# Housing Finance in the CEMAC Region

## Current Status, Opportunities, and a Way Forward for Affordable Housing

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| | |
|---|---|
| AfDB | African Development Bank |
| ACPH | *Agence Centrafricaine de Promotion de l'Habitat* |
| AFD | French Development Agency (*Agence Française de Développement*) |
| AFAT | *Agence Foncière pour l'Aménagement des Terrains* |
| AGC | *Assurances Générales du Congo* |
| AML | Anti-Money Laundering |
| AMMC | *Autorité Marocaine du Marché des Capitaux* |
| ANEMCAM | *Agence Nationale des Etablissements de Microfinance du Cameroun* |
| ANUTTC | *Agence Nationale de l'Urbanisme, des Travaux Topographiques et du Cadastre* |
| APEC | *Association Professionnel des Etablissements de Crédit* |
| ARC | *Assurances et Réassurances du Congo* |
| ATAUD | *Agence tchadienne d'architecture, d'urbanisme et de développement* |
| AWB | Attijariwafa Bank |
| BCEAO | *Banque Centrale des États d'Afrique de l'Ouest* |
| BCH | *Banque Congolaise de l'Habitat* |
| BCP | *Banque Centrale Populaire* |
| BCT | *Banque Centrale de Tunisie* |
| BDEAC | *Banque de développement des États de l'Afrique centrale* |
| BEAC | *Banque des États de l'Afrique Centrale* |
| BEI | *Banque Européenne de D'Investissement* |
| BGD | *Banque Gabonaise de Développement* |
| BGH | *Banque Gabonaise de l'Habitat* |
| BHT | *Banque de l'Habitat de Tunisie* |
| BICEC | *Banque Internationale Du Cameroun Pour L'Épargne et le Crédit* |
| BICP | *Bureau International de Conseil et de Promotion* |
| BMCE | *Banque Marocaine du Commerce Extérieur* |
| BOA | Bank of Africa |
| BOAD | *Banque Ouest Africaine de Développement* |
| BRVM | *Bourse Régionale des Valeurs Mobilières* |
| BSIC | *Banque Sahélo-Saharienne pour l'Investissement* |
| BVMAC | *Bourse des Valeurs Mobilières de l'Afrique Centrale* |
| CAHF | Center for Affordable Housing Finance in Africa |
| CAR | Central African Republic |
| CDC | *Caisse des Dépôts et Consignations* |

| | |
|---|---|
| CEMAC | *Communauté Économique et Monétaire de l'Afrique Centrale* |
| CFAF | CFA Franc |
| CFC | *Crédit Foncier du Cameroun* |
| CFT | Counterfinancing of Terrorism |
| CGIDD | Canback Global Income Distribution Database |
| CIMA | *Conférence Interafricaine des Marchés d'Assurances* |
| CMCA | *Crédit Mutuel de la Centrafrique* |
| CMF | *Commission des Marchés Financiers* (Financial Markets Commission) |
| CNAMGS | *Caisse Nationale d'Assurance Maladie et de Garantie Sociale* |
| CNF | *Caisse Nationale des Fonctionnaires* |
| CNPS | *Caisse Nationale de Prévoyance Sociale* |
| CNSS | *Caisse Nationale de Sécurité Sociale* |
| COBAC | *Commission Bancaire de l'Afrique Centrale* (Central African Banking Commission) |
| COGETIM | Congolese Real Estate Management company |
| COP | *Conference of the Partis (Paris COP)* |
| COSUMAF | *Commission de Surveillance du Marché Financier de l'Afrique Centrale* |
| CPA | *Compagnie Professionnelle d'Assurance* |
| CREPMF | *Conseil Régional de l'Épargne Public et des Marchés Financiers* |
| CRRH | *Caisse Régionale de Refinancement Hypothécaire* |
| DAT | *Dépôt à Terme* |
| DFS | Digital Financial Service |
| DSX | Douala Stock Exchange |
| EDGE | Excellence in Design For Greater Efficiencies |
| EIB | European Investment Bank |
| ENPIGE | *Ente Publico de Gestion Immobiliaria de Guinea Ecuatorial* |
| FGIS | *Fonds gabonais d'investissement stratégique* |
| FNH | *Fonds National de l'Habitat* |
| FODEC | *Fonds de Développement de Communauté* |
| FPH | *Fonds de Promotion de l'Habitat* |
| GABAG | *Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale* |
| GDP | Gross Domestic Product |
| GHG | Greenhouse Gas |
| IFC | International Finance Corporation |
| IMF | International Monetary Fund |
| INEGE | *Instituto Nacional de Estadística de Guinea Ecuatorial* |
| INS | *Institut National de la Statistique* |
| IRPP | *Impôt sur le Revenu des Personnes Physiques* |
| JET | Jobs and Economic Transformation |
| LCB | *La Congolaise de Banque* |
| MAETUR | *Mission d'Aménagement et d'Equipement des Terrains Urbains et Ruraux* |
| MFI | Microfinance Institution |

