulations of the sector.

Changes in law and other incentives to promote the development of real estate, especially housing, are accelerating housing production and stimulating the formalisation of the real estate market.

The Land Tenure Act ensures security of tenure and authorises temporary occupancy permit holders in urban centres to transform them, at no cost, into permanent title deeds. With reinforced security of tenure, it is expected that landlords will invest in upgrading their properties, and they are. Most houses in the capital have been upgraded and land and home prices have escalated. Dakar residents and even diasporic Senegalese are taking advantage of the new law to register properties, which is causing property values to appreciate. This result is being duplicated in other regions of the country, particularly those close to Dakar.

Opportunities

Senegal is among the fastest growing economies in Africa with a young population in demand of goods and services, particularly adequate accommodation. The government is trying to satisfy the needs which are in reality investment opportunities, hence the efforts deployed to attract investors. Although interest rates are on the rise, business opportunities are real, given the geographical situation, the political stability, the ambitious infrastructure programme of the current government, the presence of many international organisations and development agencies, dynamic cultural events, and a robust tourist industry. The Senegal housing market is booming with construction being undertaken practically

all over the urban centres. The new city of Diamniadio is delivering modern apartments, condominiums and houses of various architectural styles and economic standards.

Dakar, the capital, is home to the regional headquarters of many international organisations, some regional organisations, and a gateway to the West Coast of Africa and to other major cities on all continents. With the new Dakar International Airport, inaugurated in December 2017, it is projected that tourism and the hospitality industry will flourish. The geographical location of the airport is also a development factor for some of the neighbouring cities such as Thiès.

The current growth rate, the rate of urbanisation, the government infrastructure programme and the commitment of the African Development Bank to support the government programmes, are signs that the housing boom is here to stay. The return on investment in real estate is relatively high in Senegal, 12 percent for industrial, 10 percent for offices, 9.5 percent for retail, and 7 for residential.²⁰ There is a need in all sectors of real estate – industrial, retail, offices and residential, especially low income units. The country has improved its business climate and its performance in dealing with construction and registration of property and enacted a new law (Loi N°23-2016) to boost production of affordable houses. The new legal framework and other measures are all incentives for promoting business opportunities and providing the majority of the population with decent and affordable houses.

Sources

- BCEAO (2016). Annuaire des Banques et Etablissement Financiers de l'UEMOA 2016. https://www.bceao.int/sites/default/files/201712/annuaire_des_banques_et_etablissements_financiers_de_l_umo_a_2016.pdf (Accessed 21 September 2018).
- BCEAO (2017). Rapport Annuel 2017. https://www.bceao.int/sites/default/files/2018-07/Rapport_annuel_2017.pdf (Accessed 21 September 2018).
- Brookings Institute (2017). Foresight Africa: Top Priorities for the Continent in 2017. 9 Jan 2017. African Growth Initiative at Brookings. <https://www.brookings.edu/multi-chapter-report/foresight-africa/> (Accessed 21 September 2018).
- Mbow, C., Diop, A. and Diaw, A.T. (2009). "Flood Risk and Land Occupation in Dakar Outskirts. Does Climate Variability Reveal Inconsistent Urban Management?" In IOP Conference Series Earth and Environmental Science Vol. 6 (33). February 2009.
- World Bank (2018). Doing Business 2018: Senegal. <http://www.doingbusiness.org/content/dam/doingBusiness/country/s/senegal/SEN.pdf> (Accessed 26 September 2018).

Websites

- www.bceao.int
www.bhs.sn
www.dakaractu.com
www.globalpropertyguide.com
www.knightfrancsk.com
www.lesafriques.com
www.seneweb.com
www.uemoa.int

¹ Agence Nationale de la Statistique et de la Demographie. www.ansd.sn (Accessed 10 August 2018).

² African Development Bank Group (2018). African Economic Outlook 2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf (Accessed 21 Sept 2018). Pg. 166.

³ Deloitte (2017). Invest in Senegal: A competitive investment destination in West Africa. - March 2017. https://www2.deloitte.com/content/dam/Deloitte/za/Documents/africa/za_ASG_Country%20Reports_Senegal_Rep.pdf (Accessed 21 Sept 2018). Pg. 2.

⁴ African Development Bank Group (2018). African Economic Outlook 2018. Pg. 16.

⁵ Ibid.

⁶ IMF (2018). "IMF Staff Completes Review Mission to Senegal." 11 May 2018. <https://www.imf.org/en/News/Articles/2018/05/11/pr18170-imf-staff-completes-review-mission-to-senegal> (Accessed 21 Sept 2018).

⁷ BCEAO (2018). Rapport sur les Conditions de banques dans l'UEMOA 2017. Tableau 2. <https://www.bceao.int/sites/default/files/2018-08/Rapport%20sur%20les%20conditions%20de%20banque%20dans%20l%27UEMOA%20-%202017.pdf> (Accessed 21 Sept 2018). Pg. 8.

⁸ TheMix. Senegal. <https://www.themix.org/mixmarket/countries-regions/senegal> (Accessed 20 Sept 2018).

⁹ BCEAO (2018). Rapport sur les conditions de banques dans l'UEMOA 2017. Tables 8.1.2. (Accessed 21 Sept 2018). Tables 8.1.2 and 1.1.2.

¹⁰ BCEAO (2014). Note d'Analyse sur les Conditions de financement bancaires de l'habitat dans l'UEMOA. Octobre 2014. Pg. 13.

¹¹ BCEAO (2014). Note d'Analyse sur les Conditions de financement bancaires de l'habitat dans l'UEMOA. Octobre 2014. Pg. 5.

¹² World Bank (2018). Doing Business 2018: Senegal.

¹³ Le 360 Afrique (2018). "Credit Immobilier: Le Senegal Bat le Record de Cherte dans l'UEMOA." <http://afrique.le360.ma/senegal/economie/2018/04/01/19562-credit-immobilier-le-senegal-bat-le-record-de-cherte-dans-luemoa-19562> (Accessed 10 Aug 2018).

¹⁴ BCEAO (2018). Rapport sur les conditions de banques dans l'UEMOA 2017. Tables 8.2.2. and 1.2.2.

¹⁵ Knight Frank (2018). Africa Report 2017/18: Real Estate Market in a Continent of Growth and Opportunity.

¹⁶ Le Soleil Online (2016). "Loi d'orientation sur l'Habitat social : L'Etat va alléger les conditions d'acquisition des logements sociaux." 31 October 2016. <http://lesoleil.sn/actualites/item/57167-loi-d-orientation-sur-l-habitat-social-l-etat-va-alléger-les-conditions-d-acquisition-des-logements-sociaux.html> (Accessed 15 Aug 2018).

¹⁷ Recensement Général de la population et de l'habitat, de l'agriculture et de l'élevage de 2013 (RGPHAE-2013). Chapitre Habitat (Chapter 10).

¹⁸ Le Soleil Online (2016). "Loi d'orientation sur l'Habitat social : L'Etat va alléger les conditions d'acquisition des logements sociaux." 31 Aug 2016.

¹⁹ Salon International de l'Habitat de Dakar (SEN Habitat Dakar). 13-15 Oct 2017. <http://www.aus-senegal.com/salon-international-de-l-habitat-de-dakar-sen-habitat-dakar/14737.html> (Accessed 20 Sept 2018).

²⁰ Knight Frank (2018). Africa Report 2017/18: Real Estate Market in a Continent of Growth and Opportunity. Pg. 37.

Seychelles



Overview

The Republic of Seychelles (Seychelles) is a small country, comprising 115 islands scattered over 1 million square kilometres of sea in the Indian Ocean, northeast of Madagascar. It has a total land area of 455km² and a population of 95 821 as at December 2017 (an increase of 1.7 percent over 2016).¹ Seychelles has met most of the Millennium Development Goals and reached a high income status in 2015, being one of the highest income countries in Sub-Saharan Africa to reach this status. The income per capita in Seychelles stood at US\$15 078 in 2016, representing a growth of 2.3 percent over 2015.²

Seychelles has one of the highest Human Development scores in Africa, ranking 62nd globally for the year 2018 (up from 63rd in 2016 and 74th in 2015).³ 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 90 percent of export revenues, but represent only approximately 11 percent of employment.

The growth rate was 4.5 percent in 2016, driven primarily by strong tourist arrivals and continued expansion in water and electricity production, information and communication services, transportation and financial services.⁴ Tourism and fisheries contributed considerably to foreign exchange earnings, employment, and growth in auxiliary sectors. Tight monetary policy led to a negative one percent inflation in 2016, which was further accentuated by lower than anticipated prices of oil and other imports.

The World Bank remarks that Seychelles has a very small population in a relatively isolated location which makes it reliant on external demand, especially tourism. Developments in Europe, which is one of its main tourism markets, renders the economy vulnerable to external shocks. Moreover, it has a small pool of local skilled labour and the cost of external transport and energy is quite high, which poses a challenge in terms of deepening or diversifying Seychelles' sources of growth. The African Development Bank recommends Seychelles focus on economic diversification, structural transformation, and regional integration to deal with major challenges, notably a small domestic economy, geographical remoteness, high transportation costs, insufficient skilled labour, and vulnerability to external shocks.⁵

Seychelles ranked 95 out of 190 countries in the World Bank 2018 Doing Business Report, compared to 93 in 2017. While Seychelles has improved in four areas

KEY FIGURES

Main urban centres	Victoria
Exchange rate: 1 US\$ = [a] 10 Sep 2018	13.25 Seychellois rupee
PPP Exchange rate (Local currency/PPP\$) 1 Seychellois rupee = [b]	7.30
Inflation 2016 [a] Inflation 2017 [a] Inflation 2018 [a]	-1.0 2.90 3.80
Population [c] Urban population size [b]	95 843 52 274
Population growth rate [d] Urbanisation rate [b]	1.70% 1.83%
Percentage of the total population below National Poverty Line [d]	39.3%
Unemployment rate [d]	3.9%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$1 486 million 4.2%
GDP per capita (Current US\$) 2017 [b]	US\$15 504
GNI per capita (Current US\$) 2017 [b]	US\$14 180
Gini co-efficient [d]	45.90
HDI global ranking 2015 [e] HDI country index score 2015 [e]	63 0.78
Is there a deeds registry?	yes
Number of residential properties that have a title deed	n/a
Lending interest rate [f]	12.10%
Mortgage interest rate [f] Mortgage term (years) [f]	7.9% 20
Downpayment [f]	10%
Mortgage book as a percentage of the GDP [f]	3.00%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$7.60
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	750 000 Seychellois rupee
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$55 535
What is the size of this house (m ²)?	150m ²
What is the average rental price for this unit (US\$)?	US\$1 184
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [g]	95
Number of procedures to register property [g]	4
Time to register property (days) [g]	33 days
Cost to register property (as % of property value) [g]	7.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	IMF World Economic Outlook Database
[d]	National Bureau of Statistics
[e]	UNDP Development Indicators
[f]	Central Bank of Seychelles
[g]	World Bank Doing Business

namely starting a business, getting electricity, and registering property; progress was especially noted in terms of dealing with construction permits as Seychelles increased transparency by publishing construction industry regulations online free of charge.⁶

Access to finance

Seychelles has a relatively well-developed financial system overseen by two regulators namely the Central Bank of Seychelles and the Financial Services Authority. As at December 2017, the Seychelles financial structure comprised 10 banks (only nine banks in operation), one credit union, two non-bank credit institutions, 15 payment service providers and 27 bureaux de change. Eight out of the 10 banks were privately and primarily foreign-owned while the Government of Seychelles held majority ownership in the other two banks. Though licensed since December 2016, SBM Bank (Seychelles) Limited was yet to commence operations as at December 2017.⁷ The Financial Services Authority has licensed six domestic and six non-domestic insurance companies as well several insurance intermediaries. Seychelles also has a securities exchange and a number of intermediaries.⁸

For 2017, credit granted by commercial banks rose by 9 per cent to reach SCR10 740 million. Credit granted to the private sector in 2017 amounted to SCR6 032 million, representing an increase of 18 per cent over the previous year, which may be a result of the fall in interest rates as from August 2017. The share

of credit to the private sector rose by 23 percent in 2017 (from SCR1 097 million in 2016 to SCR1 350 million in 2017) and represented 22 percent of the loans to the private sector (SCR1 350 of SCR 6 032). Mortgage loans increased by 23 percent to SCR714 million in 2017. However, credit to the real estate category, with a share of 11 percent of total private sector loans, increased by seven percent.

The banking sector remained profitable in 2017 despite a decline in the net profit after tax for the sector by 15 percent. Notwithstanding the decrease in the industry-wide capital adequacy ratio from 27 percent to 24 percent, the banking system remained sufficiently capitalised. The sector average liquid assets-to-total-liabilities ratio climbed by three percentage points and stood at 57 percent at the end of the year.⁹ However, the World Bank considers the Seychelles financial system as "unsatisfactory" as only seven of the banks may be considered as full-fledged commercial banks. As such, access to credit is limited while lending rates are high against low interest on deposits, leading to excessive profit margins.

A Financial Literacy Baseline Survey conducted by FinMarkTrust in 2016 revealed Seychelles to be the most financially included country in the Southern African Development Community, as 94 percent of Seychellois are banked.¹⁰ The study also found that 75 percent of Seychellois earn regular and consistent income from formal channels such as government jobs, employment at private companies, receiving salaries from another individual, or self-employment.

The World Bank ranked Seychelles 133rd (out of 190 countries) for getting credit in the 2018 Doing Business report compared to 118th in 2017 and 109th in 2016.¹¹ Microfinance is extremely limited but growing slowly as international microfinance institutions begin to penetrate the local financial services market. There is a need to set up a credit bureau and to reinforce collateral and bankruptcy laws to protect the rights of borrowers and lenders and thus facilitate lending.

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 one another. 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. In the past decade, the HFC has approved over 8 200 loans for a sum of SCR733 million (US\$55.32 million). HFC borrows affordably from banks and passes the lower interest rates to its clients. It has served low and moderate income households and aims to continue providing affordable loans to the low income earners while operating a profitable company.

The HFC offers a range of end-user products promoting housing affordability. First, there is a Home Savings Scheme to enable Seychellois to save a minimum deposit of 10 percent to qualify for government-constructed housing (the current purchase price of government-subsidised housing is approximately SCR450 000, or (US\$33 321). If the affordability of the 10 percent deposit is a problem, prospective beneficiaries must demonstrate that they can at least save 10 percent of their monthly income.

There are three types of Home Loans available to Seychellois: Housing Loan Scheme, 2nd Housing Loan Scheme and House Extension Loan. The Housing Loan Scheme is for clients who are owners of their own plot of land and wish to construct thereon, or for those who wish to purchase a property. The maximum loan amount granted under this scheme is SCR850 000 (US\$62 940). The eligibility for this loan is a maximum income of SCR30 000 (US\$2 223) a month. There is no minimum qualifying income, though in practice loans are not affordable to those who earn less than SCR6 000 (US\$444) a month. The HFC registers a mortgage bond ("first charge") on the properties and requires beneficiaries to obtain mortgage insurance and provide "assignment of salary". The loan amount is calculated based on the client's net income with the repayment amount being calculated at 30 to 40 percent of the net income/combined net income. The maximum loan repayment term is 23 years, and the loan must be repaid before the client reaches 63 years of age.

The 2nd Housing Loan Scheme is for clients who are constructing on their parents' property or other property on which they have permission to build. The maximum loan amount is SCR400 000 (US\$29 619) granted to clients earning a maximum income of SCR30 000 (US\$2 223) a month.

Home Improvement Loans are intended to help clients with funds to renovate their houses. For general renovations, the maximum amount is SCR50 000 (US\$3 702) and for re-roofing of the house, the maximum amount is SCR100 000 (US\$7 405). The maximum loan period is five years (which can be extended to seven years under special circumstances). Applicants must earn less than SCR15 000 (US\$1 111) a month per household.

As of January 2016, HFC has also been assisting pensioners with a Home Improvement Loan under the pensioner's scheme. Under this scheme, the maximum amounts granted are SCR50 000 (US\$3 702) for general renovations and SCR100 000 (US\$7 405) for re-roofing. The pensioner's scheme comprises a component of grant such that 25 percent of the loan amount is subsidised by the government, while the pensioner repays the balance of 75 percent at an interest rate of zero percent. The loan repayment term is seven years. All pensioners are required to have a guarantor who is in stable employment to secure the Home Improvement Loan. 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. If the pensioner passes away without completing the repayment, it will be the guarantor's responsibility to repay the loan.

A new housing finance subsidy scheme was implemented in 2014, with a total budget of SCR21 million (US\$1.55 million). It has aided 343 families, who benefited from assistance to the value of SCR39.7 million over the period 2014 to 2016. Despite the presence of commercial banks, most housing projects have been financed through the HFC alone to the tune of 97 percent of housing loans.¹²

Affordability

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, which was 5.5 percent at the end of 2016, fell to 3.9 percent at the end of 2017. As the country with the highest GDP per capita in Sub-Saharan Africa (US\$27 602 in 2018), Seychelles is ranked 88th in terms of economic freedom.¹³

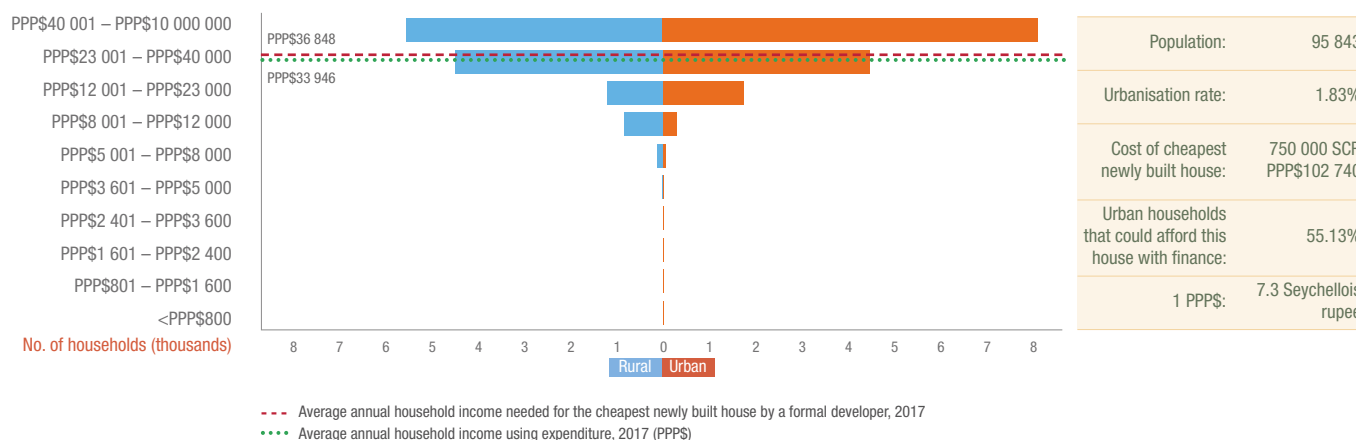
Still, there are pockets of poverty. The government has noted a rising trend in reliance on social assistance for income enhancement as well as growing social problems, which are impacting on the economy and society. Through benchmarking with international governmental bodies for the last decade, the Seychelles Government has steered its housing policies away from being the major supplier, from subsidising to more of a facilitator, given that families are being orientated to be more financially independent. Government housing policies are not stagnant but are intended to fluctuate with the current housing/economic conditions. The current policy is geared to referring upper-income earners to private/commercial financial institutions.

The government of Seychelles has two schemes in place: the social housing and the condominium schemes. The condominium scheme targets semi-professionals and professionals and is based on loan sustainability and needs/urgency/priority. Social housing is provided to the public in need of a decent house. Allocation is based on needs and is established by priority rating and recommendations from the local district authority.¹⁴

The government has a policy to help Seychellois obtain loans from financial institutions. There are six categories of housing and loan schemes: a full housing loan (to construct a new house), a home improvement loan (for minor maintenance/renovation works), a 2nd housing loan scheme (for construction of a second house – new construction); house extensions schemes (for the construction of one extra bedroom and bathroom only); a land loan (to purchase

SEYCHELLES

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

land from the Government/private sector); and a land and house loan (to purchase existing property).

Government-subsidised housing is currently being delivered for SCR500 000 (US\$37 023), and estate agents advise that for SCR200 000 (US\$14 810) to SCR300 000 (US\$22 214), a buyer can get a very basic unit. An average three-bedroom home of approximately 150m² ranges from between SCR750 000 (US\$55 535) and SCR1 million (US\$74 047). Construction companies advise that finished homes sell for between SCR11 500 (US\$852) and SCR62 000 (US\$4 591) per m². While there are no minimum-house-size regulations, 100m² is the accepted norm for minimum size. A 100m² house built by a private promoter costs around US\$160 000.

The Financial Literacy Baseline Survey, conducted by FinMark Trust in 2016, revealed that the second most important motive for borrowing by Seychellois was to buy or build a dwelling or simply to improve or renovate a dwelling.¹⁵ However, the percentage of Seychellois saving towards buying, building or renovating a dwelling is extremely low. Unfortunately, the study also reveals that the main reason for borrowing is to pay off debt, with surveys showing around 26 percent of Seychellois are over-indebted. Approximately 67 percent of adults make use of credit from banks. They may also access credit from other sources. Six percent access credit from informal credit providers, while approximately three percent exclusively rely on credit from family and friends.

Housing supply

According to the latest National Bureau of Statistics figures, Seychelles has 25 929 houses. Of these, 87 percent are made of stone/block and 13 percent of wood/iron. There is a change in building materials and in living conditions and new patterns in lifestyle, from wood to stone/block, with palm/lattice, houses to modern structures with modern telecommunications technology, household amenities and ownership of assets.

The housing market in Seychelles is still rudimentary. Most people prefer to build and move into new accommodation; existing accommodation is purchased primarily for rental purposes. According to the 2013 Housing and Population Census, most of the population (82 percent) say they own the dwelling in which they live.¹⁶ Some 11 percent rent their houses privately. Three-bedroom apartment rentals range from SCR16 000 (US\$1 184) to SCR19 000 (US\$1 406). Just under seven percent say they live rent-free in a dwelling they do not own. Most households (93 percent) have access to treated, piped water, and 82.4 percent have flush toilets connected to a septic tank. In terms of energy use, 98 percent use electricity for lighting and 92 percent use gas for cooking. In addition, 94 percent of the population has access to mobile phones and 95 percent possess a television set.

The construction sector is showing signs of stagnation as per the quarterly national accounts bulletin of the National Bureau of Statistics, with negative growth noted

in quarters one and four.¹⁷ From the period between 2008 and 2011, the sector had experienced significant growth that was linked to the implementation of large-scale foreign direct investment projects as well as government housing projects. However, significant declines have been experienced thereafter.

In terms of housing supply, the Government of Seychelles has allocated 1 404 houses between 2006 and 2014. The Ile Perseverance housing project is estimated to provide 2 000 houses from 2006 till the end of the project, thus catering for almost 70 percent of the housing needs in Seychelles. An estimated 1 055 units have already been made available to Seychellois families. A new official plan started in 2017 whereby authorities will build housing estates in all 25 districts of the country. This project is expected to reduce the pressure of congestion around Victoria and its suburbs. The Ile Perseverance housing estate is the largest urban area, with approximately 2 000 houses for an estimated 8 000 people. The Government of Seychelles envisions reducing reliance on government and cash-strapped public enterprises, such as home mortgage finance and property management companies, by tapping public-private partnership initiatives to finance housing development.

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. There is no legislation governing the minimum size of a plot of land. Properties can range from as small as 20m² to sizeable holdings. Most land is privately held, with prices ranging from SCR731 per square metre (US\$56) to SCR375 per square metre (US\$28.30) for unserviced land. Serviced land averages approximately SCR1 000 per square metre (US\$74). However, for prime beachfront properties, the average price stands at SCR21 921 (US\$1 689) per square metre.

Seychelles ranks 62nd out of 190 countries according to the World Bank's 2018 Doing Business Report for the indicator "ease of registering property". The four procedures take 33 days and cost seven percent of the property value.

In Seychelles, foreigners can own property. Seychellois can purchase property at any time without permission and the transfer tax is set at five percent of the purchase price. A non-Seychellois may purchase immovable property which is privately-owned, or rights therein, in Seychelles subject to permission being obtained from the Government of Seychelles. Sanctions granted are valid for one year from the date on which these were issued during which time the transactions must have been effected and registered.

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 capacity to meet the considerable demand in the affordable and low income markets.

The government of Seychelles announced in its national budget that SCR18 million (US\$1 358 472) will be allocated to the housing finance subsidy schemes in 2018. Moreover, first-time home buyers are charged a maximum processing fee of SCR2 500 (US\$1 358 472) on housing loans below SCR1.5 million (US\$1 358 472) and for the remaining loan amount above SCR1.5 million, the first-time home buyers will be charged a maximum of 0.5 percent as processing fee on the balance.¹⁸

Opportunities

The Seychelles has been ranked 95th out of 190 countries overall in the World Bank's 2018 Doing Business Report. With the country being a tourist destination, there is a focus on housing for higher income earners. Property prices in Seychelles' high-end market have risen continuously over the past several years. House prices in Mahe, the largest of the islands, were as follows:

- One-bedroom apartments sell for an average of SCR6.17 million (US\$475 000).
- Two-bedroom apartments sell for an average of SCR8.76 million (US\$675 000).
- Villas sell for an average of SCR45.43 million (US\$3.5 million).

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.

Sources

African Development Bank Group (2018). African Economic Outlook.

<https://www.afdb.org/en/knowledge/publications/african-economic-outlook/> (Accessed 22 July 2018).

African Development Bank Group (2016). Seychelles Country Strategic Paper 2016-2018. <https://www.afdb.org/en/documents/document/seychelles-country-strategy-paper-2016-2018-86803/> (Accessed 25 July 2018).

Central Bank of Seychelles (2017). Annual Report 2017.

FinMark Trust (2016). Financial Literacy Baseline Survey Seychelles 2016.

http://www.cbs.sc/Downloads/publications/Report_Financial%20Literacy%20Survey.pdf (Accessed 25 July 2018).

FinMark Trust (2011). SADC Microfinance Study: Landscape, regulatory environment, level of monitoring and support. <http://www.finmark.org.za/wp-content/uploads/2016/01/Fin66-SADC-Microfinance-Study-20111017-mh-v5.5-final.pdf> (Accessed 25 July 2018).

Heritage Foundation (2018). 2018 Index of Economic Freedom.

<https://www.heritage.org/international-economies/commentary/2018-index-economic-freedom> (Accessed 25 July 2018).

International Monetary Fund (2014). Financial Access Survey (FAS) 2014.

<https://www.imf.org/en/Data> (Accessed 25 July 2018).

International Monetary Fund (2018). IMF Country Report: Seychelles.

<https://www.worldbank.org/en/country/seychelles/overview> (Accessed 25 July 2018).

Mo Ibrahim Foundation (2017). Ibrahim Index of African Governance Index Report.

National Bureau of Statistics of Seychelles (2013). Population & Housing

Census 2010. <https://www.nbs.gov.sc/downloads/population-and-housing-census-2010-report/download> (Accessed 25 July 2018).

National Bureau of Statistics (2018). Seychelles in figures 2017.

<https://www.nbs.gov.sc/news/91-seychelles-in-figures-2017> (Accessed 25 July 2018).

Ministry of Finance, Trade Investment and Economic Planning of Seychelles

(2018). National Budget 2018.

http://www.finance.gov.sc/uploads/national_budget/Budget%20Speech%20for%20Fiscal%20Year%202018%20Final.pdf (Accessed 25 July 2018).

UN-Habitat (2004). Human Settlements Country Profile: Seychelles.

United Nations Development Programme (2007). Capacity Development for Sustainable Land Management in Seychelles.

United Nations Research Institute for Social Development (2009). Social Policy in the Seychelles: Social Policies in Small States Series, No. 5.

World Bank (2012). International Finance Corporation, Country Partnership Strategy for the Republic of Seychelles, FY 2012 – 2015.

<http://documents.worldbank.org/curated/en/524151468165858183/pdf/669190CASOP1240OfficialUseOnly090.pdf> (Accessed 25 July 2018).

World Bank. (2018). Doing Business 2018: Reforming to create jobs: Seychelles.

Websites

www.afrol.com

www.cbs.sc

<http://www.globalpropertyguide.com/>

www.luh.gov.sc

www.mfw4a.org

www.nation.sc

<https://www.nbs.gov.sc>

www.sib.gov.sc

www.statehouse.gov.sc

<http://www.arrivaseychelles.com/ownership>

<https://www.seylii.org/greybook>

¹ National Bureau of Statistics (2018). Population and vital statistics December 2017. <https://www.nbs.gov.sc/downloads/population-vital-statistics-2018-11/download> (Accessed 25 July 2018).

² National Bureau of Statistics (2018). 2016 Annual National Accounts Statistics. <https://www.nbs.gov.sc/downloads/ana-2016/download> (Accessed 25 July 2018).

³ United Nations Development Programme (2018). 2018 Statistical update and Human Development Index – Seychelles. <http://hdr.undp.org/en/countries/profiles/SYC> (Accessed 24 September 2018).

⁴ National Bureau of Statistics (2018). 2016 Annual National Accounts Statistics.

⁵ African Development Bank (2017). Seychelles Economic Outlook. <https://www.afdb.org/en/countries/east-africa/seychelles/seychelles-economic-outlook/> (Accessed 25 July 2018).

⁶ The World Bank (2018). Ease of Doing Business in Seychelles. <http://www.doingbusiness.org/en/data/exploreconomies/seychelles#> (Accessed 25 July 2018).

⁷ Central Bank of Seychelles (2018). Annual Report 2017. <http://www.cbs.sc/Downloads/publications/Annual%20Report%202017.pdf> (Accessed 25 July 2018).

⁸ Financial Services Authority Seychelles (2018). <http://www.fsaseychelles.sc/index.php/regulated-entities> (Accessed 25 July 2018).

⁹ Central Bank of Seychelles (2018). Financial Surveillance Report 2017. <http://cbs.sc/Downloads/publications/Financial%20Surveillance%20Report%202017.pdf> (Accessed 25 July 2018).

¹⁰ FinMark Trust (2016). Financial Literacy Baseline Survey Seychelles 2016.

¹¹ The World Bank (2018). Ease of Doing Business in Seychelles.

¹² Government of Seychelles (2016). 2016 Budget Speech. http://www.finance.gov.sc/uploads/national_budget/2016%20Budget%20Speech%20English%20version%20FINAL.pdf (Accessed 25 July 2018).

¹³ Heritage Foundation (2018). 2018 Index of Economic Freedom. <https://www.heritage.org/international-economies/commentary/2018-index-economic-freedom> (Accessed 25 July 2018).

¹⁴ Ministry of Habitat, Infrastructure and Land Transport, Seychelles website. <http://www.luh.gov.sc/default.aspx?PagelD=13> (Accessed 25 July 2018).

¹⁵ FinMark Trust (2016). Financial Literacy Baseline Survey Seychelles 2016.

¹⁶ National Bureau of Statistics of Seychelles (2013). Population & Housing Census 2010.

<https://www.nbs.gov.sc/downloads/population-and-housing-census-2010-report/download> (Accessed 25 July 2018).

¹⁷ National Bureau of Statistics of Seychelles (2018). Quarterly National Accounts. Q1 2018

<https://www.nbs.gov.sc/downloads/quarterly-national-accounts-q1-2018/download> (Accessed 25 July 2018).

¹⁸ Government of Seychelles (2018). Seychelles government budget for the fiscal year 2018.

Sierra Leone



Overview

Located in West Africa on the coast, Sierra Leone has an estimated population of 7.5 million¹ people living in approximately 1.2 million households.² According to the latest Census data (2015), the population is relatively evenly distributed across the country with 35 percent residing in the Northern region, 23 percent in the East, 21 percent in the West and 20 percent in the South. Overall, the geographical split of households is 59 percent rural and 41 percent urban. In 2017, the urban population growth rate stood at 3 percent per annum.³ As is common in many African countries, Sierra Leone has a young population with 62 percent of the population falling under the age of 25.⁴

Sierra Leone's capital city, Freetown, located in the Western region, is the country's largest city with a population of 1 million.⁵ Freetown is the central focus of much of the country's urban development debate given its potential to drive economic growth, primarily due to its active port, and its political importance (it is the seat of the government).

Following the sharp economic downturn in 2015 driven by the twin shocks of the Ebola epidemic and collapse of the iron ore mining sector, Sierra Leone's economic growth continues to be weak. In 2017, GDP growth decreased to 3.7 percent, down from 6 percent the previous year.⁶ The country's current economic outlook reflects the continued challenges faced by the mining sector including the suppressed global iron ore prices, higher domestic energy prices and a reduction in private investment. In addition, the country's GDP growth in 2017 was constrained by lower growth in the construction industry following decreased public sector spending on infrastructure.⁷

On the upside, the country's agriculture sector, which contributes approximately 61 percent to annual GDP,⁸ grew by 4.5 percent in 2017 (up from 3.8 percent in 2016). The continued resilience of the agriculture sector, expected upturn of the mining sector, improved business climate and increased public sector investment are expected to contribute to generate better economic growth in the medium-term (projected at 6.5 percent by 2020).⁹ However, a key challenge for the government is to maintain sustained and inclusive economic growth in order to reduce the country's widespread poverty.

According to the UNDP Human Development Index (HDI) 2018 statistical update, Sierra Leone ranks 184th out of 189 countries, just above Burundi, Chad

KEY FIGURES

Main urban centres	Freetown Bo
Exchange rate: 1 US\$ = [a] 7 Sept 2018	8 337.55 Sierra Leonean leone
PPP Exchange rate (Local currency/PPP\$) 1 Sierra Leonean leone = [b]	2 393.50
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	10.80 18.25 16.63
Population 2015 [c] Urban population size 2015 [c]	7 092 113 2 907 492
Population growth rate 2015 [c] Urbanisation rate 2015 [c]	3.30% 3.90%
Percentage of the total population below National Poverty Line 2011 [c]	52.9%
Unemployment rate 2015 [c]	8.6%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$3 774 million 4.2%
GDP per capita (Current US\$) 2017 [b]	US\$499
GNI per capita (Current US\$) 2017 [b]	US\$510
Gini co-efficient [c]	29.70
HDI global ranking 2017 [d] HDI country index score 2017 [d]	184 0.419
Is there a deeds registry?	Yes
Number of residential properties that have a title deed [a]	n/a
Lending interest rate [a]	26.00%
Mortgage interest rate [a] Mortgage term (years) [a]	22% 15
Downpayment [a]	40%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages [a]	280
Price to Rent Ratio in City Centre Outside City Centre	3.10 5.10
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$10.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	150 000 000 Sierra Leonean leone
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$18 000
What is the size of this house (m ²)?	100m ²
What is the average rental price for this unit (US\$)?	US\$360
What is the minimum stand or plot size for residential property?	50m ²
Ease of Doing Business Rank [e]	160
Number of procedures to register property [e]	7
Time to register property (days) [e]	56 days
Cost to register property (as % of property value) [e]	10.80%

NB: Figures are for 2018 unless stated otherwise.

- [a] Bank of Sierra Leone
- [b] World Bank World Development Indicators
- [c] Statistics Sierra Leone
- [d] UNDP Human Development Reports
- [e] World Bank Doing Business

and South Sudan.¹⁰ Further, in 2016, over 50 percent of the population were reported to be living below the international poverty line (US\$1.90 per person per day).¹¹

High inflation rates continue to erode the purchasing power of households in Sierra Leone. Despite the Bank of Sierra Leone (BSL) maintaining a tight monetary policy and several base lending rate increases throughout the year, inflation rates remain very high. As at June 2018, inflation was 17.7 percent, just slightly lower than the 5-year high of 20.2 percent in March 2017.¹²

Other immediate challenges faced by the government include reducing public debt, which stood at 61 percent in 2017, and increasing tax revenue generation and collection.

Access to finance

According to the BSL, there are 14 commercial banks, 14 microfinance institutions (12 credit-only and two deposit-taking), and one home mortgage finance company operating in the country. There are a further 17 community banks offering a variety of finance products and services.

Previously, the financial sector also included two development banks – the National Development Bank and the National Co-operative Bank – but according to reports these institutions were “largely dysfunctional” and neither appear to still be operational.¹³

The country also has a small stock exchange. First established in 2001, the Sierra Leone Stock Exchange has three listed companies – Rokel Commercial Bank, First Discount House and Home Finance Company (HFC) Mortgage.¹⁴

According to a recent World Bank report, Sierra Leone’s banking sector is broadly stable but faces significant risks.¹⁵ The percentage of non-performing loans to gross loans, although decreasing, remains high at 17.5 percent. Furthermore, the poor performance of the two largest state-owned banks, Rokel Commercial Bank (RCB) and Sierra Leone Commercial Bank (SLCB), continues to put pressure on the whole sector. Despite this, total assets in the banking sector increased to Le7.4 trillion (US\$884 million) in 2017, while the average capital adequacy ratio was 34 percent in the same period – although it is reported that the average capital adequacy ratio does not accurately reflect credit risk in the country and the varying performance of different banks.

Financial inclusion remains a major challenge for the Government of Sierra Leone and this is recognised in the National Strategy for Financial Inclusion for 2017 – 2020. The latest Global Findex data indicates that, as of 2017, only 12 percent of adults (age 15 or older) had an account (either by themselves or with someone else) at a bank or other financial institution. Unsurprisingly, the country’s credit market is very small. Between 2014 and 2016, average credit extended to the private sector was approximately 5 percent of GDP, while in 2017, only 2.8 percent of adults were reported to use formal credit products.¹⁶ To cope in times of need, individuals rely on informal products or personal networks for credit.¹⁷

Lack of reliable and relevant credit information remains a major constraint to the country’s credit sector. In 2018, Sierra Leone ranked 159th out of 190 countries on the World Bank Doing Business ‘ease of getting credit’ index. The country’s weak legal rights for lenders and borrowers and the dearth of credit information on borrowers were factors that contributed to this low ranking.¹⁸ However, proposed reforms in the credit sector should change this in coming years.

In September 2018, President Bio, with support from the UNCDF and the UNDP, announced an ambitious plan to roll out an improved credit bureau process leveraging the combined power of a digital national identification process and blockchain technology.¹⁹ The project will receive funding and technical assistance from the UNCDF and UNDP and planned implementation is 2019. Until then, the credit sector will rely on the existing but limited Credit Reference Bureau (CRB), established in 2011 following the passing of the Credit Reference Act 2011.

Given the challenges, few banks offer long-term loans. HFC Mortgage and Savings Banks (HFC) appears to be the primary provider of mortgage loans and other housing-related finance. The bank continues to receive its funding from NASSIT which was mandated in 2004 to administer the Sierra Leone National Pension Scheme. HFC offers nine housing-related loan products ranging from home purchase mortgages to home equity loans for individuals and construction-related finance aimed at real estate developers.²⁰

HFC home purchase mortgages have a maximum loan amount of Le1 billion (US\$120 000) and maximum loan term of 20 years. Upfront costs are high for buyers. The initial deposit amount is set at 20 percent with additional processing and registration fees of 4.5 percent of the loan amount. The bank applies much stricter criteria for non-residents; deposit requirements are 30 percent, while the maximum loan term is reduced to 15 years.²¹

A product targeted directly at low income segments is the HFC ‘Buy Land and Build Own Home’ mortgage which aims to assist low income households buy land and develop it over time. The loan provides borrowers with access to a maximum of Le83 million (US\$10 000) for land purchases and a further Le250 million (US\$30 000) for construction. Preconditions for the loan include the client using the services of a pre-approved architect and builder; all funds are dispersed directly to the suppliers and there must be clear and undisputed title to the land.

In terms of finance for developers, HFC offers two products – the Construction Finance Mortgage (CFM) and the Construction Stage Payment Mortgage product (CSPM). The CFM is targeted at developers who wish to develop properties for sale, although the loan is not contingent on the properties being sold, and term is limited to 3 years. The CSPM is targeted at developers who are either in the process of, or planning to, build properties for prospective HFC mortgage borrowers but need finance to finish the project. The maximum loan term on the CSPM is only 12 months.

It is unclear what interest rates the HFC charge on any of their mortgage loans, however, they are likely to be high. BSL base lending rates followed an upward trend throughout 2018. As at July 2018, the base lending rate was 16.5 percent, up from around 12 percent in June 2017.

Of the 14 MFIs in Sierra Leone, only one appears to be actively offering housing-related loans – A Call to Business (ACTB). However, limited information is available on the characteristics of their micro housing loan.²² Likewise, updated information on the performance of the MFI sector in Sierra Leone is not available.

Affordability

Housing affordability is a serious challenge in Sierra Leone. Aside from low incomes, most of the population are self-employed which adds a level of complexity to credit extension. Based on the latest revision in 2015, the national minimum monthly wage currently sits at Le500 000 (US\$60).²³ However, this only applies to salaried workers, of which there are not many. According to 2015 Census data, at least 2.2 million individuals are self-employed (mostly without employees), while approximately 275 000 individuals are paid employees. The total employed population in 2015 was 2.75 million, the majority of which are working in the agriculture sector.²⁴

Sierra Leone’s development partners continually stress the role that a well-functioning capital city, like that of Freetown, can play in generating a more productive labour force and profitable job market. Current constraints to business in the city include unreliable access to electricity, poor infrastructure, strained transport systems resulting in poor mobility of people and goods, inefficient land use and poor land administration creating an insecure and unmarketable land market.²⁵ Given these challenges, business in the city consists of predominantly small, informal retail outlets employing few people.

With property prices in the formal market ranging from Le2.3 million (US\$275) to Le21 million (US\$2 511) for a one bedroom in the city centre, and up to Le67.6 million (US\$8 000) for a 3-bedroom apartment in the city centre,²⁶ the urban poor are entirely reliant on densely populated informal settlements for shelter. Those with some capacity to rent properties are also continuously under pressure due to annual rent increases. According to a 2015 SALHOC survey, middle to low income households are spending over 40 percent of their income on housing.²⁷

Housing supply

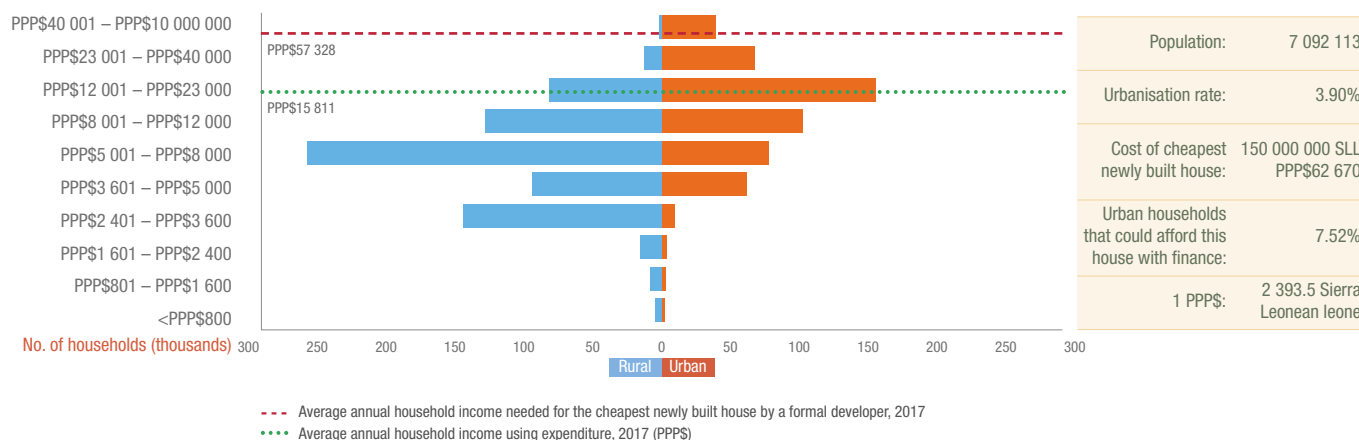
Creating access to affordable housing remains a major challenge for government. According to the 2015 Census, there are 1.2 million households living in approximately 801 000 dwelling units in Sierra Leone. In urban areas alone, the housing stock deficit stands at over 500 000 units.²⁸ The lack of housing stock combined with high urban population growth rates has created a housing market that is characterised by overcrowded, sub-standard living conditions in sprawling informal settlements.