| | |
|---|---|
| MFW4A | Making Finance Work for Africa |
| MINHDU | *Ministère de l'Habitat et du Développement Urbain* |
| MHLUEDD | *Ministère de l'Habitat, du Logement, de l'Urbanisme, de l'Environnement, et du Développement Durable* |
| MLT | *Moyen et Long Terme* |
| MRC | Mortgage Refinance Company |
| NBP | Net Banking Product |
| NPL | Non-Performing Loan |
| OAHADA | *Organisation pour l'harmonisation en Afrique du droit des affaires* |
| PFM | Public Financial Management |
| PPP | Public Private Partnership |
| RO | *Réserves Obligatoires* |
| SAD | *Société d'Aménagement de Douala* |
| SIB | *Société Ivoirienne de Banque* |
| SIC | *Société Immobilière du Cameroun* |
| SME | Small and Medium Enterprise |
| SNI | *Société Nationale Immobilière* |
| SGC | *Société Générale du Cameroun* |
| SSA | Sub-Saharan African |
| SOPRIM | *Société de Promotion Immobilière* |
| SOPROFIM | *Société de Promotion Foncière et Immobilière* |
| SWO | Social Welfare Organization |
| TPME | *Très Petites et Moyennes Entreprises* |
| UCITS | Undertakings for the Collective Investment in Transferable Securities. |
| UN | United Nations |
| UNDP | United Nations Development Program |
| WAEMU | West African Economic and Monetary Union (*Union Économique et Monétaire Ouest Africaine)* |
| WBG | World Bank Group |

## Summary Call to Action
## For sustainable and inclusive affordable housing in CEMAC countries

### *‘The total housing deficit is estimated at three million units, affecting one in three households in the region’*

The housing deficit at the regional level is today estimated at three million units and affects one in three households. Formal housing and mortgage financing remain out of reach for most of the population and about 90 percent of homes in the region are self-built. Many of these homes do not meet adequate standards, leading to unsafe conditions and growth of informal housing settlements.

Urbanization and growing population will put increasing pressure on existing housing resources. Without a step change in the level of housing construction and the necessary long-term finance to invest, slums will proliferate as short-term solutions fill the gap.

| | Population | Housing deficit | Urban population (%) | Urban population growth (%) |
|---|---|---|---|---|
| Cameroon | 24,053,000 | 1,300,000 | 56 | 3.7 |
| Gabon | 1,811,000 | 150,000 | 89 | 2.7 |
| Congo | 5,260,000 | 150,000 | 66 | 3.3 |
| Chad | 14,899,000 | 357,000 | 23 | 3.8 |
| CAR | 4,659,000 | 1,000,000 | 41 | 2.3 |
| Equatorial Guinea | 1,267,000 | N/A | 72 | 4.4 |

### *‘The State is often the biggest actor in the sector with programs which are often costly and ineffective’*

The institutions currently addressing housing shortfalls lack scale and capacity to meet the challenge. The quantum of new housing required can only be delivered by leveraging private sector resources including capital markets, financial system and private sector developers. In many cases the public sector institutions and programs crowd out private sector involvement and have a detrimental effect on overall achievement of affordable housing goals.

| | Cameroon | CAR | Congo | Gabon | E. Guinea | Chad |
|---|---|---|---|---|---|---|
| Housing Bank | √ | In review | √ | Defunct | | √ |
| State developer | √ | √ | √ | √ | √ | √ |
| Subsidized land | √ | √ | √ | √ | √ | √ |
| Subsidized mortgages | √ | | | | | |
| Tax on salaries | √ | | √ | √ | | In review |
| Large housing programs | √ | | √ | √ | √ | √ |