Given this situation, many households cope by sharing dwellings with other households. In 2015, it was found that, on average, two households live in one dwelling unit with an average dwelling size (total number of people living in the dwelling) of 9.2 people in urban areas.²⁹

In terms of dwelling type, 48 percent of urban households live in stand-alone dwellings (“separate houses”) or semi-detached houses, while a further 27 percent live in flats/apartments. Over 90 000 urban households (or 16 percent of all urban households) live in a room in a shared house (“compound house”), further highlighting the disparity between the supply of, and demand for, urban housing.

SIERRA LEONE

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

No doubt the rise of shared living arrangements has contributed to the increase in rental housing in the country. In 2015, 23.8 percent of all households reported renting their dwellings, up from 19.3 percent in 2004. As is typically the case, renting is a more significant form of tenure in urban Sierra Leone than it is in rural areas. Using the same Census data, 46 percent of urban households reported renting their dwellings, compared to less than six percent of rural households. Forty seven percent of urban households reported owning their dwellings.³⁰

Property ownership in the country has largely been driven by households themselves, either through self-build or inheritance. As of 2015, 48.7 percent of all households were owner-constructed, while 20.3 percent were owner-inherited. Only 2 percent of households reported purchasing their current dwelling, suggesting that very little, if any, housing stock is being delivered by the private and public sector.³¹

While self-build is supplying much-needed housing stock in the country, there is clearly a need to support households to improve both the quality of their construction and access to formal building materials. A significant proportion of urban households are constructed using 'traditional' materials. For example, 43 percent of urban households were reported to have either mud bricks, zinc, timber, sandcrete or mud & wattle as their primary wall material.³² Based on the household's subjective assessment of their dwelling condition, 23 percent of dwellings needed either major repairs/rehabilitation or complete reconstruction in 2015.³³

An estimated three quarters of the urban population in Sierra Leone are living in slum living conditions characterised by, amongst other things, poor access to sanitation and limited access to safe drinking water.³⁴ As at 2015, approximately 10 percent of urban households had access to a flush toilet either inside or outside their dwelling, while a similar proportion had access to piped water. The lack of access to clean water and improved sanitation is compounded by poor waste management practices in the country.³⁵

Sierra Leone's major infrastructural challenges with respect to water, sanitation and waste management were put in the spotlight during the Ebola crisis when access to clean running water and hygienic disposal of waste were critical factors for disease management and infection control. With the Water Sector Reform project under the Millennium Challenge Corporation (MCC), the Government hopes to improve water service delivery in the country and reduce current inefficiencies in the sector.³⁶

While seemingly good relative to other services, access to electricity is a further challenge. According to the 2015 Census, less than 50 percent of urban households have access to electricity,³⁷ though energy sector reforms have taken place in recent years with the support of the World Bank through their Sierra Leone Infrastructure Development Fund.³⁸

Following the end of government-subsidised housing in 2002, housing delivery has relied largely on the private sector, NGOs and donors.³⁹ The government-backed National Social Security and Insurance Trust (NASSIT), despite its promises to deliver affordable housing across the country, has largely been ineffective. NASSIT is reported to have built houses that are unaffordable for its initial target market, resulting in some of their houses now standing vacant.⁴⁰

Unsurprisingly private sector developers have focused on higher-income market segments, while local NGOs attempt to fill the gap in housing delivery. For example, Home Leone, a local NGO with a mission to eradicate slum living, plans to build 1 000 homes by 2019. In addition to housing, Home Leone combines education, skills development and training in order to create long-term change.⁴¹

Despite poor housing delivery to date, Sierra Leone Housing Corporation (SALHOC) and the newly re-established Ministry of Planning and Economic Development (MoPED) are reportedly in discussions about affordable housing solutions and strategies for the fourth National Agenda for Prosperity,⁴² suggesting that the government remains committed to its 2035 vision to provide "access to affordable housing for all".⁴³

Property markets

According to the SALHOC, new housing development is constrained by limited access to finance and state land, as well as the country's rent assessment codes.⁴⁴ Additional challenges include the time and cost required to obtain a building permit and register a property, as well as poor land administration. It currently takes 17 procedures and 182 days to access a building permit and a further 56 days to register a property.⁴⁵

In terms of land administration, Sierra Leone title deeds and city maps are still recorded in paper format and currently no registry of privately held land currently exists.⁴⁶ This has led to a situation of widespread land disputes and corruption. However, the National Land Policy 2015 aims to address these issues with the development of a new land administration and management system, among other reforms.⁴⁷ It is still too early to tell if this new policy has been effective or not.

Previous efforts by SALHOC to provide affordable housing have failed due to tenant non-payment. In 2015, SALHOC reported that they were owed over Le 1 billion (US\$119 million) by tenants in their two housing estates, including the Kissy low cost housing estate.⁴⁸

Policy and regulation

After six years in development, the National Land Policy was adopted in 2015. The extensive policy document sets out several land reforms and policy clarifications including, but not limited to, a revision of the constitution to allow women equal rights to own land and the clarification of land tenure forms.

Sierra Leone has a dual land tenure system – common law governs land in the Western Region while customary law governs the land in all the other regions (North, East, South – also known as the ‘Provinces’). Land in the Western region may be individually-owned by individuals or a group of individuals or by a private company under freehold tenure. Communal land is entrusted to the respective community and Chiefdom Land Committee. Any land transaction under customary tenure must be recognised by the Chiefdom. There is also a subset of customary tenure called family tenure where land is owned by a family and administered by the family head.⁴⁹

Foreigners are allowed title to land in Sierra Leone but only under a 50-year leasehold. The policy also limits the amount of land that foreigners can own to 5 000 hectares.

However, the National Land Policy fails to consider rental housing in much detail, though some mention is made about rental tribunals and the potential need for more to be operationalised across the country. As at 2015, there was only one rental tribunal in the country. Given this oversight, the rental market is still governed under the outdated Rent Restrictions Act, Cap 52 established in the 1950s. It is not clear to what extent the policies of the Rent Restrictions Act are still enforced but, nonetheless it is fair to say that the country is in urgent need of a revised rental housing policy.

Opportunities

Providing decent housing and safe living conditions remains a major challenge for the government but with an already high and growing fiscal deficit, the country lacks the resources required to implement any major infrastructure investments. However, with the support of its development partners, the country is making progress.

The 2015 National Land Policy provides much-needed clarity with regard to land tenure forms and improvements with the land management and administration systems. This together with an ambitious plan to roll out a digital national identity

and credit bureau system leveraging block chain technology, should go some way to improving the functioning of the country’s housing and housing finance market.

However, the development of the country’s housing market is highly reliant on effective urban planning. The World Bank estimates that the urban population in Freetown will double in the next 20 years. With already weak infrastructure providing limited access to basic services, inefficient land use resulting in sprawling informal settlements, and poor land administration resulting in increased construction of illegal dwellings in environmentally unsafe areas, it is clear that the city is in urgent need of a coherent urban development plan. The World Bank cautions that without such a plan, any future investments in infrastructure, land reform and housing in the country will be severely constrained by the additional cost and effort required to implement plans once settlement has already occurred.

Investment in housing without efficient land administration and secure tenure is not recommended. However, where households have title and have already invested in their dwelling, there is great opportunity to provide home improvement support programmes. With the prevalence of owner-constructed housing, technical assistance and training programmes could help improve the quality and durability of existing dwellings. Furthermore, much-needed skills would also be transferred to communities.

Despite its challenges, the country holds significant potential for growth, particularly the capital city which could be developed into a hub for West African exports and centre of urban renewal in the country.

Websites

- <https://www.statistics.sl/>
- <http://www.doingbusiness.org/>
- <https://www.bsl.gov.sl/>

¹ The World Bank (2018). World Development Indicators. <http://databank.worldbank.org/data/source/world-development-indicators/> (Accessed 27 September 2018).

² Statistics Sierra Leone (2017). 2015 Population and Housing Census. Thematic Report on Housing Conditions. https://www.statistics.sl/images/StatisticsSL/Documents/Census/2015/sl_2015_phc_thematic_report_on_housing_conditions.pdf (Accessed 27 September 2018). Pg. 1.

³ The World Bank (2018).

⁴ Statistics Sierra Leone (2016). 2015 Population and Housing Census. Summary of Final Results. https://www.statistics.sl/images/StatisticsSL/Documents/final-results_2015_population_and_housing_census.pdf (Accessed 27 September 2018). Pg. 46.

⁵ Statistics Sierra Leone (2017). Pg. 13.

⁶ The World Bank (2018). Sierra Leone Economic Update. Edition No 1. June 2018. <https://openknowledge.worldbank.org/bitstream/handle/10986/30032/127049-WP-PUBLIC-SierraLeoneEconomicUpdate.pdf?sequence=1&isAllowed=y> (Accessed 27 September 2018).

⁷ Ibid.

⁸ Indexmundi (2018). Sierra Leone Economy Profile 2018. https://www.indexmundi.com/sierra_leone/economy_profile.html (Accessed 27 September 2019).

⁹ The World Bank (2018). Sierra Leone Economic Update. Edition No 1. June 2018. Pg. 39.

¹⁰ UNDP (2018). Human Development Index. <http://hdr.undp.org/en/composite/HDI> (Accessed 28 September 2018).

¹¹ UNDP (2016). Human Development Report. http://www.hdrundp.org/sites/default/files/2016_human_development_report.pdf (Accessed 28 September 2018).

¹² Trading Economics (2018). Sierra Leone Inflation Rate. <https://tradingeconomics.com/sierra-leone/inflation-cpi> (Accessed 27 September 2018).

¹³ Government of Sierra Leone (2005). Poverty Reduction Strategy Paper: A National Programme for Food Security, Job Creation and Good Governance 2005 – 2007. [http://siteresources.worldbank.org/INT/PRSP/1/Resourses/Sierra-Leone_PRRSP\(March-2005\).doc](http://siteresources.worldbank.org/INT/PRSP/1/Resourses/Sierra-Leone_PRRSP(March-2005).doc) (Accessed 29 September 2018).

¹⁴ Globalx Markets (2017). Stock Exchanges. http://www.globexmarkets.com/exchanges/af/exchanges_af_sle.html (Accessed 28 September 2018).

¹⁵ The World Bank (2018). Sierra Leone Economic Update. Edition No 1. June 2018. Pg. 30.

¹⁶ BSL (2017). National Strategy for Financial Inclusion 2017 – 2020. <https://www.bsl.gov.sl/S%20FI%20Strategy%202017%20-%202020.pdf> (Accessed 29 September 2018). Pg. 31.

¹⁷ In 2017, 18 percent of adults (15+) reported that they borrowed from an informal savings club in the past 12 months, while 29 percent said that they borrowed from friends or family members. Four percent of adults reported borrowing from a bank or financial institution in the same period. Source: The World Bank (2017). Global Financial Inclusion Indicators. <http://databank.worldbank.org/data/reports.aspx?source=global-financial-inclusion> (Accessed 28 September 2018).

¹⁸ The World Bank (2018). Ease of Doing Business in Sierra Leone. http://www.doingbusiness.org/en/data/explore/economies/sierra-leone#DB_gc (Accessed 28 September 2018).

¹⁹ UNCDF (2018). Kiva, Sierra Leone and United Nations agencies partner to implement “credit bureau of the future”. 28 September 2018. <http://www.uncdf.org/article/3948/kiva-sierra-leone-and-united-nations-agencies-partner-to-implement-credit-bureau-of-the-future> (Accessed 28 September 2018).

²⁰ HFC (nd.). Mortgage products. <http://www.hfcsl.org/mortgage.html> (Accessed 28 September 2018).

²¹ HFC (nd.).

²² ACTB (nd.). Loan products. <http://savingsandloans.sl/products-and-services/loan-products> (Accessed 28 September 2018).

²³ Kamara, A. (2018). Only 2 media houses are paying the minimum wage – IMC. 14 September 2018. <https://awoko.org/2018/09/27/sierra-leone-news-only-2-media-houses-are-paying-the-minimum-wage-ime/> (Accessed 29 September 2018).

²⁴ Statistics Sierra Leone (2016). Pgs. 92 – 102.

²⁵ The World Bank (2018). Sierra Leone Economic Update. Edition No 1. June 2018. Pg. 57.

²⁶ Numbeo (2018). Cost of living in Sierra Leone. https://www.numbeo.com/cost-of-living/country_result.jsp?country=Sierra+Leone&displayCurrency=USD (Accessed 29 September 2018).

²⁷ CAHF (2017). Housing Finance in Africa Yearbook (8th Edition). http://housingfinanceafrica.org/app/uploads/2017_CAHF_YEARBOOK_14.10-copy/compressed.pdf

²⁸ Housing stock deficit calculated by subtracting the total urban housing stock (i.e. dwelling units) from the total number of urban households and multiplying the number by 2 (on average, 1.6 households live in one dwelling). Data obtained from: Statistics Sierra Leone (2016). 2015 Population and Housing Census. Summary of Final Results. Pg. 122.

²⁹ Statistics Sierra Leone (2017). 2015 Population and Housing Census. Thematic Report on Housing Conditions. https://www.statistics.sl/images/StatisticsSL/Documents/Census/2015/sl_2015_phc_thematic_report_on_housing_conditions.pdf (Accessed 27 September 2018). Pgs. 42 – 43.

³⁰ Statistics Sierra Leone (2016). Pg. 126.

³¹ Statistics Sierra Leone (2017). Pg. 42.

³² Statistics Sierra Leone (2017). Pg. 132.

³³ Ibid. Pg. 127.

³⁴ The World Bank (2018). World Development Indicators.

³⁵ African Research Institute (2015). Flooding in Freetown: a failure of planning? 6 November 2015. <https://www.africanresearchinstitute.org/blog/flooding-in-freetown-a-failure-of-planning/> (Accessed 28 September 2018).

³⁶ MCC (nd.). Sierra Leone Threshold Program. <https://www.mcc.gov/where-we-work/program/sierra-leone-threshold-program> (Accessed 28 September 2018).

³⁷ Statistics Sierra Leone (2016). Pg. 140.

³⁸ The World Bank (2018). Sierra Leone Energy Access Project. <http://projects.worldbank.org/P126180/sierra-leone-energy-access-project-sierra-leone-infrastructure-development-fund?lang=en&tab=overview> (Accessed 28 September 2018).

³⁹ Rogers, S. (2016). Rethinking ‘expert sense’ in international development: the case of Sierra Leone’s housing policy. UCT Graduate School of Business. <https://www.tandfonline.com/doi/pdf/10.1080/03056244.2016.1169163> Pg. 583.

⁴⁰ Moniba, S. (2017). NASSIT housing project in Kenema – a “white elephant”. <https://awoko.org/2017/09/12/sierra-leone-news-nassit-housing-project-in-kenema-a-white-elfehant/> (Accessed 28 September 2018).

⁴¹ Home Leone (2016). Turley and Home Leone: A CSR Partnership Project. <https://homeleone.org/wp-content/uploads/2014/11/Turley-and-Home-Leone-report.pdf> (Accessed 28 September 2018).

⁴² Villa, S. (2018). SALHOC discusses solutions to affordable housing. <https://awoko.org/2018/07/18/sierra-leone-news-salhoc-discusses-solutions-to-affordable-housing/> (Accessed 28 September 2018).

⁴³ The Government of Sierra Leone. (nd). The Agenda for Prosperity: Sierra Leone’s Third Generation Poverty Reduction Paper: 2013 – 2018. http://www.undp.org/content/dam/sierraleone/docs/projectdocuments/povreduction/undp_sle_The%20Agenda%20for%20Prosperity%20.pdf (Accessed 28 September 2018).

⁴⁴ Villa, S. (2018).

⁴⁵ The World Bank (2018). Ease of doing business in Sierra Leone.

⁴⁶ Ibid.

⁴⁷ Joaque, Z. (2017). Land rights policy contributes to poverty reduction. <https://awoko.org/2017/07/28/sierra-leone-news-land-rights-policy-contributes-to-poverty-reduction/> (Accessed 28 September 2018).

⁴⁸ Bangura, J. (nd). Tenants owe SALHOC billions of leones. <http://slconcordtimes.com/tenants-owe-salhoc-billions-of-leones/> (Accessed 29 September 2018).

⁴⁹ The Government of Sierra Leone (2015). Final National Land Policy of Sierra Leone. Version 6. 1 August 2015. <http://extwprlegs1.fao.org/docs/pdf/siel155203.pdf> (Accessed 29 September 2018).

Somalia



Overview

The Federal Republic of Somalia covers an area of 637 657 square kilometres and is comprised of three regions: Puntland, Somaliland, and South-Central Somalia. The regions are autonomously governed with different governance structures. There are 20 urban centres including the capital Mogadishu. In the past three decades, Somalia suffered civil strife, recurrent drought and famine, and violent conflicts.¹ The formation of the Federal Government of Somalia in 2012 established the first permanent government since 1991. Parliamentary and presidential elections were held in December 2016 and February 2017 respectively. However, the political situation remains challenging.²

With an estimated GDP of US\$1 747 million in the financial year 2017/18, Somalia is one of the poorest economies in the world.³ It is ranked 190 in the world in terms of doing business.⁴ The per capita income increased from US\$435 in 2016 to US\$442 in 2017. A fledgling agriculture sector, grants, donor support, remittances, and foreign direct investment, mostly by the Somali diaspora, remain the main sources of economic growth. The Somali diaspora provide over 80 percent of the start-up capital for small and medium enterprises. Somalia has substantial unexplored mineral deposits, agriculture and fishing. Livestock rearing is the backbone of the economy and accounts for 80 percent of foreign exchange receipts and 60 percent of the population derives a livelihood from livestock production. Almost half of the country's population requires a humanitarian response because of the severe drought.⁵ Since 2013, the donor community has given more than US\$4.5 billion in humanitarian and developmental grants. The perpetual instability compounds the challenges to restore peace, stability and economic prosperity.

The population of Somalia is 15.1 million.⁶ At least 67 percent is rural, and the remaining 32 percent is urban. According to UN-Habitat, the urban population is expected to increase to 44.6 percent by 2025. The Somalia National Development Plan 2017-2019 shows that 69 percent of the population lives below the poverty line, 88 percent of the internally displaced population is poor; 75 percent and 67 percent of the rural and urban population respectively are also poor. A weak government, insecurity, and natural disasters such as floods and droughts all aggravate poverty.⁷ Almost 70 percent of the population is under the age of 30. The youth unemployment rates are estimated at 67 percent.⁸ This predisposes the youth to violence and criminal activities. Currently only

KEY FIGURES

Main urban centres	Mogadishu
Exchange rate: 1 US\$ = [a] 6 Jul 2018	571.03 Somali shilling
PPP Exchange rate (Local currency/PPP\$) 1 Somali shilling =	n/a
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018 [b]	1.28 5.24 2.80
Population [c] Urban population size [d]	15 100 000 4 968 526
Population growth rate 2017 [d] Urbanisation rate [e]	3.00% 4.06%
Percentage of the total population below National Poverty Line	n/a
Unemployment rate 2017	67.0%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$7 369 million 3.10%
GDP per capita (Current US\$) 2017 [b]	US\$500
GNI per capita (Current US\$) 2017 [b]	US\$521
Gini co-efficient	n/a
HDI global ranking HDI country index score	n/a n/a
Is there a deeds registry?	No
Number of residential properties that have a title deed	n/a
Lending interest rate	n/a
Mortgage interest rate Mortgage term (years)	7.50% 20
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre [f] Outside City Centre [f]	0.12 0.13
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$14.00
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	39 970 000 Somali shilling
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$70 000
What is the size of this house (m ²)?	n/a
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	400m ²
Ease of Doing Business Rank [g]	190
Number of procedures to register property [g]	n/a
Time to register property (days) [g]	30 days
Cost to register property (as % of property value) [g]	n/a

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	IMF World Economic Outlook Database
[c]	Worldometers
[d]	UN World Population Prospects
[e]	Central Intelligence Agency (CIA) World Factbook
[f]	Numbeo
[g]	World Bank Doing Business

41.8 percent of school-aged children are enrolled in primary schools and less than eight percent of secondary age children attend secondary schools.

Access to finance

Before 1991 Somalia had a basic financial system comprising the Central Bank of Somalia and three commercial banks. During 1991-2011, Somalia was suspended from accessing global financial markets and did not have functioning banks. In the last decade, the banking system has been revitalised. From 1991 to 2009 the informal financial sector – Hawalas – developed and filled the gap by providing basic financial services especially trust-based loans, international remittances as well as domestic financial transactions, and money transfer services.⁹ The formal financial sector is small and concentrated in Mogadishu with each institution having only a few branches in other parts of the country. It comprises the Central Bank of Somalia (CBS), six banks with provisional licences, and 12 licensed Money Transfer Operators (MTOs). The CBS and Somali financial institutions are taking crucial steps to modernise national payments systems. The World Bank, the CBS and private financial institutions are streamlining their efforts to strengthen the

inter-bank payment, clearing and settlement systems in Somalia.¹⁰ In 2017 the CBS considered 13 applications for commercial bank licences. There are six commercial banks: International Bank of Somalia; First Somali Bank; Salaam Somali Bank; Somalia Premier Bank; and Tawakal Money Express. The four Islamic financial institutions offering mortgage/home loans are Salaam Somali Bank, Dahabshil Bank International, Premier Bank and International Bank of Somalia.

In 2017, the balance sheet of the CBS was stable with assets estimated at US\$9.2 million. Most operations in the country are on a cash basis and the US dollar is the popular unit currency of operation, despite the reintroduction of the Somali shilling (SOS). The US dollar is approximately SOS571.03. The CBS does not control the exchange rate or the supply of the Somali shilling. It has not issued any bank notes since 1991 and the bulk of payments are settled in US dollars, mobile phone platforms, and counterfeit SOS notes. Moreover, official international reserves are relatively low. The capitalisation of banks remains strong and their assets increased by 20.5 percent in 2016.¹¹ Industry capitalisation is about 40 percent. Only one bank does not meet the minimum capital requirement of US\$5 million.¹² The Federal Government of Somalia has embarked on a process of structural, legislative, and institutional reform. The CBS regulates and supervises the finance sector. The CBS has six strategic goals: formalising the private sector; establishing an effective monetary policy; building a strong banking operations foundation; increasing organisational effectiveness; strengthening reporting and transparency; and promoting good governance.¹³

MTOs dominate the formal and informal financial sector. The MTOs facilitate the transfer of remittances from the Somali diaspora, donor resources and foreign investments. However, the formal banking sector is improving. Seven banks have been registered since 2012. These include: Amal Bank; Premier Bank; International Bank of Somalia; Dahabshil Bank International; Salam Somali Bank; Dayreel Bank; and Tawakal Global Bank). There are 11 money transfer operators. These are: Amal Money Transfer; Amana Online Money Transfer; Dahabshil Money Transfer; Hodan Global Money Transfer; Jubba Money Transfer; Kaah Express Money Transfer; Taaj Money Transfer; Tawakal Money Transfer; Iftin Money Transfer; Globalex Money Transfer; and Horyal Express Money Transfer. The transactions of the MTOs are estimated at US\$1.5 billion in annual remittances to Somalia compared to Somalia's GDP in 2016 of US\$6.2 billion.

Only three percent of the population is banked. There are no fixed income markets in Somalia and no formal credit facilities. Seventy percent of the population has access to mobile services and access to financial services is mainly based on innovative mobile telephony schemes.¹⁴ Only 15 percent of the population has accounts with formal banks, and 73 percent of the population use mobile money. The use of mobile money to transfer incoming international remittances domestically reflects the strong links that exist between mobile network operators and money transfer businesses.

There are few mortgages in Somalia, although access to finance by households is improving through the growing microfinance sector. Silatech, Kaah Express, Barwaq Microfinance Bank and Kaaba Microfinance Institution are the main actors in the sector. Loans are offered for a period of up to six months. Microfinance facilities and informal facilitators charge between five percent and 10 percent commission. Alternatively, loans are also secured through family members.

Affordability

In 2015, the average house price per square meter was US\$250 and the average plot size is 400m². According to a recent news article, the price of the cheapest newly built house built by a developer in Somalia is US\$70 000 with double storey houses costing approximately US\$130 000. Assuming a mean housing price of US\$100 000, this would be affordable to almost zero percent of the Somali population. This house would cost US\$769 a month, and US\$276 809 over the term, at an interest rate of 8.5 percent, zero percent deposit and repaid over a 30-year period.¹⁵ Given that the average monthly salary after tax is US\$225 illustrates how unaffordable formal home ownership is for the average Somali.

Numbeo shows apartment rentals ranging from US\$50 to US\$350 a month and between US\$50 and US\$150 a month, inside the city and outside the city centre respectively. Accounts of Somali investors point to a booming rental market. Development experts note that rent has increased in some places from US\$300

five years ago to between US\$2 000 and US\$3 000 in 2016 in urban areas such as Mogadishu and Hargeisa. An average three bed-roomed apartment in the city centre costs between US\$120 and US\$400 to rent while outside the city centre the same apartment would approximately cost between US\$100 and US\$2500.¹⁶ This is inaccessible to most of the households of approximately 5.9 persons each,¹⁷ given that most of the population live below the poverty line of US\$1.90 a day. The high rate of urbanisation has led to many urban dwellers, especially women-headed households, the poor and internally displaced persons (IDPs), living in insecure and unhygienic conditions. They lack access to basic services and are prone to forced evictions.¹⁸ Somalia's public and private housing stock was virtually destroyed after more than 20 years of conflict. In 2005, about 85 percent of the total population was living in slums or partially destroyed housing.¹⁹ Yet the population is growing by almost three percent each year, with a high fertility rate of 6.26 children per woman, which is the fourth highest in the world.²⁰ Housing strategies need to address the population growth, deficit of adequate housing for the current population, the urban poor, IDPs, and refugee returnees.

With 73 percent of the population earning less than US\$60 a month, the affordability for formal housing is extremely limited. Cement costs about US\$14 a 50kg bag. Using the GNI per capita of US\$122.90, approximately nine bags of cement – far below the estimated 35-40 bags of cement that would be required to build a basic 40 square metre house – be purchased. With an income of US\$60, 69.2 percent of the population could afford a house priced at US\$1 951, assuming an interest rate of 8.5 percent and a 30-year repayment period.²¹

Housing supply

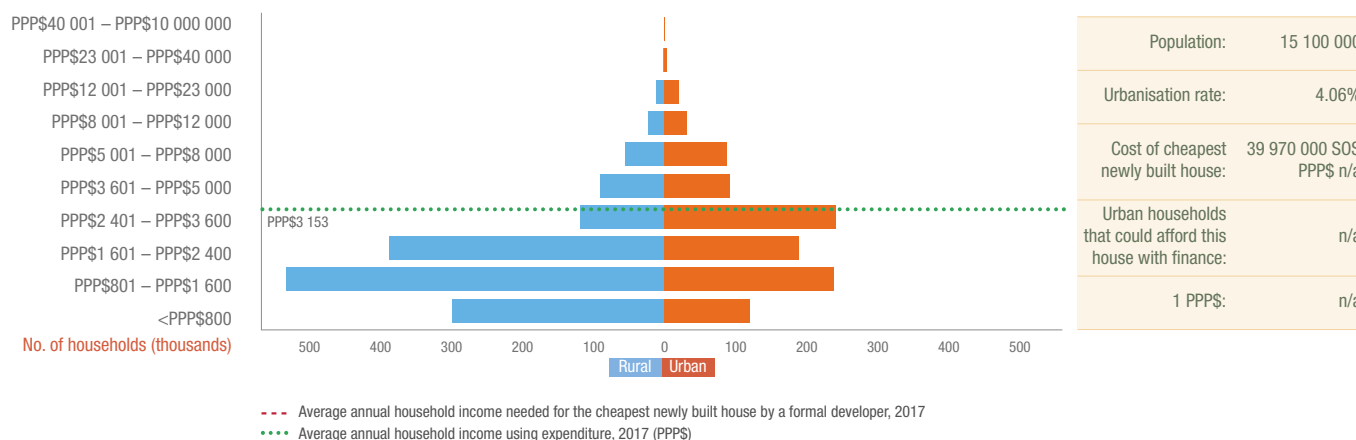
In 2014, the Federal Government of Somalia and the United Nations Population Fund reported that there were approximately 2 076 677 households in Somalia with an average household size of 5.9 people.²² Just under a quarter (24 percent) of the population has access to formal housing (60 percent in urban areas and six percent in rural areas).²³ Adequate housing according to the United Nations Factsheet No. 21/Rev 1 includes the following entitlements: security of tenure; housing, land and property restitution; equal and non-discriminatory access to adequate housing; participation in housing-related decision-making at the national level. Housing is characterised by temporary structures with earthen floors, palm leaf roofs or iron sheet walls and roofs. About 24 percent of houses in Somalia are constructed with durable materials and can be classified as permanent structures. Approximately 56 percent have walls or roofs constructed of semi-durable materials; the remaining 20 percent are temporary. In rural areas, 90 percent of households are owner-occupied as opposed to 60 percent in urban areas. One in every four houses is rented in urban areas as opposed to one in every 25 in rural areas. In addition, one third of those households in urban areas had two or more families living in the same house, with more than half of them sharing a single roomed house.²⁴

Non-governmental organisations (NGOs) and donor aid governments provide a significant portion of the housing especially to those affected by the wars and the internally displaced. These include organisations such as UN-Habitat and the Norwegian Refugee Council among others. The UN-Habitat has been active in Somalia for more than 30 years, and project activities range from targeting immediate local needs, to more strategic attempts to address sustainable urban development through integrated human settlement programmes. UN-Habitat has invested in 19 projects totalling US\$49 million.²⁵ These projects include: Shelter Provision, Reintegration, and Improved Livelihoods for Returnees and Internally Displaced Persons in three towns. The latter was worth US\$3.2 million and includes the construction of 475 houses. The Integration of Long-term IDPs into the Host Community in Bossaso project is worth US\$2 million to build 524 houses. The Shelter Provision, Reintegration, and Improved Livelihoods for Returnees and IDPs project is worth US\$2.3 million to build 335 houses. These three projects are funded by the Government of Japan and are intended to provide security of land tenure and permanent housing, social infrastructure, and skills training for 1 334 vulnerable IDP families in Bossaso and Berbera towns.²⁶

The diaspora is also investing in housing. Other developers include the Salaam Bank and individual investors. This is contributing to decongesting Mogadishu as well as offering better quality lives to those who can afford it. Salaam Properties, a development company established in 2014, is an important actor. It is currently developing Darul Salaam City, the first large-scale housing project in Somalia, which will ultimately comprise 6 000 housing units, and will be constructed over a three-

SOMALIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

year period with a total project cost of US\$20 million.²⁷ Jazeera Estate in Mogadishu is a gated development proposed to have over 1 200 apartments, villas and townhouses as well as commercial and public facilities. According to the Somalia Real Estate Association (SREA), the Jazeera and Darul-Salaam developments will add 10 200 housing units to Somalia's housing stock.²⁸ In 2015, the South African-based NGO Gift of the Givers renovated 47 rooms (three permanent residents a room) in a facility for people living with disabilities in the Hamarweyn district in Banadir region. A two-storied house within the project costs about US\$1 30 000 while a simple bungalow will cost US\$75 000.²⁹

The construction sector is one of the three main drivers of economic growth. There are approximately 14 companies that supply roofing and construction materials. In 2015, a quarry that had been shut down for more than 30 years, due to security concerns, was reopened. The quarry, in Wadajir district, provides jobs for truck drivers, manual labourers and machine operators.³⁰ An estimated 100 000 tons of cement was imported in 2012. In June 2017, the government transferred ownership of the Berbera Cement Plant to Red Sea Cement. This company is expected to renovate the abandoned 2 000 000 tons integrated cement plant.³¹

Property markets

The property markets comprise land, housing and other property. Before 1991, Somalia had a mixed land tenure system in which some land was owned communally and administered through clan structures, and some was owned privately and administered through the formal legal system, particularly in urban areas.³² The constitution of Somalia under Chapter 3 Article 43 clearly describes land as a primary resource and the basis of the people's livelihood: Land shall be held, used and managed in an equitable, efficient, productive and sustainable manner.³³ In the 1970s, land was nationalised and considered a public asset held by the government in trust for the Somali people. The nationalisation weakened the land management systems. During 1991-2012 there was widespread conflict over land, land grabbing by warlords, and huge displacement of local populations, especially in South-Central Somalia. The increase of IDPs and the return of refugees from outside the country also contributed to significant land disputes.³⁴ Land scarcity, land speculation and illegal enclosures of pastureland are key drivers of land disputes.³⁵

The process of legalising interests in land is complicated, bureaucratic and expensive. Most Somalis buy and sell land without going through a formal system.³⁶ Registering a property entails five procedures, takes 188 days and costs 1.5 percent of the property value.³⁷ Officially, land registration in Somaliland takes approximately 30 days and costs about US\$30, half the average monthly income.³⁸ In many cases the land is unregistered, or ownership cannot be proven in Somalia.³⁹

Policy and regulation

Somaliland's legal system is a combination of formal law, customary law (Xeer) and Sharia law.⁴⁰ Somaliland, Puntland and South-Central Somalia have each formulated specific laws, policies and regulations. Somaliland seems to have made the greatest strides towards formal policies and regulations. The Constitution of Somalia was promulgated in 2012. Land, the environment and natural resources are covered in chapter three.

In Somaliland some of the formal land laws in relation to land include: Agricultural Land Ownership Law (1999); Somaliland Constitution (2001); Urban Land Management Law (2001); and the Land Tenure Act (2009). The legal framework in place in South Central Somalia is similar to Somaliland, though it has not passed any laws relating to land since 1991. These are also less enforced due to the low capacity of the courts and the absence of Land Dispute Tribunals.⁴¹

Customary law or Xeer is an unwritten system of laws administered through consultations among elders and focuses on the rights and obligations of one clan to another. Xeer also addresses numerous aspects of land management with a focus on pastoral land use. Although Xeer law can vary based on agreements between clans, Xeer law tends to view rangelands as a collective clan asset. However, clans are expected to allow other clans to graze on the land, particularly in times of need. Xeer also contains prohibitions on building enclosures or permanent settlements on pastureland.⁴² Current applications of Sharia law overlap with land tenure in the realm of inheritance, but the impact seems to be relatively limited.

SREA was established in 2014 to provide professional assistance to the real estate sector and to assist the government in establishing a proper regulatory framework. The organisation aims to streamline the real estate sector and draw together all those involved in the Somali real estate business, from landowners to developers.

Opportunities

Somalia Vision 2030 aims to achieve economic prosperity and social well-being for the people of Somaliland, building on the country's success in establishing peace, stability, and democratic institutions.⁴³ An investment in economic infrastructure such as roads, railways, ports and communication will also realise more opportunities in the social infrastructure of the country including the housing sector. The return of peace and the formation of a federal government is bringing stability to the economy, meaning that the area is safe for long-term investment. The growth of towns presents several opportunities for housing.

To support Somalia's flourishing entrepreneurs, the African Development Bank (AfDB), IMF, World Bank, United Nations (UN) and bilateral partners are supporting reforms.⁴⁴ These reforms include access to finance, sector regulation and better financial intermediation. The commitment to establishing formal finance institutions and to operationalise the Central Bank of Somalia is improving the investment environment.

Sources

African Development Bank (2014). Partner of Choice for Eastern Africa We Want: East Africa Regional Centre, Nairobi, Kenya.

African Development Bank (2014). African Economic Outlook: Global Value Chains and Africa's Industrialisation. Africa Development Bank.

African Development Bank (2017). Annual report 2017. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/AfDB_Annual_Report_2017_EN.pdf (Accessed 20 Aug 2018).

African Development Bank Group (2013). Somalia: Country Brief 2013-2015. East Africa Regional Centre.

African Development Bank Group (2018). African Economic Outlook. <https://www.afdb.org/en/knowledge/publications/african-economic-outlook/> (Accessed 20 Aug 2018).

Aid Coordination Unit office of the Prime Minister, Federal Republic of Somalia. (2017). Aid Flows in Somalia: Analysis of aid flow data. Federal Republic of Somalia.

Bertelsmann Stiftung's Transformation Index (BTI) (2014). Somalia Country Report.

Central Intelligence Agency (CIA). The World Factbook: Somalia. <https://www.cia.gov/library/publications/the-world-factbook/geos/so.html> (Accessed 4 July 2018).

Federal Republic of Somalia (2013). Economic Recovery Plan 2014 - 2015.

IHS Markit (2017). Country Reports: Somalia. <https://www.garda.com/crisis24/country-reports/somalia> (Accessed 20 Aug 2018).

International Monetary Fund (IMF) (2015). Somalia 2015 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Somalia.

IMF (2016). Letter of Intent, Memorandum on Economic Financial Policies, and Technical Memorandum of Understanding International Monetary Fund.

IMF (2017). Second and Final Review under the Staff-Monitored Program and Request for a New Staff Monitored Program- Press Release and Staff Report. IMF Country Report No. 17/2014. Pg. 5. <https://www.imf.org/en/Publications/CR/Issues/2017/07/11/Somalia-Second-and-Final-Review-Under-the-Staff-Monitored-Program-and-Request-for-a-New-45065> (Accessed 6 July 2018).

IMF (2018). Somalia: second and final review under the staff monitors program and request for a new staff monitors program - press release and staff report : Country report No. 18/212. Washington DC : Publication services.

Making Finance Work for Africa (2016). Country Financial Sector Profile – Somalia. https://www.mfw4a.org/fileadmin/data_storage/documents/MFW4A-documents/Country_FSP_SOMALIA.pdf (Accessed 10 July 2018).

Ministry of Foreign Affairs and Investment Promotion (2015). Resourceful Somalia. <http://www.wardheernews.com/wp-content/uploads/2015/02/Somalia-Monetary-policy-By-Dalmar.pdf>

Mohamed Dalmar (2015). Somalia: A Long Road to Currency Reform. Wardheer News.

Norwegian Refugee Council (2016). Housing, Land and Property Rights for Displaced Women.

Norwegian Refugee Council and Legal Action Worldwide (2014). Housing Land and Property Issues in Somalia: Persons of concern in Somaliland and South-Centra Somalia.

Norwegian Refugee Council, UN-Habitat and UNHCR (2013). Land, Property & Housing in Somalia.

SAHAN Statebuilding Team (2015). Somalia's Troubled Transition: Vision 2016 Revisited.

Shuraako Org (2013). Somalia Banking: Transfers, Challenges and Opportunities. <http://shuraako.org/sites/default/files/documents/Land%20Tenure%20in%20Somalia%20A%20Potential%20Foundation%20for%20Security%20and%20Prosperity.pdf> (Accessed 20 Aug 2018).

Shuraako (2014). Land Tenure in Somalia: A Potential Foundation for Security and Prosperity. Pgs. 6-13.

Sungow, J.A. (2017). "Somalia's Governance Challenges." WardheerNews. 8 February 2017. <http://www.wardheernews.com/somalias-governance-challenges/> (Accessed 4 July 2018).

The Economist (2017). Country Report: Somalia.

United Nations Development Programme (2012). Somalia Human Development Report 2012.

<http://www.undp.org/content/undp/en/home/librarypage/hdr/Somalia-human-development-report-2012.html> (Accessed 10 July 2018).

United Nations Fund for Population (2014). Population Estimation Survey 2014 for the 18 Pre-War Regions of Somalia.

United Nations Fund for Population (UNFPA) (2016). Population Estimates for Somalia.vol.5 UNFPA.

United States Agency for International Development (USAID) (2016). Strategic Framework for Somalia: 2016-2019.

https://www.usaid.gov/sites/default/files/documents/1860/Public_Strategy_USAID_Somalia_03.29.2017_3.pdf (Accessed 10 July 2018).

World Bank (2017). "Doing Business- Measuring business regulations: Somalia." <http://www.doingbusiness.org/data/exploreeconomies/somalia>. (Accessed 6 July 2018).

Websites

www.kiva.org

www.somalieconomicforum.org

www.somaliinvestments.com

<http://somaliiinvestor.so/>

www.somalilandpress.com

<http://tradeinvestsomalia.com/>

www.tradingeconomics.com/somalia/export

<https://tradingeconomics.com/somalia/indicators>

www.unhabitat.org/somalia/

¹ Sungow, J.A. (2017).

² IHS Markit (2017). Country Reports: Somalia.

³ Central Intelligence Agency (CIA) World Factbook.

⁴ World Bank (2017). Doing Business- measuring business regulations.

⁵ International Monetary Fund (IMF) (2017).

⁶ Worldometer (2018). Somalia Population. <http://www.worldometers.info/world-population/somalia-population/> (Accessed 6 July 2018).

⁷ United States Agency for International Development (USAID) (2016).

⁸ UNDP (2012).

⁹ Making Finance Work for Africa (2016).

¹⁰ World Bank (2018). "Press Release: Central bank of Somalia and Somali financial institutions taking steps to modernize banking sector." 18 Jan 2018. <http://www.worldbank.org/en/news/press-release/2018/01/18/central-bank-of-somalia-and-somali-financial-institutions-take-crucial-steps-to-modernize-banking-sector>

¹¹ International Monetary Fund (IMF) (2017).

¹² African Development Bank (2017).

¹³ Centre for Affordable Housing Finance in Africa. (2017). Housing Finance in Africa Year Book, 2017.

¹⁴ Shuraako (2013).

¹⁵ Centre for Affordable Housing Finance Africa. (2016). Housing Finance in Africa Year book, 2016. Centre for Affordable Housing Finance.

¹⁶ Numbeo (2018). https://www.numbeo.com/cost-of-living/country_result.jsp?country=Somalia (Accessed 6 July 2018).

¹⁷ United Nations Fund for Population (UNFPA) (2016).

¹⁸ Federal Government of Somalia (2017). Somalia National Development Plan 2017-2019.

¹⁹ <http://www.encyclopedia.com/topic/Somalia.aspx>.

²⁰ World Population Review. Somalia Population.

<http://worldpopulationreview.com/countries/somalia-population/>

²¹ Centre for Affordable Housing Finance Africa (2016). Housing Finance in Africa Year Book, 2016.

²² United Nations Population Fund (2014). Population Estimation Survey 2014 for the 18 Pre-War Regions of Somalia.

²³ Norwegian Refugee Council, UN-Habitat and UNHCR (2013). Land, Property & Housing in Somalia.

²⁴ UN-Habitat (2008). World Cities Report.

²⁵ Ibid.

²⁶ UN-Habitat (2016). World Cities Report.

²⁷ Sowetan Live (2016). "Housing boom as Mogadishu emerges from ashes of war"

²⁸ The Somali Investor (2016). "Rediscovering real estate in Somalia: A paradigm shift." 9 April 2016. www.somaliiinvestor.so/rediscovering-real-estate-in-somalia-a-paradigm-shift/ (Accessed 20 Aug 2018).

²⁹ Africa property news (2016). "Somalia's housing sector gains momentum." 12 Jan 2016. <http://www.africapropertynews.com/east-africa/3192-somalia-housing-sector-gains-momentum.html> (Accessed 20 Aug 2018).

³⁰ African Union Mission in Somalia (AMISOM) (2016). "Construction Sector Driving Somalia's Economic Recovery." 21 April 2016. www.amisom-au.org/2016/04/construction-sector-driving-somalias-economic-recovery/ (Accessed 20 Aug 2018).

³¹ Global Cement (2017). "Somaliland government gives ownership of Berbera Cement Plant to Red Sea Cement." 14 June 2017. www.globalcement.com/news/item/6214-somaliland-government-gives-ownership-of-berbera-cement-plant-to-red-sea-cement (Accessed 20 Aug 2018).

³² Norwegian Refugee Council and Legal Action Worldwide (2014).

³³ Federal Republic of Somalia (2012). Constitution of the Federal Republic of Somalia.

³⁴ Norwegian Refugee Council and Legal Action Worldwide (2014).

³⁵ African Development Bank (2013). Somalia Annual report.

³⁶ Ibid.

³⁷ Centre for Affordable Housing Finance Africa (2017). Housing Finance in Africa Year Book, 2017.

³⁸ UN-Habitat (2011). World Cities Report.

³⁹ The Guardian. (2013). Responses to information requests – Immigration and refugee Board of Canada.

<https://www.justice.gov/sites/default/files/eoir/legacy/2013/12/13/SOM104486.FE.pdf> (Accessed 20 Aug 2018).

⁴⁰ Farah, H.M. (2009). Baseline assessment of the Somaliland judiciary.

⁴¹ Ibid.

⁴² Shuraako.org (2014). Pg. 13.

⁴³ Republic of Somaliland (2011). Somaliland Vision 2030.

⁴⁴ The Economist Intelligence Unit (2017). Country Report Somalia.

South Africa



Overview

With a population estimated at 57.73 million in 2018,¹ South Africa's Gross Domestic Product (GDP) was R4.604 trillion (US\$319.9 billion) in 2017, forecast to rise to R4.94 trillion (US\$343.3 billion) in 2018.^{2,3} Although South Africa has the 2nd largest economy in Africa (after Nigeria), it ranks 4th in Africa in GDP per capita, after Mauritius, Gabon and Botswana.⁴ In recent years, South Africa's GDP per capita has been decreasing, from a high of US\$6 823 in 2013 to US\$6 161 in 2017.⁵

Since the establishment of the democratic state in 1994, the government has prioritised an extensive social security and poverty alleviation programme providing social grants, free basic education and health care, government-subsidised housing, and targeted infrastructure investment for basic services. Between 1994 and December 2017, government reports that it has built 2.975 million houses for low income households as part of a massive government-subsidised programme aimed at providing adequate shelter; increasing home ownership, and reversing the spatial divisions which are a legacy of the apartheid regime.⁶

The focus on social security and developmental spending notwithstanding, South Africa remains one of the least equal economies in the world, with a Gini index of 62.8 in 2017. South Africa continues to be plagued by massive unemployment and persistent inequality. The unemployment rate reached 27.2 percent in Q3 2017, the highest since September 2003.^{7,8} The lack of job opportunities is a critical concern for graduates and youth; in 2018, unemployment among youth aged 15-24 (who make up 17 percent of the population) was 32.4 percent.⁹

Economic growth has been insufficient to tackle the key issues of poverty, unemployment and inequality. Real GDP growth in 2017 was 1.0 percent, an increase from 0.3 percent in 2016.¹⁰ However, Q1 2018 GDP growth was -2.6%, followed by -0.7% growth in Q2, according to Statistics SA. As a result, South Africa is now technically in a recession (defined by two consecutive quarters of negative GDP).¹¹ Across the region, average growth in Sub-Saharan Africa is expected to remain moderate at 2.7 percent in 2017, rising to 3.5 percent in 2019.¹²

Due to poor economic performance, compounded by political uncertainty and social unrest, Fitch, S&P Global and Moody's Rating Agencies downgraded the investment outlook for South Africa in November 2017 after assessing the country's credit rating.¹³ Concerns regarding the poor governance of state-owned entities – mostly notably the national airline, South African Airways, and Eskom, the electricity provider – also contributed to the downgrade and weakened investor confidence. The announcement in January 2018 of fee-free higher education and

KEY FIGURES

Main urban centres	Pretoria, Johannesburg Cape Town
Exchange rate: 1 US\$ = [a] 10 Sept 2018	14.39 South African Rand
PPP Exchange rate (Local currency/PPP\$) 1 South African Rand = [b] 6.10	
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	6.30 5.30 5.30
Population [d] Urban population size 2017 [b]	57 730 000 37 309 680
Population growth rate [d] Urbanisation rate [b]	1.18% 1.99%
Percentage of the total population below National Poverty Line [d]	25.20%
Unemployment rate Q2 2018 [d]	27.20%
GDP (Current US\$) [c] GDP growth rate annual 2017 [c]	US\$349 300 million 1.50%
GDP per capita (Current US\$) 2017 [b]	US\$6 161
GNI per capita (Current US\$) 2017 [b]	US\$5 430
Gini co-efficient 2017 [b]	62.80
HDI global ranking [e] HDI country index score [e]	113 0.699
Is there a deeds registry?	Yes
Number of residential properties that have a title deed [f]	6 378 922
Lending interest rate [g]	10.00%
Mortgage interest rate [g] Mortgage term (years) [g]	10% 20
Downpayment [g]	10%
Mortgage book as a percentage of the GDP 2017 [h]	28.8%
Estimated number of mortgages [f]	2 387 796
Price to Rent Ratio in City Centre [i] Outside City Centre [i]	9.69 8.87
Gross Rental Yield in City Centre [i] Outside City Centre [i]	10.23% 11.28%
Construction as a % of GDP 2017 [h]	3.40%
What is the cost of standard 50kg bag of cement? [j]	US\$4.30
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [k]	352 000 South African Rand
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [k]	US\$24 461
What is the size of this house (m ²)?	40m ²
What is the average rental price for this unit (US\$)?	US\$232
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [l]	82
Number of procedures to register property [l]	7
Time to register property (days) [l]	23
Cost to register property (as % of property value) [l]	7.30%

NB: Figures are for 2018 unless stated otherwise.

- [a] Coinmill.com
- [b] World Bank World Development Indicators
- [c] National Treasury Budget Review 2018
- [d] Statistics South Africa
- [e] UNDP Development Indicators
- [f] Lightstone Property
- [g] First National Bank South Africa
- [h] South African Reserve Bank
- [i] Numbeo
- [j] Builders Warehouse
- [k] Cosmopolitan Homes
- [l] World Bank Doing Business

Member organisations of the African Union for Housing Finance (AUHF):

- First National Bank - International Home Loans
- Home Finance Guarantors Africa Reinsurance
- Gauteng Partnership Fund
- The Banking Association South Africa

training for students who cannot afford tertiary education has also put immense pressure on the fiscus, alongside an escalating public wage bill.

However consumer confidence showed improvement in the first two quarters of 2018.¹⁴ This was primarily a result of perceived improved economic and political prospects following the removal of the incumbent president, Jacob Zuma by the ruling party, the African National Congress (ANC). The ANC, which has been the political party in power since 1994, has seen a decline in support in the last ten years. However since the ANC's national elective conference in January 2018 which saw Zuma replaced by Cyril Ramaphosa as the President of the ruling party, significant and visible steps have been taken to stamp out corruption and ensure good governance, in state-owned-entities especially. Still, there are fears that political uncertainty heading into the 2019 national elections will hinder growth and investment, and that the implications of "state capture" which took hold over the last 5-10 years, will have long-reaching effects that cannot be easily or quickly rectified.

These developments have had a noticeable impact on the exchange rate and inflation. The Rand began 2016 in a weak position at R16.89/US\$1 (20 Jan 2016) and then improved, reaching R11.56/US\$1 on 26 Feb 2018. However the currency has weakened since then, to a recent low of R15.43/US\$1 on 5 Sept 2018.¹⁵ South Africa has followed a monetary policy of inflation targeting since 2000; on the whole, inflation has stayed within the target range of 3 to 6 percent.¹⁶ CPI inflation was 5.3 percent in 2017, down from 6.3 percent in 2016, and electricity inflation has stabilised, dropping from 9.2 percent in 2016 to 4.7 percent in 2017.¹⁷ As of 2018, inflation pressures have arisen, partially due to an increase in value-added-tax (VAT) from 14 percent to 15 percent, as of 1 April 2018. Looking forward, CPI inflation is expected to hold steady at 5.3 percent in 2018.¹⁸

With well-developed transportation, information technology, and services infrastructure, South Africa's economy was historically dominated by mining, but is currently led by the services sector. Transport, electricity, trade and finance sectors are contributing to growth while the mining and manufacturing sectors are experiencing contractions. The construction sector has recorded poor performance; compared to 1.7 percent growth in 2015, growth in real value added in construction only reached 0.4 percent in the first three quarters of 2017.¹⁹

Nevertheless, the construction sector is a notable contributor to GDP, adding 3.4 percent to South Africa's GDP in 2017.²⁰ Research by CAHF using 2016 data showed that residential construction and rental sectors contribute 4.1 percent to GDP (including intermediate outputs), making their contribution equivalent to the entire agriculture, forestry and fishing sector; the food sector; and the energy sector. The research also demonstrated that residential construction and rental is a R60.5 billion (US\$4.2 billion) industry, employing 468 000 people annually.²¹

After a boost in investor confidence due to the installation of President Ramaphosa, investor confidence has fallen back in the 2nd and 3rd quarters of 2018,²² largely due to political uncertainties, ongoing corruption issues and concerns with the current debate regarding the legal framework for expropriation of land without compensation. In its 2018 Doing Business Report, the World Bank ranked South Africa 82nd (down, from 74th in 2017), and fifth in Sub-Saharan Africa.²³ Poor performance in the rankings is in the areas of registering property, paying taxes, and obtaining construction permits.

Access to finance

South Africa benefits from a sophisticated banking system with 36 local institutions: 19 registered banks, 3 mutual banks, 3 cooperative banks and 15 local branches of foreign banks – plus 31 foreign banks with approved local representative offices. Five banks dominate: Absa Bank, First National Bank, Nedbank, Standard Bank and Capitec. The capital-adequacy ratio for the banking sector was 16.12 percent in January 2018, compared to 15.88 the previous year, well above the minimum regulatory requirement.²⁴ The 2017 FinScope survey found that 77 percent of the South African adult population is banked. The use of non-bank financial services increased from 66 percent in 2016 to 69 percent in 2017.²⁵ Government is taking steps to expand the reach of competitive, affordable banking services through digital banking especially; in 2017 three new bank licenses were approved. The application by the South African Post Office's Postbank for a banking license, to allow it to offer a full range of services, is still pending approval.²⁶

South Africa also has a well-developed mortgage market. The ratio of mortgage debt outstanding to GDP is currently 28.8 percent (2017), down from a high of 40.9 percent in 2008.²⁷ According to the National Credit Regulator (NCR), the total outstanding gross debtors book of consumer credit for the quarter ended March 2018 was R1.78 trillion, of which R913.78 billion, or 51.41%, was mortgages.²⁸ However, while origination grew in real terms between 2010 and 2015, the nominal book value of bank mortgages remains below pre-Global Financial Crisis levels in real terms. In 2017, new loans accounted for only 20 percent of total book value, versus 60 percent of total book value in 2005, when the market grew 43 percent year-on-year in loans paid out. Recent research commissioned by CAHF estimates that in 2007, 14.5 percent of households in South Africa had a mortgage. By 2016, this had declined to 9.7 percent of households.²⁹

Broadening access to financial services has been an area of focus for the government and the financial sector since the Financial Sector Charter (FSC) came into effect in 2004. The FSC sought to ensure access to financial services for those

previously excluded, primarily low-income earning black South Africans, however progress has been slow. In 2017, government undertook a review and identified key issues, including the need for improved data collection, better monitoring and reporting, sanctions for companies who fail to meet the FSC objectives, and the imperative to raise the transformation targets.³⁰ A new Financial Sector Code was gazetted in December 2017 with the aim of increasing access to financial services for black South African, especially low income households.³¹

However, despite well-developed credit markets and the intentions of the FSC, access to mortgage finance is largely limited to high income earners. Of the 153 467 mortgages granted in 2017, only 6 824 (or 4.4 percent) were granted to individuals with a gross monthly income of R15 000 (US\$1 042) or less.³² Furthermore, consumer indebtedness across all loan products continues to be a concern: 34 percent of borrowers in the income segment of R10 000 to R15 000 (US\$695 – US\$1 042) have at least one account in arrears of three months or more.³³ The prime lending rate is currently 10 percent, having recently peaked at 10.5 percent in March 2016.³⁴ Typically, borrowers in the South African affordable market access mortgages at a premium of two percentage points above the conventional housing market.

Microfinance continues to be a growth area with significant potential, and non-governmental organisations have managed to roll out effective loan products to facilitate incremental building. For example, the Kuyasa Housing Finance Company has developed a successful home improvement loan product and has grown its portfolio. Kuyasa issued 1 756 loans for home improvements in 2017/18, with an average loan amount per customer of R8 000 (US\$556).³⁵

The three main state-supported housing financiers – the National Housing Finance Corporation (NHFC), the Rural Housing Loan Fund (RHFL), and National Urban Reconstruction and Housing Agency (NURCHA)—are undergoing a process of consolidation into a single development finance institution, the Human Settlements Development Bank. The operational consolidation of the three entities is proceeding and the policy has been approved, while the legislation for the Bank's establishment is currently being drafted. The aim of the Bank is to facilitate the increased provision of finance across the human settlements value chain, explicitly supporting construction financing for government-led integrated housing projects in urban areas.³⁶

There are other positive developments impacting on access to housing finance. In June 2018, FSD Africa announced that it was investing R30.496 million (£1.6 million) in Sofala Capital, a private equity company targeting niche market housing finance providers based in Cape Town, to enable them to upscale their construction mortgages in both Zambia and South Africa. The investment will support iBuild Home Loans Pty Limited (iBuild Home Loans), one of Sofala's companies, which provides mortgage loans to low income households who wish to add a room to their house to rent out.³⁷

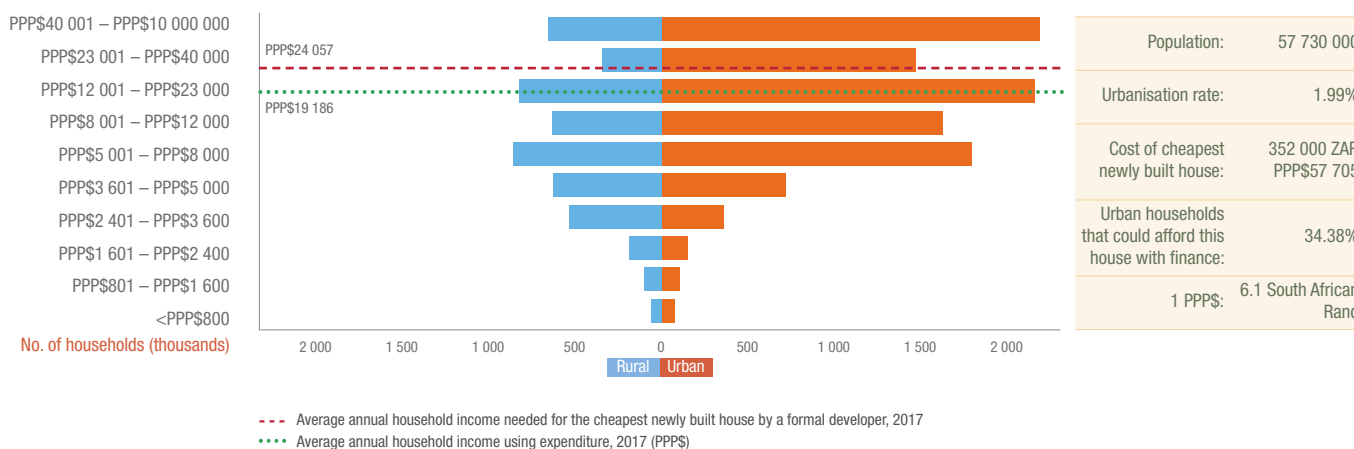
Affordability

Housing affordability in South Africa remains a critical challenge. In 2018, the cheapest, newly built house was estimated at R352 500 (US\$24 496). This house would cost R6 130/month (US\$426) at an interest rate of 10.5 percent over 20 years, assuming a 20 percent deposit. Under these terms, the house would be affordable to only 34.4 percent of urban households.³⁸ Low household incomes; poor credit records limiting access to finance; rising building costs; and scarcity of affordable, well-located land for human settlements development are all factors which contribute to the affordability challenge. According to research undertaken by CAHF to benchmark housing construction costs across 16 African countries, in South Africa construction (labour, materials and indirect costs) comprised 62 percent of the total cost of the house; other development costs (marketing, finance and holding costs, and sales taxes) comprised 18 percent; infrastructure, 12 percent; land, 6 percent; and compliance one percent.³⁹

Government's primary means of addressing the housing backlog and the housing affordability challenge has been focused on the supply side, providing houses to low income households as part of a comprehensive subsidised programme in which government is the delivery agent, as opposed to a demand-side approach to subsidisation. Households earning below R3 500/month (US\$243/month) are eligible for a government-subsidised house at no cost if they meet the qualification criteria.

SOUTH AFRICA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

For those households earning R1 500 to R15 000 (US\$104 – US\$1 042), the social housing programme provides subsidised rental units in targeted urban zones.

Households earning between R3 500 (US\$243) and R22 000 (US\$1 528) fall into the so-called 'gap' market, whereby they earn too much to qualify for a 'free' house from government, and are often unable to access sufficient housing finance from commercial banks to afford the cheapest newly built house, due to insufficient or informal income or poor credit records. To address the needs of the gap market, the government introduced the Finance-Linked Individual Subsidy Programme (FLISP) in 2012. The programme provides a once-off capital subsidy which is tied to an approved mortgage from a bank for a new or existing house. The subsidy works on a sliding scale: the maximum subsidy of R121 626 (US\$8 452) is provided to a person earning R3501/month (US\$243), while a person earning R22 000/month (US\$1 528) is eligible to receive R27 960 (US\$1 943). However FLISP has had very limited take-up, due to institutional issues, limited awareness of the programme, and prolonged approval and disbursement processes. In 2017/18 only 2 295 FLISPs were granted nationwide (against a target of 5000).⁴⁰

Another key government intervention to improve housing affordability for low income households is the Government Employee Housing Scheme (GEHS) which provides a monthly housing allowance of R1 200 (US\$83). Participants save towards a downpayment via an individual linked savings facility; once they have purchased a home, their monthly housing allowance goes towards their bond payment. The GEHS also provides monthly subsidies for employees who rent.

Housing supply

Eighty percent of South African households lived in formal dwellings in 2017. Of those living in formal dwellings, 55.5 percent fully own their house and 24.7 percent are renting. A total of 3.1 million households in South Africa live in informal or traditional dwellings (19.1 percent of the total population).⁴¹

As noted above, up to now, government has acted as the primary producer of housing at the low end of the market. According to the 2017 General Household Survey, over 2.8 million households have received a state housing subsidy. However the backlog is massive – estimated at between 2.3 million and 3.7 million units – and annual delivery by government is clearly insufficient to meet demand: in 2017, 135 983 housing opportunities (top structures and serviced sites) were delivered country-wide.⁴² As a result, individuals may wait for up to 15 years on the needs register prior to being selected as a prospective beneficiary.

As part of an effort to significantly boost delivery, government initiated a programme of large scale housing development projects in 2016 – some led by government and some by the private sector. There are a total of 48 approved catalytic human settlements projects nationwide, and implementation has begun, driven in large part by the Housing Development Agency (HDA). In addition to greenfields housing projects, government also invests significant resources in its programme to upgrade informal settlements and provide basic services.

Figures on the number of units delivered annually by the private sector vary: according to StatsSA, 39 014 residential units were completed in 2017, while the National Home Builders Registration Council (NHBCRC) reports that 53 277 units were enrolled in 2016/17.⁴³

In recent years, there has been an increased focus on rental housing, including exploration of how government might support and facilitate of low income rental in backyards. The Social Housing Regulatory Authority (SHRA) has estimated that the demand for social housing units is 235 000 in major urban areas and 83 000 units in secondary towns and cities.⁴⁴ However delivery has fallen far short: a total of 3 535 social housing units were delivered in 2017/18, against a target of 7 915.⁴⁵

A key means to unlock housing supply at the lower end of the market would be to facilitate and promote resale. While government-subsidised properties carry an 8-year restriction on resale, many of the 1.9 million subsidised houses on the deeds registry are now eligible to form part of the resale market. For the remainder of subsidised houses not yet formally transferred, the failure to provide title deeds has made it impossible for them to sell their houses formally.

Property markets

South Africa's residential property market forms the largest component of the South African property market, comprising most of the property assets within the country. By the end of 2017, the South African deeds registry had 7.2 million properties, worth R6.8 trillion (US\$472 billion). Of this, about R5.1 trillion (US\$354 billion) is in the residential sector, involving approximately 6.37 million registered properties. Just over half (57 percent) of the total formal residential property market is found in the eight metropolitan municipalities.

A majority of the residential property market – 58 percent at the end of 2017 – includes homes valued at less than R600 000 (US\$41 695). Thirty-five percent are homes that are valued at less than R300 000 (US\$20 847), of which the majority (about a third of the total residential property market) are estimated to have been fully subsidised by the government.

South Africa has a well-established property market and a world-class cadastral system. According to the 2018 World Bank Doing Business Report, South Africa is ranked 107th of 190 countries globally, in terms of how easy it is to register property. It takes 23 days to go through the seven procedures and costs an estimated 7.3 percent of the property value. However, this is not a useful proxy for residential property, especially at the bottom end of the market, where it can take upwards of ten months for the entire resale transaction process to conclude.⁴⁶ The quality of the land administration index rates South Africa at 14.5, well below the OECD high income country score of 22.7, but above the Sub-Saharan Africa score of 8.6.

The registration of title deeds for government-subsidised properties remains a serious challenge. A Title Deed Restoration Programme is aimed at addressing

the backlog and ensuring the formal registration of government-subsidised housing. As of June 2018, approximately 30 percent of the known backlog has been addressed. However the process is slow and encumbered by administrative obstacles, including legal and planning matters which must be resolved retrospectively, and contestation of ownership in situations where the original beneficiary no longer resides in the house.⁴⁷ The Department reports that only 41 841 title deeds were issued in 2017/18, against a target of over 327 000.⁴⁸

Policy and regulation

The foundation of the policy and legislative framework for housing in South Africa is Section 26 of the Constitution which states that everyone has the right to access to adequate housing and that “the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.” Beginning with the Reconstruction and Development Programme (RDP) in 1994, the state has focused on home ownership as the primary means to fulfil this constitutional right. The RDP, which focused on the rapid rollout of stand-alone 40m² houses transferred to low income households at no cost, was later replaced by the Breaking New Ground (BNG) policy in 2004. BNG heralded a policy shift towards integration and sustainability, and an intention to move the focus away from housing production toward the development of human settlements where neighbourhoods contained economic and social amenities and were spatially integrated into urban areas.

South Africa’s vision and approach for meeting the housing needs of the population was initially set out in the Housing White Paper in 1994. The key piece of sectoral legislation, the Housing Act, followed in 1997 and set out basic roles and relationships of the three spheres of government with respect to housing.⁴⁹ In 2018, the Department of Human Settlements embarked on a comprehensive review of the policy and legislative framework, with the ultimate aim of amending the Housing Act to reflect the shift towards sustainable and integrated human settlements. In 2017, the National Department also revised the 2009 Housing Code, the set of technical guidelines that serve as the basis for implementation of the various national housing programmes.

Other legislation has been enacted to bring about changes in the institutional arrangements for housing delivery. SHRA was established in 2010 to regulate and invest in the delivery of affordable rental homes, with a focus on social housing. To address the scarcity of serviced land for housing, the HDA was established in 2009 with a mission to fast-track the acquisition and release of land for human settlement development. It has since become a fully-fledged property development agency, and provides project management support to municipalities.

Other key legislation is currently being amended. The Property Practitioner’s Bill, gazetted in 2018, seeks to transform the property sector and will replace the old Estate Agencies Affairs Act of 1976. The Department is also amending the HLMDA, which governs reporting requirements by finance institutions on lending patterns and practices; the final HLMDA Amendment Act will be gazetted in 2019. Furthermore, the Rental Housing Amendment Act (No. 35 of 2014) extends greater protections to tenants, including a requirement that all leases – including in the informal sector – be set out in writing. However the date on which the Act comes into effect has not yet been proclaimed by the President.

Opportunities

While the high end of South Africa’s residential property market continues to see growth, the potential at the lower end of the market is largely untapped. With greater interventions to stimulate and enable the functioning of the secondary market at the lower end, demand will increase for affordable housing as households are able to access finance and move up the housing ladder.

In the context of low economic growth and a tight fiscus, there is a growing recognition and acknowledgement that the mass delivery of full-subsidised ownership units to low income households is not sustainable. In upcoming months and years, we are likely to see a shift in government policy towards a greater emphasis on rental housing and the role of the state in enabling and facilitating a functioning property market. Government is also paying more attention to the potential for innovative public-private partnerships, including rent-to-buy schemes, employer-assisted affordable housing, and higher density designs for rental and sectional title.

There is also considerable opportunity for expansion in the microfinance sector, to support the construction of backyard units for rental or incremental building in informal settlements, former township areas, or on government-provided serviced stands. Another notable area of opportunity for investment is in inner city rental and the conversion of office blocks and abandoned buildings into residential accommodation for sale or rent. Looking forward, the need for affordable, well-located housing will only increase as South Africa confronts the prospect of 71.3 percent of the population residing in urban areas by 2030.⁵⁰

Websites

www.chartwellgroup.co.za	www.thehda.gov.za
https://www.flisp.co.za/	www.dhs.gov.za
www.gehs.gov.za	www.ncr.org.za
www.oldmutual.co.za	www.resbank.co.za
www.statssa.gov.za	www.shra.org.za
www.nhfc.co.za	

¹ Statistics South Africa (StatsSA) (2018). Press release: Mid-year population estimate: 2018. 23 July 2018.

² National Treasury – Republic of South Africa (2018). Budget Review 2018. 21 February 2018. Pg. 17.

³ 1 US\$ = 14.39 ZAR as at 10 Sept 2018 (www.coinmill.com).

⁴ Business Tech (2018). The Biggest Economies in Africa. 10 July 2018.

⁵ World Bank (2018). World Bank/World Development Indicators.

⁶ National Department of Human Settlements (2018). HSDG Housing Opportunities and Subsidies Delivered 1994 to 30 December 2017. <http://www.dhs.gov.za/sites/default/files/u16/HSDG%20to%20Dec%202017.pdf> (Accessed 8 Oct 2018).

⁷ National Treasury (2018). Budget Review 2018. Pg. 17.

⁸ Statistics South Africa (2018). Quarterly Labour Force Survey, Quarter 2: 2018. <http://www.statssa.gov.za/publications/P0211/P02112nd Quarter 2018.pdf> (Accessed 2 Oct 2018).

⁹ Statistics South Africa (2018). Quarterly Labour Force Survey, Quarter 2: 2018.

¹⁰ National Treasury (2018). Budget Review 2018. Pg. iv.

¹¹ Statistics South Africa (2018). Economic Growth: The economy shrinks by 0.7% in Q2 2018. <http://www.statssa.gov.za/?p=11507> (Accessed 2 October 2018).

¹² National Treasury (2018). Budget Review 2018. Pg. 15.

¹³ Donnelley, L. (2017). Global credit ratings agency has downgraded South Africa to junk status. 25 Nov 2017. The Mail & Guardian.

¹⁴ Bureau for Economic Research (2018). FNB/BER Consumer Confidence Index (History Data), 2018.

¹⁵ South African Reserve Bank (2018). Selected historical rates. <https://www.resbank.co.za/Research/Rates/Pages/Selected-Historical-Exchange-And-Interest-Rates.aspx> (Accessed 7 Oct 2018).

¹⁶ South African Reserve Bank (2018). The Inflation Target. <https://www.resbank.co.za/MonetaryPolicy/DecisionMaking/Pages/Inflation-Measures.aspx> (Accessed 7 Oct 2018).

¹⁷ National Treasury (2018). Budget Review 2018. Pg. 20.

¹⁸ Ibid. Pg. 20.

¹⁹ Ibid. Pg. 23.

²⁰ Statistics South Africa (2018). Statistical Release: Gross Domestic Product Fourth Quarter 2017. 5 June 2018. Pg. 10.

²¹ Rust, K. (2018). Presentation: “Investment & economic empowerment opportunities in South Africa’s affordable housing sector.” 14 September 2018. Centre for Affordable Housing Finance.

²² Bureau for Economic Research (2018). RMB/BER Business Confidence Index.

²³ World Bank Group (2018). Doing Business: Ranking & Access to Frontier.

²⁴ South African Reserve Bank (2018). Selected South African Banking Sector Trends January 2018.

²⁵ Finmark (2016). Finscope Consumer Survey South Africa 2016.

²⁶ Sefako-Musi, G. (2018). Post Bank, Ithala banking licence approval under spotlight. 19 March 2018. SABC News.

²⁷ South African Reserve Bank online statistical query: <https://www.resbank.co.za/Research/Statistics/Pages/OnlineDownloadFacility.aspx> (Accessed 13 Oct 2018). Total mortgage debt outstanding (KBP1480) at the end of 2017 was R1.34 trillion, against a GDP at current prices (KBP6006) of R4.65 trillion.

²⁸ National Credit Regulator (2018). Consumer Credit Market Report: March 2018.

²⁹ Melzer, I. (2018). Bringing life to mortgage markets in South Africa. <http://housingfinanceafrica.org/documents/bringing-life-to-mortgage-markets-in-south-africa/> (Accessed 13 Oct 2018).

³⁰ National Treasury – Republic of South Africa (2018). Budget Review 2018. Pg. 162.

³¹ Ibid. Pg. 26.

³² National Credit Regulator (2018). Consumer Credit Market Report: March 2018.

³³ 71point4 (2018). Presentation: “Entitled: Reframing the City.” September 2018. Slide 14.

³⁴ Absa. Current and historical prime rate. <https://www.absa.co.za/indices/prime-rate/>

³⁵ Email correspondence with Emma Harrington, Reall, 13 August 2018.

³⁶ Department of Human Settlements (2018). Address by the Honourable Minister of Human Settlements, Ms. Noma-Indya Mfeketo at the presentation of the Department of Human Settlements Budget Vote 2018/19. 10 May 2018.

³⁷ FSD Africa (2018). FSD Africa invests £1.6 million in African housing finance. 22 June 2018.

³⁸ Centre for Affordable Housing Finance. 2018 Dashboard: Calculating Mortgage and Housing Affordability in Africa. www.housingfinanceafrica.org

³⁹ Standard house is defined as a 46 m² house with 9 m² balcony, built on a 120 m² stand, with basic finishes. The costs of building this house were tested across 15 countries. Comparatively, the costs in South Africa were relatively low at US\$28 436 in Pretoria, versus US\$63 241 in Nairobi, Kenya, and US\$26 750 in Dar es Salaam, Tanzania. See: CAHF (2017). Down to Brick Level: Benchmarking Housing Construction Costs in Africa. 7 Nov 2017.

⁴⁰ National Department of Human Settlements (2018). 2017/18 Annual Report. Pg. 60.

⁴¹ StatsSA (2018). Statistical Release PO318: General Household Survey 2017. 21 June 2018.

⁴² National Department of Human Settlements (2018). 2017/18 Annual Report. Pg. 67.

⁴³ 71point4 (2018). Presentation: “Entitled: Reframing the City.” September 2018. Slide 19.

⁴⁴ SHRA (2017). To the Next Level: State of the Social Housing Sector Report 2016.

⁴⁵ National Department of Human Settlements (2018). 2017/18 Annual Report. Pg. 49.

⁴⁶ Melzer (2018). TSC Case Study 1: The time it takes to buy a house in Delft. <http://housingfinanceafrica.org/case-study-1-the-time-it-takes-to-buy-a-house-in-delft/> (Accessed 7 Oct 2018).

⁴⁷ Email correspondence with Anton Arendse, National Co-ordinator: Title Restoration Project, National Department of Human Settlements, 10 October 2018.

⁴⁸ National Department of Human Settlements (2018). 2017/18 Annual Report. Pg. 44.

⁴⁹ Other critical sectoral legislation includes: the Social Housing Act (No. 16 of 2008); the Prevention of Illegal Eviction and Unlawful Occupation of Land Act (No. 19 of 1998, amended); the Housing Consumer Protection Measures Act (No. 95 of 1998); the Rental Housing Act (No. 50 of 1999); the Housing Development Agency Act (No. 23 of 2008); the Home Loans and Mortgage Disclosure Act (No. 63 of 2000); and the Spatial Planning and Land Use Management Act (No. 16 of 2013).

⁵⁰ Department of Cooperative Governance (2016). Integrated Urban Development Framework: A New Deal for South African Cities and Towns.

South Sudan



Overview

The economy of South Sudan has suffered slow progress due to the July 2016 bouts of political insurgency that undermined development gains recorded earlier during relative calm and stability. With the peace deal collapsing in 2016, hundreds of thousands of people were killed and about 5 million were displaced leading to a worsened regional refugee situation. One half of the relatively small population of 12.57 million continue to face severe food insecurity. It is against this background that efforts to restore peace commenced and culminated in the signing of a peace deal between South Sudanese President Salva Kiir and rebel leader Riek Machar on 26 June 2018, which aimed at ending the war.

The peace deal is likely to see an implementation of a permanent ceasefire, cantonments for all forces and the deployment of forces by the Intergovernmental Authority on Development and the African Union to safeguard the ceasefire. Additionally, the country will have three capital cities; namely Juba, Wau and Malakal on a temporary basis to host the three proposed vice-presidents. The Khartoum government will also be allowed to secure oil fields in South Sudan in coordination with the Juba administration, and to rehabilitate the wells to restore the previous levels of production. This is likely to boost trade gains for the most oil-dependent country in the world, whose oil export revenues account for approximately 60 percent of its GDP.¹

South Sudan's GDP per capita was SSP144 719 (US\$1 111) in 2014, dropping to less than SSP30 871 (US\$237) in 2017.² Due to the fragile political state of the country, the subsistence sector has become dominant and livelihoods increasingly rely on low productive, unpaid agriculture and pastoralist work. The country's economic collapse from July 2017 to June 2018 has seen output contract and inflation soar. For the one-year period to June 2018, the economy has contracted by 6.9 percent because of an increasing reliance on low output agriculture and a remarkable decline in oil production. Whereas the contraction in GDP is significantly better than the -11 percent recorded in 2016-2017, the position has worsened the fiscal deficit to over 4 percent of GDP in 2017.

Exports and household consumption have continued to decline while government consumption recorded a sharp increase because of high-level spending on security operations of this fragile political state. Public expenditure is skewed toward security at the expense of development initiatives. Security-related spending accounts for over 70 percent of the total budget whereas, the combined

KEY FIGURES

Main urban centres	Juba
Exchange rate: 1 US\$ = [a] 22 Jul 2018	142.38 South Sudanese pound
PPP Exchange rate (Local currency/PPP\$) 1 South Sudanese pound = [b]	6.90
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	379.8 187.9 104.1
Population 2017 [b] Urban population size 2017 [b]	12 575 714 2 423 089
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	2.78% 4.02%
Percentage of the total population below National Poverty Line	n/a
Unemployment rate [d]	18.5%
GDP (Current US\$) 2017 [d] GDP growth rate annual 2017 [d]	US\$2 870 million -11.1%
GDP per capita (Current US\$) 2017 [b]	US\$237
GNI per capita (Current US\$) 2017 [b]	US\$390
Gini co-efficient [e]	45.50
HDI global ranking [e] HDI country index score [e]	187 0.388
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	24.20%
Mortgage interest rate Mortgage term (years)	24% 24
Downpayment	60%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$45
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	2 135 700 South Sudanese pound
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$15 000
What is the size of this house (m ²)?	120m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	40m ²
Ease of Doing Business Rank [f]	187
Number of procedures to register property [f]	9
Time to register property (days) [m]	50 days
Cost to register property (as % of property value) [f]	15.90%

NB: Figures are for 2018 unless stated otherwise.

- [a] Bank of South Sudan
- [b] World Bank World Development Indicators
- [c] IMF World Economic Outlook Database
- [d] Central Intelligence Agency (CIA) World Factbook
- [e] UNDP Development Indicators
- [f] World Bank Doing Business

expenditure on health and education only sums up to about 6.4 percent of total government outflows. To try to manage the worsening deficit, the authorities have monetised the fiscal deficit against the backdrop of declining domestic and foreign revenues. This has resulted in a steady rise in inflation to unprecedented levels. The inflation rate as measured by the annual Consumer Price Index increased by 480 percent in 2016 and by 155 percent for the one-year period ending in 2017.

The foreign exchange value of the South Sudanese pound (SSP) has continued to depreciate. The monetary authority's decision to move from a fixed to a floating exchange rate arrangement in 2015 resulted in a 830 percent depreciation of the local currency against the US dollar from SSP18.5 per dollar in December 2015 to SSP173 per dollar by August 2017. With the return of relative peace, culminating in the signing of the peace accord in June 2018, the SSP has recovered and trades at SSP130 per dollar in July 2018.

Overall, the new wave of peace and commitment from regional member states towards ensuring sustained peace in the promising nation will most certainly act as a springboard for development initiatives over the next few years. The rapid inflow of resources towards the country's biggest resource, the oil sector, coupled with multiplier effects to other sectors including housing, infrastructure and finance, will encourage development initiatives in the country.

Access to finance

The Bank of South Sudan, at the helm of the country's monetary policy, has been instrumental in licensing financial institutions in the country. The banking industry now boasts 22 commercial banks concentrated in major urban areas of South Sudan. Access to bank branches and ATMs is estimated at 1.4 and 0.76 respectively per 100 000 adults. Access to deposit bank accounts stands at a marginal 6.4 percent. Although access to banking services is still minimal, the rise in commercial banks' presence is monumental as it signifies a 100 percent jump from 11 banks in 2011. The financial sector in South Sudan is still plagued by low levels of regulatory oversight, weak depositor protection legislation and low levels of client financial literacy. The leading financial institutions are regional entities with roots in neighbouring Kenya. These include Kenya Commercial Bank (KCB), Equity Bank and Co-operative Bank. These banks have, however, not derived value from their operations in South Sudan, thus making their subsidiaries in the country unlikely to remain profitable due to the recent conflict and currency depreciation. KCB, Stanbic, Equity Bank, and Co-operative Bank have seen their subsidiaries in the troubled country fall on hard times due to hyperinflation and currency devaluation, coupled with the recent armed conflict that has nearly crippled the fragile country's economy.

To help the economy stabilise and attract investments in the banking industry, the authorities need to put special emphasis on controlling public expenditure, increasing non-oil revenues, encouraging investment and economic diversification and removing subsidies to the national oil company (Nilepet). The 2018 national budget aims to limit the government's ability to deplete the central bank's resources through borrowing, reducing inflation and preventing further depreciation of the South Sudan pound.

In financial services, the insurance industry is nascent, comprising 10 companies, both private and partially government-owned providers. The total premiums collected by the industry amount to US\$0.7 million and is still unavailable to support mortgage lending in the country. The pension sector is a key driver of long-term funding for mortgage lending in many developed and developing nations. The country's Pension Regulation was passed in 2013 but little has been done to establish and support pension schemes in the country. The deduction of civil servant's pension contributions began in late September 2016 for workers at the national government level. This excludes workers at state level. In addition, the Military Pension Scheme, Organised Forces Scheme and private sector schemes are yet to be established.

The microfinance sector is young, underdeveloped, and unregulated. The sector is monitored by the South Sudan Microfinance Development Facility, a joint initiative of the government, the Bank of South Sudan and the Multi-donor Trust Fund, yet these shortfalls remain prevalent. A number of microfinance institutions (MFIs) operate in the country, as well as small savings and cooperatives or Rotating Savings and Credit Associations. The largest MFIs by asset base are BRAC SS (a subsidiary of the Bangladeshi INGO), SUMI (the result of greenfield investment funded by USAID), and FSL (funded by ARC International and Micro Africa Limited). MFIs still face huge operational challenges including high non-performing loans as a result of emigration resulting from civil unrest, and low levels of client financial literacy and business skills, both of which, collectively, drive up the MFIs' cost of doing business.

Overall, the banking industry suffers from limited utilisation of the credit reference bureau due to a low coverage rate and an underdeveloped collateral registry, thereby restricting access to credit facilities. The financial sector has been characterised by high interest spreads of up to 24 percent while most of the lending activity is concentrated in short-term lending, usually between three to 24 months over the entire period of post-independence (2010 and beyond).

Less than eight percent of the entire loan portfolio is attributed to the real building and construction sector, with banks preferring to lend to well-known and well-established individuals and institutional customers. Commercial bank lending is still less advanced with over 90 percent of the loans being short-term (less than a year) at interest rates of between 8 and 10 percent.³

Medium-term loans of one to five years, at interest rates of between 22 and 24 percent, constitute about four percent of the loans. Loans of over five years

constitute the balance (one percent), and they are offered at interest rates of between 18 and 20 percent. The main sectors which received commercial loans include (i) domestic trade, (ii) households, (iii) building and construction and (iv) real estate. The average loan size is estimated at approximately US\$25 000. A high downpayment of up to 60 percent is required to reduce credit risk. However, financial institutions have scaled down housing finance because of rising political tension and increasing credit risk. Some banks have, including Equity Bank, exited the mortgage space.

As an intervention in the financing space, the government introduced a Youth Business Startup Programme to offer financing opportunities to youth in the politically fragile country. Under this programme, approximately SSP130 260 to SSP156 312 (US\$1 000 to US\$1 200) is offered as a grant to youths, of which 60 percent are female beneficiaries. The recipients participate in week-long training for life and business skills before they obtain access to the allotted grant through their respective commercial bank account. The grant is unconditional and can be used for any expenditure at the discretion of the beneficiary.

The initial programme attracted about 6 000 applicants in 2014 and funds were disbursed in 2015 through to 2016. The programme was, however, cancelled due to the outbreak of war in 2016. It is hoped that more youth will be considered with the return of relative peace and calm over 2018, leading to marginal improvements in access to finance.

Affordability

The government of South Sudan has over the past few years been the major economic player in the country, through its various monetary and fiscal arms as well as being the dominant employer after the collapse of the private sector due to armed conflict. With a deteriorating revenue base and rising defence-related spending, the government has largely been financing itself through accumulated arrears to civil servants and printing more money to finance the deficit. Non-payment of salaries to government employees in both urban and rural areas has affected their ability to afford the minimum food basket and has resulted in a number of employees quitting government service. The urban labour force participation rate in urban South Sudan has declined from about 50 percent to about 34 percent between 2016 and 2017. The drop has mainly been attributed to deterioration in the political and economic conditions of the country.

Printing of more money on the other hand accelerated inflation from 187 percent in June 2016 to 550 percent in September 2016, before decelerating to 118 percent in recent months to the end of 2017.⁴ This has resulted in a large loss of wage purchasing power, driving many households into poverty. Poverty among wage-earning households has more than doubled from 28 percent in 2015 to over 65 percent in 2017.

Economic decline has resulted in an increase in poverty from 49 percent in 2015 to 74 percent in 2017, particularly in urban areas.⁵ The urban poverty gap increased by over 54 percent between 2015 and 2017. The gap between the rich and the poor also increased as reflected by the poverty severity index which doubled from 0.10 in 2015 to 0.22 in 2017. Overall, deterioration in economic conditions has led to depressed demand for goods and services across all sectors of the economy.