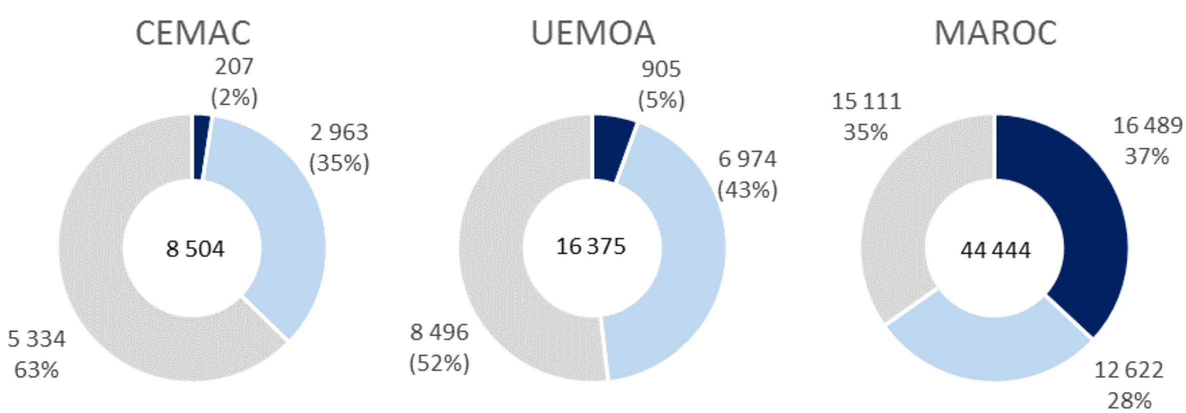
## *'CEMAC's housing value chain displays high levels of dysfunction on both demand and supply sides'*

The enabling environment creates significant challenges in addressing the affordable housing challenge. A comprehensive and far reaching program of reforms will be needed across multiple sectors to create the conditions under which private sector investment can thrive and be properly channeled into housing investment.

| *Supply side* | *Demand Side* |
|---|---|
| Land titling is a major obstacle throughout the region | The mortgage market is dominated by the State |
| Infrastructure is expensive and rarely available | Subsidies are only available to a select few |
| Condominium laws are problematic for many countries | Informal incomes make underwriting difficult |
| Poor loan performance has led to a risk averse banking sector | Banks do not have access to long term funds, so tenors are short |
| Most private sector developers insist on government guarantees as offtake is too risky | Mortgage foreclosure is expensive and lengthy |

## *'Lack of long-term finance is a key constraint preventing long term investment into housing'*

Banks cannot lend long because they are overly reliant on short term deposits as their main source of funding. In 2016, customer deposits represented 72 per cent of total funds. The vast majority of these deposits were short term. Long term funds do exist in the CEMAC economies, but the right instruments and institutions are not present to direct these towards housing.




*Source: Annual Reports COBAC 2017, BCEAO 2018, Bank Al Maghrib 2018*

## *'There is a strong shared desire to address housing shortfalls which needs to be leveraged'*

All governments in the region expressed a strong desire and commitment to affordable housing. Political will is required to reform state-owned agencies and involve the private sector. The CEMAC shared currency could make the implementation of a regional solution possible. Alongside a common legal framework (OHADA) and a common capital market. Land is readily available although land administration requires a major investment and overhaul. Lastly, commercial banks are willing and interested in expanding market-based mortgage lending.

## *'A proposed three-pronged approach will tackle (i) reform of existing institutions (ii) new initiatives to boost private sector and (iii) continuous improvement of enabling environment*

The following series of recommended actions is proposed to help tackle the shortfall in housing construction and financing. Many of these reforms will be required at national level, but an overall regional program can help with implementation and leverage some benefits, particularly on the financial sector side. As a first step, the creation of a task force with the purpose of addressing many of the constraints can help to put together a more detailed, operational plan for implementing these reforms.

| ***Restructure public investments in the housing sector*** | ***New interventions*** | ***Continue to invest in long-term reforms*** |
|---|---|---|
| Establish a task force and revise housing strategies | Enable banks to access long term sources of funds | Resolve land tenure issues |
| Restructure government housing programs and implement PPPs | Promote the participation of the private sector | Address high levels of poverty and income informality |
| Restructure state-owned housing banks and tax-based contribution models | Support informal households | |
| Implement regulatory reforms to reduce transaction costs | Increase gender inclusion | |
| | Promote green construction | |
| | Create land banks | |

## *'A call to action is needed to mobilize political and technical resources starting right away if the growing housing deficit is to be reversed'*

The timeline below splits the actions into immediate, short, medium and long term. As a first step the creation of a housing task force can provide the impetus and direction to the whole process. It can also help create some accountability to the process by setting some targets and timelines. Further work is needed to put together a more operational plan of action, with well-defined responsibilities.

| | Immediately | Short-term | Medium-term | Long-term |
|---|---|---|---|---|
| Housing taskforce | | | | |
| Collect data on housing | | | | |
| Quantify current public housing spending | | | | |
| Review housing strategies | | | | |
| Restructure state housing programs | | | | |
| Restructure large housing programs | | | | |
| Develop housing PPPs | | | | |
| Restructure housing banks | | | | |
| Restructure taxes on salaries | | | | |
| Reduce additional costs of buying/renting | | | | |
| Reduce land registration costs | | | | |
| Reduce costs of filing a mortgage | | | | |
| Implement escrow accounts | | | | |
| Reduce rental barriers | | | | |
| New interventions | | | | |
| Put in place a mortgage refinance facility | | | | |
| Promote the participation of the private sector | | | | |
| Develop housing microfinance | | | | |
| Promote housing access for women | | | | |
| Promote green housing | | | | |
| Put in place land banks | | | | |
| Continued interventions | | | | |
| Reinforce security of tenure | | | | |
| Financial inclusion of the informal sector | | | | |

## *'Creating a mortgage refinance facility can be a catalytical focal point for wider reforms and a spur for private sector investment into the mortgage sector'*

Some preconditions for the creation of a mortgage refinance company (MRC) are in place such as a stable macro-environment, strong bank regulation and supervisory oversight of financial system, and some capital market development. However, others such as mortgage market development are still lacking, likewise the capacity to scale up production of affordable housing supply. Placing the effective creation of an MRC as a medium-term goal (3-5 years) allows for further work to be done on improving the primary mortgage market, growing the overall volume of mortgage loans and reforming some of the public institutions. However, in the sort-run, the CEMAC community can commence by conducting all the necessary market analysis, research and regulatory reforms to maximize the effectiveness of an MRC once it is established. A common lesson from other markets has been that MRCs have at times been set up prematurely and would have benefited from further primary market reforms first.

***'The overall outcome from undertaking these reforms is the likelihood for a significant change in housing affordability in CEMAC member countries as illustrated in the following scenarios'***

**Scenario 1: Base case under current conditions**

This scenario looks at the percentage of the urban population that can afford a home assuming the following current conditions:

- Purchase of the cheapest home on the formal housing market (often offered by a state-owned developer)
- Access to current average mortgage terms. Because the mortgage refinancing facility is a market mechanism, we have chosen to use current market rates instead of subsidized rates offered by state-owned housing banks.

**Effective demand for housing in urban areas under current market conditions**

| **Current conditions** | **Cameroon** | **CAR** | **Congo** | **Gabon** | **Equatorial Guinea** | **Chad** |
|---|---|---|---|---|---|---|
| Cost of home (in thousands of CFAF) | 17,000 | 20,000 | 25,000 | 35,000 | 8,000 | 20,000 |
| Cost of home (in US$ PPP) | 74,600 | 59,700 | 43,300 | 151,500 | 34,600 | 100,000 |
| Down payment | 14,900 | 11,900 | 8,700 | 30,300 | 6,900 | 20,000 |
| Mortgage amount | 59,700 | 47,800 | 34,600 | 121,200 | 27,700 | 80,000 |
| Interest rate (%) | 11 | 11 | 8 | 9 | 12 | 12 |
| Tenor (in years) | 10 | 10 | 10 | 10 | 7 | 10 |
| Annual payment required (in US$ PPP) | 9,900 | 7,900 | 5,000 | 18,400 | 5,900 | 13,800 |
| Annual income required (in US$ PPP) | 33,000 | 26,300 | 16,700 | 61,300 | 19,700 | 46,000 |
| **# of urban households which can afford house** | **213,996** | **6 ,181** | **112,858** | **17,271** | **72,916** | **8,312** |
| **% of urban households which can afford house** | **15** | **4** | **21** | **12** | **77** | **3** |

*Source:* Affordable Housing Institute, 2019.