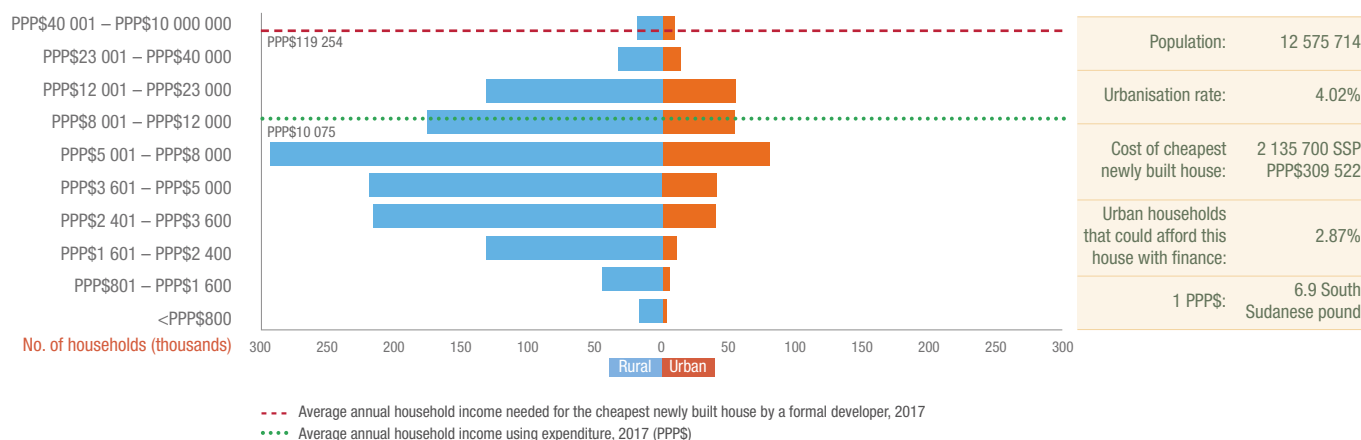
Housing supply

The supply of housing units in South Sudan has continued to weaken amid periods of political unrest. Several small-scale developers that had commenced the supply of low-income housing units stopped because of declining demand for rental houses in South Sudan's major urban centres, including Juba, Wau, Malakal, Bor, Gogrial, Nimule, Yei, Tonj and Torit. The demand for residential housing units had risen because of an increasing presence of not-for-profit organisations and small-business holders serving various segments in the young nation. With the outbreak of war in 2016, most project staff and business operators were forced to flee the country, leaving most housing units vacant. Over the past two years, the supply of housing units has largely been through the re-introduction of formerly occupied residential units that have since lost tenants due to civil strife.

Impediments to housing finance continue to be evident as the major commercial banks including the Co-operative Bank, Equity Bank, KCB Bank and CFC Stanbic

SOUTH SUDAN

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Bank and Buffalo Commercial Bank continue to scale down operations in most areas affected by political instability. A significant number of residents in major cities including Juba continue to reside in temporary structures at a going rate of US\$25 a month for a single room. Furthermore, land acquisition, particularly the high cost of land leases, has deterred prospective investors from developing modest housing projects (between 20 and 50 units).

Property markets

The bulk of housing units in South Sudan are low cost, low quality housing structures mainly constructed for the poor and migrant low cost earners (earning below SSP26 052 (US\$200)). Many peri-urban areas are dotted with grass thatched huts (Tukuls) that are traditionally built for family units and other structures made from iron sheets and timber that are mostly leased to foreign nationals at monthly rates ranging between SSP2 605 (US\$20) and SSP3 908 (US\$30). A few luxury single-suite apartments are also available at rates ranging between SSP325 650 (US\$2 500) and SSP390 780 (US\$ 3 000) a month. Such luxury structures include Liaison Courts with 12 apartments, Tongpin area with 14 units, Atlabara with 20 units, Diplomat, Hudsson and Classiqueson.

The cost of renting these structures varies depending on the developer's business model. Some developers rent the rooms out on a daily rate and others on monthly basis. The daily rates model mostly applies to structures built near markets, with a focus on the mobile traders, especially those delivering items to markets and then heading out of the city once they have sold their merchandise. A daily fee of SSP391 (US\$3) is charged for this usually furnished room with a single bed, plastic seat and table. The monthly payment model targets low income (earning an average of SSP19 539 to SSP26 052 (US\$150 to US\$200) a month) foreign nationals with some level of residence in South Sudan. These are usually market traders, hotel or restaurant attendants, construction labourers and other poor people. Tenants are required to move in with their household items because the monthly rental is not inclusive of furnishing.

Overall, the property market is significantly underdeveloped with most residential areas lacking access to electricity, piped water and clear access roads. This makes such areas unattractive to prospective developers due to additional estate running costs of thermal power generation, water pumping and road maintenance. A few real estate brokers are available, listing some properties in their portfolio at high prices. Other service providers in the housing supply chain are difficult to locate, operating informally in less structured settings. These include architects, quantity surveyors and property valuers. Prospective buyers therefore encounter challenges in ascertaining the true value of properties being offered. The current benchmark of similar structures in nearby localities could be misleading if such properties also appear to be overpriced. Verification of true owners of landed properties tends to be strenuous due to the absence of clear processes at the land records office. Verification of ownership can take weeks, thus hindering immediate conclusion of purchase transactions.

Policy and regulation

In the past year, there have been no new developments in the policy and regulatory environment governing South Sudan's housing finance sector. Efforts to end the protracted conflict have, for two consecutive years, forced the government to prioritise military spending, stifling resources to ministries, departments and agencies whose mandate is relevant to the development of the housing industry and housing finance sector. The country has several policies, strategies and regulatory frameworks that espouse practical and feasible measures on how to adequately and sustainably develop the housing industry and housing finance sector.

The Ministry of Housing, Physical Planning and Environment continues to oversee housing developments in the country and also monitors compliance with established planning and building standards. The Land Act of 2009 continues to govern land use management. Additionally, the government adopted the Land Policy of South Sudan in 2013 to address issues pertaining to land acquisition and land management.

Opportunities

South Sudan is a country with immense growth potential across several sectors of the economy. The bulk of this growth depends on renewed activity in the oil sector, which is likely to commence with the actualisation of the peace agreement signed in June 2018. A few challenges will need to be overcome for the opportunities in the housing sector to be realised. The first is restoring peace and security through cessation of hostilities and implementation of governance and security arrangements that promote private sector-led investments. The delivery of affordable housing entails harnessing both multiple stakeholder initiatives and private sector-led initiatives to ensure housing sector development. To support such initiatives, the government will need to implement comprehensive macroeconomic reforms to unify the official and parallel exchange markets and reduce inflation. This is essential for foreign direct investment in housing and other sectors of the economy. Additionally, clear plans for longer-term action to boost employment, build infrastructure, and diversify the economy will help create demand for housing units during the post-conflict period of economic recovery.



Sources

African Development Bank Group. South Sudan Economic Outlook 2018. <https://www.afdb.org/en/countries/east-africa/south-sudan/south-sudan-economic-outlook/> (Accessed 5 August 2018).

Ministry of Finance and Planning, Republic of South Sudan. Approved Budget Tables – Fiscal Year 2017/18. September 2017. <http://grss-mof.org/wp-content/uploads/2017/11/book-final-1718-1.pdf> (Accessed 8 August 2018).

National Bureau of Statistics, Republic of South Sudan. Consumer Price Index for South Sudan April 2017. 4 May 2017. http://www.ssnbss.org/sites/default/files/2017-05/CPI-April_2017_Press_Release%202017%5B6091%5D.pdf (Accessed 6 August 2018).

Phan, Chap. "Lack of progress in peace talks will lead to economic collapse in South Sudan". 3 July 2015. South Sudan Nation.com <http://www.southsudannation.com/lack-of-progress-in-peace-talks-will-lead-to-economic-collapse-in-south-sudan/> (Accessed 5 August 2018).

The World Bank Group (2018). The World Bank in South Sudan. <https://www.worldbank.org/en/country/southsudan/overview> (Accessed 8 August 2018).

¹ The World Bank Group (2018).

² Ibid.

³ Interview with key resource persons from Bank of South Sudan Officers, Equity Bank and KCB Bank (2018).

⁴ The World Bank Group (April 2018). South Sudan: Macro Poverty Outlook. <http://pubdocs.worldbank.org/en/713731492188171377/mpo-ssd.pdf> (Accessed 24 Sept 2018). Pg. 1.

⁵ Dihel, Nora Carina and Pape, Utz Johann. South Sudan Economic Update, 2017: Taming the Tides of High Inflation. <http://documents.worldbank.org/curated/en/806291508505062484/South-Sudan-economic-update-taming-the-tides-of-high-inflation-policy-options>. Pg. 12.

Sudan



Overview

The Republic of the Sudan is bordered by seven countries and comprises 18 states. Sudan has an area of 1 861 484 km² and is dominated by the Nile and its tributaries. The urban population is estimated at about one-third (34.6%) of the total population of 41.5 million. Sudan's capital of Khartoum has a population of 5.1 million (2015). Sudan gained independence in 1956 and the current government has ruled since 1989; the country has been embroiled in civil wars for most of the 20th century. Although comprehensive sanctions by the United States ended recently, the economic situation has worsened. Lack of liquidity, a dramatic increase in prices and a lack of basic commodities are some of the problems facing Sudan.

After the secession of South Sudan in 2011, Sudan lost three-quarters of its oil resources, 90% of export earnings and nearly 50% of revenue. The oil sector had driven much of Sudan's GDP growth since 1999. The country is attempting to develop non-oil sources of revenues, but while it has plentiful mineral resources and an abundance of agricultural land, it faces environmental challenges and periodic droughts. Its inflation rate, ranked the third highest in the world, jumped from 25.1% in December 2017 to 55.6% in March 2018.

Ongoing conflicts, lack of basic infrastructure and reliance on subsistence agriculture, which employs 44.6% of the workforce, keep much of the population in poverty. It is estimated that 53.1% of the population lived in multi-dimensional poverty in 2016, rising from 46.5% in 2009; 14.9% of the population is living below the income poverty line. With a Human Development Index (HDI) of (0.49) Sudan is ranked at 165th of 188 countries while the GINI index of Sudan is 35.4 (2016) with a global rank of 105.

Sudan has a GDP per capita of US\$4 202.18 (2018 estimate) and a GDP growth rate calculated at 3.6% in 2018, down from 3.75% in 2017 with an industrial production growth rate of 2.5% as estimated in 2017. Sudan's Government revenue is forecast to be SDG86.6 billion (US\$4.8 billion) in 2018 accounting for 9.2% of GDP, up from SDG75.879 billion (US\$4.2 billion) in 2017. The Sudanese currency was formally devalued in June 2012. More recently, as part of ongoing austerity measures and to control the fast depreciation of the currency in the black market, the Central Bank of Sudan (CBoS) devalued the Sudanese currency twice within two months; from SDG6.7 to SDG18 in January 2018, and from SDG18 to SDG30 in February 2018. The exchange rate of Sudanese currency against the US\$ as of March 2018 was SDG18/US\$ in comparison to

KEY FIGURES

Main urban centres	Khartoum Port Sudan (Bur Sudan)
Exchange rate: 1 US\$ = [a] 22 Jul 2018	17.9635 Sudanese pound
PPP Exchange rate (Local currency/PPP\$) 1 Sudanese pound = [b]	4.10
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	16.80 35.90 55.60
Population [d] Urban population size [d]	41 511 526 14 380 217
Population growth rate [d] Urbanisation rate [d]	2.38% 3.17%
Percentage of the total population below National Poverty Line 2016 [e]	53.0%
Unemployment rate 2015 [e]	13.6%
GDP (Current US\$) 2017 [f] GDP growth rate annual 2017 [f]	US\$117 488 million 4.28%
GDP per capita (Current US\$) 2017 [f]	US\$2 898
GNI per capita (Current US\$) 2017 [f]	US\$2 378
Gini co-efficient 2015 [e]	35.40
HDI global ranking 2015 [e] HDI country index score 2015 [e]	165 0.488
Is there a deeds registry?	n/a
Number of residential properties that have a title deed	n/a
Lending interest rate [g]	12.00%
Mortgage interest rate [g] Mortgage term (years) [g]	12% 30
Downpayment [g]	50%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre [k]	n/a n/a
Gross Rental Yield in City Centre Outside City Centre [k]	n/a n/a
Construction as a % of GDP [c]	1.80%
What is the cost of standard 50kg bag of cement?	US\$15.50
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [g]	190 000 Sudanese pound
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [g]	US\$10 570
What is the size of this house (m ²)? [g]	300m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	120m ²
Ease of Doing Business Rank [h]	170
Number of procedures to register property	n/a
Time to register property (days)	n/a
Cost to register property (as % of property value)	n/a

NB: Figures are for 2018 unless stated otherwise.

[a]	Oanda.com
[b]	World Bank World Development Indicators
[c]	Republic of Sudan - Central Bureau of Statistics
[d]	United Nations Department of Economic and Social Affairs, Population Division
[e]	UNDP Development Indicators
[f]	IMF World Economic Outlook Database
[g]	Iskan Housing and Construction Fund
[h]	World Bank Doing Business

SDG7.0154/US\$ in December 2017 and SDG6.6834/US\$ in March 2017. The rate was SDG=US\$0.06 (US\$1=SDG17.96) according to coinmill.com on 26 July 2018; however, it is important to note that the rate used by the commercial banks is US\$1=38SDG, while the rate used for trade by the CBoS is US\$1=SDG17.9551; in the black market it reaches over US\$1=SDG45.

Government Revenue is projected to grow to SDG136.915 billion (US\$7.6 billion) in 2022. In addition to agricultural export commodities of livestock, cotton and sesame, Sudan is the world's largest producer of gum Arabic, which used to average US\$40 million annually in revenue and constituted 80% of the world's total output of gum Arabic; Sudan's share of the world market today is below 50%.

The building and construction sector made up 1.8% of the GDP in 2015 compared to 3.4% in 2013. The housing price inflation rate in 2017 averaged 17.7% (with the highest monthly rate of 19.6% in March). There have been concerns raised about corruption in government land distribution. The construction sector output grew by 10.8% during 1982-2009; 30.4% in 2001; 25.4% in 2004; 5% in 2015; and 5.5% in 2016. Measures of efficiency in dealing with construction permits are assessed based on obtaining land ownership certificates, planning permission, project clearances, building permits and inspections, certificates of conformity,

water and sewage connections and updating of land registry records. Sudan deteriorated in the global ranking of the ease of doing business from number 168 in 2017 to 170 in 2018.

Access to finance

Sudan is ranked at number 173 in the ease of obtaining credit.¹ Data is not readily available on credit registries, banks and financial institutions. The CBoS balance sheet assesses the performance of the banking system, the Microfinance Unit, Credit and Information Scoring Agency and Electronic Banking Services. The CBoS aims to remove restrictions on banking in all 18 states. This led to a significant increase in bank deposits from SDG63.4 billion (US\$3.5 billion) by the end of 2015 to SDG84 billion (US\$4.7 billion) by the end of 2016 at a rate of 32.5%, a 10.8% increase in ATMs (from 81 074 at the end of 2015 to 1 190 by the end of 2016), and an increase in ATM cards by 11% (from 2.5 million cards by the end of 2015 to 2.8 million cards by the end of 2016). There was also a 13% increase in bank branches from 720 branches at the end of 2015 to 733 branches by the end of 2016. The number of points of sale increased by 19.5% from 2 885 at the end of 2015 to 3 447 by the end of 2016. The number of electronic wallet cards increased by 8% from 722 000 cards at the end of 2015 to 778 000 cards by the end of 2016. The number of financial transfer office branches increased from 25 branches at the end of 2015 to 32 branches in 2016 by 28%.

As of 2016, there are two non-governmental specialised banks, 29 operating banks, including one government-owned commercial bank, two government-owned specialised banks, 23 private commercial banks, one investment bank, and two branches of foreign banks. The interest rate is set at 12% a year; microfinance operations are exempted from this rate.

In 2010, the CBoS listed the real estate sector and supporting industries, such as cement, bricks and blocks, among the priority sectors for finance. This is somewhat contradictory, considering that funding for real estate has been prohibited by the CBoS since May 2014; all banks and financial agencies cannot offer loans for real estate, land purchases and land development. Loans granted to fund popular housing (*al iskaan al shabi*) and economic housing (*al iskan al igtisadi*), guaranteed by the National Fund for Housing and Reconstruction (NFHR), as well as loans to develop land for agricultural purposes, are exempted from this rule. The CBoS justified this by stating that resources need to be channelled to the productive sectors. In 2015, exceptions were made for hospitals and health facilities, universities, schools, public educational facilities, and the improvement of housing within the limits set for microfinance. The latter has increased from SDG20 000 (US\$1 114), as set in 2011, to SDG30 000 (US\$1 670) in 2016.

A system of granting ownership of residential units is based on a "mortgage pledge" where the money is lent with the property as security for the loan. The repayment terms depend on the individual regulations of the bank in question. The mortgage interest rate varies from 0-12% per year. Down payments vary from 0-50% of the price of the residential unit. The loan is granted on condition that the repayments do not exceed 33% of the income of the applicant. A 10% discount of the total price is offered for cash payment.² Other government and private agencies, such as the Social Security Investment Authority (*al jihaaz al istismari lil damaan al ijtimai*) – established in 2004, provide housing support. These agencies have their own unique repayment processes, repayment periods and guarantees as security for the loans. However, the property remains owned by the lending agency until the repayment is completed.³

Affordability

Khartoum continues to see exorbitant real estate prices; the price of vacant land in central locations in Khartoum is as high as US\$1 500/m².⁴ This is attributed to high demand, government policies, soaring inflation rates and the weakness of the Sudanese Pound. From 1997 to 2006, prices of housing, water and electricity grew almost twice as fast as the prices of tradable goods, specifically food, clothing and consumer goods. Prices in Khartoum increased dramatically around 2009. Researchers concluded that most of the low income households (50% of the population) can afford a house of nondurable materials, about two-thirds of the middle income households (10-15% of the population) can afford houses of durable materials, and more than half of the high income households (5% of the population) can afford houses of advanced materials.⁵ Current building costs per square metre vary from SDG1 200/m² (US\$67/m²) to SDG3 000/m² (US\$167/m²) depending on construction type. A load-bearing structure with "agid" (jack-arch

structure) roof with basic finishes would cost about SDG1 200/m² (US\$67/m²). A reinforced concrete frame building with high quality finishes would cost an estimated SDG3 000/m² (US\$167/m²) or more.⁶ One estimate of large scale building costs may be derived from *Jawhara Al Awda* Residential Development, a project self-funded by Khartoum State Housing and Development Fund (*Sandoog Al-Iskan Willayat alKhartoum*), which provided 1 216 apartments in 76 buildings for SDG672 870 016 (US\$37.5 million) inclusive of the costs of services to the project.

The cost of construction is excessive compared to salaries, which vary between SDG400 (US\$22) and SDG1 500 (US\$84) a month.⁷ The time needed to raise the capital funds to build a house ranges from 20 to 83 years depending on the type of house and interest rates, assuming a savings rate of 25% of income. Another source states the cost of building a modest house – without land – would equal the gross salary of a civil servant for a decade.⁸ In the case of *Jawhara Al Awda*, the cost starts from US\$56 147 (in case of cash payment) with monthly instalment of US\$834 and repayment period of 48 months. Material costs account for two-thirds of house costs with the remaining third allocated for labour. The high construction costs are believed to be due to increasing government tariffs on materials, as duties can sometimes reach 100% or more, with another 17% as value-added tax and 1% as services on top of that. Also, the price of renting construction machines and labour costs have been pushed up by the secession of Southern Sudan. Before 2011, most labourers were Southern Sudanese and their disappearance from the market has created a shortage and triggered wage rises.

As of June 2018, one ton of steel costs SDG31 500 – SDG32 750 (US\$1 754 – US\$1 823), compared to SDG7 200 in Aug 2015. A ton of cement costs SDG3 550 – 3 750 (US\$198 – US\$209) compared to SDG1 500 in August 2015. This recent increase has been accompanied by a surge in the costs of other building materials such as bricks and sand. Sand for example almost doubled in price from August 2015 to SDG3 500/US\$195 for a 18m³ lorry load.

Sudan mainly relies on imports for most its building materials, though the establishment of GIAD Industrial Complex in 1997 contributed significantly to the local production of some building materials. The industrial complex is located in El-Geziera state about 50km south of Khartoum. GIAD Group includes four companies that specialise in producing building materials and components, namely steel products, tubes and pipes, aluminium and cables.⁹ Sudan has witnessed an increase in national cement production, which covers local need and produces excess for export.

Housing supply

Sudan's Report for Habitat III 2016 noted that the contribution of public agencies to supplying adequate housing is limited. Sudanese citizens satisfy their need for housing with great difficulty by using their own savings and transfers from family members working abroad. According to the report, the average household size is 5.7 people, as reported in the 2008 Census (5.6 in 1996).¹⁰ The current gap in the housing supply is estimated at approximately 2.5 million units.¹¹

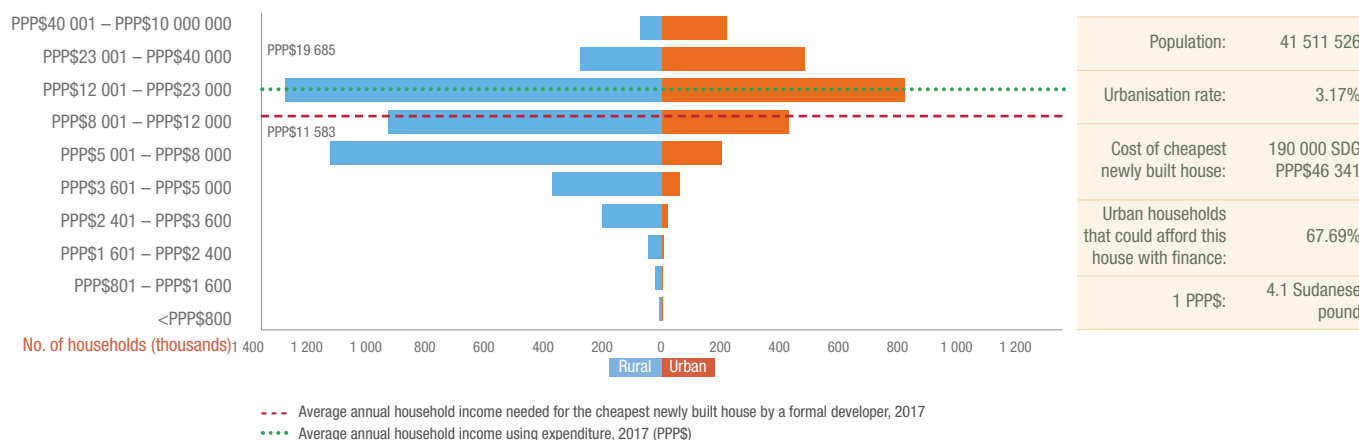
Only 311 000 serviced plots were distributed nationally between 1956 and 2007, which is considered a major housing programme in the Sudan. Only 43% of those plots were developed. Core-house units are built through various government programmes but this incremental option does not supply the high demand for housing. Informality in Greater Khartoum included about 83 squatter settlements accommodating about 60% of its population in 1990.¹²

In 2007, the Higher Committee for Housing and Reconstruction was established and in March 2008 the National Project "Shelter for All" was launched, to provide housing for the residents of the entire country within all income groups. The project aims at a comprehensive renaissance in the urban environment, the achievement of sound physical planning achieving the best utilisation of land by providing adequate, affordable housing for middle and low income earners. The NFHR was established in 2008 to implement this project. Its main objectives are to:¹³

- Contribute to urban planning strategies through cooperation between authorities at national and state levels;
- Coordinate funds for housing and reconstruction on the state level;
- Obtain loans and grants for the fund's projects;
- Encourage financing for housing and reconstruction at national and state levels;

SUDAN

Annual income profile for rural and urban households based on consumption (PPP\$)



Population:	41 511 526
Urbanisation rate:	3.17%
Cost of cheapest newly built house:	190 000 SDG PPP\$46 341
Urban households that could afford this house with finance:	67.69%
1 PPP\$:	4.1 Sudanese pound

Source <https://www.cgidd.com/>

- Contribute to research on, and development of, building materials and the use of local materials in construction; and
- Reduce construction costs by refunding taxes and duties on cement and steel.

The NFHR's target was to build 150 000 "economic" housing units in 15 states over five years, i.e. 30 000 units a year. While it is believed that inadequate budgets slowed progress, the NFHR claims that 80% of the units planned for part of the Shelter for All project were built.¹⁴ The moratorium on lending for real estate may have negatively affected the resources of the NFHR and disrupted its progress.¹⁵

Since the late 1990s, some cities – notably Greater Khartoum – have established housing funds to construct affordable, popular housing¹⁶ units provided with infrastructure, and to sell them to eligible households with affordable, subsidised instalments. At the same time, the city also builds luxury villas and apartments and sells them for profit to cross-subsidise the popular housing units. Since its establishment in 2001, the Khartoum State Housing and Development Fund (KSHDF) has managed to construct 61 929 what are termed "popular" and "economic" units, amounting to 66% of units provided. The city has also built 3 881 apartments and villas as a form of "investment" housing, constituting 34% of its units.¹⁷

KSHDF delivers popular housing (*sakn shabi*) and economic housing (*sakn igtisadi*). Both products are low density, peripherally-located and target low-income groups. KSHDF has the following track record:

- The applications for popular housing increased from 6 372 (2003) to 17 966 (2015), peaking at 34 963 in 2011;
- 70 603 families have been housed in popular and economic housing; economic housing is a total of 30% of all housing delivered; and
- 40 000 beneficiaries (government workers) were provided with popular housing (*sakn shabi*) between 2008 and 2015.¹⁸

KSHDF supports housing for those employed by the Khartoum Local Government, under the auspices of the Trade Unions, through sectoral housing (*sakn fiawi*) in the State (*wilaya*). Each building is four storeys high, and each apartment is 120m².¹⁹ Prices start at SDG337 796 (US\$18 808) with a monthly repayment of SDG5 608 (US\$312) for 48 months. Recovery of rental costs is reportedly a challenge.²⁰

KSHDF implements projects to certain specifications and hands over ownership in three to 12 years depending on the income levels of the beneficiaries. To help build popular housing, the fund implements the following:

- Establishing and supporting factories and workshops for building materials;
- Involvement in all engineering services related to the building of the various types of housing;
- Purchasing and importing building materials; and
- Geology and quarrying services.

KSHDF has promoted alternative building materials and techniques for achieving passive thermal control and constructing light-weight roofs. In line with the government policy of privatisation (*khaskhasa*), the fund appoints private contractors. Popular housing is funded by beneficiaries' instalment payments; the difference between operating costs and resident repayments is subsidised by KSHDF. Three types of products are provided – none of which are fully subsidised:

- Popular housing (*al sakn shabi*) – beneficiaries pay instalments to own the house, the government partially subsidises the units;
- Economic housing (*al sakn igtisadi*) – based on the same principles with a lower subsidy, higher instalment; and
- Luxury housing (*al sakn al fakhir*) – investment housing.

The allocation of popular housing is based on a point system developed according to specific rules and eligibility criteria as set by KSHDF:

- The applicant must be born in Khartoum or have permanent residence for not less than 10 years;
- The applicant's place of work and residence is within the state;
- The applicant has a family permanently residing in the state;
- The applicant has never owned a piece of land within the housing plan in Khartoum state;
- The applicant does not own a house or a piece of land; and
- The applicant should gain 25 points at the minimum.

The first category of popular housing, which is identified as being the KSHDF's core programme, also has three sub-categories:

- Popular housing as part of the housing strategy/plan (*al khuta al iskaniya*);
- Popular housing exempted/outside of the strategy/plan; and
- Improved popular housing.

For the first sub-category, applicants must apply to the Local Committees (*lajnaa shabiya*), which often takes three months. Upon approval, the applicant must pay the deposit/down payment. The second sub-category has a similar but faster process. The third category differs in the size, number of rooms and other specifications. The so-called "economic housing" – accessible to anyone with any income level – has the benefit of being immediately available for purchase; the housing is well located and has easier procedures. The minimum specifications are as follows – with variations in building materials and methods:

- room + kitchen + traditional toilet + boundary wall; and
- 2 rooms + kitchen + toilet + boundary wall.²¹

Property markets

High rates of urbanisation in Sudan (3.17% a year on average) and high rates of rural-to-urban migration have resulted in the growth of squatter settlements to accommodate the new migrants. Those usually take the form of squatting on vacant land at the peripheries of towns, often on land deemed undesirable such as garbage dumps, and flood-prone areas, or renting out unplanned and unregistered houses in extant villages that lie on the periphery of towns.

Most land in the Sudan is state-owned. Registering property in the Sudan has a total of six procedures and takes up to 14 days at a cost of 2.5% of the land value. There are two processes for land registration, determined by whether the land is purchased from the Ministry of Planning or not. The process for the latter depends on the type of ownership of the land. Generally, non-registered land is in one of these two categories, freehold prior to 1970 and leasehold where the Ministry of Planning determines the duration and type of lease.

It is argued that the sale of vacant land and old evacuated government facilities in the city centre to affluent buyers deprives the majority of their right to such sites and widens the gap between rich and poor. Peripheral expansion has made everyday life difficult and increased the vulnerability of the urban poor. It is estimated that 50% of neighbourhoods in Khartoum originated informally. Home ownership, as a percentage of total households, was estimated at 87% in 2008 rising from 76% in 1996, while home ownership in rural areas was 95% in 1996.

Policy and regulations

The history of government housing programmes can be summarised into four national strategies over the years. These strategies are aligned to government development and financial programmes. The government decided to make use of its extensive land resources in "site and service" schemes and self-build projects during the 80s. This became known as the Third Housing Strategy. This programme delivered 300 014 plots from 1959-2005, but the failure of the state to provide basic services resulted in a decline in the development of these sites – half of them remain undeveloped. This has had serious negative repercussions including sprawl, low density, high infrastructure expenses, ruralisation of the peripheries, increased land values, housing demand and city management costs. It has also led to growing agriculture land speculation.²² The site and services approach was terminated in 2005 and the Fourth Housing Strategy launched in 2007, underpinned by the controversial Khartoum Structure Plan (2007-2027).

Neighbourhoods in Khartoum are categorised as "classes" based on the income of residents and this determines allowable coverage, materials, methods of construction and provision of infrastructure and services. The plot sizes and densities for the Khartoum Metropolitan Region in the Doxiadis Plan of 1960-1990 were as follows:

- 500m² in 1st class areas with a net population density target of 80 persons/hectare;
- 400m² in 2nd class zones with a net population density of 95 persons/hectare; and
- 200m² in 3rd class areas with a net population density of 190 persons/hectare.

In 2001, slum-upgrading offices within Khartoum State were closed down because it was assumed that their mission had been accomplished. However, the proliferation of informal mining in recent years has led to new squatter settlements mushrooming on the fringes of the desert in the Northern, North Kordofan and North Darfur States. These squatter settlements could easily develop into fully fledged towns in the future.²³

Opportunities

Sudanese cities face similar challenges as other African cities. Sprawl, poverty and inequitable distribution of resources and opportunities create problematic socio-political dynamics. Viewed positively, peripheral areas show that different groups of people, coming from different parts of the country, have managed to co-exist; they also build differently, reflecting a wealth of local experience and heritage. Yet, the stigma around traditional neighbourhoods, materials and methods persists because of class classification systems. While residential ownership remains an important component of the housing market, many people living and working in Khartoum consider their rural homes as their permanent address. Well-located rental housing, as part of mixed-use developments, could be considered, with a range of densities, configurations and affordability levels. Government's role, as opposed to aiming for unattainable targets in terms of quotas, could be re-directed

towards building institutions capable of implementing projects, at scale, as well as partnering with the private sector, to meet the high demand for housing.

Sources

Abu Goukh, M. (2014). Prices Beyond Belief in The Niles. <http://www.theniles.org/en/articles/land/2300/> (Accessed 10 Sept 2017).

Al Nilin (2015). Forty Thousand beneficiaries/labourers in Khartoum Province from popular housing (iskan shaabi) (translated from Arabic), Al Nilin. 8 April 2015.

Al Sudan Alyoum (2018). Housing: Executing more than 80% of the National Project for Shelter (translated from Arabic) in Al Sudan Alyoum. 6 Jan 2018.

Al Sudan Alyoum (2017). Building material costs continue to increase (translated from Arabic) in Al Sudan Alyoum, 17 Aug 2017.

Assayha (2016). Opening of Al Jawhara Residential Complex (translated from Arabic), in Assayha. 11 Feb 2017.

Aawsat (2017). Sudan expands in real estate development projects after lifting the sanctions (translated from Arabic). 25 June 2018.

Elfadil, A. & Eltayib, Z. (2015). The Experience of the National Project for Shelter and Human Settlements in Sudan: To Achieve Sustainable Urban Development. Presented at the First Arab Ministerial Forum on Housing and Urban Development, Egypt, Cairo, 20-22 December 2015.

Elkhalifa, A. A. (2012). The Construction and Building Materials Industries for Sustainable Development in Developing Countries: Appropriate and Innovative Building Materials and Technologies for Housing in Sudan. PhD thesis, University of Camerino, Italy.

Fadl Al Moola, A. (2016). Statistics in government housing delivery, 2016, Workshop on opportunities and challenges at Salam Rotana 18.04.2016. Khartoum, Sudan. Foreign Policy. Sanctions against Sudan didn't harm an oppressive government – They helped it. 3 July 2018.

Global Finance (2017). Sudan GDP and Economic Data. Country Report.

Hamid, G. M. and Elhassan, A. A. M. (2014). Incremental Housing as an Alternative Housing Policy: Evidence from Greater Khartoum, Sudan, *International Journal of Housing Policy*, Vol. 14, No. 2, Pgs. 181-195.

Haydar Ahmed Ali architectural practice (2017). Haydar Ahmed Ali architectural practice, (hayderaastudio@yahoo.com), Khartoum interview conducted by Malaz Saif Al Islam in July 2017 with Engineer Dalija Shams Eldin.

IMF (2016). IMF-GDDS-Sudan Summary; Table I. Plans for Improvement.

Iskan (n.d.) a. Al Jawhara Alawda Residential Apartments. <http://iskan.sd/home/> (Accessed 27 June 2018).

Iskan (n.d.) b. Economic Housing Offers.

Khartoum State Housing and Development Fund (KSHDF) (n.d.). <http://www.iskan.sd/index.php> (Accessed 14 Aug 2016).

Mecometer (2016). GINI Index - Sudan.

News 24 (2018). <https://www.news24.com/Africa/News/sudan-devalues-pound-to-30-against-us-dollar-20180205>

Sid Ahmed, M.M. (2016). Land registration in the Sudan, interview with Assistant Land Registrar, 14.08.2016, Khartoum, Sudan.

Sudancon (2018). Prices of Building Materials 10.6.2018. <http://www.sudacon.net/2018/06/10-6-2018.html> (Accessed 27 June 2018).

Tag Elsir Mekki, O. (2016). Mortgage Loans in Sudan, interview with employee of Byblos Bank, conducted by Malaz.

UN-Habitat (2016). Sudan's Report for United Nations' Third Conference on Housing and Sustainable Urban Development, (Habitat III), 2016.

United Nations, Department of Economic and Social Affairs, Population Division, (2018). World Urbanization Prospects: The 2018 Revision.

US Department of State (2017). The Administration Extends Sudan Sanctions Review Period.

Wagialla, M., S. (2014). Spatial Justice as a Tool for Sustainable Reform in Khartoum Metropolitan Area, UIA Congress Proceedings, UIA 2014 Durban.

The World Bank (2018). Doing Business, Dealing with Construction Permits. <http://www.doingbusiness.org/data/exploreconomies/sudan> (Accessed June 2018).

¹ World Bank (2018), Pg. 32.

² Iskan (n.d.) b.

³ Tag Elsir Mekki, O. (2016).

⁴ Aawsat (2017).

⁵ Elfadil & Eltayib (2015).

⁶ Haydar Ahmed Ali architectural practice (2017).

⁷ Abu Goukh (2014).

⁸ Abu Goukh (2014).

⁹ Elkhalifa (2012).

¹⁰ UN-Habitat (2016), Pg. 42.

¹¹ Aawsat (2017).

¹² Hamid and Elhassan (2014).

¹³ Elkhalifa, A. (2012), Pg. 210.

¹⁴ Al Sudan Alyoum (2018).

¹⁵ Assayha (2016).

¹⁶ Popular housing is a direct translation from the Arabic term and implies government supported, ownership housing provided with basic infrastructure for low-income households against easy instalments.

¹⁷ UN-Habitat (2016), Pg. 42.

¹⁸ Al Nilin (2015).

¹⁹ Assayha (2016).

²⁰ Fadl Al Moola, A. (2016).

²¹ All information on Sandoog Al-Iskan Willayat alKhartoum Khartoum State Housing and Development Fund (KSHDF).

²² Wagialla (2014).

²³ UN-Habitat (2014).

Tanzania



Overview

Tanzania is a growing economy, straddling the East African and Southern African economic development communities. The country is sixth among the top 10 fastest growing African economies.¹ It is rich in natural resources such as minerals and natural gas. At least 32.6 percent of the country's 59 million people live in urban areas, with a population growth rate of 3.11 percent² and urbanisation rate of 5.22 percent¹ per annum.

The country has experienced impressive GDP growth rates over the past decade averaging six to seven percent a year. The GDP grew by 7.1 percent in year 2017, broadly matching 2016's results with the growth rate for years 2018 and 2019 projected at 6.5 percent.⁴

Inflation rates have shown a declining trend in the first five months of 2018, with the rate dropping from 3.8 percent in April to 3.6 percent in the month of May mainly due to the decrease in the price of food, non-alcoholic beverages and clothing and footwear. These movements have gone hand-in-hand with movements in the 182 days Treasury bill rate which continued to experience a downward trend during the first half of 2018, with the weighted average yield reaching 2.68 percent by mid-June 2018. This downward trend on the 182 days Treasury bill rate promotes all forms of long-term debt, including mortgages by making them less expensive. This, coupled with the Bank of Tanzania's (BOT) move to reduce its discount rate from 16 percent to nine percent in August 2017, has resulted in some of the leading banks lowering their interest rates on personal loans from 21 percent to 17 percent.

The positive developments in the housing industry have attracted substantial multilateral and donor support. In addition to the African Development Bank's commitment to fund the construction of residential houses and the development of agriculture and other economically viable areas in Tanzania with a total approved assistance package exceeding US\$1.1 billion for years 2016-2020, the country has been promised more funding support from the World Bank in various sectors including real estate.⁵

Access to finance

Tanzania has 58 commercial banks and other private financial institutions. The banking sector in Tanzania is regulated by the BOT. As per the June 2018 Monetary Policy Statement, the banking sector remained stable and profitable with levels of capital and liquidity generally above regulatory requirements. Capital and liquidity

KEY FIGURES

Main urban centres	Dar-es-Salaam Dodoma
Exchange rate: 1 US\$ = [a] 10 Jul 2018	2 272.73 Tanzanian shilling
PPP Exchange rate (Local currency/PPP\$) 1 Tanzanian shilling = [b]	708.40
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	5.00 5.32 4.84
Population [d] Urban population size [d]	59 091 392 19 244 709
Population growth rate [d] Urbanisation rate [e]	3.22% 5.22%
Percentage of the total population below National Poverty Line 2012 [f]	28.0%
Unemployment rate 2014 [g]	10.3%
GDP (Current US\$) 2017 [g] GDP growth rate annual 2017 [h]	US\$52 090 million 7.1%
GDP per capita (Current US\$) 2017 [g]	US\$900
GNI per capita (Current US\$) 2017 [i]	US\$900
Gini co-efficient 2016 [j]	37.80
HDI global ranking 2015 [k] HDI country index score 2015 [k]	151 0.531
Is there a deeds registry?	Yes
Number of residential properties that have a title deed [l]	758 679
Lending interest rate [m]	17.91%
Mortgage interest rate [m] Mortgage term (years) [m]	17% 10
Downpayment [m]	10%
Mortgage book as a percentage of the GDP [m]	3.30%
Estimated number of mortgages	4 209
Price to Rent Ratio in City Centre [n] Outside City Centre [n]	15.23 12.06
Gross Rental Yield in City Centre [n] Outside City Centre [n]	6.56% 8.3%
Construction as a % of GDP [o]	12.50%
What is the cost of standard 50kg bag of cement?	US\$6.38
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency) [p]	37 966 107 Tanzanian shilling
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$) [p]	US\$16 705
What is the size of this house (m ²)? [p]	60m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property? [q]	400m ²
Ease of Doing Business Rank [r]	137
Number of procedures to register property [r]	8
Time to register property (days) [r]	67 days
Cost to register property (as % of property value) [r]	5.20%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill
[b]	World Bank World Development Indicators
[c]	Statista.com
[d]	Worldometers
[e]	Central Intelligence Agency (CIA) World Factbook
[f]	World Bank Open Data
[g]	Trading Economics
[h]	Focus-economics.com
[i]	Indexmundi
[j]	Knoema.com
[k]	Countryeconomy.com
[l]	Tanzania Ministry of Lands, Housing and Human Settlements Development
[m]	Bank of Tanzania
[n]	Numbeo
[o]	World Bank Doing Business
[p]	Tanzaniainvest.com
[q]	Watumishi Housing Company
[r]	World Bank Doing Business

Member organisations of the African Union for Housing Finance (AUHF):
National Mortgage Bank Plc Tanzania
Tanzania Mortgage Refinance Company Ltd
Watumishi Housing Company

ratios for the sector were 18.7 percent and 39.0 percent as at the end of April 2018, above regulatory requirements of 10 percent and 20 percent respectively. However, the quality of the banking sector assets deteriorated, as reflected by the ratio of non-performing loans to gross loans which reached 11.3 percent at the end of April 2018 compared to 10.8 percent at the end of April 2017.

According to FinScope 2017, Tanzania has made remarkable progress in expanding the opportunities for people to use financial services. Formal inclusion has reached 65 percent, growing by 14 percent between 2013 and 2017. Twenty-eight percent of the adult population remained financially excluded in 2017, compared to

55 percent reported in 2009. The take-up of digital financial services remained one of the main drivers of access to financial services in Tanzania, with the rate of mobile phones adoption within households being reported at 86 percent countrywide in 2017.⁶ Findex 2017 reports that the use of mobile money (which has been centred in East Africa) has increased to 21 percent of adults in Sub-Saharan Africa, almost twice the number reported in 2014 and the highest of any region in the world.

FinScope 2017 further pointed out that 16.7 percent of adult Tanzanians have or use bank services with 48.6 percent using other formal services (such as mobile money, microfinance or SACCOS). This is an increase compared to 14 percent and nine percent reported in 2013 and 2009 respectively.

In 2010, the BOT issued regulations for a credit reference bureau within the framework of the Bank of Tanzania Act of 2006. To date BOT has registered two credit reference bureaus and has made using credit bureau reports mandatory during a bank's loan appraisal process. According to the 2018 World Bank Doing Business Report, Tanzania ranked 55th in ease of getting credit which negatively impacts on accessibility to housing finance due to the cumbersome processes involved. Moreover, only 6.2 percent of the adult population is covered by credit bureaus.

Tanzania's mortgage market is among the smallest in the East African region (the ratio of outstanding mortgage debt to GDP is 0.33 percent as at 31 March 2018). According to BOT, the mortgage market recorded an annual growth rate in mortgage loan balances of six percent between March 2017 and March 2018. A key element in the growth of the mortgage market has been the provision of long-term funding by the Tanzania Mortgage Refinance Company (TMRC) which was established in 2010 under the Housing Finance Project to expand access to affordable housing finance in Tanzania. As part of its strategy to strengthen its funding base and ensure its long-term sustainability, on 25 May 2018 TMRC offered the first tranche of a TZS 12 billion (US\$5.28 million) five-year corporate bond to the public (out of its total note programme of TZS 120 billion (US\$52.8 million)).⁷

By 31 March 2018, TMRC had extended TZS 91.1 billion (US\$40.08 million) to commercial banks in a bid to facilitate mortgage lending. TMRC lending made 27 percent of the total outstanding mortgage book in the market as at 31 March 2018. Since the creation of the TMRC, mortgage loans' average duration has increased from five to 10 years to 15 to 20 years, with typical rates offered by lenders for the mortgage product currently varying between 15 percent and 19 percent.

In addition, the International Finance Corporation, in its efforts to support growth of the private sector in Africa through investments and advisory services, injected TZS 2.52 billion (US\$1.11 million) equity investment in First Housing Finance (Tanzania) Limited, a greenfield mortgage finance bank set up in partnership with Bank M Tanzania Limited, HDFC India and prominent investors. The company was licensed as the first housing finance company in Tanzania in August 2017 and officially launched its operations on 23 October 2017 with a focus of providing long-term housing solutions for the citizens of Tanzania. As of 31 March 2018 the company had issued loans totalling TZS 315.7 million (US\$138 918).

A slowdown in credit growth and rising trends on non-performing loans has been experienced within the banking sector since 2017. As at 31 March 2018, total mortgage debt stood at TZS 340.92 billion (US\$150 million) and 4 209 mortgages, compared to 31 December 2017 when the mortgage debt stood at TZS 344.84 billion (US\$151.73 million) with 4 714 mortgages. The average loan size as at 31 March 2018 was TZS 81 million (US\$35 640), a decrease from 31 December 2017 when the average loan size was TZS 82.2 million (US\$36 168). The loan to value requirement for mortgage loans currently stands at 90 percent as per the revised Mortgage Finance Regulations issued in 2015.

Given affordability levels, the microfinance sector is especially important in addressing housing supply in Tanzania and is growing steadily. Some of the institutions offering housing microfinance include DCB Commercial Bank, EFC Tanzania Microfinance Bank, Yetu Microfinance Bank and Akiba Commercial Bank. Offered loan amounts usually range between TZS 1 million (US\$440) to TZS 50 million (US\$22 000) for a term ranging between one to five years at an interest rate of 17 percent with residential licences being mostly used among other

collateral. In 2011, a Housing Microfinance Fund (HMFF) was established as one of the components of the Housing Finance Project with a US\$3 million contribution from the World Bank. An additional US\$15 million was extended for the HMFF (out of the US\$60 million extended for the Housing Finance Project) in March 2015 to make a total fund of US\$18 million. As of 31 March 2018, TZS 11.5 billion (US\$5 million) had been disbursed under the fund to various banking institutions to facilitate issuance of housing microfinance loans to final borrowers.

Affordability

According to the Integrated Labour Force Survey of 2014, as carried out by the National Bureau of Statistics (NBS), the working age population in 2014 comprised of 25.8 million people of which 86.7 percent were economically active, mostly in rural areas. In addition, according to the 2015 Formal Sector Employment and Earnings Survey by the NBS, the total number of employees in the formal sector in Tanzania mainland increased to 2.3 million in 2015 from 2.1 million in 2014. The survey also revealed that in 2015 24.7 percent of employees earned monthly wages from TZS 300 001 (US\$132) to TZS 500 000 (US\$220), with only four percent of employees earning monthly wages above TZS 1.5 million (US\$660). According to a World Bank report, Tanzania's workforce is expected to grow to 40 million workers who will need productive jobs by 2030. The share of the population employed in emerging sectors is expected to increase to 22 percent whereas the average income per worker is expected to only increase to US\$1 900 by 2030.⁸ With almost 66 percent of paid employees earning a mean monthly income of less than TZS 500 000 (US\$220), the average mortgage size of TZS 114 million (US\$51 454.07) is high, indicating that most clients are high income earners with the majority of households financing their housing through cash sourced from household savings, microcredit loans and personal loans. A number of NGOs⁹ cater to the lower income market segments, but their reach is insufficient to meet the scale of demand.

According to a 2018 Cost of Living study by Numbeo, a Dar es Salaam resident pays the largest chunk of his/her earnings (31.1 percent) on house rents than on any other basic commodity that is needed to survive. The study also states that at least 27.6 percent of an average Tanzanian's earnings is spent on rent – leaving the remaining 72.4 percent for other basic needs.¹⁰

For building materials, a 50kg bag of cement costs US\$6.38 (Grade 42.5R) and is more expensive in rural areas. A standard sheet of surrogated iron for roofing, gauge 28, is US\$8.14, gauge 30 is US\$7.70 and gauge 32 is US\$7.48. The minimum plot size for residential property in urban areas is 400m². Prices quoted for two to three-bedroom houses (60-121m²) constructed for civil servants under Watumishi Housing Company's countrywide project (first phase) ranged between TZS 38 million (US\$16 705) and TZS 109 million (US\$47 960) VAT exclusive.

Housing supply

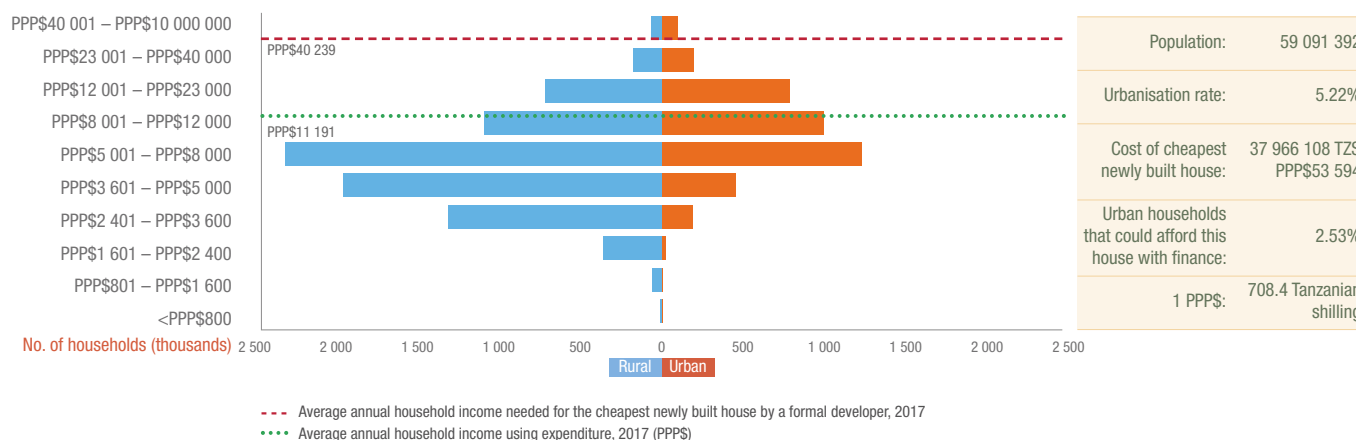
Tanzania still suffers from a shortage of good quality and affordable housing. The current housing deficit is estimated at three million housing units valued at US\$180 billion coupled with a 200 000 unit annual demand with a projected combined cost of US\$12 billion.¹¹ With a rapidly growing urban population, about 83 percent of Dar es Salaam residents still live in informal communities.¹² The latest household budget survey for Tanzania for year 2011/12 published in July 2014 by the NBS revealed that 18 percent of the households had a connection to the electricity grid (up from 12 percent reported in 2007). Coverage by the grid continued to be concentrated in Dar es Salaam (68.1 percent) and other urban areas (34.7 percent) with rural areas having coverage of only 3.8 percent in 2011/12.

The survey further revealed that in 2011/12, nearly 68 percent of the households lived in houses with modern roofs (55 percent in 2007). Similarly, 46 percent of households lived in houses with modern walls in 2011/12 (35 percent in 2007).

For home ownership, the survey showed that more than 75 percent of households in Tanzania Mainland owned the houses in which they were currently living. Ownership in rural areas, urban areas and Dar es Salaam was 89.3 percent, 57.9 percent and 37.1 percent respectively. Also, about 17.4 percent of households were living in privately rented houses, mostly in Dar es Salaam where more than half of the households were living in privately rented dwellings.

TANZANIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

The National Housing Corporation (NHC) announced in 2011 that it was raising its budget from US\$23 million to US\$230 million to increase the scale of delivery in the country. By 30 June 2017 NHC reported to have a balance sheet worth US\$2.1 billion and US\$306 million worth of ongoing projects in real estate. NHC's major ongoing projects in Dar es Salaam include the 711 Kawe, Mwongozo Housing Estate, Morocco Square and Victoria Place. The Kawe project is a satellite city being constructed from a US\$2 billion loan secured from Trade Development Bank (the financial arm of COMESA), which will involve 500 buildings and is expected to become the busiest centre in Dar hosting about 50 000 people, operating 20 hours a day. The first phase of the project has already begun with the construction of 262 housing units and other amenities. The Mwongozo Housing Estate is located in Gezaulole Kigamboni and consists of 221 2-3 bedroom town houses priced between TZS44.7 million (US\$19 668) and TZS128.9 million (US\$56 716) excluding VAT. Construction is at final stages with units almost sold out. The Morocco Square project was launched in October 2015 and consists of four blocks including a shopping mall for different commercial uses. Construction is in progress with the project reported to be selling fast because of its nature and location. The project is targeting the high-end market with three to four-bedroom units sold at prices ranging between TZS 592.8 million (US\$260 832) and TZS 921.9 million (US\$405 636) VAT inclusive. The Victoria Place located within the Victoria area along the new Bagamoyo road is a mixed-use project at completion stage, with 88 three to four-bedroom duplex apartments priced between TZS 287.7 million (US\$126 588) to TZS 456.3 million (US\$200 772) VAT inclusive, targeting the high end and commercial space for sale.

In line with the government's decision to move its administrative functions to the capital city of Dodoma, NHC introduced a mega project of building the Lyumbu Satellite Centre in Dodoma in December 2016. The project includes the construction of 300 houses on NHC-owned land, located at the Lyumbu area in Dodoma Municipality. The first phase commenced in December 2016 with construction of 300 three-bedroom stand alone housing units (45 units of 79m², 210 units of 85m² and 45 units of 115m²) and other associated facilities. The project has been designed to suit the urban living environment targeting middle and low income groups with all important services and amenities. In December 2017 the President of the United Republic of Tanzania inaugurated 150 houses which are part of the 300 houses to be built at the satellite centre. As of 31 March 2018, construction of 151 units had been completed with construction of the remaining 149 units already commenced and in progress.

Likewise Watumishi Housing Company (WHC), a real estate investment trust owned by pension funds continues with the implementation of the Public Servants Housing Scheme, in which 50 000 affordable housing units are expected to be constructed in five phases. Implementation of the first phase started in July 2015 with an expected completion date of September 2018. A total of 760 units will be constructed under phase one. By the end of April 2018 construction of 631 houses in four regions (namely Morogoro, Dodoma, Mwanza and Dar-es-Salaam)

priced between TZS 38 million (US\$16 720) and TZS 109 million (US\$47 960) excluding VAT was nearing completion.

In August 2017 WHC also embarked on the Watumishi Njedengwe Housing Estate project to build 338 units in Njedengwe, Dodoma following the government's decision to relocate its administrative functions to the capital city of Dodoma over the next five years. Construction of 39 stand-alone units commenced early September 2017 under the first phase of the project and is expected to be completed by September 2018. The units constructed under the project are three-bedroom houses of 78 m², 87 m² and 115m² priced between TZS 58 million (US\$25 520) to TZS 84 million (US\$36 960) VAT inclusive. In terms of sales the project has been fully booked from the end of 2017.

Property markets

At 137th of 190 economies in the World Bank's 2018 Doing Business Report, Tanzania ranks poorly in ease of doing business, deteriorating from a rating of 132nd out of 190 economies for year 2017. It ranks 142nd in terms of ease of registering property, down from a rank of 132nd in 2017. It takes eight procedures and 67 days to register a property, at a cost of 5.2 percent of the property value – compared to an average of 7.8 percent and 59.3 days for Sub-Saharan African countries.

A fundamental problem, however, is the lack of land titles. Only 15 percent of the Tanzania total land surface is surveyed for various uses. According to FinScope 2017, only three percent of adult Tanzanians have a title deed.

According to the 2018/19 Ministry of Land budget speech, the ministry had released a total of 41 179 title deeds by May 2018 out of the target to release 400 000 title deeds and 3 000 unit titles in year 2017/18. The ministry also reported it was in the final stages of changing from an analogue system of documentation of land issues to the Integrated Land Management Information System (ILMIS). Issuance of electronic title deeds from the ILMIS was scheduled to commence in Ubungu and Kindondoni districts from June 2018.

Although in principle rights of occupancy can be bought, sold, leased and mortgaged in Tanzania, in practice the land market is inhibited by many layers of government control. According to Shelter Afrique (2012), the formal market for transfers requires government approval, and land received through grants must be held for three years before the landholder can sell the rights. The transfer of a granted right of occupancy must be approved by the municipality and registered. A holder of a customary right of occupancy can sell the right, subject to the approval of, and subject to any restrictions imposed by, the village council. Mortgages are regulated by formal law, and land rights must be registered before they can be mortgaged.¹³ There is a very limited formal land sale market in Tanzania though this has been gaining momentum in recent years as the real estate sector keeps growing. Real estate agents involved in the formal sale of houses

include Knight Frank, Dar Property and Prime Location to mention a few. According to the 2017/18 Africa report by Knight Frank, rental yields for residential and commercial properties range between six percent and 10 percent with higher yields being observed on commercial properties despite an increased supply.

Policy and regulation

The Ministry of Lands, Housing and Human Settlements Development has been mandated to administer land and human settlements in Tanzania on behalf of the President of Tanzania who serves as the trustee of all land. While housing development in Tanzania is guided by the National Human Settlements Development Policy of 2000, the policy's objectives mainly cater towards the provision of adequate shelter; an efficient land delivery system, service provision and better rural housing without specifically addressing the problems within the housing sector. Efforts are underway to develop a housing policy that will address key issues surrounding the housing sector. As of May 2018, the Ministry of Lands reported that a draft housing policy has already been developed and that views are being collected from various stakeholders to further improve the draft.

Mortgage finance in Tanzania is guided by the Mortgage Finance Act of 2008, and the Banking and Financial Institutions (Mortgage Finance Regulations) of 2015 developed for regulating mortgage finance operations for banks and housing finance companies. The Banking and Financial Institutions (Tanzania Mortgage Refinance Company) Regulations, 2011 was also developed with support from the World Bank to guide the operations of the TMRC. The National Microfinance Policy was adopted by the government in 2000 and revised in 2017 to incorporate new developments, limitations and challenges in the microfinance sub-sector. Prudential norms were created for microfinance institutions (MFIs) in April 2005 intended to increase wholesale funding to MFIs and ensure their financial viability. In 2014, the BOT issued revised regulations to address the shortcomings of the 2005 regulations which excluded some of the MFIs from the Bank's regulatory ambit.

Opportunities

Despite a number of large-scale real estate development projects that continue to increase the supply of residential housing, industrial and commercial premises, a gap still exists in the supply of affordable housing and affordable housing finance in the country. This presents a key area of opportunity for the government and key stakeholders in the real estate sector to explore ways in which the supply of affordable housing can be enhanced to cater for its ever-increasing demand, and for extensive use of microfinance as a source of affordable housing finance.

Opportunity also exists around the understanding and monitoring of housing needs for delivery of effective solutions, which the government has already begun addressing by embarking on the design of a housing information centre with the purpose of collecting, storing and analysing housing data for forecasting housing demand, supply and price levels in the country.

Sources

Bank of Tanzania (2018). "Monetary Policy Statement 2018/2019." June 2018. <https://www.bot.go.tz/Publications/MonetaryPolicyStatements> (Accessed 29 June 2018).

Bank of Tanzania and Tanzania Mortgage Refinance Company (2018). Tanzania Mortgage Market Update 31 March 2018. Pgs. 1-8.

Central Intelligence Agency (CIA) (2018). "The World Fact Book – Africa, Tanzania." 5 September 2018. <https://www.cia.gov/library/publications/the-world-factbook/geos/tz> (Accessed 10 September 2018).

The Citizen Reporter (2017). "Tanzania Assured of More World Bank Support." 5 Dec 2017. <http://www.thecitizen.co.tz/News/Tanzania-assured-of-more-WB-support> (Accessed 29 June 2018).

Demircuc-Kunt, A. et al. (2017). The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. The World Bank Group. Pg. 20.

Focus Economics (2018). "Tanzania Economic Outlook." 21 August 2018. <https://www.focus-economics.com/countries/tanzania> (Accessed 30 August 2018).

The Guardian Reporter (2017). "NHC's Victoria Place, Morocco Square Almost Sold Out." 1 September 2017.

<https://www.ippmedia.com/en/business/nhc%E2%80%99s-victoria-place-morocco-square-almost-sold-out> (Accessed 3 July 2018).

Knight Frank (2018). "Knight Frank Africa Report 2017/18." <https://www.knightfrank.co.ke/research/africa-report-201718> (Accessed 18 August 2018).

Masare, A. (2018). "Mortgage Refinance Company TZS12 Billion Bond Exceeds Target by 4.3 Percent." 24 June 2018. <http://www.thecitizen.co.tz/News/TMRC-Sh12bn-bond-exceeds-target-by-4-3pc> (Accessed 3 July 2018).

Maseko F. (2018). "Top 10 Fastest Growing Economies in Africa 2018." 4 May 2018. <http://www.itnewsafrika.com/2018/05/top-10-fastest-growing-economies-in-africa-2018> (Accessed 1 August 2018).

Ministry of Lands, Housing and Human Settlements Development (2018). "2018/2019 Budget Speech." June 2018. <http://lands.go.tz/speeches> (Accessed 2 July 2018).

Morisset, J. and Haji, M. (2014). "When Good Is Not Good Enough for 40 Million Tanzanians." 9 December 2014. <http://blogs.worldbank.org/futuredevelopment/when-good-not-good-enough-40-million-tanzanians> (Accessed 3 July 2018).

Mushi, E. et al. (2017). FinScope Tanzania 2017. The Financial Sector Deepening Trust. Pgs. 27-61.

National Bureau of Statistics Tanzania (2016). "Formal Sector Employment and Earnings Survey, 2015 Tanzania Mainland." October 2016. <http://nbs.go.tz/nbstz/index.php/english/statistics-by-subject/labour-statistics/838-formal-sector-employment-and-earnings-survey-2015-tanzania-mainland> (Accessed 3 July 2018).

National Bureau of Statistics Tanzania (2014). "Household Budget Survey Main Report, 2011/12." July 2014. <http://nbs.go.tz/nbstz/index.php/english/statistics-by-subject/household-budget-survey-hbs> (Accessed 3 July 2018).

Numbeo Database (2018). "Cost of Living in Tanzania." June 2018. <https://www.numbeo.com/cost-of-living/country/Tanzania> (Accessed 30 June 2018).

Sheuya, S.A. (2010). Informal Settlements and Finance in Dar-es-Salaam, Tanzania. UN Habitat. Pg. 13.

Shelter Afrique (2012). "Study on the Housing Sector - Tanzania for Shelter Afrique." December 2012. <https://view.officeapps.live.com/op/view.aspx?src=http%3A%2F2Fwww.shelterafrique.org%2Fwp-content%2Fuploads%2F2012%2F12%2FStudy-on-the-Housing-Sector-Tanzania-for-Shelter-Afrique> (Accessed 3 July 2018).

Tanzania Mortgage Refinance Company (2018). "TMRC Launches its 5 years Corporate Bond Issuance Program." May 2018. <http://www.tmrc.co.tz/index.php/highlights/view/tmrc-launches-its-5-years-corporate-bonds-issuance-program> (Accessed 30 June 2018).

The World Bank Group (2018). "Doing Business 2018:Tanzania." <http://www.doingbusiness.org/reports> (Accessed 30 June 2018).

Worldometers (2018). "Tanzania Population." 29 June 2018. <http://www.worldometers.info/world-population/tanzania-population> (Accessed 29 June 2018).

Zacharia, A. (2018). "Tanzania: Race to End Housing Deficit Hots Up." 2 April 2018. <https://allafrica.com/stories> (Accessed 18 August 2018).

Websites

http://www.thecitizen.co.tz	https://www.bot.go.tz
http://www.nbs.go.tz	http://lands.go.tz
http://www.tmrc.co.tz	https://www.whctz.org

¹ Maseko F. (2018). "Top 10 Fastest Growing Economies in Africa 2018." 4 May 2018.

² Worldometers (2018). "Tanzania Population." 29 June 2018.

³ CIA (2018). "The World Fact Book – Africa, Tanzania." 5 September 2018.

⁴ Focus Economics (2018). "Tanzania Economic Outlook." 21 August 2018.

⁵ The Citizen Reporter (2017). "Tanzania Assured of More World Bank Support." 5 Dec 2017.

⁶ Mushi, E. et al. (2017). FinScope Tanzania 2017. The Financial Sector Deepening Trust. Pgs. 27-61.

⁷ Masare, A. (2018). "Mortgage Refinance Company TZS12 Billion Bond Exceeds Target by 4.3 Percent." 24 June 2018.

⁸ Morisset, J. and Haji, M. (2014). "When Good Is Not Good Enough for 40 Million Tanzanians." 9 December 2014.

⁹ Such as TRIAS, Belgian Raiffeisen Foundation, Appui au développement autonome, KIVA, and UNITUS. These are working with Mufindi Community Bank.

¹⁰ Numbeo Database (2018). "Cost of Living in Tanzania." June 2018.

¹¹ Zacharia, A. (2018). "Tanzania: Race to End Housing Deficit Hots Up." 2 April 2018.

¹² Sheuya, S.A. (2010). Informal Settlements and Finance in Dar-es-Salaam, Tanzania. UN Habitat. Pg. 13.

¹³ Shelter Afrique (2012). "Study on the Housing Sector - Tanzania for Shelter Afrique." December 2012.

Togo



Overview

Togo is a small country in the Gulf of Guinea that occupies an area of 56 800km². In 2017, the population was recorded at 7 797 694¹ with an annual growth rate of 2.5 percent.

Togo is part of the West African Economic and Monetary Union (WAEMU). Agriculture contributes 41 percent to the Togolese economy while the industrial, services and manufacturing sectors contribute 17 percent, 30 percent and 4 percent respectively.² Togo's GDP slowed over the past three years with a declining growth rate of 5.3 percent in 2015, 5.1 percent in 2016 and 4.4 percent in 2017, as a result of significant reduction in public investment and a slowdown in port activities.³ However, fiscal consolidation, as part of an ongoing International Monetary Fund (IMF) structural adjustment programme,⁴ resulted in a slight increase in GDP growth to 4.7 percent in 2018.⁵ Increased indebtedness, to finance large scale infrastructure projects between 2012 and 2015, impacted negatively on the economic performance of the country. Debt ratio to GDP reached 76 percent, above the 70 percent WAEMU limit, which led to the negotiation of an economic reform programme with the IMF. This programme should help reduce the debt ratio to 56.4 percent by 2021. In 2017, inflation was 0.7 percent.⁶

Togo has experienced a high level of social unrest since 2017. Opposition parties have started a wave of protests to demand constitutional change, leading to the resignation of the head of state. Mediation is under way, led by the Guinean and Ghanaian presidents, with mixed results.

Access to finance

Togo's financial sector is highly concentrated, with one bank owning over one fifth of the total bank assets in the country. At the end of 2017, there were 13 banks and two financial intermediaries in Togo. These include, the *Fonds Africain de Garantie des Investissements Privés en Afrique de l'Ouest* and the Regional Mortgage Refinancing Fund (*Caisse Régionale de Garantie Hypothécaire – CRRH*). The Banking system is dominated by commercial banks, a third of which are government-owned. Bank of Africa, Orabank, BIA-Togo and Banque Atlantique Togo are the only banks offering mortgages. Togo is also the headquarters of the pan-African bank Ecobank.

KEY FIGURES

Main urban centres	Lomé Kpalimé
Exchange rate: 1 US\$ = [a] 21 Sept 2018	564.75 CFA franc
PPP Exchange rate (Local currency/PPP\$) 1 CFA franc = [b]	228.90
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018	0.85 -0.70 n/a
Population 2017 [b] Urban population size 2017 [b]	7 797 694 3 194 325
Population growth rate 2017 Urbanisation rate [b]	2.48% 3.72%
Percentage of the total population below National Poverty Line 2015 [c]	55.10%
Unemployment rate [d]	1.8%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$4 813 million 5.57%
GDP per capita (Current US\$) 2017 [b]	US\$617
GNI per capita (Current US\$) 2017 [b]	US\$610
Gini co-efficient 2015 [c]	43.10
HDI global ranking 2016 [e] HDI country index score 2016 [e]	166 0.487
Is there a deeds registry?	yes
Number of residential properties that have a title deed	47 326
Lending interest rate [d]	5.30%
Mortgage interest rate 2013 [f] Mortgage term (years) 2013 [f]	9.13% 5
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$6.96
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	7 000 000 CFA franc
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$12 146
What is the size of this house (m ²)?	32m ²
What is the average rental price for this unit (US\$)?	US\$78
What is the minimum stand or plot size for residential property?	150m ²
Ease of Doing Business Rank [g]	156
Number of procedures to register property [g]	5
Time to register property (days) [g]	283 days
Cost to register property (as % of property value) [g]	6.00%

NB: Figures are for 2018 unless stated otherwise.

- [a] Coinmill.com
- [b] World Bank World Development Indicators
- [c] National Statistical Office Togo
- [d] Trading Economics
- [e] UNDP Development Indicators
- [f] Central Bank of West African States
- [g] World Bank Doing Business

There are 432 microfinance institution service points, serving 2 235 699 clients with a total of CFA 163 050 million (US\$283.86 million)⁷ in deposits and outstanding loans to the value of CFA 144 444 million (US\$251.47 million).⁸ The *Faîtière des Unités Coopératives d'Épargne et de Crédit* is the biggest microfinance network in Togo with over 500 000 members and consolidated assets of approximately CFA 50 billion (US\$87.05 million).⁹

Over the past few years, the government has targeted interventions to increase access to finance. In 2014 it launched several initiatives to further financial inclusion. These include the creation of the National Inclusive Finance Fund (*Fonds National de la Finance Inclusive – FNFI*) to reach those at the bottom of the income pyramid. The FNFI developed several microfinance products specifically targeted at low income households, with a close to zero percent interest rate. Microfinance clients represent about 43 percent of Togo's population, one of the highest in the WAEMU region, which averages at 16 percent. Yet Togo ranked 139th out of 190 countries on the "Getting Credit" indicator of the Doing Business 2017 report.¹⁰ None of the microfinance networks in Togo offer housing microfinance. The financial landscape in Togo also includes two social security institutions, and 12 insurance companies.¹¹

The total outstanding loans amounted to CFA 1 066 billion (US\$ 1.86 billion) in 2017, a slight decrease from the 2016 level, representing 38 percent of the 2018 GDP.¹² There are limited housing finance products available in the market. These include loans for land acquisition, loans for housing upgrades and loans for the purchase of housing. For example, Bank of Africa Togo launched a housing savings product to encourage its clients to save at least CFA 20 000 (US\$ 34.82) a month over at least 36 months (with an interest rate of 4.5 percent a year), and then apply for a housing loan as high as six times the savings. 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 percent on average, while guarantees requested by the lending bank range from a lien on the purchased land or house to life insurance. These parameters will likely change with the World Bank funded WAEMU Affordable Housing Finance Project, which intends to extend mortgage terms, decrease interest rates and extend access to housing finance to those who do not have a regular income. Some banks request a proportion of up to five percent of the loan as a guarantee. In general, these loans are available to people who are formally employed with regular, declarable incomes.

Lomé, the capital city, is also headquarters of the regional mortgage refinancing facility, *Caisse Régionale de Refinancement Hypothécaire (CRRH)*, a regional liquidity facility created in 2010 to mobilise the long-term resources required by partner banks to extend mortgage repayment periods. In February 2017, the International Finance Corporation signed a CFA 1.72 billion (US\$3 million) equity investment agreement with CRRH. In October 2017, the World Bank Group signed a US\$155 million (consisting of US\$20 million in grant funding) financial agreement for the WAEMU Affordable Housing Finance Project with the West African Development Bank to support the CRRH's capacity to provide long-term resources to improve access to housing finance in the region. The CRRH itself successfully concluded its seventh bond on the regional financial market, mobilizing CFA 25.1 billion (about US\$43.70 million) in November 2017, bringing to CFA 132 billion (US\$229.81 million) the total resources the institution mobilised to support housing finance in the region since its creation.

Affordability

According to the World Bank's World Development Indicators 2018, the gross national income per capita was estimated at US\$1 453 (in PPP \$). The minimum salary in Togo has remained at CFA 35 000 (US\$60.93) since 2013. The minimum size of a plot is 150m² for a minimum floor area of 40m². On average, the land price in the country was estimated at CFA 8 500 (US\$14.80) per m², while the building cost of a medium-size house was estimated at CFA 75 000¹³ or US\$130.57 per m² before taxes. Despite political unrest and a declining economic situation, 2017 and 2018 saw major developments in the housing and housing finance sectors. In October 2017, the World Bank Group signed a US\$155 million financing agreement with the West African Development Bank (BOAD – *Banque Ouest-Africaine de Développement*) and the regional mortgage refinancing facility, *Caisse Régionale de Refinancement Hypothécaire (CRRH)*. The IFC has invested US\$9 million (CFA51 billion) in CRRH bonds, with the objective of leveraging about US\$500 million to support affordable housing finance in WAEMU.

Housing supply

The Government of Togo adopted a new Draft Land Code and launched a programme to provide Togolese cities with master plans for urban development. A social housing programme has also been introduced, with the goal of reaching 2 500 housing units per year and 20 000 units by 2022.¹⁴

A few modest housing developments have recently been launched in Lomé. The "Cité des Anges" has delivered several hundreds of vacant plots and 156 housing units of different sizes. There is also a new 20-unit complex, mostly targeted at upper income households, located on the west side of Lomé. The project is being carried out by N Real Estates, a consortium of Togolese and foreign nationals. Cité Mokpokpo is a project launched by the Government of Togo, in partnership with private investors. The project is currently under development with plans to deliver 1 000 social housing units. The project will be completed as a public private partnership with the Ivorian real estate operator, *Société Ivoirienne de Promotion Immobilière* and three local banks, namely Orabank Togo, BIA Togo and Banque Atlantique. Partner banks will offer mortgage loans over a 15 to 20-year term at a 7.75 percent interest rate, with no down payment required. The housing units

will cost between CFA seven million and CFA 17 million (between US\$12 187 and US\$29 596) and are exclusively targeted at civil servants. The project, which is partly located in Adidogome in the north-western part of Lomé, will comprise 420 villas and 120 apartments. The project is well under way but has fallen behind the planned completion schedule. Other projects include the WellCity Project, with 1 500 housing units planned in Adeticopé, in the Greater Lomé region. The project is promoted by Derou & Partners, an international holding company, through its branch, Confortis International. The project is supported by local banks, Coris Bank International, Orabank Togo, Ecobank, Bank of Africa and Shelter Afrique. The first phase of 500 units will be completed in 2020. Potential homeowners have several modalities of purchase, including a 20-year mortgage product with partner banks, at an interest rate of between 7.75 and 8.5 percent.

In 2018, the Togo National Social Security Fund (CNSS) launched the Residence Renaissance Project in Lomé. The project will provide 394 luxurious villas and 205 apartments for a total investment of CFA 94 billion (US\$164 million). The units will be sold at between CFA 18.5 million (US\$32 208) and CFA 1.9 billion (US\$3.3 million).¹⁵ The CNSS has a number of housing investments, including 471 villas at the Residence du Benin in Lomé, 23 villas in Kara (in the center of the country), 193 villas and 24 apartments in Baguida (a few kilometers from Lomé) and 99 villas in the Cité OUA 2000 development in Lomé. The *Résidence Esperanza* project was delivered by CECO Immo. The project consists of 200 housing units, is in Sotouboua and is targeted at middle income households. Each of those units was advertised at between CFA 32 million (US\$55 710) and CFA 50 million (US\$87 048).

Besides these projects, the government has signed partnerships with several organisations and corporations to supply housing. These include deals with Poly Group China, for the delivery of 10 000 housing units; German company TKM towards the construction of affordable housing units and MESSIBAT Togo Sarl to deliver another 10 000 housing units to the market. At this stage, only framework agreements have been signed with these corporations.

The cost of certain construction materials can be sourced at a relatively low price. A galvanised sheet of iron for roofing costs between CFA 3 200 (US\$5.57) and CFA 5 500 (US\$9.58), depending on thickness, while a 50kg bag of cement costs CFA 4 000 (US\$6.96). The cheapest housing unit built by a developer is around CFA seven million (or about US\$12 186).¹⁶ The vast majority of Togolese cannot afford this, even for large parts of the formally employed population. This has pushed most low income households to the periphery of urbanised areas, where they develop informal settlements and slums. This can be illustrated in the northern outskirts of Lomé, Tsévié.

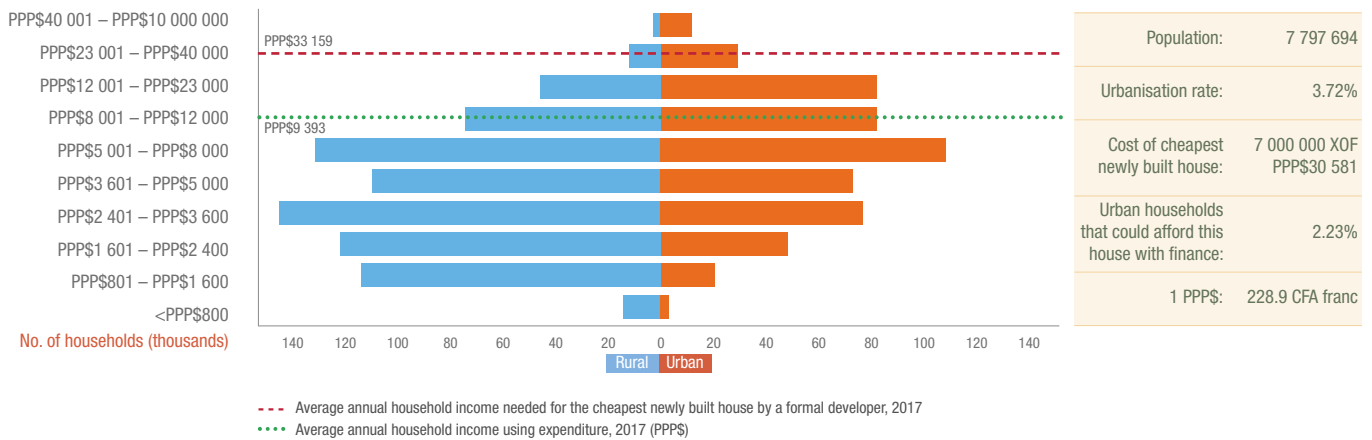
Property market

Togo's formal property market is slowly developing, but outdated land administration legislation as well as lengthy and costly property registration procedures hinder optimal functioning of the market. Registering a property still requires five procedures, takes 283 days on average and costs 9.1 percent of the property value. The ranking of Togo on the "Registering Property" indicator of the 2018 Doing Business index remained at 182nd out of 188 countries.¹⁸ Togo scores only 6.0 on the Quality of Land Administration Index, on a 0-30 scale. However, there is a significant improvement compared to six years ago, when registering a property took as many as 49 procedures, involved 10 government agencies and cost as much as 25 percent of the property value.

There have been major improvements in ensuring land security, with the launch of a national cartographic database, covering the whole country, to establish a national cadastre. An audit of all land in Lomé was launched in early 2018 and is planned to be rolled out in all districts by the end of the year. In the meantime, the Central Directorate of Cartography and Cadastre has improved on transparency of land administration by making available a new service to citizens which allows them, for a CFA 2 000 (US\$4) fee, to check the status and ownership of any given piece of land before any transaction is made on it. The pending new Land and Domainial Code will further improve transparency and modernise land administration. The draft legislation was adopted by the government in May, and is awaiting Parliament's vote. The process is supported by the Millennium Challenge Corporation.

TOGO

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

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 several municipalities. Yet, it is still very expensive to access these permits at a cost of 13.5 percent of the value of the property. People continue with direct sale of properties based on a simple sales agreement in the informal market. Sometimes, for those who can afford it, the assistance of a notary is procured. This is likely to change with the Land and Domanial Code.

There are a few housing brokers operating on the Togolese housing market. Among those are Phillison and Co., Immowants, Le Logis and Confortis International SA.

There is a growing but informal rental market, mainly in the urban areas of Lomé, Kara, Kpalime, Attakpame, Sotoubua, Sokode and Aneho. This market is operated by individuals who build and rent out their houses. Rental values have increased significantly due to high demand for housing in urban areas, while salaries, especially in the public sector, have not changed much over the past 30 years. In Lomé, one needs between CFA 45 000 (US\$78.34) and CFA 150 000 (US\$ 261.14) to rent a one-bedroom apartment.¹⁹

Policy and regulation

Most of the existing policies and regulations were enacted between the 1950s and 1970s and were guided by the government's willingness to provide adequate and affordable housing to every Togolese.

Government supply of housing is mandated under the National Urban Sector Policy Statement, a Housing Policy Statement, and a newer National Housing Strategy. The focus of the latter is to reorganise the housing sector through the adoption of adequate legislation, the improvement of the existing real estate stock and to provide all income segments, 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 to this demand, every year, by facilitating the supply (through public private partnerships and subsidy programmes) of 2 500 housing units. So far, the only development achieved under this mandate is the Cité Mokpokpo. However, there are several public private partnership agreements signed by the government that are yet to materialise.

Over the past three years, significant steps have been taken to strengthen the policy and regulation environment for land, housing development and access to finance. These include: the adoption of a decree to ease delivery (reduction of length of procedures and cost) of construction permits in 2016 and the adoption of a new Land and Domanial Code by the Government in March 2018 with the goal of modernising and increasing transparency in land administration. The Millennium Challenge Corporation, which is supporting land reform in Togo, has made it a requirement that the new Land and Domanial Code be adopted by

Parliament. Togo also adopted the WAEMU Uniform Law on Credit Bureaus (Law N°2016-005 of March 14, 2016), which was modified in May 2018 to strengthen protection of personal data.

Opportunities

The government has engaged in several important economic and fiscal reforms which should continue improving the business environment, but also the road and energy infrastructure. Likewise, important reforms have been launched to modernise land administration, but also develop a master plan for urban development in all cities. The government has therefore created the required economic environment for investment in the housing sector. Government's ambitions for the housing sector have been clearly spelt out in Prime Minister Klassou's General Policy Speech in June 2015, which is to support the provision of housing to the Togolese. This delivery is to take an incremental approach, starting with the 1 000 unit Cité Mokpokpo development at Adidogome, on the outskirts of Lomé. Subsequent agreements have been signed with other local and international developers, but those will not be sufficient to address the housing need.

The scarcity of developers leaves room for newcomers to take advantage of these opportunities. With a high demand for housing from the government, several companies and organisations, including Shelter Afrique, have been positioning themselves to take advantage of a market that is still untapped. The Moroccan real estate investment group Addoha expressed interest in investing in cement plants as well as the housing sector. The US\$155 million World Bank-funded Affordable Housing Finance Project will facilitate access to affordable housing finance to more households. Through this, affordable resources will be available to households, especially those with low revenues, including those from the informal sector, through support to microfinance institutions. This will bring major changes in the housing finance sector in Togo.

Sources

AfDB (2018). African Economic Outlook 2018. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf. (Accessed 4 Sept 2018).

Manlan, Olivier. Perspectives Économiques en Afrique 2018:Togo. African Economic Outlook 2018:African Development Bank. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/Togo_note_pays.pdf (Accessed 4 Sept 2018).

BCEAO (2018). Annuaire Statistique 2017. Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), Dakar, Août 2018. <https://www.bceao.int/sites/default/files/2018-08/Annuaire%20statistique%20de%20la%20BCEAO%20-%202017.pdf> (Accessed 19 Aug 2018).

BCEAO (2018). Statistical Yearbook 2017: BCEAO: Dakar, August 2018.

United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, custom data acquired via website.

World Bank Group - Open Knowledge Repository. World Development Indicators 2017. <https://openknowledge.worldbank.org/handle/10986/26447> (Accessed 4 Sept 2018).

UNDP Human Development Reports. Togo: Human Development Indicators. <http://hdr.undp.org/en/countries/profiles/TGO> (Accessed 19 Aug 2018).

The World Bank – Data. Togo <https://data.worldbank.org/country/togo> (Accessed 19 Aug 2018).

Websites

www.wellcity.tg
<http://www.camimo.com/>
<https://lacitedesanges.com/>
<http://urbanisme.gouv.tg/>
<http://www.dadc.gouv.tg>

¹ UN-DESA (2017). World Population Data Prospects 2017. <https://esa.un.org/unpd/wpp/DataQuery/> (Accessed 19 August 2018).

² Global Edge (2017). Togo Country Factsheet. US Commercial Services.

³ AfDB (2018). African Economic Outlook 2017. Togo Country Profile. Pg. 2.

⁴ World Bank. The World Bank in Togo - Overview. <http://www.worldbank.org/en/country/togo/overview> (Accessed on 19 August 2018).

⁵ International Monetary Fund (2018). Second Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria. African Department. Pg. 4.

⁶ World Bank (2017). The World Bank in Togo – Overview.

⁷ All conversion of CFA to US\$ are based on the conversion rate of US\$ 1 = CFA 574.39, as of 19 August 2018 on <http://coinmill.com/>

⁸ BCEAO (2018). Principaux indicateurs des SFD de l'UMOA au 31/12/2017. <https://www.bceao.int/sites/default/files/2018-04/Indicateurs%20de%20fin%20d%C3%A9cembre%202017.pdf> (Accessed 19 August 2018).

⁹ FUJEC Togo (2018). <http://www.fujec-togo.com/presentation-generale/> (Accessed 19 August 2018).

¹⁰ World Bank (2018). Doing Business 2018. Reforming to create jobs. Economy profile Togo. <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Country/TGO.pdf> (Accessed 19 August 2018).

¹¹ AfDB (2018). African Economic Outlook 2017. Togo Country Profile. Pg.9.

¹² BCEAO (2018). Données Economiques et Financières. <https://edenpub.bceao.int/> (Accessed 19 August 2018).

¹³ BCEAO (2018). Annuaire Statistique 2017. Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), Dakar, Août 2018. Pg.153.

¹⁴ Government of Togo (2018). Togo : 44% d'urbanisation et plus de 20 000 logements sociaux à l'horizon 2022. <https://republiquetogolaise.com/politique/2003-1663-togo-44-durbanisation-et-plus-de-20-000-logements-sociaux-a-lhorizon-2022> (Accessed 19 August 2018).

¹⁵ CNSS Togo (2018). Residence Renaissance: Un harmonieux cadre de vie. <https://www.r-renaissance.tg/#top> (Accessed 19 August 2018).

¹⁶ Price offered by developers for the Mokpokpo Estate, a new Government project being implemented in public private partnership with the Societe ivoirienne de promotion immobilière.

¹⁷ World Bank (2018) Doing Business - Togo. <http://www.doingbusiness.org/data/exploreeconomies/togo> (Accessed 4 September 2018).

¹⁸ World Bank (2018). Doing Business 2018.

¹⁹ Numbeo (2018). Cost of living in Togo. https://www.numbeo.com/cost-of-living/country_result.jsp?country=Togo (Accessed 19 August 2018).

Tunisia



Overview

Following the 2011 revolution and the adoption of a new constitution and the election of a new government in 2014, there was an expectation that there would be increased growth in the economy. While the economic growth has not yet matched expectations, there are signs of recovery. Tunisia also still ranks highly in North Africa in terms of economic and human development.

In 2017, GDP grew by 1.9 percent, up from about 1.1 percent in 2016.¹ Net national savings (as a percentage of gross national income) declined from about six percent (2016) to 0.1 percent (2017).² Public debt deteriorated from 61.9 percent of GDP in 2016 to 69.9 percent of GDP in 2017, mainly due to the growth in external debt.³

The higher increase in GDP reflects on the job market. The unemployment rate dropped from 14 percent in 2016 to 13 percent in 2017.⁴ Women, youth (ages 15-24) and graduates continue to have higher unemployment rates than average.