Today, only three percent of Chad's urban population can access the cheapest home available on the formal housing market. On the other hand, in Equatorial Guinea, 77 percent of the urban population can access the least expensive house on the market. These houses correspond to houses built and subsidized by the government.

The large discrepancies between countries are due to several factors including income levels, purchasing power parity, and government subsidies in the housing sector. Incomes in Equatorial Guinea tend to be much higher than in the rest of the region, while the government has also been the most active in subsidizing housing prices.

**Scenario 2: Medium-term impact**

The development of a regional mortgage refinancing facility would lengthen mortgage tenors over time and decrease interest rates. In this scenario, we have taken the same housing prices but increased mortgage tenors to 15 years and reduced rates by one percent in each country.

**Effective demand at favorable mortgage terms**

| Favorable conditions | Cameroon | CAR | Congo | Gabon | Equatorial Guinea | Chad |
|---|---|---|---|---|---|---|
| Cost of home (in thousands CFAF) | 17,000 | 20,000 | 25,000 | 35,000 | 8,000 | 20,000 |
| Cost of home (in US$ PPP) | 74,600 | 59,700 | 43,300 | 151,500 | 34,600 | 100,000 |
| Down payment | 14,900 | 11,900 | 8,700 | 30,300 | 6,900 | 20,000 |
| Mortgage amount | 59,700 | 47,800 | 34,600 | 121,200 | 27,700 | 80,000 |
| Interest rate (%) | 10 | 10 | 7 | 8 | 11 | 11 |
| Tenor (in years) | 15 | 15 | 15 | 15 | 15 | 15 |
| Annual payment (in US$ PPP) | 7,700 | 6,200 | 3,700 | 13,900 | 3,800 | 10,900 |
| Annual income (on US$ PPP) | 25,700 | 20,700 | 12,300 | 46,300 | 12,700 | 36,300 |
| **# of urban households who can afford home** | **312,205** | **8,948** | **165,352** | **26,174** | **85,132** | **16,607** |
| **% of urban households who can afford home** | **22** | **6** | **31** | **17** | **90** | **6** |

*Source:* Affordable Housing Institute, 2019.

Comparing Scenarios 1 and 2, the percentage of the urban population able to access housing has increased in all countries. This is due to a reduction in monthly payments of about 20 percent.

**Scenario 3: Long-term impact**

In the long-term, a mortgage refinancing facility would enable banks to substantially increase mortgage tenors and lower interest rates. Under this third scenario, we have kept the same housing prices but increased mortgage tenors to 20 years and decreased interest rates by 2 percent.

**Effective demand under very favorable conditions**

| Very favorable conditions | Cameroon | CAR | Congo | Gabon | Equatorial Guinea | Chad |
|---|---|---|---|---|---|---|
| Cost of home (in thousands of CFAF) | 17,000 | 20,000 | 25,000 | 35,000 | 8,000 | 20,000 |
| Cost of home in US$ PPP | 74,600 | 59,700 | 43,300 | 151,500 | 34,600 | 100,000 |
| Down payment | 14,900 | 11,900 | 8,700 | 30,300 | 6,900 | 20,000 |
| Mortgage amount | 59,700 | 47,800 | 34,600 | 121,200 | 27,700 | 80,000 |
| Interest rate (%) | 9 | 9 | 6 | 7 | 10 | 10 |
| Tenor (in years) | 20 | 20 | 20 | 10 | 20 | 20 |
| Annual payment (in US$ PPP) | 6,400 | 5,200 | 3,000 | 11,300 | 3,600 | 9,300 |
| Annual income required (in US$ PPP) | 21,300 | 17,300 | 10,000 | 37,700 | 12,000 | 31,000 |
| **# of urban households which can afford home** | **441,101** | **10,628** | **209,229** | **40,944** | **86,432** | **21,139** |
| **% of urban households which can afford home** | **31** | **4** | **39** | **27** | **91** | **7** |

*Source:* Affordable Housing Institute, 2019.