Housing is traditionally the second largest item of expenditure for Tunisian households after food. In 2017 it remained so.⁵ Although housing is increasingly available, its affordability is increasingly problematic, especially since 2011. Increased demand, more onerous liquidity requirements for mortgage lenders, and the limited availability of housing microfinance inhibit the growth of the housing finance market. The depreciation of the Tunisian Dinar as well as the rise in inflation also raised the cost of living and affected the ability of households to access finance.⁶

Access to finance

Tunisia has a reasonably well-developed financial sector, which is regulated by the Central Bank of Tunisia. Over the past four decades, a sophisticated mortgage-based housing finance system has developed. There are a large number of financial institutions offering loan products for housing. By the end of 2016, there were about 23 domestic banks and eight microfinance institutions among other formal financial institutions. There are also a number of financial access points available to consumers including 1 774 bank branches, 73 of which were opened in 2016.⁷

Until the early 2000s, the publicly-owned Housing Bank (Banque de l'Habitat), established as a result of the National Housing and Savings Fund's shift to Universal Bank, had been the single player in the mortgage market. The de-

KEY FIGURES

Main urban centres	Tunis Sfax
Exchange rate: 1 US\$ = [a] 24 August 2018	2.74 Tunisian dinar
PPP Exchange rate (Local currency/PPP\$) 1 Tunisian dinar = [b]	0.70
Inflation 2016 [b] Inflation 2017 [b] Inflation 2018 [c]	5.56 5.73 7.5
Population 2017 [b] Urban population size 2017 [b]	11 532 127 7 756 393
Population growth rate 2017 [b] Urbanisation rate 2017 [b]	1.1% 1.44%
Percentage of the total population below National Poverty Line 2015 [d]	15.2%
Unemployment rate [e]	15.4%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$40 257 million 1.96%
GDP per capita (Current US\$) 2017 [b]	US\$3 496
GNI per capita (Current US\$) 2017 [b]	US\$3 500
Gini co-efficient 2010 [b]	35.80
HDI global ranking 2015 [f] HDI country index score 2015 [f]	97 0.725
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	7.78%
Mortgage interest rate Mortgage term (years)	8% 25
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	24.16 20.16
Gross Rental Yield in City Centre Outside City Centre	4.14% 4.96%
Construction as a % of GDP [f]	3.78%
What is the cost of standard 50kg bag of cement?	n/a
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	69 870 Tunisian dinar
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$25 500
What is the size of this house (m ²)? [g]	50m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	n/a
Ease of Doing Business Rank [h]	88
Number of procedures to register property [h]	4
Time to register property (days) [h]	39 days
Cost to register property (as % of property value) [h]	6.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Tunisia National Institute of Statistics
[d]	Knoema.com
[e]	UNDP Development Indicators
[f]	Trading Economics
[g]	Oxford Business Group
[h]	World Bank Doing Business

compartmentalisation and deregulation of the banking sector (pursuant to the Law No. 2001-65 on credit institutions) have allowed new actors to strategically position themselves in this market. This move was mainly due to the declining performance of the Housing Bank whose share of the home purchase savings collection market dropped from over 80 percent in 2003 to less than 60 percent in 2014, as well as the increasing attractiveness of the housing finance market. Strategic interest in this market has led to fiercer competition between credit institutions that frequently launch dedicated promotional campaigns such as the Maskan Al Baraka advertising campaign. Maskan Al Baraka is a sharia compliant housing loan for people who have accumulated home savings for four years at least. It can be used to finance a home purchase, land acquisition, construction, or extension of an existing home. The housing loan amount that can be given under Maskan Al Baraka is twice the amount of accumulated savings with a ceiling of TD 100 000 (US\$40 290). Maskan Al Baraka can finance up to 80 percent of the home value over 15 years.

Overall, product offerings in this market have become largely undifferentiated, but conditions of access to housing finance have considerably expanded through the launch of specialised products tailored to various categories of clients including high and middle income, salaried workers, but also lower income families who can benefit from subsidised loans.⁸

While private lending is focused 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 salaried people called FOPROLOS (Fonds pour la Promotion des Logements aux Salariés or Housing Promotion Fund for Salaried People). Loan rates for mortgages range from 2.5 percent to 5.75 percent⁹ for three different income eligibility brackets. These are targeted at households earning a regular salary between the minimum wage and up to 4.5 times the minimum wage. This compares to an average 7.23 percent to 7.57 percent rate for mortgages available at commercial rates in 2016.¹⁰ In March 2017, the minimum monthly wage was increased by 4.3 percent to TD 352.534 (US\$142).¹¹

According to the Central Bank's 2016 annual report,¹² the total value of housing loans decreased between 2015 and 2016. Mortgage lending is approximately equivalent to 8.6 percent of GDP. Rules modified in 2007 (Circular 2007/25 dated November 19, 2007)^{13, 14} limit loan-to-value ratios to below 80 percent (though up to 90 percent 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 longer than 15 years. This requirement means that many banks are funded by sovereign bonds and are hesitant to offer loans beyond 15 years. Current challenges include a lack of liquidity and a high level of non-performing loans, which was reported to have increased from 12 percent in 2010 (pre-revolution) to 14.4 percent in 2016.¹⁵ It should be noted that the Supplementary Budget Law of 2015 included measures to treat debts held by beneficiaries of housing credits issued as part of social housing initiatives.¹⁶

In February 2017, the Government of Tunisia launched the "programme premier logement" ("first housing" programme).¹⁷ This programme, which benefits from a special account (initially funded with TD 200 million or US\$80 million), targets middle class families (households earning between 4.5 and 10 times the minimum wage) that wish to purchase their first home. "First housing" helps them finance their downpayment (up to 20 percent of the total price of a house), from a list of available houses from the state. The loan can finance houses priced at TD 200 000 or less (about US\$80 000) over up to 12 years with no repayment over the first five years.¹⁸

In terms of secondary markets, Tunisia has a stock exchange (La Bourse des Valeurs Mobilières de Tunis – BVMT) and, in 2001, developed the legal framework for securitisation to facilitate access to long-term funding for mortgage finance. However, activity has been extremely limited with only two transactions¹⁹ (in 2005 and 2006 respectively, amounting to TD five million each, about US\$2 million) by a single institution, the International Arab Bank of Tunisia. There is also an alternative capital securities market for Tunisian companies that cannot be listed on the main market.

The Decree-Law No. 2011-117 on microfinance institutions of 5 November 2011 opened the way for new entrants. As a result, the microfinance sector has evolved over the past years with more players coming in. Today, six microfinance institutions operate in Tunisia: Enda Tamweel, Microcred Tunisie, Zitouna Tamkeen, Taysir Microfinance, Centre Financier aux Entrepreneurs, and Advans Tunisie.²⁰

Zitouna Bank was the first institution in 2009 to launch a Mourabaha product. The government is working with the Islamic Development Bank to issue its first Sukuk bonds, which has been presented as a cheap means to access long-term finance. Ultimately, only an estimated 4.1 percent of Tunisian households have access to housing loans.

The government of Tunisia also offers subsidised finance for residential property developers. The Housing Bank can finance up to 80 percent of the total cost of a project if the housing units are "social" units at 6.78 percent per annum, and up to 70 percent if they are "economic" or "high-standing" units, at 7.28 and 8.28 percent per annum respectively. This financing system was introduced as part of the National Housing Strategy (1988) that saw the private sector as an important housing producer.

Affordability

According to the Brookings Institution, the size of Tunisia's middle class reached more than 40 percent of the total population in 2010, up from 25 percent in 2000.

In 2010, the middle class may have made up almost 70 percent of the population, although this has dropped significantly since the revolution in 2011.²¹ Euromonitor currently estimates that the middle class in Tunisia makes up 36.3 percent of the population.

Consumer expenditure per household decreased from US\$13 009 in 2014 to US\$10 360 in 2017.²² Consumer expenditure on housing per household also dropped from US\$2 118 in 2014 to US\$1 735 in 2017, making up about 17 percent of total consumer expenditure per household.²³ It remains the second highest expenditure for households in Tunisia.

The majority of the population, 69 percent of 2.8 million households, are homeowners.²⁴ Of the 2.8 million households that are homeowners, 96 percent do not have a mortgage while the other four percent maintain a mortgage. Twenty-six percent of Tunisian households rent their homes. This suggests that although the majority of the population own their homes and do so without a mortgage, there are at least 26 percent of the population who stand to benefit from affordable housing finance.

Annual disposable income in 2017 was TD 71.6 billion (US\$26.9 billion), up from TD 66.6 billion (US\$25 billion), 72 percent of which is earned in the urban areas of the country. Per capita spending averaged US\$2 360 a year in 2010, which ranged from US\$1 496 in the Centre West region to US\$3 228 in Tunis. In 2012, 1.2 percent of households had expenditure of less than US\$2 500 a month, 12.8 percent spent between US\$2 500 and US\$5 000, 24.9 percent between US\$5 001 and US\$7 500, 20.9 percent between US\$7 501 and US\$10 000 and 40.2 percent above US\$10 000. Due to progressive housing policies since independence in 1956, housing is more affordable in Tunisia compared to other countries in the region and the overall price-to-income index is often quoted as five. However, this number does not reflect the reality for low income households, a growing market segment as youth unemployment remains high at above 35 percent.²⁵ These households usually cannot qualify for housing loans and do not have the capacity to pay for even a modest unit.

In terms of affordability, a 2012 analysis by UN Habitat calculated that a house of 75m² built progressively on peri-urban land cost about US\$14 000 (TD 21 746), or US\$187.5 (TD 291) per square metre. Such a unit has a price-to-annual-income ratio close to nine for the lowest decile households. Assuming 30 percent of income could be mobilised for monthly housing payments, the repayments required on the cheapest housing loan makes this unit unaffordable to 30 percent of Tunisian households.

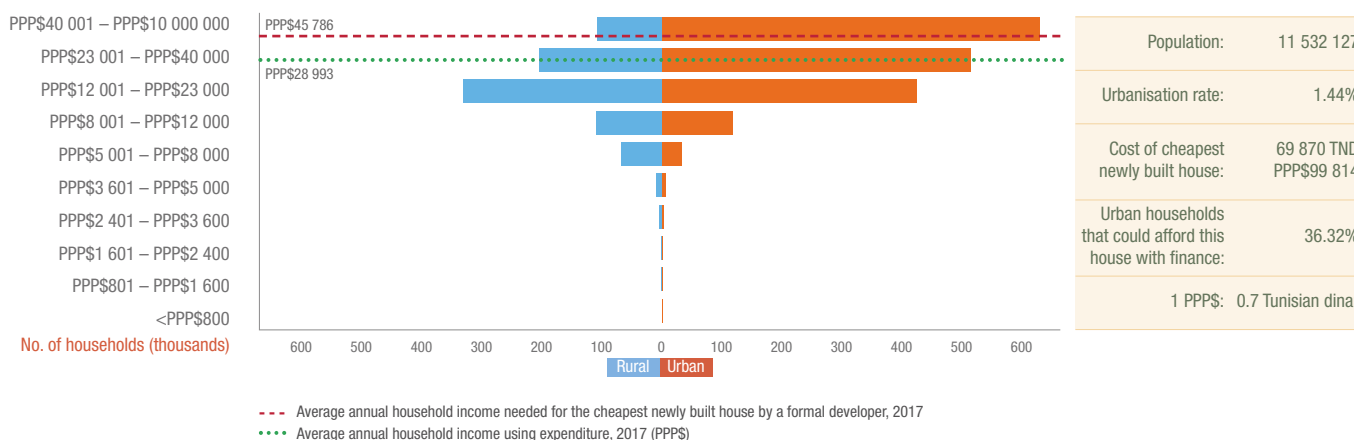
The government FOPROLOS programme was designed in 1977 to provide housing finance for low income groups and is still the main tool assisting access to affordable housing. There are three main categories:

- FOPROLOS 1: Households earning between one and two times the minimum wage can purchase a unit below 50m² for US\$25 500, with a loan of 90 percent loan-to value (LTV) for 25 years, at 2.5 percent per annum.
- FOPROLOS 2: Households earning between two and three times the minimum wage can purchase a unit below 75m² at US\$32 100, with a loan of 90 percent LTV for 25 years, at four percent per annum.
- FOPROLOS 3: Households earning between three and 4.5 times the minimum wage can purchase a unit of between 80-100m² at less than US\$43 400, with a loan of 85 percent LTV for 25 years, at 5.75 percent per annum.

However, in recent years, the cost of a FOPROLOS home has become inaccessible to its original target groups, with housing costs at around US\$510 a square metre. Qualifying criteria do not enable households with irregular incomes to participate. Furthermore, loan ceilings have not increased with the cost of production, so it is difficult for developers to offer a housing supply to match the subsidised financial product. There are clear indicators that, in its current shape, this mechanism is not suited for attaining its set objectives, thus prompting a spillover of the demand into the informal sector. According to data from the Tunisian Ministry of Equipment, Land Development and Sustainable Development (Ministère de l'Équipement, de l'Aménagement du Territoire et du Développement Durable), the share of approved FOPROLOS housing units offered by private developers only represented on average six percent of the total approved housing units

TUNISIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

between 2004 and 2013. FOPROLOS remains mainly underused due to a lack of adapted supply rather than a lack of resources. The cumulative surplus (unspent resources) of FOPROLOS reached almost US\$230 million at the end of 2013.

This prompted the government of Tunisia to reflect on possible reform of the FOPROLOS mechanism, which is widely regarded as obsolete. This formed part of the new Housing Strategy presented to the Prime Minister in October 2015. The upcoming reform aims to increase access to affordable housing and should include an extension of the repayment terms, a decrease in the self-financing rate, and a revision of the eligibility criteria. The strategy also provides for a new guarantee fund mechanism aimed at promoting access to housing finance, including through FOPROLOS, to low income households that are not affiliated to social security or do not hold a bank account. A removal of the *de jure* monopoly of the Housing Bank on subsidised FOPROLOS loans is also under consideration.

Housing supply

The 2014 census and housing survey, released in September 2015,²⁶ recorded a total housing stock of 3 289 903 units, an increase of 789 103 units since the previous census in 2004. A total of 79.2 percent of Tunisians own their home and an estimated 17.7 percent of these homes are vacant usually consisting of high-cost units purchased as secondary homes, luxury rental properties, or speculative investment properties. Most developers in Tunisia have also been focussed on developing houses for the mid to higher range segments as the cost to construct social housing units outstrips its property price ceiling.²⁷

Of the annual demand, estimated at 77 000 units per year, around 40 percent is built informally on an incremental basis on quasi-formally subdivided land – the land is bought and acquired through notary deed. A total of 42 587 building permits were issued in 2013.²⁸ Of the formal units, approximately 80 percent are constructed by individual households (responsible for 28 000 building permits and 38 300 units per year), two percent by public developers and 18 percent by registered developers, who tend to target middle to high income groups.

Property market

There are two land registration systems. The first regime was established by the Decree-Law of 20 February 1964 on the registration of agricultural lands. This land registration is compulsory, free of charge, and state-administrated. The second regime involves voluntary applications to register land by landowners, usually based on a notarial deed. The land registration system involves three main actors. First, the Property Court, which is the competent judicial authority, intervenes at the onset of the registration process by issuing a registration judgement. Second, the Land Survey and Topography Agency (Office de Topographie et de Cadastre), undertakes boundary marking and allotment operations as well as establishing land plans. Lastly, the Landed Property Registry (Conservation de la Propriété Foncière) is responsible for issuing, updating, and maintaining title deeds.

The real estate and construction sector is an important contributor to national GDP and employment. In the first quarter of 2016, the number of jobs in the construction and settlements sector was measured at 459 800, which represented 13.5 percent of total employment. The housing sector also accounted for three percent of the revenues of the state via taxes collected from rental and property management, VAT generated by construction and local land taxes.

Prices in the formal real estate market have been increasing at a rate of eight percent an annum since 1990, and have continued to rise following the revolution. The rental market has experienced increased demand, and higher rentals, due to Libyan immigrants who have settled in Tunisia to escape the political situation in their home country. According to the Ministry's Housing Observatory, in 2010 the average price of a housing unit was US\$36 180 at a size of 134m², or US\$270 per square metre. 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 a square metre.

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 2 700 registered developers at present. 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.

Policy and regulation

While the total government budget increased by 10.7 percent between 2016 and 2017, the budget of the Ministry of Equipment, Housing and Land Development increased by 55 percent to TD 1 641 million (US\$662 million).²⁹

In force for more than 40 years, government financial assistance mechanisms for the housing sector mainly consist of financial subsidies, such as subsidised interest rates and tax exoneration on home saving accounts. For instance, the National Fund for Housing Improvement (Fonds National d'Amélioration de l'Habitat) finances loans and grants for home improvements for people who earn less than the minimum wage. The fund was established by law in 2004 but has only been effectively operating since 2007.³⁰ To a lesser extent, there are land subsidies through the Housing Land Agency (Agence Foncière d'Habitation), which also has the objective of reducing land speculation. This regime was enhanced in 2007 through the issuing of direct subsidies by the National Solidarity Fund (Fonds National de Solidarité), targeted to benefit households wishing to purchase social housing. Complementary mechanisms were established in the 1980s in the form of slum upgrading schemes managed by the Urban Rehabilitation and Renovation Agency and the National Programme for the Resorbing of Rudimentary Lodging.

In 2014, the Ministry of Public Works, Housing and Settlements undertook a comprehensive review of its housing policy, particularly in terms of exploring public-private partnerships. The review also looked at possible reforms of the subsidy programmes aimed at widening the scope and rationalising government

housing aid, as well as expanding the mandate of FOPROLOS. Preliminary recommendations for a new National Housing Strategy were presented by the government in September 2014 and included revitalising the role of the Housing Land Agency in land provision.

Opportunities

Despite a slowdown in the pace of new constructions (as evidenced by a 6.5 percent decrease in the demand for cement in the first quarter of 2015, according to the Ministry of Industry), and as the outlook of capital markets and the banking sector remains uncertain, Tunisians continue to put their money in real estate as housing in Tunisia is still considered a secure and profitable form of investment. The construction boom can be seen in both the informal and formal sector, particularly apparent in the high cost of land and construction materials. However, continued price rises may not be sustainable, and there is a risk of this further excluding low to middle income households from homeownership.

Contribution of the housing sector to GDP was estimated at US\$2.8 billion in 2014, representing 6.6 percent of GDP. Removing restrictions on foreign ownership of property and the rise in demand for Islamic housing finance may allow the sector to grow significantly.

A slight upturn in the population growth rate will help to drive the market's expansion. With regard to solvency of the demand, the impact of the economic changes experienced by the country since 2011 will tend to make income levels instable. Demand for housing credits will grow in complexity and will rely less and less on traditional products, which will impact the evolution of the nature of demand.

Economic growth in 2017 is expected to accelerate (2.3 percent compared to 1.0 percent in 2016). Projections for the next years continue to be positive with a 2.8 percent economic growth in 2018 and 3.2 percent in 2019.³¹ While the main drivers of the expected economic growth do not include construction and housing, an improved economic context should also boost the housing sector over the medium term.

Additional sources

Achy, Lahcen (2011). Tunisia's Economic Challenges. Carnegie Middle East Centre. https://carnegieendowment.org/files/tunisia_economy.pdf (Accessed 11 September 2018).

African Development Bank (2012). Tunisia: Interim Country Strategy Paper: Tunis. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/2014-2015_-_Tunisia_Interim_Country_Strategy_Paper.pdf (Accessed 11 September 2018).

African Economic Outlook (2014). Tunisia Country Profile. <http://www.un.org/en/africa/osa/pdf/pubs/2014afrecooutlook-afdb.pdf> (Accessed 11 September 2018).

Banque Centrale de Tunisie (2015). Rapport Annuel 2014. https://www.bct.gov.tn/bct/siteprod/documents/RA_2015_fr.pdf (Accessed 11 September 2018).

EuroMonitor (2018). World Consumer Income and Expenditure Patterns: 14th Edition.

Hassler, O (2011). Housing and Real Estate Finance in Middle East and North Africa Countries. http://siteresources.worldbank.org/INTMNAREGTPOVRED/Resources/MEN_AFlagshipHousingFinance.pdf (Accessed 12 September 2018).

Kahloun H (2014). Habitat informel. <http://www.mehat.gov.tn/fileadmin/user1/doc/Contenus/FR/HabitatInformelRapportIntermEdiaireProvisoireHKahlounOct2014.pdf> (Accessed 13 September 2018).

Sayah Z (2014). Promotion de l'accès au financement du logement. <http://www.mehat.gov.tn/fileadmin/user1/doc/Contenus/FR/PromotionDeLAccesAuFinancementDuLogementZSayahOct2014.pdf> (Accessed 13 September 2018).

Taleb R (2014). Auto construction formelle des logements. <http://www.mehat.gov.tn/fileadmin/user1/doc/Contenus/FR/AutoconstructionFormelleDesLogementsRTalebOct2014.pdf> (Accessed 13 September 2018).

UN-HABITAT (2011). Affordable Land and Housing in Africa. <https://unhabitat.org/books/affordable-land-and-housing-in-africa/> (Accessed 13 September 2018).

UN-HABITAT (2011). Tunisia: Housing Profile. <https://unhabitat.org/books/tunisia-urban-housing-sector-profile/> (Accessed 11 September 2018).

World Bank (2014). Doing Business Economy Profile 2015: Tunisia. <https://openknowledge.worldbank.org/bitstream/handle/10986/21027/921490/WPOBox3804580Tunisia00Public0.pdf?sequence=1&isAllowed=y> (Accessed 11 September 2018).

Websites

www.bct.gov.tn
www.bh.com.tn
www.cgap.org
www.ins.nat.tn
www.mehat.gov.tn
www.mfw4a.org
www.mixmarket.org

¹ World Development Indicators (2018). Tunisia. <http://databank.worldbank.org/data/reports.aspx?source=2&country=TUN> (Accessed 25 July 2018).
² Trading Economics. <https://tradingeconomics.com/tunisia/adjusted-savings-net-national-savings-percent-of-gni-wb-data.html> (Accessed 19 July 2017).
³ Nourou, M.A. (2018). Tunisia's Public Debt reached nearly 70% of GDP in 2017. <https://www.ecofinagency.com/public-management/0503-38152-tunisia-s-public-debt-reached-nearly-70-of-gdp-in-2017> (Accessed 25 July 2018).
⁴ Indexmundi (2018). Tunisia Unemployment Rate. http://www.indexmundi.com/tunisia/unemployment_rate.html (Accessed 20 July 2018).
⁵ EuroMonitor (2018). Economies and Consumers Annual Data. www.euromonitor.com (Accessed 25 July 2018).
⁶ Aliriza, F. (2018). 'Two Classes left - Rich and Poor': Sinking Tunisia's currency. <http://www.middleeasteye.net/news/sinking-tunisia-s-currency-63299104> (Accessed 25 July 2018).
⁷ Banque Centrale de Tunisie (2016). Annual Report 1016. https://www.bct.gov.tn/bct/siteprod/documents/RA_2016_en.pdf (Accessed 20 July 2018).
⁸ Housing Finance Information Network (HOFINET) (2013). Tunisia Country Profile. <http://www.hofinet.org/countries/description.aspx?regionID=5&id=168> (Accessed 20 August 2017).
⁹ Banque de l'Habitat (2017). Le Crédit FOPROLOS. https://www.bh.com.tn/credit_foprolas.asp (Accessed 19 July 2017).
¹⁰ Banque Centrale de Tunisie (2017). https://www.bct.gov.tn/bct/siteprod/documents/RA_2016_fr.pdf (Accessed 20 July 2017).
¹¹ Highlights (2017). Highlights. <http://highlights.com.tn/tunisie-voici-nouveaux-montants-smig/> (Accessed 20 July 2017).
¹² Banque Centrale de Tunisie (2017). https://www.bct.gov.tn/bct/siteprod/documents/RA_2016_fr.pdf (Accessed 20 July 2017).
¹³ Law No. 2007-12 issued on 3 January 2007 amending the law establishing FOPROLOS.
¹⁴ Banque Centrale de Tunisie (2017). [https://www.bct.gov.tn/bct/siteprod/documents/cir87_47n\(1\).pdf](https://www.bct.gov.tn/bct/siteprod/documents/cir87_47n(1).pdf) (Accessed 20 August 2017).
¹⁵ The Global Economy (2017). http://www.theglobaleconomy.com/Tunisia/Nonperforming_loans/ (Accessed 20 July 2017).

¹⁶ The Supplementary Budget Law for 2015 was adopted by the Assembly of the People's Representatives (ARP) on 5 August 2015.
¹⁷ Called "programme premier logement".
¹⁸ Huffpost (2017). Tout savoir sur le programme "premier logement". http://www.huffpostmaghreb.com/2017/02/03/logement-tunisie-_n_14594908.html (Accessed 19 July 2017).
¹⁹ All Africa (2016). Tunisie: L'indispensable réforme de la loi sur la titrisation. <http://fr.allafrica.com/stories/201610180556.html> (Accessed 20 July 2017).
²⁰ Concours Tunisie (2017). Concours Tunisie. <http://concours-tunisie.tn/2017/05/03/liste-institutions-de-microfinance-tunisie-institution-microfinance/> (Accessed 20 July 2017).
²¹ Aliriza, F. (2018). 'Two Classes left - Rich and Poor': Sinking Tunisia's currency.
²² EuroMonitor (2018). Income and Expenditure. www.euromonitor.com (Accessed 25 July 2018).
²³ EuroMonitor (2018).
²⁴ Ibid.
²⁵ Huffpost (2017). Rapport mondial de l'OIT sur le chômage des jeunes: Où se place la Tunisie? http://www.huffpostmaghreb.com/2016/12/19/oit-rapport-chomage-jeune_n_13720084.html (Accessed 20 July 2017).
²⁶ National Institute of Statistics – Tunisia.
²⁷ Oxford (2017). The Report: Tunisia 2017. <https://oxfordbusinessgroup.com/tunisia-2017> (Accessed 11 September 2018).
²⁸ MEATDD data
²⁹ iBoursa (2016). épartition du budget de l'Etat pour 2017 par Ministère. http://www.ilboursa.com/analyses/arp-repartition_du_budget_de_l_etat_pour_2017_par_ministere-50 (Accessed 20 August 2017).
³⁰ République tunisienne (2017). Ministère de l'Équipement, de l'Habitat et de l'Aménagement du Territoire. <http://www.equipement.tn/index.php?id=271&L=1> (Accessed 20 August 2017).
³¹ The World Bank (2017). Tunisia's Economic Outlook- April 2017. <http://www.worldbank.org/en/country/tunisia/publication/economic-outlook-april-2017> (Accessed 20 August 2017).

Uganda



Overview

Uganda's economy has achieved a strong performance, with a 5.2 percent growth rate reported in 2018, up from 4.6 percent in 2017.¹ This has been largely attributed to high levels of public infrastructure developments and investment in a wide range of sectors, including housing and construction, manufacturing and the service sector.

On the monetary front, the central bank has continued with the drive to reduce borrowing interest rates to encourage private sector credit for enhanced economic growth. Headline inflation has continued on the downward trend to 1.7 percent² in May 2018 compared to 7.2 percent in May 2017.³ The success in controlling inflationary pressures to well within the target rate of 5 percent has been recognized by monetary authorities as a catalyst for low-priced debt for private sector investments. However, despite these successes, the debt-to-GDP ratio has increased from 34.6 percent in 2016 to 37 percent in 2018 and is projected to reach 47.8 percent in 2021.⁴

The government has announced measures aimed at reducing the debt burden in the short to medium term. These are largely focused on expanding the tax base and increasing domestic funding for the recurrent budget. The tax-related measures have had a considerable impact on housing developments, with likely constraints on rental housing developments within the tax period. Uganda's tax revenue to GDP ratio is still low at 14 percent, an improvement from the decade-long position of approximately 10 percent, although still below the 16 percent average for economies in sub-Saharan Africa.⁵ This points to an increasing need for widening the tax base in the medium term if the development objectives are to be achieved.

The country's foreign sector has posted a weak performance with deteriorating balance of payments mainly as the result of external economic factors, including slow growth in Europe and China, and tightening financial and monetary conditions globally. Coupled with a low interest rate regime, deterioration in export performance has exacerbated the depreciation of the local shilling against the US dollar by 8.4 percent from US\$3 582 in June 2017 to US\$3 884 in June 2018.

Overall, there are indications of private investment activity as reflected in the growth of foreign direct investment, which increased by 18.5 percent⁶ in 2017 compared to a decline of 30.5 percent in 2016, and in the growth in local currency

KEY FIGURES

Main urban centres	Kampala Entebbe
Exchange rate: 1 US\$ = [a] 20 Sept 2018	3 884.75 Ugandan shilling
PPP Exchange rate (Local currency/PPP\$) 1 Ugandan shilling = [b]	1 143.50
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	5.50 5.6 3.6
Population [b] Urban population size [b]	42 862 958 7 198 405
Population growth rate [b] Urbanisation rate [b]	3.26% 5.50%
Percentage of the total population below National Poverty Line [d]	23.0%
Unemployment rate [d]	9.2%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$25 891 million 3.96%
GDP per capita (Current US\$) 2017 [b]	US\$604
GNI per capita (Current US\$) 2017 [b]	US\$600
Gini co-efficient [d]	37.10
HDI global ranking [f] HDI country index score [f]	163 0.493
Is there a deeds registry? [g]	Yes
Number of residential properties that have a title deed	630 000
Lending interest rate [a]	20.03%
Mortgage interest rate Mortgage term (years)	18% 25
Downpayment	15%
Mortgage book as a percentage of the GDP	3.00%
Estimated number of mortgages	5 000
Price to Rent Ratio in City Centre [h] Outside City Centre [h]	55.86 8.45
Gross Rental Yield in City Centre [h] Outside City Centre [h]	1.79% 11.8%
Construction as a % of GDP [i]	5.00%
What is the cost of standard 50kg bag of cement?	US\$8.15
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	76 000 000 Ugandan shilling
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$20 000
What is the size of this house (m ²)?	60m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	300m ²
Ease of Doing Business Rank [g]	122
Number of procedures to register property [g]	10
Time to register property (days) [g]	42 days
Cost to register property (as % of property value) [g]	3.10%

NB: Figures are for 2018 unless stated otherwise.

[a]	Bank of Uganda
[b]	World Bank World Development Indicators
[c]	Worldometers
[d]	Uganda Bureau of Statistics
[e]	IMF World Economic Outlook Database
[f]	UNDP Development Indicators
[g]	World Bank Doing Business
[h]	Numbeo
[i]	Uganda Ministry of Lands, Housing and Urban Development

private sector credit by 10.8 percent in December 2017 compared to 7.9 percent in December 2016. This has also been augmented an increase of imports of raw materials and capital goods. The economy is expected to grow at an improved rate of 5.8 percent in the financial year 2017/2018 compared to 3.6 percent in 2016/2017. This will be achieved on the back of improvements in the agricultural sector by 3.2 percent, the industrial sector by 6.2 percent, and the service sector by 7.3 percent. GDP is expected to strengthen further to 6.0 percent⁷ in the financial year 2018/2019.

Moody's credit rating for Uganda in March 2018 was maintained at B2, and at par with Kenya after Kenya's down grade from B1.⁸ The rationale for the B2 grade is Uganda's small economic size and low wealth levels, pointing to limited shock absorption capacity from external shocks, limited institutional capacity posing challenges in managing the 38 percent rising debt associated with infrastructure investment, and an elevated susceptibility to event risk. The outlook is however stable, reflecting a broad balancing of credit risks and expected gains from infrastructure investment alongside continued structural reforms in cooperation with the IMF to support the growth outlook.

Access to finance

The financial sector in Uganda has remained strong, resulting in the improved performance of financial institutions in 2017 and an increase in credit facilities extended to the private sector. The Central Bank Rate, a policy benchmark rate, has remained at its all-time low of 9.0 percent in June 2018, since the last reduction from 9.5 percent in February 2018.⁹ The country has also posted an improvement in shilling credit extension by 10.8 percent in December 2017 compared to 7.9 percent in December 2016. Total lending in the local currency has risen by 7.4 percent from US\$1 1 972 040 million in April 2017 to US\$1 2 925 983 million in April 2018.¹⁰

Credit to the building and construction sector has improved very slightly from 20.8 percent to 21.0 percent of the total credit outstanding in the country. Other leading sectors include trade at 19.2 percent, personal credit at 18.3 percent, agriculture at 12.4 percent and manufacturing at 12.0 percent. Energy, transport, mining and other services are all under 10 percent each.¹¹

The provision of development finance represents 7.1 percent of the 21 percent real estate sector allocation, followed by residential mortgages at 5.7 percent, commercial mortgages at 3.5 percent and land purchase at 0.6 percent. The biggest lender for building and construction projects is still Housing Finance Bank, which leads the mortgage market in Uganda with approximately 55 percent of the total mortgage portfolio in the country. Other banks involved in housing-related finance include Stanbic Bank, Standard Chartered Bank, DFCU Bank, KCB Bank and Centenary Bank. The total mortgage portfolio, comprising both residential and commercial mortgages, has increased by 8 percent from US\$2.492 trillion in April 2017 to US\$ 2.711 trillion in April 2018. The increment is attributed to a drop in mortgage interest rates from an average of 19.5 percent in April 2017 to 17.5 in April 2018. Mortgage rates vary from bank to bank, the lowest being 17 percent and the highest being 19.5 percent.

The rate of non-performing loans as a percentage of gross loans, has declined from a peak of 10.5 percent in December 2016 to 5.6 percent in December 2017.¹² This has further supported credit extension. The noted improvement in the quality of loan portfolio over the year is attributable to an industry-wide effort to book quality loans and enhance recovery efforts, as demanded by the banking regulator following the shake-up and eventual closure of the third largest lender, Crane Bank Limited, whose non-performing loans were in excess of 12 percent of the bank's loan book. This industry-wide improvement in loan quality has resulted in stricter credit underwriting standards, also coming with the adoption of International Financial Reporting Standard (IFRS) 9, requiring banks to be more prudent when making provisions for their loan book. The actual eventual impact of IFRS9 on bank performance will be examined when banks release their final 2018 financial results.

On the other government side, investment in public infrastructure relating to the transport sector has opened up new areas for development and is likely to substantially raise output and credit extension for greenfield projects in such areas.¹³ Infrastructure projects opening new areas include the Kampala-Entebbe Expressway (commissioned June 2018) and Kampala-Jinja Expressway (planned for 2020).

The biggest challenge for local lenders (tasked with financing these projects) lies in their inability to raise long-term funds, due to the nature of the deposit base of commercial banks. Most banks still rely on retail and wholesale deposits to support up to 80.4 percent of bank lending. Such deposits support very short-term operations, with less than 15 percent available to issue credit. In addition to a marginal portion of retail deposits that are stretched to create long-term assets, banks continue to rely heavily on pension funds available on a one-year recurrent basis. Existing pension sector regulations still restrict the use of pension assets for long-term credit by banks.¹⁴

Recent innovations in the financial sector have increased access levels to financial services. Financial sector deepening initiatives in Uganda, including Agent Banking and mobile-based payments, have been aligned to support the changing demography, technology, and attitudes in the country. Uganda has a youthful population with 47.9 percent between 0-14 years of age, 49.2 percent between 15 – 64 years, and 2.9 percent above 65 years. Furthermore, approximately 75 percent of the population reside in rural areas, with limited access to financial

services, while only 25 percent of the population resides in urban areas. Based on this market information, financial services providers have introduced a wave of digital financial services aimed at improving proximity and bringing harder-to-reach clients into the formal financial space at relatively lower costs. These innovations include agent banking, mobile money and electronic payments. Most banks are now accessible through mobile phones and local bank agents. Bank of Uganda released new Agent Banking Regulations in July 2017, paving way for the appointment by banks of agents for the conduct of financial institution business on behalf of the appointing bank. Currently, most banks are rolling out agents across the country to enhance access to their services, including deposits, withdrawals, balance checks, bill payments and collection of documents for account opening and loan applications.

On the regulatory front, the government has introduced amendments to the taxation law in a bid to widen and deepen the tax base. As from July 2018, mobile phone-based cash transactions, including depositing, withdrawing and sending money held a one percent tax. Additionally, excise duty on banking services has been increased from 10 percent to 15 percent. Such measures are likely to result in a slight decline in the use of the affected services and restrict access to affordable financial services.

Affordability

Although the demand for housing units is high among Uganda's middle class with aggregate monthly household incomes ranging between US\$400 (US\$1 553 600) to US\$1 000 (US\$ 3 884 000), effective demand is perceived to be modest, because of the low levels of regular verifiable income as evidenced by adequate income documentation. The situation has been further exacerbated by an increase in the prices of building materials. The limited capacity of cement manufacturers to boost production levels in response to demand has affected housing affordability in the early part of 2018. In March and April 2018, cement prices increased by over 79 percent from an average of US\$28 000 to more than US\$50 000 for a 50kg bag. This was attributed to increased demand from infrastructure developments, including road construction and the Karuma hydroelectric power plant construction. This price movement greatly reduced individual households' capacity to continue with construction projects already started and called for additional loan financing for houses that were being constructed on relatively fixed approved amounts.

To reduce these pressures, Hima Cement is expected to start production on its US\$40m plant within the second half of 2018. The new plant, which has a capacity of approximately 800 metric tonnes, could help to bring down prices as well as stabilise supply in the market. Additionally, three new cement plants are expected to open this year in Tororo, including Hima Cement, Tororo Cement (a new 1.8 million metric tonnes plant) and Simba Cement. The three are projected to increase cement production to 6.8 million metric tonnes a year, almost double the current 3.6 metric tonnes. With local demand currently at 2.4 million metric tonnes a year, the likely oversupply is expected to drive down the cost of cement.¹⁵ Other construction materials such as sand, stones, bricks and tiles have increased by approximately 15 percent on account of high inflation in fuel costs which was 10.3 percent for May 2018 and 15.1 percent for June 2018. The result has been a noted deterioration of housing affordability among the low and middle-income segments of the population.

On the demand side, a notable decline in interest rates to an average of 17.5 percent and persistent decline in inflation to 3.4 percent,¹⁶ down from 5.7 percent a year ago, have combined to raise households' disposable income, thereby boosting affordability.

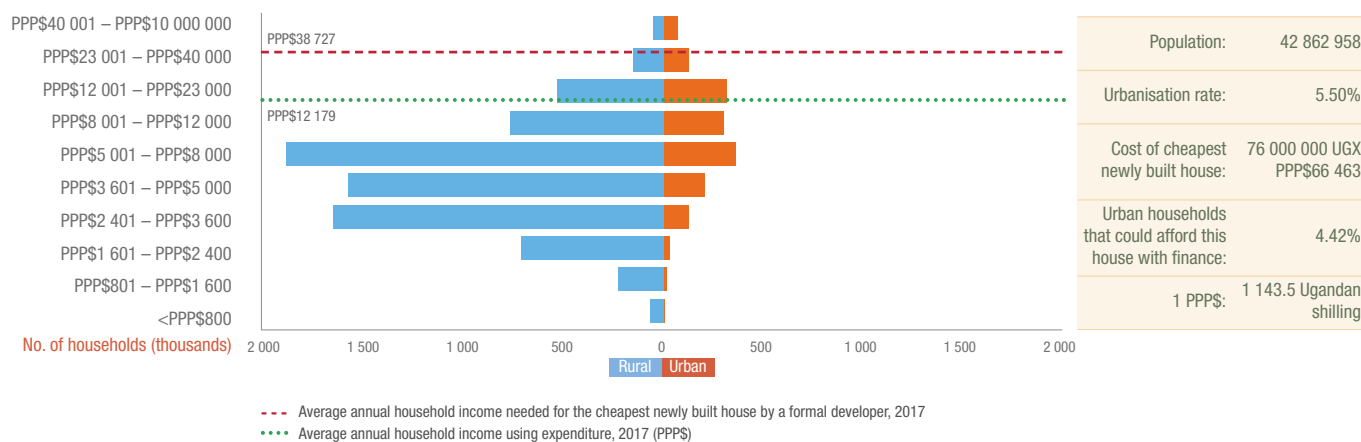
Of course, these developments do not address the housing affordability of the most poor, nor of the growing refugee population in Kampala and other city centres. Recent research¹⁷ has found that the majority of refugee households rent their housing, and that this housing is generally of poor quality with poor access to services. Even so, about a third of those surveyed also reported that housing constituted their largest expense.

Housing supply

Uganda's current housing stock is estimated at about 8 021 000 housing units with an average household size of 4.7 persons for the 37.7 million residents.¹⁸ A minority of urban Ugandans own however: an estimated 71 percent of households

UGANDA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

in Kampala, rent their dwellings.¹⁹ Nationally, just over one fifth of all households rent. Even within formal housing, access to services is a serious issue. Less than 60 percent of urban renter households have access to electricity; less than 30 percent have piped water in their dwellings or on site; and only 8 percent say that they have a flush toilet.²⁰

The private sector provides most of the formal housing supply. Several private developers including Jomayi Property Consultants, Canaan Sites, Hossana, Heritage Sites, Sema Properties and Zion Construction do purchase large chunks of land and partition it into small affordable plots measuring approximately an eighth of an acre.

The National Housing and Construction Company (NHCC) has dominated the housing landscape in Uganda for over four decades. They are still the largest developer in terms of housing units. Prior to the incorporation of the mid-sized developers (Comfort Homes, Universal, et al), NHCC was delivering mid-value homes at about US\$100 000. These were typically standard size three bedroom bungalows and flats, with significantly spacious balconies and vehicle parking spaces.

New developers have are now redefining the affordable housing concept, however, with their introduction of one bedroom apartments which optimise free space. A one-bedroom house can go for between USh 47 million (US\$12 000) and USh 85 million (US\$22 000). Two-bedroom and three-bedroom units are being offered for USh 150 million (US\$39 000) and USh 200 million (US\$51 000) respectively. Small-scale developers build between two and 10 housing units ranging from two to three bedrooms and sell them off to individual buyers. New properties are then developed with the proceeds of the sales and sold as the business cycle continues. In total, however, scale is still low (under 150 units) and does not compare well with the relatively large-sized NHCC units so far delivered. This leaves NHCC in the driving seat in terms of scale of delivery, but lagging behind in its definition of and approach to affordability.

High demand is putting pressure on prices, however: Universal Multipurpose Enterprises, a mid-sized property development company launched its first one-bedroom apartment project at an offer price of USh70 million per unit in 2017. The price for the second project apartments is now in 2018 at USh86 million per unit.

Uganda has launched significant initiatives to reduce the housing deficit. The initiatives aim to bring together key stakeholders to increase supply of affordable housing units. The Uganda Housing Finance Conference championed by Housing Finance Bank – the biggest mortgage bank in the country – is one such initiative that brings together policy-makers, government ministries, housing funders, developers, real estate dealers, architects, think-tanks and research institutions. The annual conference runs under different themes all aimed at forging and enhancing synergies amongst stakeholders.

Property markets

The conventional, high-end property market in Uganda has been slow, with few large-scale projects over the 2017/2018 period. A limited number of new housing projects have been delivered to the market place on account of subdued demand for high-end units and higher than average cost of building. Although interest rates have significantly declined since 2017, property developers have remained cautious. With the observed success in the lower-middle income segment, more developers are likely to turn their attention to one or two-bedroom condominium units rather than the traditional family oriented three to four-bedroom units.

The secondary housing market has, however, been active with a few transactions being concluded. A significant portion of these houses has been acquired through mortgage arrangements with banks, due to the lower interest-rate regime. Additionally, a few housing units have been built incrementally with support from housing microfinance programmes.

The regulatory environment for property markets is quite liberal and supportive of land and property transactions. Many properties are traded under the traditional freehold title ownership system where property is held in perpetuity. Some transactions, largely in urban areas, are traded under lease arrangements with renewals set at 49 or 99 years. For most untitled land, simple sales agreements are concluded. These, however, do not guarantee true ownership and may be challenged, making such agreements unpalatable to banks as collateral.

Challenging relationships between landlords and tenants have accentuated the need for property management companies, as property investors seek solutions to maximize returns on their investments. In light of this, Knight Frank – a property management company – has grown to manage 160 815 m² of commercial and 32 516 m² of residential assets. Other big names in this market segment include Crane Management Services, Premier Property Management, Averts Housing Limited and Bageine Limited.

Despite the country's economic challenges, property markets are fast developing in towns adjacent to Kampala City. This is largely because of the construction of large infrastructure projects to catalyse industrial development and economic growth. Most notable, was the construction of several roads in Mukono (15km from Kampala City), Wakiso (20km from Kampala City) and Mpigi (30km from Kampala City). The improved road network in these towns has spurred development of several housing projects,²¹ targeting low, middle and high income earners.

Policy and regulation

Transactions in Uganda's real estate industry are governed by the Land Act (1998) and the National Land Policy (2015). However, several issues have been excluded from the regulation and policy. Such omissions include guidance on transactions between the landlord and tenant. It is against this background that government drafted the Landlord and Tenant Bill in 2016. To many industry stakeholders, the

bill is seen as an attempt to protect tenants, saving them from arbitrary rent and utility increments by landlords of both commercial and residential premises. The Bill is still under discussion with a wide range of stakeholders.

Opportunities

General interest rates have continued to decline over the past two years leading to a drop in housing loan rates from an average of over 22 percent to approximately 17.5 percent, indicating, in part, availability of mortgage finance for eligible borrowers. Most borrowers with bank and microfinance housing loans are individuals and companies with regular, verifiable income. On the whole, these borrowers constitute less than 38 percent of the working population. There is therefore a need to develop more inclusive housing finance products for prospective borrowers in the informal sector; as well as to develop mechanisms within the mortgage product for underwriting informal incomes.

Additionally, developers are constrained by the inadequacy of appropriately structured project finance for the sector. Lenders in the sector structure developer loans in such a way that repayments for the facilities must be made monthly. This is well aligned to the financial institutions' own funding obligations which may be monthly, quarterly or bi-annually. However, because developers derive their repayment funds from the sale of housing units, which may not be regular, defaults begin to emerge, as a result not of market failures but rather structuring deficiencies. Developer finance must be appropriately structured and tagged to the sale of the funded units rather than tagged to the expiry of the time period. With relative success in the single-bedroom housing units' segment, new developers are likely to turn their focus on this market for future projects.

On the regulatory front, the country is still waiting for enabling regulations to support the creation of pension-backed mortgages. The Uganda Retirement Benefits Regulatory Act-2011, provides for the creation of such mortgages for the benefit of pension-contributing members. However, the pension regulator has not yet released the governing regulations that would enable actual transactions between lenders and such members.

Overall, improvements in public infrastructure, the completion of new hydroelectric power dams in Karuma, and the production of more cement will most likely combine to increase reach for greenfield housing projects on affordable terms. To complement these developments, lenders will need to structure affordable facilities in their product catalogues to maximise the latent demand for affordable housing.

Sources

- Business Daily, (2014). Banks start open loan-pricing July. 21 May 2014. <http://www.businessdailyafrica.com/Banks-start-open-loan-pricing-July/-/539546/2322744/-/a8l3jhz/-/index.html> (Accessed 17 Aug 2018).
- The Compendium of Diaspora Business and Investment Opportunities. Housing Sector. <http://www.ugandainvest.go.ug/wp-content/uploads/2016/02/Compendium-of-Investment-and-Business-Opportunities-Vol-I.pdf> (Accessed 8 August 2018).
- The East African (2014). Uganda's real estate sector set to thrive. 27 Dec 2014. <http://www.theeastafrican.co.ke/news/Uganda-s-real-estate-sector-set-to-thrive-in-2015/-/2558/2570616/-/1lux7w9z/-/index.html> (Accessed 17 Aug 2018).
- Ministry of Finance Planning and Economic Development (2014). Poverty Status Report. <http://www.undp.org/content/dam/uganda/docs/UNDPUG2014%20-%20POVERTY%20STATUS%20REPORT%202014.compressed.pdf> (Accessed 2 September 2018).
- Ministry of Finance, Planning and Economic Development, Report on public debt, guarantees, other financial liabilities and grants for financial year 2017/18. March 2018. <http://www.finance.go.ug/sites/default/files/Publications/REPORT%20ON%20PUBLIC%20DEBT%20%20GUARANTEES%20AND%20OTHER%20FINANCIAL%20LIABILITIES%20AND%20GRANTS%20FOR%20FINANCIAL%20YEAR%202017-2018.pdf> (Accessed 26 July 2018).
- Ministry of Lands Housing and Urban Development (2014). Habitat III National Report. <http://habitat3.org/the-new-urban-agenda/preparatory-process/national-participation/uganda/>
- Uganda Bureau of Statistics. Uganda National Household Survey 2016/2017. https://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/UNHS_VI_2017_Version_1_2027th_September_2017.pdf (Accessed 30 July 2018).
- Uganda Bureau of Statistics (2018). Quarter Two Key Economic Indicators (March 2018), Pg. 10. <https://www.ubos.org/publications/statistical/30/> (Accessed 10 August 2018).
- The World Bank (2018). Increasing Tax Flow Key to Financing Uganda's Growth, Development. 15 May 2018. <https://www.worldbank.org/en/country/uganda/publication/increasing-tax-flow-key-to-financing-ugandas-growth-development> (Accessed 26 July 2018).

Websites

- <https://ubos.org>
<https://www.finance.go.ug>
<https://www.theeastafrican.co.ke>
<https://www.financetrust.co.ug/>
<https://www.bou.org.ug>
<https://ug.equitybankgroup.com/>

¹ Uganda Bureau of Statistics (UBOS), Quarter Two Key Economic Indicators, March 2018.
² Bank of Uganda, State of the Economy Report, June 2018, Pg. 20. <https://www.bou.or.ug/bou/bou-downloads/publications/StateOfEconomyReports/2018/Jun/State-of-the-Economy-Report-June-2018.pdf> (Accessed 10 August 2018).
³ UBOS CPI Publication, May 2017.
⁴ Ministry of Finance, Planning and Economic Development, Report on public debt, guarantees, other financial liabilities and grants for financial year 2017/18, March 2018, Pg. 37.
⁵ The World Bank. (2015). Increasing Tax Flow Key to Financing Uganda's Growth, Development. 15 May 2015. <https://www.worldbank.org/en/country/uganda/publication/increasing-tax-flow-key-to-financing-ugandas-growth-development>
⁶ Bank of Uganda. Private Sector Credit Data, February 2018.
⁷ Uganda Bureau of Statistics. Quarter Two Key Economic Indicators, March 2018.
⁸ Moody's Investor Service (2018).
⁹ Bank of Uganda. Monetary and Economic Sector Statistics. https://www.bou.or.ug/bou/rates_statistics/statistics.html
¹⁰ Ibid.
¹¹ Ibid.
¹² Bank of Uganda, Monetary Policy Statement, February 2018. https://www.bou.or.ug/bou/monetary_policy/monetary_policy_statements.html (Accessed 26 July 2018).
¹³ Uganda National Roads Authority Report (2017).
¹⁴ The Uganda Retirement Benefits Regulatory Authority Act – 2011, restricts direct lending of pension assets to commercial banks but permits lending through creation of short-term deposits and marketable securities such as corporate bonds. National Social Security Fund (NSSF) the largest government owned pension fund has is exploring ways of working with property developers and banks to support boost housing supply and improve access to credit. The pension fund must however find a way around several government procedural requirements to achieve this objective.
¹⁵ Hima Cement Industry data (2018).
¹⁶ Uganda Bureau of Statistics. Uganda National Household Survey 2016/2017.
¹⁷ Agora (2018). Understanding the Needs of Urban Refugees and Host Communities Residing in Vulnerable Neighborhoods of Kampala. <https://www.kcca.go.ug/news/302/kampala-urban-refugees-and-host-community-needs-report-2018#.W4v9Ny2B2Rs>
¹⁸ Uganda Bureau of Statistics. Uganda National Household Survey 2016/2017.
¹⁹ Uganda Bureau of Statistics. Uganda National Household Survey 2016/2017.
²⁰ CAHF (2018) Understanding and quantifying rental markets in Africa. Focus Note: Uganda.
²¹ These housing projects are delivered by individuals. A project comprises one or two blocks of 10 to 15 2-bedroom flats.

Zambia



Overview

Zambia is a lower middle-income country with GDP per capita (current) of US\$1 475.70,¹ GDP growth of 3.9 percent² and GNI per capita (Atlas method, current), of US\$1 300.³ Copper mining provides 70 percent of exports and 12 percent of GDP with 80 percent of Foreign Direct Investment (FDI) attributed to the mining sector.⁴ Zambia's economy has been affected by frequent power outages, budget deficits, poor rainfall, high unemployment of 15 percent, and 8.1 percent inflation rate, exchange rate depreciation and an external debt of ZMW88.78 billion (US\$8 790 million).⁵ In 2017 the economy recovered due to a good crop harvest, better electricity supply, increased FDI of ZMW2.26 billion (US\$223 million)⁶ and Official Development Assistance (ODA) of ZMW8.05 billion (US\$797 million).⁷ Government has launched the "Zambia Plus" economic recovery programme to diversify and stabilise the economy.

Zambia's population of 17.6 million is growing at three percent per year, doubling every 25 years, and is expected to reach 41 million in 2050. Approximately 39.4 percent (or 7 239 024 people) live in urban centres, which is expected to increase to 12 million in 2030 and 25.7 million in 2050, reflecting a need for a more focused national housing strategy.⁸ Poverty stands at 54.7 percent⁹ with high inequality at 0.69 GINI co-efficient and 77 percent of the poorest living in rural areas.¹⁰ Zambia's median age is 17.2 years while life expectancy increased to 61.8 years in 2016 from 56.6 years in 2010.¹¹

Access to finance

In Zambia access to finance is not universal although the situation is improving. A 2015 Finscope survey found that 41 percent Zambians (approximately 39 percent men and 43 percent women) were financially excluded while 59 percent (4.8 million) were financially included, exceeding government's 50 percent target. An estimated 24.8 percent (2 million) adults used bank services while 28.5 percent (2.3 million) used non-bank financial services. Approximately 6.5 percent of adults (0.4 million) belonged to some form of Savings Group (or Chilimba) while 12.5 percent (1 million) were members of Rotating, Savings and Credit Associations (ROSCAs).¹²

In 2017, a Financial Sector Deepening (FSD) Zambia survey found that 30 percent of urban and 50 percent of rural dwellers were financially excluded while many FSPs preferred to locate along the economic and transportation routes and more densely populated areas.¹³ Barriers to financial inclusion include a cash-based

KEY FIGURES

Main urban centres	Lusaka Livingstone
Exchange rate: 1 US\$ = [a] 23 Sept 2018	10.10 Zambian kwacha
PPP Exchange rate (Local currency/PPP\$) 1 Zambian kwacha = [b]	3.50
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	n/a 7.60 8.10
Population 2017 [b] Urban population size 2017 [b]	17 094 130 7 152 184
Population growth rate 2017 [d] Urbanisation rate 2016 [e]	2.90% 4.2%
Percentage of the total population below National Poverty Line [c]	56.2%
Unemployment rate [c]	15.0%
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$25 808 million 4.08%
GDP per capita (Current US\$) 2017 [b]	US\$1 509
GNI per capita (Current US\$) 2017 [b]	US\$1 300
Gini co-efficient 2016 [e]	69.00
HDI global ranking 2016 [f] HDI country index score 2016 [f]	164 0.58
Is there a deeds registry?	yes
Number of residential properties that have a title deed	n/a
Lending interest rate [g]	15.50%
Mortgage interest rate Mortgage term (years)	31% 20
Downpayment	20%
Mortgage book as a percentage of the GDP	3.00%
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$5.80
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	650 000 Zambian kwacha
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$65 000
What is the size of this house (m ²)?	70m ²
What is the average rental price for this unit (US\$)?	US\$375
What is the minimum stand or plot size for residential property?	240m ²
Ease of Doing Business Rank [h]	149
Number of procedures to register property [h]	6
Time to register property (days) [h]	45 days
Cost to register property (as % of property value) [h]	10.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Central Statistical Office (CSO)
[d]	Central Intelligence Agency (CIA) World Factbook
[e]	UN Habitat
[f]	UNDP Development Indicators
[g]	Bank of Zambia
[h]	World Bank Doing Business

Member organisations of the African Union for Housing Finance (AUHF):

Zambia National Building Society
Zambian Home Loans

economy, weak market competition, and an inability of financial services providers to tap into the informal markets and the financial needs of low income home seekers.

There are 19 licensed and registered commercial banks with 329 branches¹⁴ and a total loan portfolio of ZMW24.24 billion (US\$2.4 billion),¹⁵ as at March 2018, of which only ZMW816 million (US\$80.79 million) or 3.4 percent were directed to Real Estate, up from 2.3 percent in 2014. All commercial banks offer home loan products at lending rates ranging between 24.6 percent and 35.8 percent.¹⁶ Foreign bank subsidiaries dominated the sector commanding 97 percent of the profit share and issuing 68 percent of all loans compared to just 20 percent issued by local banks and 12 percent by local private banks. Zambia National Commercial Bank, in which Government holds a 25 percent stake, is the largest provider of local financing, with a net worth of ZMW3 504.7 million (US\$347 million).

The Bank of Zambia has gradually reduced its policy rate cap from 15.5 percent in January 2017, to 9.75 percent as at April 2018. The maximum interest rate charged by non-banking financial institutions and Microfinance Institutions (MFIs) however remained at 1.6 and 2.3 times of the BoZ policy rate.

Mortgage financing remains the main source of formal housing finance with the Zambia National Building Society (ZNBS) commanding over two-thirds of the mortgage market share. In late 2017, ZNBS obtained a US\$25 million (ZMW252 million) loan facility from the African Development Bank,¹⁷ enabling it to build its institutional capacity and provide mortgages for affordable housing in Zambia. Other lenders include Pan African Building Society, Finance Building Society, First National Bank, Madison and Meanwood Finance companies, Royal Money Lender and Zambia Home Loans, which has obtained a ZMW5.05 million (US\$500 000) Loan Facility from FSD Africa for construction mortgages and loans for diaspora Zambians.¹⁸

The net mortgage and loan portfolio for all building societies decreased from ZMW799 million (US\$79 million) in 2016 to ZMW637 million (US\$63 million) in December 2017 while total deposits increased from ZMW421 million (US\$41 million) deposit in 2016 to ZMW479 million (US\$47 million) in December 2017. Of the total deposits, ZMW277 million (US\$27 million) were personal savings. Mortgage lending interest rates ranged between 31.5 percent and 51 percent in 2018.¹⁹ Long term demand remained high in Lusaka, Copperbelt and North Western regions. A new policy to allow movable assets to be used as collateral had not yet been approved, limiting access to secured credit.

Barriers to Zambia's housing financing sector, however, include expensive wholesale finance, short maturities on available funds, few reinsurance firms, inadequate matched funding for long term credit, and high default rates. For borrowers, access to mortgage finance is constrained by high interest rates, high transaction costs (usually more than 5 percent of total loan value), deposit requirements of between 20 and 30 percent, collateral requirements in the form of title deeds, and relatively short loan repayment terms from two to 15 years.

In 2018 there were 25 registered and licensed MFIs, a reduction from 36 in 2017. MFIs disbursed over ZMW3.38 million (US\$334 653) in loans and advances as of December 2017.²⁰ BoZ requires an MFI to have at least 80 percent of its total loan portfolio serving MSMEs, less than 20 percent serving individuals in formal employment and an average loan size per borrower not exceeding ZMW2 500 (US\$247). Most MFIs are non-bank payroll based consumer lenders, accounting for approximately 90 percent of total MFIs assets; four are micro-enterprise lenders while six are deposit-taking financial institutions in terms of the 2006 Banking and Financial Services Act.

In 2018 MFI's offered housing loan products ranging between ZMW2 000 (US\$198) and ZMW350 000 (US\$34 653) with a maximum loan term of 60 months. MFI's high interests have contributed to the high number of non-performing loans, closure of marginal branches with high operating costs, and a decrease in number and loan size. In 2006, the Bankers Association of Zambia (BAZ) established the first credit reference system which was purchased by TransUnion in 2012 and remains the sole credit reference bureau in Zambia.

Lafarge has partnered with BancABC and ZNBS to disburse loans of up to ZMW2 500 (US\$247), and with ILO Zambia Green Jobs Programme (ZGJP)²¹ to construct 800 affordable houses using Habiterra blocks. Lafarge has also partnered with Habitat for Humanity (HfH-Z) to construct 2 150 houses, providing 1 000 bags of cement and free technical designs. Since 2017 Lafarge has piloted the Kumanga franchise to promote access to cheaper building materials and established one-stop Home Builders Centre to provide technical and financial support to clients.

Zambia's pension funds industry had total assets of ZMW71.8 billion at end 2016, and total assets employed for investment purposes of ZMW6 656 million in 2016. Of this, 23 percent was directly invested in property.²² Despite pension-backed lending being permissible by Zambian law, this is not common.

Informal finance is administered by ROSCAs for small loans and home construction or purchase. The Swalisano Urban Poor Fund, established in about 2007 by the Peoples' Process on Housing and Poverty in Zambia (PPHPZ) enables members to access low-interest loans. No recent information is available on their activities, however.

Affordability

Formal, developer-delivered housing in Zambia is expensive, and as a result, most housing is self-built. Pam Golding's online estate agency site reports 51 houses for sale in Zambia, with the cheapest newly built home (two bedrooms, one bath, 76m² on a 467m² plot of land) listed as ZMW750 000 (US\$61 300) in September 2018.²³ Property24, another online property website, lists a two bedroom townhouse for sale in New Kasama as the lowest priced, new house in their database, at ZMW350 000 (\$28 600) in September 2018.²⁴

Housing supply

Zambia's housing deficit was estimated in 2012 at 1 539 000 units and is projected to increase to 3.3 million units by 2030.²⁵ UN-Habitat has forecast a deficit of 1.3 million urban units by 2030, if no efforts are made to deliver at least 46 000 units per annum until 2030. According to the 2015 Living Conditions Monitoring Survey Report, there were just over 3 million dwellings in Zambia. Just over half of these (53.5 percent) were traditional huts, and another 2.85 percent were detached houses. Ten percent of all dwellings were flats or apartments, and 5.5 percent were semi-detached houses. Just under half of all dwellings (53 percent) were in urban areas.²⁶

Under the 7th National Development Plan (NDP) Government plans to deliver 10 000 units annually per district or 1 150 000 units nationally, an increase from 73 000 annually in 2016. Most houses will be built in the 42 newly created districts, the Copperbelt, North Western and Lusaka Provinces. Approximately 194 600 Ha of land will be required of which 139 000 Ha is for housing and 55 600 Ha for amenities and infrastructure. Government's allocation of ZMW823 million (US\$81.48 million) or 1.3 percent of the 2017 budget to housing, however, is well below the financing need.²⁷

Mining houses, local authorities and other employers were once compelled by employment contracts to provide housing but their role has significantly diminished with economic liberation and government reforms. Housing supply is now by either private developers or individual self-built, mainly for rent or owner-occupation, with the latter taking up to seven years to complete. Many people who cannot afford homeownership or pay market rentals have moved into low income or informal settlements.

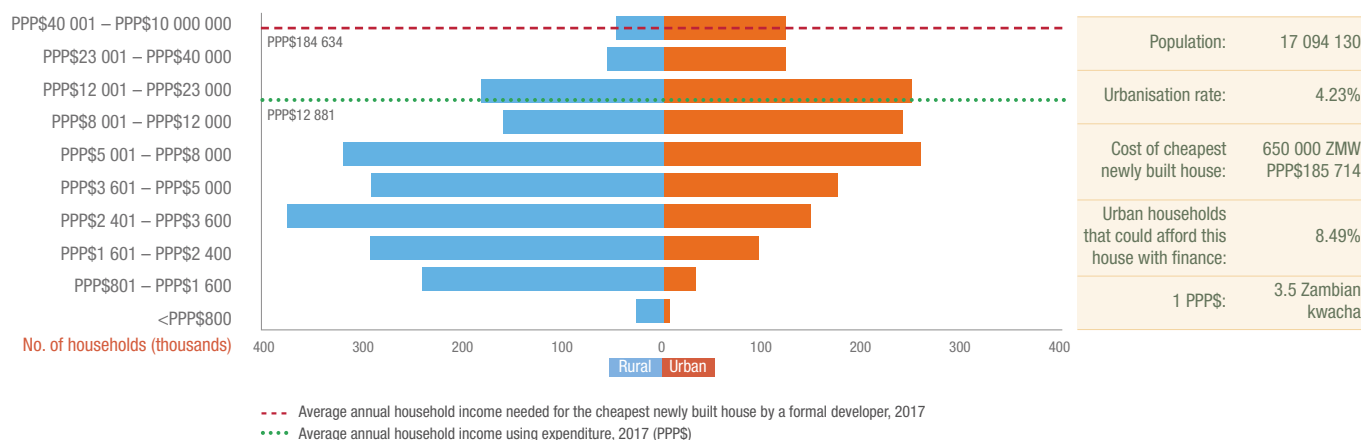
In 2012, UN Habitat established that the National Housing Authority (NHA) had produced less than 100 units per annum since 1994.²⁸ Since then, NHA secured a loan from Shelter Afrique for affordable housing construction, and partnered with private Malaysian company (MKP) to develop the Lusaka North Gate Gardens complex. Most of this development, however, has remained unoccupied despite a recent 30 percent reduction in the asking price. High costs of construction and bulk service provision have escalated the cost per unit making them unaffordable to the majority Zambians.²⁹ The National Pension Scheme Authority (NAPSA) has also been involved in affordable housing delivery, with just over 1 000 units in three projects delivered.³⁰ While some of these were also targeted at high income earners, pricing has been an issue: NAPSA recently reduced the price of its 438-unit Kalulushi Housing Complex on the Copperbelt by 30 percent, put some units on rent-to-own basis and has partnered with Building Societies to sell the units using mortgages.

Private developers such as Meanwood, Lilayi Estates, Silverest Gardens, Nkwashi, Roma, Vorna Valley, Salama Park, KB Davies (Chambishi and Woodgate) and Finance Building Society (Finsbury Park Project), continue to build mainly top end units per annum, supported by the state with land provided at minimal cost. Smart Homes Africa has focused on student housing and high end two to four-bedroom units, while Phathisa³¹ has funded 1 000 (52-56m²) mixed income units on seven hectares and 192 walk-up two bed apartments on 1.7 hectares at Makeni in Lusaka. In 2017, Development Bank of Zambia, obtained ZMW1587.7 million (US\$157 million) from a Chinese bank, ICBC, to construct 2 000 homes for security personnel.³²

NGOs such as HfH-Z, Zambia Homeless and Poor People's Federation (ZHPPF), PPHPZ, Shelter for All and the UK-based Reall help to fill the affordable housing supply gap through organized collective action. HfH-Z secures land from Local Authorities and then provides micro loans.

ZAMBIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

Property markets

The residential property market is largely dominated by self-build homes, mainly for rent or owner occupation, with a small resale market as most housing stock is informal and requires upgrading to suitable standards. Demand for high-end quality housing, however, has stimulated development of modern housing clusters and gated communities. Private developers and individuals can obtain 99 year leaseholds with no limitations and land is transferable. Government is reforming and streamlining the land administration system to make it more efficient and transparent for housing delivery.

There are multiple barriers to affordable residential property markets, including exchange rate fluctuations; land use planning and management issues such as lengthy environmental approvals for new housing developments, and an inefficient land delivery system. According to the World Bank's Ease of Doing Business Report, Zambia ranked 85 out of 190 countries in 2018. In dealing with construction permits, Zambia scores 69th overall. The ten procedures involved take 189 days, but only cost 3.1 percent of the value of the property. In registering property, however, Zambia scores 149th overall. In Lusaka, the six steps involved in registering property take 45 days and cost 9.9 percent of the property value. Zambia scores low on the quality of the land administration index, with a score of seven out of 30.³³

Policy and regulation

Zambia has well-developed policy and regulations to promote access to housing finance. An expected National Housing Sector Development Policy aims to increase housing production by facilitating reforms to the housing finance system; increasing government financing and developing public social housing estate funds and group housing improvement finance schemes; improving affordability of mortgages by providing mortgage guarantee schemes; fiscal incentives to private financial institutions and introduce mortgage specific policy rates.

The 7th NDP³⁴ provides for the construction of 100 000 affordable houses annually for the next five years while the enactment of the Urban and Regional Planning (URP) Act (2015), Lands Act (1995) and Urban and Regional Planners Act (2014) provides further impetus for private sector participation. The URP Act recognises informality enabling households to obtain Occupancy Licenses, Land Records and titles to be used as collateral for housing finance. It also provides for incremental housing development, conversion of 30 year Occupancy Certificates to 99 year leases, and mandates Local Authorities to engage Traditional Leaders to release additional land and frames improvements to land registration and titling.

Delayed legislative reforms around collateral and credit recovery; slow land delivery system; delays in approval of the Draft Land and National Urbanisation Policy are barriers to enabling a nation-wide housing delivery programme. The ZMW6 billion (US\$594 million) land audit programme is expected to improve land titling and registration and enhance access to housing finance.

Opportunities

Zambia's property market is growing rapidly; attracting private equity and investment and proving to be a resilient and risk tolerant long-term investment destination. The residential property market remains largely untapped and unattended, however. The focus on the high end of the housing market leaves a large gap in medium and low cost housing, an opportunity area for private investment.³⁵ Political economic analysis indicates a contentious and dynamic but generally stable political environment with several progressive policies, including the new National Housing Policy but little to show in terms of implementation. The political will to overcome the housing deficit exists as reflected in Government's effort to create 42 new districts, bringing the total to 115 districts. An opportunity exists to construct formal housing in these newly created districts. With over two-thirds of the total housing stock classified as informal, an opportunity exists to upgrade, improve housing standards and increase both the quality and market value. Housing microfinance sector remains a huge growth area with significant potential in increasing affordable loans and mortgages for low and medium income earners and expanding financial inclusion targeting the majority poor.

Websites

African Development Bank (2018). <http://www.afdb.org/>
 African Development Bank (2018). <http://www.africaneconomicoutlook.org/>
 Bank of Zambia. <http://boz.zm>
 FSDZambia. www.fsdzambia.org
 ILO Zambia (2017). <http://www.ilozambia.org.zm>
 Lusaka Times (2018). <http://www.lusakatimes.com>
 Mixmarket (2018). <http://www.mixmarket.org/>

- ¹ IMF (2018). Zambia Data Portal, Central Statistical Office. GDP per Capita by Country, Statistics from IMF, 1980-2023: Zambia. <http://zambia.opendataforafrica.org/pjeqzh/gdp-per-capita-by-country-statistics-from-imf-1980-2023?country=Zambia> (Accessed 28 Sept 2018).
- ² World Bank (2018). The World Bank in Zambia. <https://www.worldbank.org/en/country/zambia/overview> (Accessed 28 Sept 2018).
- ³ World Bank (2018). GNI per capita, Atlas method (current US\$) Zambia. <https://data.worldbank.org/indicator/NY.GNP.CAPCD?locations=ZM> (Accessed 28 Sept 2018).
- ⁴ World Bank (2018). The World Bank in Zambia. <https://www.worldbank.org/en/country/zambia/overview> (Accessed 28 Sept 2018).
- ⁵ Exchange Rate from <http://www.coinmill.com> as at June 2018.
- ⁶ IMF (2018). Zambia Data Portal, Central Statistical Office. GDP per Capita by Country, Statistics from IMF, 1980-2023: Zambia. <http://zambia.opendataforafrica.org/pjeqzh/gdp-per-capita-by-country-statistics-from-imf-1980-2023?country=Zambia> (Accessed 28 Sept 2018).
- ⁷ The World Bank Group (2017). World Bank Open Data. <https://data.worldbank.org/>
- ⁸ UNDESA (2018). www.worldometers.info/world-population/zambia-population/ (Accessed 24 Sept 2018).
- ⁹ The World Bank Group (2018). <https://data.worldbank.org/country/zambia> (Accessed 27 Sept 2018).
- ¹⁰ CAHF (2017). <http://housingfinanceafrica.org/documents/2017-housing-finance-africa-yearbook/> (Accessed 28 Sept 2018).
- ¹¹ The World Bank Group (2018). <https://data.worldbank.org/country/zambia> (Accessed 27 Sept 2018).
- ¹² Financial Sector Deepening Zambia (2016). FinsScope 2015. <http://www.fsdzambia.org/finscope-2015/> (Accessed 28 Sept 2018).
- ¹³ FSD Zambia (2018). Zambia: demand, Supply, Policy and Regulation. Financial Inclusion Summary Report 2018. <http://www.fsdzambia.org/wp-content/uploads/2018/02/MAP-Zambia-Summary-report-final.pdf> (Accessed 28 Sept 2018).
- ¹⁴ Bank of Zambia (2017). <http://www.boz.zm/Financialandotherstatistics2017Final.pdf>
- ¹⁵ Bank of Zambia (2018). <http://www.boz.zm/StatisticsFortnightly2018Vol25No9.pdf>
- ¹⁶ Bank of Zambia (2018). www.boz.zm
- ¹⁷ Lusaka Times (2018). AfDB approves US\$25 million Loan to Zambia National Building Society. 12 November 2018. <https://www.lusakatimes.com/2017/11/12/afdb-approves-us-25-million-loan-zambia-national-building-society/> (Accessed 28 Sept 2018).
- ¹⁸ FSD Africa (2018). <https://www.fsdafrika.org/news/fsd-africa-invests-1-6-million-in-african-housing-finance/>
- ¹⁹ Bank of Zambia (2018). <http://www.boz.zm/Non-Banks-Financial-Statements-for-2017.htm>
- ²⁰ Bank of Zambia (July 2018). <http://www.boz.zm/quarter-4-nbf-fs.htm>
- ²¹ ZGJP is a project of the Government of Zambia, Government of Finland and ILO Zambia. <http://www.zambiagreenjobs.org/index.php> (Accessed 28 Sept 2018).
- ²² Pensions and Insurance Authority (2016). Annual Report. <http://www.pia.org.zm/download/file/409> (Accessed 24 Sept 2018).
- ²³ Pam Golding Properties, Zambia. <https://www.pamgoldings.co.za/property-search/houses-for-sale-zambia/2656> (Accessed 28 Sept 2018).
- ²⁴ Property24: Zambia. www.property24.co.zm (Accessed 28 Sept 2018).
- ²⁵ UN Habitat (2012). Zambia Urban Housing Sector Profile Study. <https://unhabitat.org/books/zambia-urban-housing-sector-profile/> (Accessed 24 Sept 2018).
- ²⁶ Central Statistical Office (2016). 2015 Living Conditions Monitoring Survey Report. https://www.zamstats.gov.zm/phocadownload/Living_Conditions/2015%20Living%20Conditions%20Monitoring%20Survey%20Report.pdf (Accessed 24 Sept 2018).
- ²⁷ Ministry of National Development Planning, Zambia (2017). Seventh National Development Plan <http://www.mndp.gov.zm/download/7NDP.pdf> (Accessed 28 Sept 2018).
- ²⁸ UN Habitat (2012). Zambia Urban Housing Sector Profile Study. <https://unhabitat.org/books/zambia-urban-housing-sector-profile/> (Accessed 24 Sept 2018).
- ²⁹ Interview with Anderson Zulu, Projects Director, July 2018.
- ³⁰ Lungu, F (2018). Life after retirement from NAPSA's lens. Daily Mail 15 August 2018. <http://www.daily-mail.co.zm/life-after-retirement-from-napsas-lens/> (Accessed 24 Sept 2018).
- ³¹ Phatisa is a Private Equity Manager that manages the Pan African Housing Fund.
- ³² Reuters (2017). Zambia gets Chinese finance to build 2,000 houses for military. 30 March 2017 <https://af.reuters.com/article/africaTech/idAFKBN17129D-OZATP> (Accessed 24 Sept 2018).
- ³³ World Bank (2018). Ease of Doing Business in Zambia. http://www.doingbusiness.org/en/data/exploreconomies/zambia#DB_dwcp (Accessed 24 Sept 2018).
- ³⁴ Ministry of National Development Planning, Zambia (2017). Seventh National Development Plan <http://www.mndp.gov.zm/download/7NDP.pdf> (Accessed 28 Sept 2018).
- ³⁵ Interview with Alexander Chileshe, UN Habitat Zambia Office, July 2018.

Zimbabwe



Overview

Following a military-backed but generally bloodless intervention in November 2017, Robert Mugabe's presidency came to an abrupt end and precipitated a transition that catapulted the recently-sacked Vice President Emmerson Mnangagwa to the Presidency. The international community watched closely as the events unfolded, confirming the importance of the end of 93-year-old Mugabe's rule. Zimbabwe had firmly established itself as a pariah state following the withdrawal from the Commonwealth and coupled with the various economic and targeted sanctions that were imposed on the landlocked country. The adverse economic effects of the 18-year long isolation were evidenced by the large population of the Zimbabwe diaspora. South Africa alone is estimated to be home to over 5 million legal and illegal Zimbabweans living in the country.¹

On 26 August 2018, Mnangagwa became the duly elected president of Zimbabwe after a heavily contested election in which the main opposition party, the MDC Alliance, alleged collusion between the ruling ZANU PF and the Zimbabwe Electoral Commission. The election result dispute degenerated into protests and six people were confirmed dead during the violent clashes. Mnangagwa's victory was upheld by a constitutional court ruling following a challenge by the opposition. The United States of America (USA) noted that significant improvements in basic human rights still needed to be implemented. In August 2018, providing a clear sign that the international community is not convinced by the reformist rhetoric of the President,² US President Trump signed an amendment into law of the sanctions first instituted against Zimbabwe in 2001, extending them for a further 5 years.³ In a more positive development, the United Kingdom, pledged its support to the Zimbabwean government,⁴ and reaffirmed an earlier pledge to support Zimbabwe's bid to rejoin the Commonwealth.⁵

Zimbabwe successfully cleared its arrears to the IMF in October 2016. In January 2018, Mnangagwa continued to augment efforts to reintegrate Zimbabwe into the global economic space, most notably by attending the World Economic Forum in Davos, Switzerland. Mnangagwa highlighted his intent to institute wide ranging measures to increase the ease of doing business in Zimbabwe, and to bolster investor confidence by tackling corruption.⁶ Mnangagwa also met with the International Monetary Fund (IMF) Managing Director where she indicated that the relationship between Zimbabwe and the IMF was turning into a positive one but she highlighted the significant debt exposure as a huge challenge.⁷ In the 2018

KEY FIGURES

Main urban centres	Harare Bulawayo
Exchange rate: 1 US\$ = [a]	1 United States Dollar
PPP Exchange rate (Local currency/PPP\$) 1 United States Dollar = [b]	0.50
Inflation 2016 [c] Inflation 2017 [c] Inflation 2018 [c]	-1.57 1.25 5.16
Population [d] Urban population size [d]	16 913 261 5 252 850
Population growth rate [e] Urbanisation rate [f]	2.32% 2.44%
Percentage of the total population below National Poverty Line	n/a
Unemployment rate	n/a
GDP (Current US\$) 2017 [b] GDP growth rate annual 2017 [b]	US\$17 846 million 3.5%
GDP per capita (Current US\$) 2017 [b]	US\$1 079
GNI per capita (Current US\$) 2017 [b]	US\$910
Gini co-efficient	n/a
HDI global ranking 2017 [g] HDI country index score 2017 [g]	156 05.35
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate [h]	12.00%
Mortgage interest rate Mortgage term (years)	12% 25
Downpayment	25%
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre Outside City Centre	n/a n/a
Gross Rental Yield in City Centre Outside City Centre	n/a n/a
Construction as a % of GDP [i]	2.10%
What is the cost of standard 50kg bag of cement?	US\$11.30
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	18 000
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$18 000
What is the size of this house (m ²)?	150m ²
What is the average rental price for this unit (US\$)?	n/a
What is the minimum stand or plot size for residential property?	200m ²
Ease of Doing Business Rank [j]	159
Number of procedures to register property [j]	5
Time to register property (days) [j]	36 days
Cost to register property (as % of property value) [j]	n/a

NB: Figures are for 2018 unless stated otherwise.

[a]	Coinmill.com
[b]	World Bank World Development Indicators
[c]	Statista.com
[d]	Worldometers
[e]	Worldpopulationreview.com
[f]	Indexmundi
[g]	UNDP Development Indicators
[h]	Trading Economics
[i]	Zimbabwe Ministry of Finance
[j]	World Bank Doing Business

Member organisations of the African Union of Housing Finance (AUHF):

NMB Bank Limited
CBZ Bank Limited

budget, the Minister of Finance, Mr Patrick Chinamasa stated that Zimbabwe will revise the stagnated 2015 Lima Plan, a debt clearance programme between Zimbabwe and international finance institutions.

Zimbabwe's inflation, pegged at 0.21 percent in March 2017 by the IMF, is now expected to be at 5 percent by the close of 2018. Inflation continues to be an issue since the adoption of the multi-currency economic regime in 2009 with the US dollar serving as the primary currency.⁸

Persistent liquidity challenges and the introduction of the bond note, a surrogate currency that is touted through official government communication as trading at par with the US dollar, have created a pricing distortion in the economy. In an interview with GAP Solutions (a pan-African consulting firm) on 17 May 2018, Justin Machibaya, the Group Managing Director of Homelux Real Estate said that the housing finance sector has been greatly affected by the prevailing tiered price model. Homeowners value their properties in US dollars, because of the discrepancy between the US dollar and the other methods of payment. Bond

notes, Real Time Gross Settlement (RTGS)⁹ and mobile money transfers all attract different premiums based on the prevailing exchange rates to the US dollar.¹⁰ This confuses property value and financing.

A significant number of Zimbabweans remain either unemployed or on reduced salaries, reducing the number of qualifying loans. Although mortgage loan repayments are marginally lower than rental of a similar property, the application guidelines preclude the majority of Zimbabweans by conditions such as 12 months' continuous employment as well as guarantees from employers that salaries be paid through the financier and on time. In Zimbabwe's precarious economic environment not many employers have the confidence to make such commitments.

Government has not made any substantive statements addressing the cash shortages or the price distortions, which effectively implies that there is no clear strategy on how to curtail the concomitant economic effects. Newly appointed Vice President and former Army General, Constantino Chiwenga was cornered into addressing this issue at a political rally in Hopley, a constituency near Harare.¹¹ The residents demanded to know what steps the government was taking to address the premiums imposed on "EcoCash", the most prominent mobile money platform, by their agents, as well as their stance on "land barons" (illegal land holders, often connected to the political elite, who take advantage of home seekers, by "selling" land illegally acquired). Chiwenga acknowledged that the distortions were indeed a reality and promised to legislate stiff penalties for cash dealers and land barons.

Double-digit lending rates continue to constrain economic recovery. Zimbabwe still experiences structural regression, with acceleration of de-industrialisation and economic informalisation. These challenges are caused by difficult economic problems, including infrastructure and regulatory deficiencies, policy uncertainty and insufficient formal employment.

Access to finance

As at 30 June 2018, the number of licensed banking institutions remain constant at 20 operating banking institutions including the central bank, thirteen commercial banks, one merchant bank, four building societies and one savings bank. Two significant developments within the commercial banking sector were the rebranding of MBCA Bank to Nedbank, the parent company, and the sale of Barclays stake in Zimbabwe to a Malawian Bank. Under the Reserve Bank's financial inclusion drive there has been noteworthy movement with an increase in the registration of microfinance institutions from 168 in June 2016 to 187 in June 2018.¹²

The four functioning building societies, National Building Society (NBS), FBC Building Society, CABS, and ZB Building Society are the country's major source of housing finance. In March of 2018, Steward Bank announced that the bank was now offering loans to Zimbabweans living and working in the diaspora to either build or buy a home in Zimbabwe with financing from US\$10 000 up to US\$200 000. The applicant must have a work permit, residence permit or visa in the country he or she is a resident of, and should have either a valid Zimbabwean passport or Zimbabwean ID to be considered.¹³

Despite the reforms adopted by the new president on doing business as well as tackling corruption, the World Bank Ease of Doing Business report does not yet echo these sentiments. Zimbabwe only progressed by one spot to 159 from the previous year's 160.

The Banking Amendment Act 2015, introducing the Credit Reference Registry, a database of credit information of individuals and companies and housed at the Reserve Bank of Zimbabwe (RBZ), was implemented in January 2017. The Act mandated all financial institutions offering credit facilities, including banks, micro-finance institutions, utility bodies, retailers, and mobile network operators to supply credit information to the Registry. As of June 2017, The Office of the President and Cabinet stated that data relating to nearly 85 percent of all loans was uploaded onto the platform.¹⁴

Mortgage lending remains largely undertaken by the Building Societies. Steward Bank recently carved out what promises to be a high-value niche in the mortgage

lending sector by providing mortgage loans to Zimbabweans living and working in the diaspora. Unlike residents, Zimbabweans working abroad typically have consistent and higher income, making them an attractive segment. Mortgage lending rates retained their range of 15-20 percent. As the traditional leader, CABS continues to require 10 percent of the property value as deposit, in addition to 10 percent of the value paid towards property transfer fees. Stanbic Bank continues its requirement of exclusive banking for a minimum of 12 months, five percent of the property value and five percent for property transfer fees.

The government continues to waive stamp duty on cession of mortgage bonds in order to incentivise provision for additional mortgages, a waiver introduced in January 2015.

Lending in the Banking sector remains short term: notwithstanding the introduction of bond rates, the rate of demand deposits continues to rise. The public's fear that the introduction of bond notes will bring back inflation have been substantiated. The liquidity crunch meant to be halted by bond notes has persisted and worsened: US dollars in hard currency attract a premium, further driving demand for the currency and leading to more shortages. Bank withdrawal limits have been reduced and withdrawals happen as and when the currency is available and is paid out in coins of denominations of 5 cents, 10 cents, 25 cents, 50 cents and 1 dollar; as the notes are also in short supply.¹⁵

Limited availability of affordable long-term finance impacts negatively on the ability of mortgage lenders to provide affordable mortgages; as such, lenders pass high borrowing costs to customers. A pricing distortion of goods and commodities in Zimbabwe exists due to the premium attached to other methods of payment intended to match the exchange rate of these payment channels to the US dollar. Banks make payments on mortgage loans through the RTGS system, and this amount is everywhere accepted to have a lower value than hard currency in US dollars. The distortion is sometimes evident in multi-tiered pricing effected by home sellers where different prices are listed for a property depending on the method of payment.

The drive to make the economy cashless has not been welcomed as widely as anticipated and has instead driven price hikes and cost distortions especially since Zimbabwe remains a gross importer. While the volumes and values of transactions made via electronic payments continue to increase significantly, these statistics are driven only by a lack of alternative which many retailers and businesses have taken advantage of by charging up to 30% extra for any transaction not paid for in cash. The RBZ reported in May that the number of Point of Sale machines throughout the country had reached 70 000, while electronic payments were stated to now constitute 95% of all transactions in retail outlets. Echoing the sentiments made by the then Vice President, Emmerson Mnangagwa last year, the RBZ chief reiterated that efforts were still being made to reduce the cost to customer of electronic payments, which the regulator concedes are still too high.¹⁶

Zimbabwe continues to witness an increase in access and affordability of housing finance, due to the relaxation of the terms and requirements in some housing development projects. Although credit risk is taken into account by housing finance lenders, the interest rates for most borrowers remain unchanged, with 8-16 percent a year for regular borrowers, 6-10 percent a year for prime borrowers with low credit risk, and 10-18 percent a year for borrowers with high credit risk.