These particularly favorable conditions make it possible to double the number of households in urban areas that can access housing. The facility has the most impact in Cameroon, where more than 200,000 additional households would be able to access formal housing.

# 1. Introduction

## 1.1. Regional Context

**The Central African Economic and Monetary Community (CEMAC), which consists of Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon, is one of the oldest regional groupings in Africa.** CEMAC's *Vision 2025* calls for making the sub-region "an emerging and integrated economic space characterized by security, solidarity, and good governance in the service of human development". The main objectives for achieving this are: (i) the creation of a fully functional and effective customs union; (ii) the establishment of a robust system of macroeconomic surveillance; and (iii) the harmonization of sectoral policies and legal frameworks that will create a common market for goods, capital, and services. Despite this ambitious vision, regional integration in the CEMAC zone remains shallow and **r**egional trade remains very modest compared to regional trade agreements in Africa and elsewhere. Recorded intra-CEMAC trade is estimated to represent only between 2 and 5 percent of the total trade of the member countries, the lowest of any regional integration community. CEMAC has also not delivered in terms of growth, as average growth during the last two decades has been lower than the Sub-Saharan African (SSA) average.

**Regional integration has not yet led to consistent convergence in macro-fiscal and socio-economic indicators between CEMAC member countries.** Convergence—defined as the reduction of disparities in economic indicators, that is, inflation, growth levels, and per capita income—is one of the key goals of currency unions. The idea is that, if achieved, convergence makes countries react in a similar way to common shocks, which means that a common macroeconomic policy to manage such shocks is more effective for all countries. Being part of an effective Convergence Club further raises the attractiveness for member countries to deepen regional integration. However, there is limited evidence for convergence in the CEMAC region. Depending on the timeframe and methodology, some evidence for convergence can be found, but this is not consistent across the region.

**Additionally, while the economy of the CEMAC region has grown substantially in recent decades, it remains vulnerable to oil price developments.** Despite significantly different economic situations, ranging from low income to upper middle-income countries, five out of six CEMAC countries are oil exporters and heavily influenced by oil price changes. This was very apparent during the oil price shock of 2014–2015, which severely affected the CEMAC region. As a result, previously high fiscal and external account balances turned to twin deficits; reserves declined and debt levels, which had been on a continued downward trend, started to increase.

**The oil price shock of 2014–2015 which severely affected the six CEMAC economies prompted a broad based economic and financial sector region wide reform strategy.** In a crisis meeting in Yaoundé on December 23, 2016, CEMAC's heads of state committed to fiscal austerity and structural reforms. This meeting set in motion a regionally-coordinated effort to maintain CEMAC's external stability and preserve the integrity of its monetary arrangement, and Heads of State renewed their commitment to the CEMAC 2025 vision of deeper regional integration and cooperation under the umbrella of the regional economic and financial reform program (PREF-CEMAC). At the regional level, the PREF also aims to: (i) improve the coordination of public financial management (PFM) and fiscal policy; (ii) accelerate regional integration through improvements to the regional economic plan; (iii) improve the business climate; (iv) increase economic diversification; (v) enhance monetary policy transmission mechanisms; and (vi) improve prudential banking supervision. The common policy platform is supported in each CEMAC country by the IMF, the World Bank, AfDB, and *Agence Française de Développement* (AFD) around the broadly consistent reform pillars of fiscal consolidation, competitiveness/diversification, protection, of the poor. The strategy averted a deeper crisis and progress has since been made in enhancing the transmission mechanism of monetary policy and in supporting the build-up of regional reserves as well as in fiscal consolidation. However, as the region remains heavily dependent on oil, longer-term adjustment requires increased efforts to mobilize non-oil domestic revenues and implement deeper structural reforms that support inclusive growth and economic transformation- and progress on this front has been so far limited.