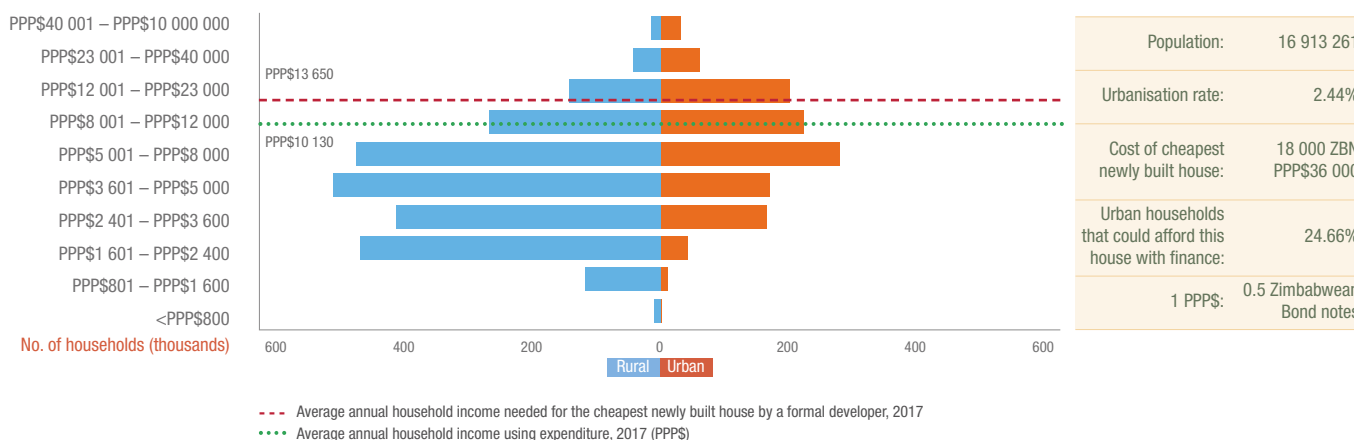
To enable low income earners to access housing finance, building societies collaborate with employers for loans at subsidised rates. Partnerships exist between the banks and local councils, wherein the bank acts as a developer and the council provides the land at a cheaper cost or contributes to the housing project. Microfinance loans run over a shorter term compared to loans from banks and usually have higher interest rates, though they offer quicker turnaround times for application processing and approval, making them more attractive to those that qualify for their loans.

Affordability

The sustained cash shortages will cause Zimbabwe's economy to remain fragile and contracted. The economic contraction is contributing to increased job losses and further erosion of disposable incomes, resulting in increases in poverty. This continues to affect the affordability of housing finance

ZIMBABWE

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/>

The Budiriro CABS project, which began in 2012, was hampered by low uptake, with various stakeholders citing the high cost as one of the reasons the units remained unattractive. Confidence in the project also suffered greatly after reports about the poor construction workmanship started surfacing. Various initiatives were taken to try to hasten uptake, with little success until 2018. Approximately 2 000 units have now been sold, up from a meager 800 units in June of the previous year. Further relaxation of the terms and requirements have encouraged the interest in the Budiriro Units. One of the changes includes scrapping the deposit requirement altogether, permitting customers with a proven track record of consistent income to let the houses for a year and allowing the payments to go towards deposit.¹⁷ Zimbabweans in the diaspora as well as corporates are also eligible to purchase the housing units upon meeting the mortgage criteria.

The National Social Security Authority (NSSA), through its bank the NBS, recently launched an ambitious project in the Dzivarasekwa high density suburb to deliver low cost housing. The authority injected US\$17 million to deliver 600 houses towards the project. NBS is reported to have built approximately 3 000 houses since its inception and reportedly planned to build 10 000 more housing units in 2018.¹⁸

Old Mutual have a project in Bulawayo's Pumula high Density Suburb. The Pumula (Phase 1) housing project has managed to sell 386 housing stands translating to 96 percent uptake. Stands ranging between 200m² and 400m² were valued at US\$30 per square meter, while those measuring between 401m² and 800m² at US\$25 per square meter.¹⁹

Most banks are still lending to qualified low income earners (earning US\$750 a month) for mortgages between US\$15 000 and US\$20 000. While it is laudable, the threshold for qualification is significantly above earnings of most industry and commerce workers, and those in government service, especially when considering that the cheapest newly built house costs a minimum of US\$18 000. The reality on the ground remains that even those in formal employment for a decade or more can no longer afford basic houses, partly due to savings depletion after successive currency regimes that led to the dollarisation in 2009.

Housing supply

Housing continues to take centre stage in Zimbabwe's developmental discourse, however the lack of traction gained from consecutive proclamations and incongruent resource allocation casts into doubt the level of commitment of the national authorities to meeting housing challenges. It is estimated that Zimbabwe needs 20 years to clear the 1.3 million housing backlog. The new ZANU PF election manifesto, The People's Manifesto, which will steer policy now the party has won the general elections,²⁰ makes bold projections for housing delivery, promising 1.5 million new houses in the next five years (2018 to 2023). This claim has been challenged by many critics who say that it demonstrates that the government lacks genuine resolve or understanding to tackle the housing crisis. A prominent property lawyer and aspiring legislator, Fadzayi Mahere, is quoted in

an online publication asking how the government intends to fund this ambitious project, pointing out that this figure means 822 houses will have to be constructed every day for the next five years in order to meet this target.²¹

The document also details plans to address irregular land allocation as well as working with land developers to put back proceeds towards infrastructure development. It also talks about two welcome developments on issues that have affected many home seekers: regularisation of land allocation and issuing of title deeds to beneficiaries, and putting an end to demolitions of property where regularisation is still requested (this applies except when land is designated for schools, clinics and roads).

According to the Zimbabwe National Association of Housing Cooperatives, an apex body representing housing co-operatives, its membership has serviced more than 20 000 stands and built more than 10 000 houses since 2000.²²

UK-based Reall, a global network of housing development enterprises, approved four projects during 2017/18, providing 420 units across Harare, Masvingo and Bulawayo, along with improved sanitation for an additional 850 houses in Harare. These projects have involved leveraging considerable land resources (11.67ha) from cooperative groups, significantly lowering the cost of affordable housing provision. ShelterSol, a local housing enterprise, is planning to develop 730 units on their Lower Rangemore site in Bulawayo. The land surrounding the site is also all due to be developed soon and the whole area is important within the city authority's masterplan. ShelterSol and Reall are working on the most appropriate model for sustainable project delivery.

In April 2016, following a review of its housing policy, the Harare City Council banned housing cooperatives from occupying any new state land, to streamline housing development and better manage waiting lists and backlogs. As of May 2018, many housing cooperatives are still selling land, a clear sign that they had acquired vast tracts of land before the ban was put in place, giving the ban little or no effect in the short term. Courts are still inundated with land disputes between home seekers and cooperatives.

Property markets

A report by Old Mutual Securities showed that the property market in Zimbabwe continued to be depressed up to the first quarter of 2018, and attributed this to a subdued economy. The effect of the unstable economic environment on the property sector included "increased voids, arrears, decreased property returns and values across the board." The slow positive economic progress was expected to result in a positive turn in the property markets. A regional comparison indicated that Zimbabwe might continue to have comparatively high financing costs due to high costs of building materials. Developments of informal settlements like Caledonia, Hopley, and Southlea remain popular residential options compared to rentals, where landlords are not willing to revise rentals downwards, causing buildings to become unused over time. A migration trend has also been noted, where businesses now shun central business locations in favour of light

industrial areas where land and rents are cheaper. In spite of all these broader economic factors, property prices continue to surge because of the speculative demand for US dollars as a hedge against the volatile bond note that has continued to lose its value against the greenback over the past seven months. Knight Frank Zimbabwe (KFZ) Annual Property report indicated that demand for residential properties to purchase exceeded supply in the last quarter of 2017.²³ Some have, however, expressed reservations about taking this to be representative of a broader market outlook as opposed to being speculative hoarding by a small part of the population.

Policy and regulation

A strong institutional and regulatory framework shapes the housing sector in Zimbabwe. Much of the legislative and policy frameworks in Zimbabwe have remained unchanged. They are mostly progressive and include the Regional, Town and Country Planning Act [Chapter 29:12]; Urban Councils Act [Chapter 29:15]; Land Survey Act [Chapter 27:06]; Deeds Registry Act [Chapter 20:05]; Consolidated Land Acquisition Act [Chapter 20:10]; Rural Land Occupiers Act of 2002; the National Housing Policy of 2012; and Model Building By-laws. Some analysts observe that major challenges in the sector may stem from inadequate institutional capacity to support the effectiveness of these laws. For instance, the 1.5 million housing waiting list is cited as inaccurate as it does not accurately capture the deficit. Officials also cite this waiting list as susceptible to duplication as well as manipulation.

Several laws also suffer from not being retrospective in application. The government appreciated the importance of decongesting the urban areas and meeting demand for housing in those areas, through Acts aligned with the Peri-Urban Settlement policy (GoZ 1998). This was aimed at augmenting residential and industrial infrastructure in zones called growth points. However, development at growth points has stagnated due to economic regression. There has been a lack of policy responses to the failed attempts at targeting growth in peri-urban centres such as Mungate and Chiroodza in Domboshava.

Further, long-term funding to address infrastructure bottlenecks is needed for effective housing delivery, including additional capacity to avail loans for both land and housing development. The Deed Registries Act [Chapter 20:05] targets the issue of loan security and provides for the registration of mortgage bonds and notarial bonds. This provides security in the housing finance sector. As of June 2016, the deeds registry was given the nod to digitize operations in the Deeds Registries Amendment Act, 2016. There were no stipulated timeframes provided for the process and the progress in digitization is yet to be made public.

Opportunities

The Zimbabwean economy, sometimes alluded to as a sleeping giant, has for the first time in a long time seen glimpses of that potential on various fronts, including international re-integration and re-admittance into international financing forums. A lot of interest has been generated since the government transition in November of 2017.²⁴ Several international investors and investor groups have flown into the country, drawn by the administration's efforts to attain legitimacy as a safe investment haven.²⁵ Policy still remains a contentious subject as not many changes, although touted, have been effected yet.

In July 2017, the mayor of Harare, Dr. Bernard Manyenyeni, said that the city had advanced plans to raise a US\$100 million bond towards housing construction. This is yet to be realised.

The excitement around the potential investment by Africa's richest man, Aliko Dangote, that had died down after many months of silence and speculation has been rekindled.²⁶ In his 2015 visit, the prospects were to invest in coal mining, cement manufacturing and power generation. It was reported that plans were now afoot to resuscitate the ailing deals under the new administration, with no clear indication, however, whether cement manufacturing would still form part of these opportunities.

Additional sources

Peralta, E (2017). "Robert Mugabe: A legacy of tyrannical rule, economic ruin and international isolation." National Public Radio (NPR). 15 November 2017. <https://www.npr.org/sections/parallels/2017/11/15/564313423/robert-mugabe-a-legacy-of-tyrannical-rule-economic-ruin-and-international-isolation> (Accessed 18 June 2018).

ZWINOIRA, T (2018). "Zim Inflation to quicken-IMF." 31 October 2017. Newsday. <https://www.newsday.co.zw/2017/10/zim-inflation-quickens-imf/> (Accessed 28 June 2018).

The World Bank Doing Business (2018). <http://www.doingbusiness.org/data/exploreeconomies/zimbabwe>, (Accessed 3 July 2018).

¹ Bulawayo 24 News (2017). "Grace Mugabe, G40 cabal fired." 19 November 2017. <https://bulawayo24.com/index-id-news-sc-national-byo-122423.html> (Accessed 18 June 2018).

² The Zimbabwe Mail (2018). "US Congress Passes Zidera Amendment Bill, Awaits Trumps Signature." 26 July 2018. <http://www.thezimbabwemail.com/zimbabwe/us-congress-passes-zidera-amendment-bill-awaits-trumps-signature/>, (Accessed 30 August 2018).

³ Maveriq (2018). US President Trump Signs Zidera Amendment into Law. 9 August 2018. Pindula New. <https://news.pindula.co.zw/2018/08/09/us-president-trump-signs-zidera-amendment-into-law/>, (Accessed 30 August 2018).

⁴ Zoom Zimbabwe (2018). "UK Pledges Support to Zimbabwe". 6 August 2018. <https://www.zoomzimbabwe.com/2018/08/06/uk-pledges-to-support-zimbabwe/>, (Accessed 30 August 2018)

⁵ Katongomara, A. (2018). UK Pledges to Support Zim's Commonwealth Bid. 23 May 2018. The Chronicle. <http://www.chronicle.co.zw/uk-pledges-to-support-zims-commonwealth-bid/>, (Accessed 30 August 2018)

⁶ Turak, N (2018). "Zimbabwe is Open for Business." 24 January 2018. CNBC News. <https://www.cnbc.com/2018/01/24/zimbabwe-is-open-for-business-new-president-emerson-mnangagwa-tells-davos.html>, (Accessed 28 June 2018).

⁷ Reuters (2018). "IMF's Lagarde welcomes Mnangagwa's promise to revive Zimbabwe economy". 25 January 2018. <https://www.reuters.com/article/us-imf-zimbabwe/imfs-lagarde-welcomes-mnangagwas-promise-to-revive-zimbabwe-economy-idUSKBN1FE2M6> (Accessed 14 September 2018).

⁸ The Zimbabwean Mail (2018). "British Minister for Africa arrives in Zimbabwe" 1 February 2018. <http://www.thezimbabwemail.com/zimbabwe/british-minister-africa-arrives-zimbabwe/>, (Accessed 16 June 2018).

⁹ Real Time Gross Settlements (RTGS) is an interbank settlement mechanism developed to enable real-time transactions between commercial banks. It was implemented in Zimbabwe in November 2002. For a description of the system and its issues, see Ngwira, D. (2017). RTGS backlogs should be explained. Zimbabwe Independent. 30 June 2017. <https://www.theindependent.co.zw/2017/06/30/rtgs-backlogs-explained/> (Accessed on 16 September 2018).

¹⁰ Zwinoinira, T (2017). "Bond notes in free fall as US\$ premiums rise." The Standard. 5 November 2017. <https://www.thestandard.co.zw/2017/11/05/bond-notes-free-fall-us-premiums-rise/> (Accessed 27 June 2018).

¹¹ Nkomo, C (2018). Zimbabwe: Chiwenga 'forced' to warn cash dealers, land barons. AllAfrica. 13 June 2018. <https://allafrica.com/stories/201806140499.html> (Accessed 16 September 2018).

¹² The Reserve Bank of Zimbabwe (2017). Microfinance Quarterly Report, 30 June 2017. <https://www.rbz.co.zw/assets/mfi-june-2017.pdf> (Accessed on 16 September 2018)

¹³ Tech Zim Media (2018). "Zimbabweans in the Diaspora Can Now Access Steward Bank Mortgages (Loans) To Buy Or Build Houses In Zimbabwe." 1 March 2018. <https://www.techzim.co.zw/2018/03/hey-zimbo-diaspora-want-build-buy-finish-house-back-home-steward-bank-mortgage/> (Accessed 20 June 2018).

¹⁴ Mphambela, C (2017). Why banks have fully embraced central credit registry. 16 June 2017. Newsday Newspaper. <https://www.newsday.co.zw/2017/06/banks-fully-embraced-central-credit-registry/> (Accessed 23 June 2018).

¹⁵ Zimbabwe News (2017). "Zim banks run out of cash... withdrawal limit drops to zero." 24 October 2017. <https://www.zimbabwenews.co.uk/zim-banks-run-out-of-cash-withdrawal-limit-drops-to-zero/> (Accessed 23 June 2018).

¹⁶ Marufu, L (2018). POS machines reach 70,000. 3 May 2018. The Herald Newspaper. <https://www.herald.co.zw/pos-machines-reach-70-000/> (Accessed 10 June 2018).

¹⁷ The Herald Newspaper (2018). "Relaxed terms boost CABS Budiro project." 3 April 2018. <https://www.herald.co.zw/relaxed-terms-boost-cabs-budiro-project/> (Accessed 23 June 2018).

¹⁸ The Source (2017). "NSSA injects 17 Mil in Dzivarasekwa housing project." 12 Dec 2017. <http://source.co.zw/2017/12/nssa-injects-17mln-in-dzivarasekwa-housing-project/> (Accessed 10 June 2018).

¹⁹ The Chronicle Newspaper (2018). "Old Mutual unveils 1082 serviced stands." 9 March 2018. <http://www.chronicle.co.zw/old-mutual-unveils-1-082-serviced-stands/> (Accessed 16 June 2018).

²⁰ Tanyana (2018). Zanu-PF 2018 Election Manifesto Summary PDF Download. T <https://news.pindula.co.zw/2018/05/05/zanu-pf-2018-election-manifesto-summary-pdf-download/> 5 May 2018. Pindula News (Accessed 16 Sept 2018).

²¹ Thompson, J (2018). Big Bold Claims as Zimbabwe prepares for crucial election. 8 May 2018. Herald Live. <https://www.heraldive.co.za/news/world/2018-05-08-big-and-bold-claims-as-zimbabwe-prepares-for-crucial-election/> (Accessed 16 June 2018).

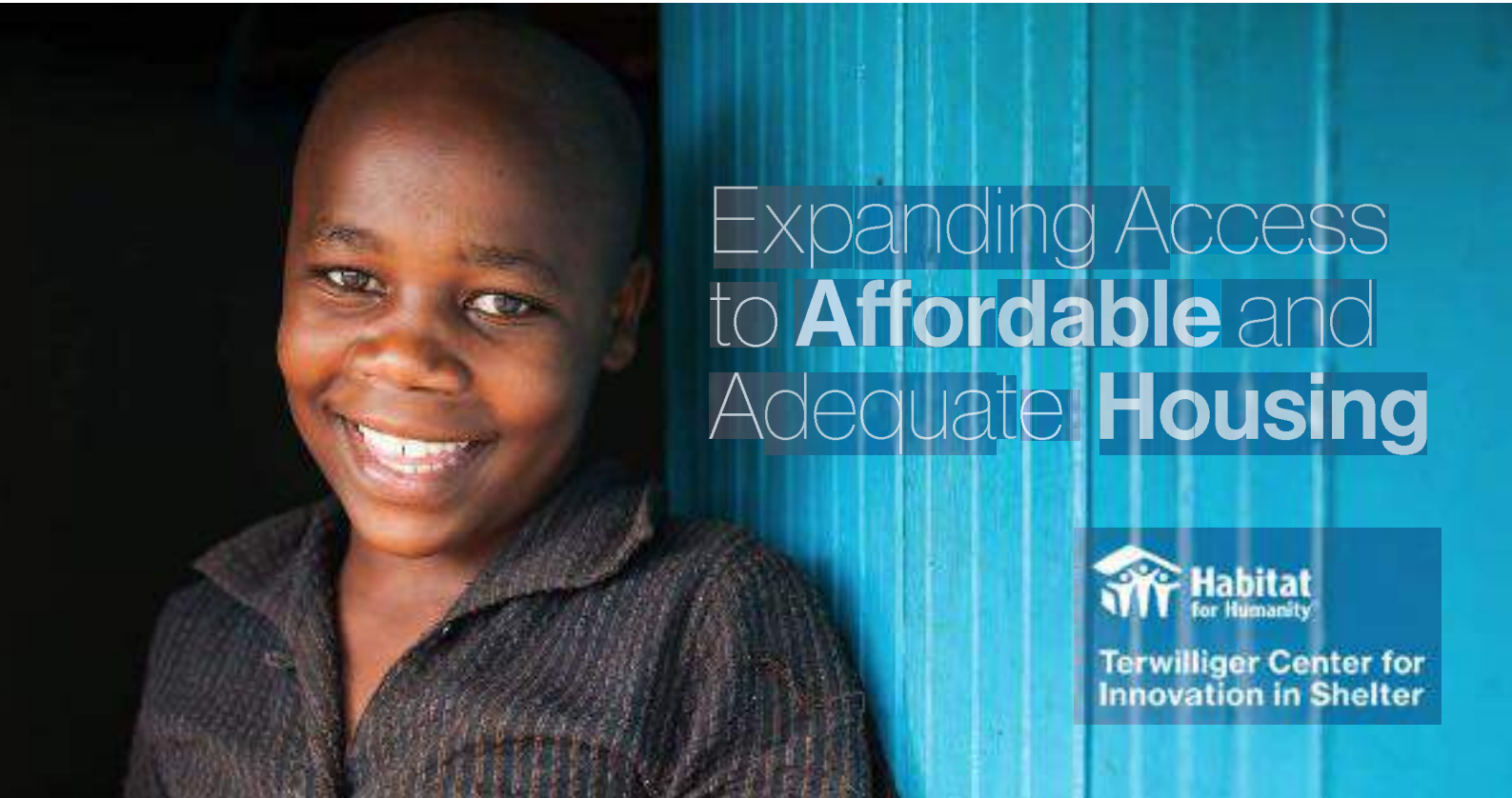
²² Parliament of Zimbabwe (7 May 2015). The first report of the Portfolio Committee on Small and Medium Enterprises and Cooperative Development on the role, management and impact of housing cooperatives on the delivery of national housing in Zimbabwe. http://www.veritaszimbabwe.com/veritas_d/files/First%20Report%20of%20the%20Portfolio%20Committee%20on%20SMEs%20on%20Housing%20Co-Operatives.pdf (Accessed on 16 Sept 2018).

²³ Chiriga, E (2018). US speculation drives property prices up. 7 May 2018. The Daily New Newspaper. <https://www.dailynews.co.zw/articles/2018/05/07/us-speculation-drives-property-prices-up> (Accessed 23 June 2018).

²⁴ The Zimbabwe Mail (2018). "Relations between Zimbabwe and IMF positive but..." 2 February 2018. <http://www.thezimbabwemail.com/economic-analysis/relations-zimbabwe-imf-positive/> (Accessed 18 June 2018).

²⁵ Share, F (2018). US govt to send investors to Zimbabwe. 17 February 2018. The Chronicle Newspaper. <http://www.chronicle.co.zw/us-govt-to-send-investors-to-zimbabwe/> (Accessed 11 June 2018).

²⁶ Ncube, X (2018). Dangote team back in Zim. Newsday. 10 April 2018. <https://www.newsday.co.zw/2018/04/04/dangote-team-back-in-zim/> (Accessed on 16 September 2018).



Expanding Access to **Affordable** and **Adequate Housing**



Terwilliger Center for Innovation in Shelter

Habitat for Humanity's Terwilliger Center for Innovation in Shelter

works to enhance the inclusivity of housing market systems for low-income households on both the supply and demand sides. The center does so by mobilizing the flow of capital to the housing sector and serving as a facilitator and adviser to market actors on strategies to more effectively engage low-income households.

The center advances knowledge around housing markets by conducting research studies on the impact of these strategies, compiling sector insights and best practices in flagship publications, and developing toolkits for practitioners. To learn more about the center, visit www.habitat.org/TCIS.



3,035,000 people served, **US\$859,985,967** of capital mobilized,
71 institutions advised, **850+** practitioners trained

Building and expanding inclusive housing markets.



Reall is transforming the affordable homes market.

Partnering with affordable housing developers across Africa and Asia, Reall provides market-driven solutions for low-income people.



Housing

11,000 affordable housing solutions approved



Services

Improved water, sanitation or energy services approved for 23,500 people



People served

55,000

*Since 2014

Contact us to enquire about partnerships, funding or investment.

www.reall.net | info@reall.net | [@reall_int](https://twitter.com/reall_int)



14Trees is a LafargeHolcim and CDC Group joint venture dedicated to **accelerating the provision of affordable housing in Africa.**

We take construction innovations from the lab to the field and build affordable housing together with our bank partners and contractors.

We are making green and affordable housing a reality for Africa.

www.14Trees.com / info@14Trees.com

HFGARe – facilitates access to **100% housing finance** for **ready constructed houses**, **self-build** and **developer finance** in **Africa** for *lower to middle income earners*. **Incremental building loans** from **lenders** for **smaller** add-ons and *renovations* can *flow* through **YoManE**, a closed loop *'pay for purpose'* payment gateway which **ENSURES** that the *building loans* can **ONLY** be used for the *intended purpose* from specific merchants.

YoManE
PAYMENT GATEWAY

HFGA
HOME FINANCE GUARANTORS AFRICA
REINSURANCE

<https://www.yomane.com> | <http://www.hfgare.com>



The story of Africa is the story of Shelter Afrique

We are committed, every day to finding African solutions to African challenges, one of which is housing. Over the next 5 years we will finance the construction of 30638 units and create 91000 construction related jobs, we believe that only projects of scale can adequately address the housing shortage on the continent. The Shelter Afrique story over the next five years will be one of impact, green engineering, financial inclusion and innovation, this too will be the African Story.



Be a part of that story, for more information visit www.shelterafrique.org OR call +245 20 497 8000



Helping our customers build their dream homes,
one step at a time through
INCREMENTAL HOUSING FINANCE.

Loan book operations in **Swaziland, Lesotho, Kenya, and Malawi**,
with administration and support hubs in **Mauritius and South Africa.**

We're focused on **financial inclusion** to the under-banked or entry
level retail credit market.

A **responsible lender** with built-in lending mechanisms to ensure
customer affordability, with long-term affiliations with **leading
DFI's and technical partners.**



With a defined plan to establish new businesses and new product offerings in other sub-Saharan African countries, coupled with our expertise and the potential of the African continent, this provides the impetus for us to accomplish our growth targets.

Select has various existing funding sources, and we continuously seek new funding partnerships.

For more information please contact us:

Illovo Edge Office Block, Building 4, 9 Harries Road, Illovo, 2196

Telephone: +27 11 214 8300

Email: info@selectafrica.net

investorrelations@selectafrica.net

Website: www.selectafrica.net

Select Africa
is delighted to
support CAHF in its
work in promoting
housing finance in
Africa.



HOFINET | Housing Finance Information Network

A Global Resource for Housing Finance Information

The Housing Finance Information Network is the **first truly global webportal** that consolidates and regularly updates international housing finance knowledge in one central, easily accessible place. All data is in the public domain and can be easily downloaded.

- It collects and updates standardized statistical data until 2016 on **countries' housing finance systems** – currently for **140 countries** – and provides country reports and links to legal and statistical country resources.
- It provides **state-of-the art information on the main topics in housing finance** through our global network of experts and through a continuously updated library of research and policy papers.

Telephone: 215.898.3313
Fax: 215.573.2220
hofinetmail@wharton.upenn.edu

www.hofinet.org



iBUILD addresses activities associated
with 13 of the 17 SDG's. We are a
sustainable, powerful platform that,
“Empowers the World to Build.”

Visit us at www.iBUILD.global



TUHF

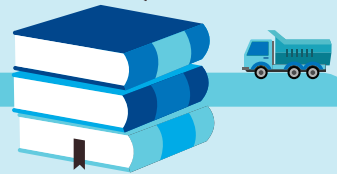
Leading property finance downtown

15%

Return on investment (2018)

Current loan book

R2,767 billion



12%

Average loan book growth

5

branches nation wide



Backing ordinary people,
doing extraordinary things.

13%

Growth average over 5 years



128

unique inner city areas financed

15 years
in operation

R1bn
DMTN
Programme
on JSE

33 037
Units

350
Entrepreneurs
assisted

52%

of whom are previously disadvantaged
individuals (PDI's)

598
buildings

186 years

of property finance experience
in our executive team, 20 years
average per person.

136 011 m2

of retail shops financed
and converted to
residential as part
of TUHF projects. *Bigger
than Mall of Africa!*

086 000 TUHF (8843)
www.tuhf.co.za

Where others see decline, we see investment opportunities

Finance for: Purchase | Conversion | Refurbishment | Refinance | Equity release

Information correct as at financial year end 31 March 2018, for active loans in servicing.



Supporting CAHF with data-driven research and analysis on housing markets across Africa

Recent work with CAHF



Rental markets in Africa



Mortgage loan access, performance and profitability



Hedonic House Price Index



Transaction Support Centre in Cape Town

We bring the life and experience of consumers into the decision making processes of policy makers, think tanks and executives

CONTACT US

www.71point4.com | illana@71point4.com | +27 (0)21 286 2585



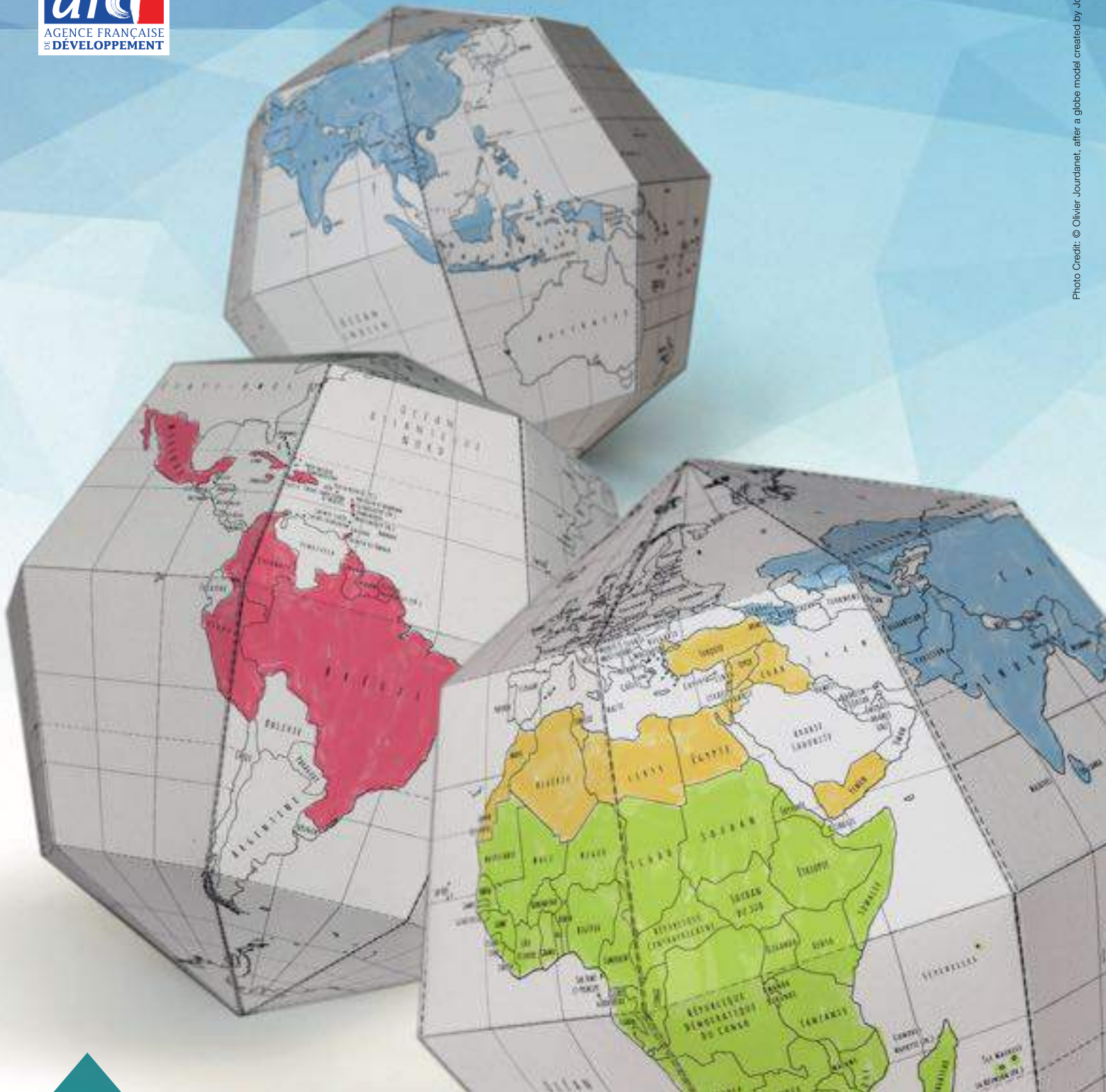
FSD Africa was set up by the UK Government to transform financial markets in sub-Saharan Africa, reduce poverty and drive inclusive economic development

FSD Africa is a facilitator, providing capital and technical resources to financial institutions, regulators and other actors in the financial system, to help them build financial markets that are more useful to the economies they serve



FSD Africa is pleased to be partnering with CAHF in promoting housing finance in Africa.

Contact us at:
info@fsdafrica.org
www.fsdafrica.org



BECAUSE
TOMORROW
WILL BE BUILT
BOTH HERE
AND THERE

• **AGENCE FRANÇAISE DE DÉVELOPPEMENT**
works every day to build a more just
and more sustainable world:

- Through the commitment of its 1,742 employees
- Through its action in over 90 countries
- Through its expertise in all the fields
of development



afd.fr



facebook.com/AFDOfficiel



twitter: @AFD_France



human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA

It is the golden-era of Human Settlements expansion "

Housing as a Basic Human Right: The South Africa Constitution (1996)'s Bill of Rights, in Section 26 states that all South Africans have a right to 'access adequate housing'. It is the government's duty to take reasonable legislative and other measures, within its available resources, to achieve the realisation of this right on a progressive basis.



To give effect to the right, the Ministry of Human Settlements has committed itself to the establishment of a single Human Settlements DFI, the Human Settlements Development Bank (HSDB), which consolidates the mandate of its existing development finance institutions namely NHFC, NURCHA and RHLF. The core rationale for the establishment of the HSDB resides in the need to provide a more effective government financing support to key segments of the housing market in the face of considerable market failure and significant need.



Core Purpose:

- To meet the human settlements finance needs in a sustainable manner, a **coordinated and integrated financial institutional structure** is required that is **able to effectively leverage government grants, wholesale and investment funding** so as to **maximise private sector capital, as well as household contributions.**



HSDB will thus:

- Serve as a catalyst for change in the Human Settlements funding and financing role (redefinition)
- Support the effective transformation of the Human Settlements sector
- Additionality: "do activities that HSDB is able, to impact beyond that which would have occurred"
- Focus in addressing market failure through innovative financing and effective risk mitigation instruments

The HSDB will be established through an enactment of parliament

As a potential partner for innovation and delivery of government financing support to the needy, be on the lookout for the new fully integrated HSDB dynamic brand identity and launch.

CORE
FUNCTIONS:

Lender

Investor

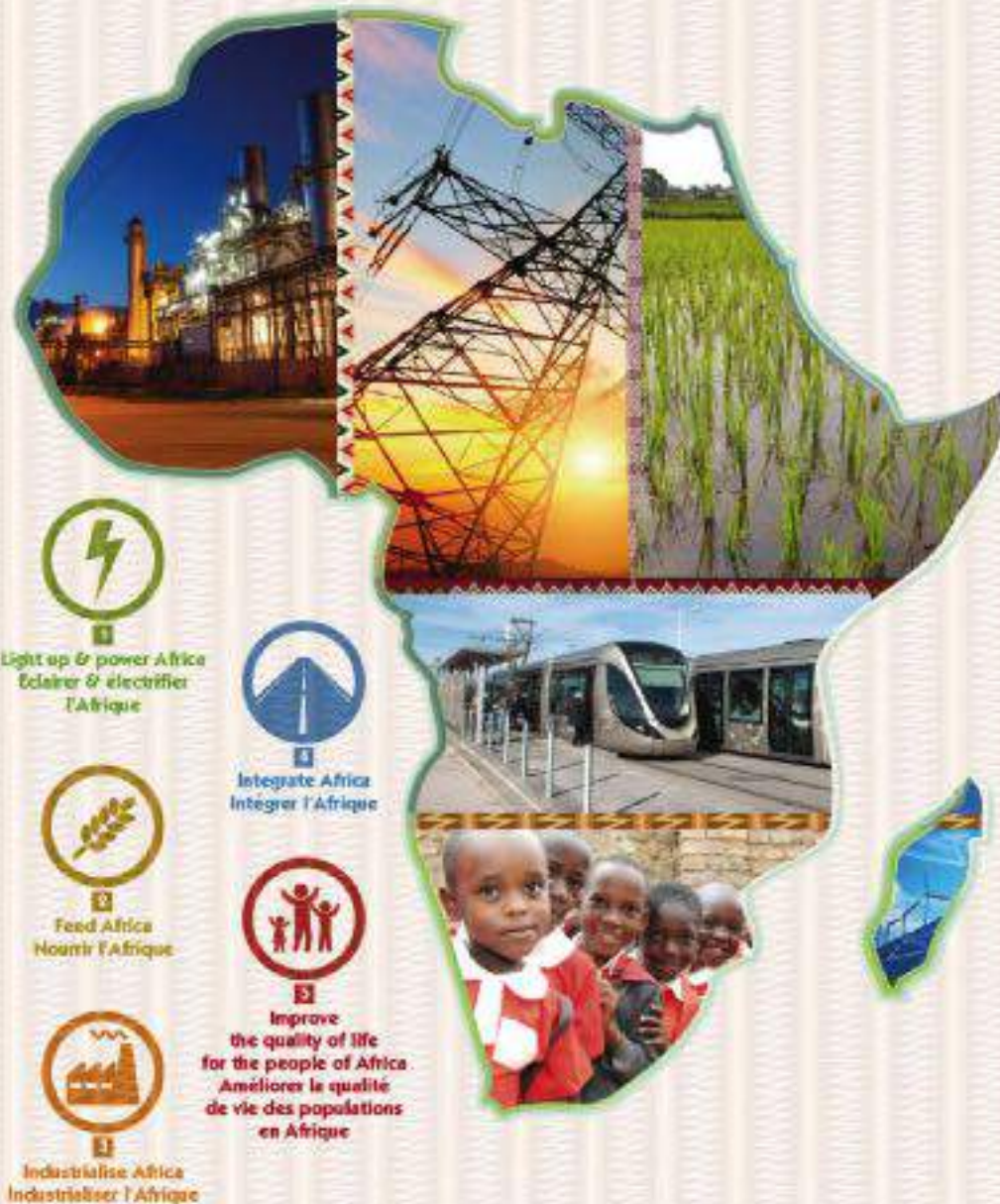
Facilitator

Advisor



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

The High 5 for transforming Africa pour transformer l'Afrique



African Development Bank Group (AfDB)

Avenue Joseph Anoma | 01 BP 1387 Abidjan | Côte d'Ivoire

www.afdb.org

Phone (Standard): +225 2026 3900

Mr. Emmanuel Diarra
Manager, Capital Markets Division
e.diarra@afdb.org

Mr. Ahmed ATTOUT
Chief Capital Markets Officer
a.attout@afdb.org

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. IFC is boosting housing finance with investments and advisory work across Africa, including the West African Economic and Monetary Union, Nigeria, Tanzania, Kenya and Rwanda. IFC has invested over \$3 billion in housing finance in 46 countries world-wide.



IFC is pleased to support the 9th edition of the Africa Housing Finance Yearbook, published by the Centre for Affordable Housing Finance in Africa.



We focus on future cities that are open and inclusive for all and provide data-driven tools to citizens, government and innovators to empower them to make informed decisions, and ultimately enable positive social change.







 /opendatadurban

<https://opendata.durban>
hello@opendata.durban

HOUSING FINANCE COURSE FOR SUB-SAHARAN AFRICA

29 September - 5 October 2019

Sub-Saharan Africa faces a major housing shortage linked to rapid urbanization and new urban household formation. Formal housing construction has not kept up with urban growth, resulting in deteriorating conditions of the existing housing stock and growth in informal settlements. In order to scale up new formal construction, housing finance systems need to expand and improve urgently. As a result, the course aims to provide senior policymakers, investors, developers and housing professionals with the necessary analytical tools and understanding to become cost-effective partners in improving and expanding housing finance systems in their countries.

Course Modules Include:

- Housing Markets and Housing Finance
- The State of Housing Finance in Sub-Saharan Africa
- The Guiding Objectives of a Housing Finance System
- The Business of Housing Finance
- Housing Finance Funding
- The Enablers and Constraints of Housing Finance Systems
- Financing the Housing Value Chain
- Expanding Housing Finance to Lower Income Groups
- Using Subsidies to Improve Housing Finance Systems



Course Location:
The Course will be run at the beautiful University of Cape Town

Course Director:
Rob Skelton, University of Cape Town

For More Information:
Contact the Course Director at rob@opendata.durban







C A H F Centre for Affordable Housing Finance in Africa

The Centre for Affordable Housing Finance in Africa (CAHF) is an independent think tank based in Johannesburg, South Africa. CAHF's work extends across the continent, and it is supported by and collaborates with a range of funders and partners.

CAHF's mission is to make Africa's housing finance markets work through the dissemination of research and market intelligence, the provision of strategic support, and ongoing engagement in both the public and the private sector. CAHF supports increased investment, 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.

For more information and to join us in pursuing this agenda, please visit our website: www.housingfinanceafrica.org, like our Facebook page and follow us:

 @cahf_Africa

 @cahf_houseofafrica

WHAT DOES A HEALTHY HOUSING MARKET LOOK LIKE?

Adequate, affordable housing is available for all income groups

- A range of housing mechanisms are available in the market.
- There is adequate supply of affordable housing and vibrant competition.
- Input costs are contained (land, cement, materials).
- There is targeted investment in real estate and construction.
- Transaction systems are accessible, **efficient and affordable**.
- End user finance is **available and improves affordability**.

Residential property is easy to buy and sell for all income groups

- Land is formally registered.
- Transaction systems are accessible and efficient.
- End user finance is available for resale markets.
- Market information is readily available.
- A diversity of suppliers provides a diversity of housing types.
- Affordable accommodation is available both to rent and own.





The African Union for Housing Finance (AUHF) was established as a member-based body of housing lenders in 1984. Today, the AUHF comprises of 61 members from 17 countries across the continent. Members include commercial and mortgage banks, building societies, microfinance banks/institutions, housing development corporations, and other institutions involved in the mobilisation of funds for shelter and housing. As an industry body, the AUHF promotes the development of effective housing finance markets, and delivery of affordable housing across Africa, working in the interests of both the members and the industry as a whole.

Vision: : An enabled and productive housing finance sector across Africa where governments and the private sector work together to develop and maintain efficient and effective housing markets and access to adequate and affordable housing for all.

Mission: To support its members in realising their vision, through networking and deal facilitation, information collection and dissemination, lobbying and advocacy, and capacity building and training.

In serving its members and realising its goals of effective housing finance markets and delivery of affordable housing in Africa, the AUHF pursues four main activities:

1. Networking & Deal Facilitation:
Identifying and connecting stakeholders, making the whole greater than the sum of its parties;

- Speaking opportunities and discounts to attend industry events/conferences
- Annual AUHF conferences and AGMs
- Regional seminars / workshops

2. Information collection & Dissemination:
Understanding the issues and sharing this with members and the wider sector;

- Monthly newsletters
- CAHF Yearbook
- Case studies of members & fact sheets on key issues
- Benchmarking initiative with members

3. Lobbying & Advocacy:
Promoting member interests in making housing finance markets work in Africa;

- ANNUAL DECLARATIONS ON HOUSING FINANCE (lobbying documents)
- Engagement with Regional bodies, national governments & other relevant stakeholders with member support,
- Identification of and engagement in key national & regional issues with member support.

4. Capacity Building & Training:
Enabling members to respond to the challenges and opportunities within the context of their businesses; supporting better engagement between the public & private sectors;

- Capacity building seminar in Accra, Ghana, co-hosted with CAHF and IFC: Capacity
- Financing Housing in Africa – Issue 55: Information

JOIN US TODAY
Be part of a continental body that advocates for affordable housing and efficient housing finance markets ...



AUHF BOARD

CHAIRMAN Oscar Mgaya CEO, TMRC Tanzania	VICE CHAIRMAN Charles Inyangete CEO, NMRC Nigeria	TREASURER Cas Coovadia MD, BASA South Africa	SECRETARY Omar Sarr CEO, HFC The Gambia	Ruth Odera Regional Manager HFHI-EMEA Kenya	Joseph Chikolwa MD, ZNBS Zambia	Reginald Motswaiso CEO, BHC Botswana	Femi Adewole MD, Shelter Afrique Kenya

www.auhf.co.za | auhf@housingfinanceafrica.org | (T) +27 11 447 9581 | (C) +27 82 834 3556

With thanks to our sponsors



GRUPE DE LA BANQUE AFRICAINE DE DEVELOPPEMENT
AFRICAN DEVELOPMENT BANK GROUP



SHELTER AFRIQUE
Financing Affordable Housing for Africa