**The CEMAC region benefits from a well-established institutional set up for financial sector development, integration, and supervision as follows:**

- ***Banque des Etats de l'Afrique Centrale*** **(BEAC)** is the Central Bank for CEMAC. The BEAC has completed a comprehensive governance reform with the support of the IMF. BEAC's Board of Directors adopted a new five-year Strategic Plan on December 21, 2017 which envisions a wide series of reforms to improve effectiveness of the regional central bank.

- ***Commission Bancaire de l'Afrique Centrale*** **(COBAC)** is responsible for banking and microfinance supervision in CEMAC. COBAC is actively working on multiple fronts to address key banking sector shortcomings, including related lending, risk concentration, increasing credit in arrears, corporate governance, and AML/CFT. COBAC is also working to strengthen its prudential supervision framework for banks and the MFIs. A risk-based supervision approach and consolidated supervision regulations are in the process of being implemented under the COBAC Action Plan 2016–2018

- ***Commission de Surveillance du Marché Financier*** **(COSUMAF):** As of July 2019, and following the merger of the financial markets, COSUMAF, based in Libreville is now the single capital markets regulator for the region. COSUMAF is currently updating the legal and regulatory framework as well as supervisory procedures following the merger.

- ***Bourse des Valeurs Mobilières de l'Afrique centrale*** **(BVMAC):** Also following the capital market merger, BVMAC is now the single stock exchange for the region based in Douala. BVMAC has embarked on ambitious institutional development and outreach effort to dynamize market transactions.

- **CIMA** ***Conférence Interafricaine des Marchés d'Assurances*** **(CIMA)** is the insurance regulator for the member countries in WAEMU and CEMAC. It has been working to improve risk-based supervision in the insurance sector and the development of new insurance services and products.

- ***Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale*** **(GABAC)** is in charge with Anti-money laundering and Counterfinancing of Terrorism (AML/CFT) in CEMAC. A comprehensive action plan for AML/CFT was adopted for all zone franc countries in October 2018.

- ***Banque de développement des États de l'Afrique centrale*** **(BDEAC)** is the development bank for CEMAC. Recent reports have revealed governance, operational, and financial weaknesses at the BDEAC which have hampered its ability to play its proper role in the region's economic development and recommended a series of reforms for the bank. Since then, the BDEAC has initiated several reforms including working to improve its financial and operational position and to pursue private sector financing.

**Despite the presence of this elaborate institutional landscape, CEMAC's financial sector is underdeveloped, and access to finance remains a major obstacle to private sector development.** Financial deepening and financial sector stability are an important cornerstone for sustainable growth in the sub-region. The financial sector remains shallow and mostly bank-based. The depth of the banking sector is limited and domestic credit to the private sector in the region is low, representing only 10 percent of GDP. Rising NPLs, due to a large extent to Government domestic arrears, have further restricted financial deepening and prevented the banking sector from becoming an engine for medium-term growth and economic diversification. Indeed, evidence from several waves of the Enterprise Survey for CEMAC countries indicates that access to finance is consistently ranked among the top five binding constraints for the private sector.[1]

**Long-term finance, a sine qua non for affordable housing finance, remains at an embryonic stage.** In CEMAC the development of markets, institutions, and regulatory structures to support the provision of long-term finance is still at an embryonic stage. Specifically, capital markets which can mobilize long-term financing for firms and infrastructure remain under-developed with primary and secondary market activities almost inexistent whereas the lack of long-term mortgage finance limits access to housing. The institutional investor base beyond banks (that is, insurance and pension funds) remain largely inactive in the markets with banks dominating the scene. The secondary market is Illiquid with most players following the buy and hold (until maturity) strategy, while the investor base is narrow. In addition, there is limited information on financial markets, an absence of transparency, and illiquid markets, which hamper efforts to energize financial markets. There is also a need to foster financial education and greater public private dialogue and consultation on capital markets.

**Encouragingly, there is a clear recognition by CEMAC of the need to undertake financial sector reforms to develop access to finance, including access to long term finance - and progress is being made.** The BEAC has been leading much of the reforms for financial sector development (and broader regional adjustment) through a range of initiatives including: development of legal framework for private credit bureaus, updating the regional credit registry, modernizing payments systems, enforcing foreign exchange regulations and improving monetary policy transmission mechanism. COBAC is also actively working on multiple fronts to address key banking sector shortcomings, including related lending, risk concentration, increasing credit in arrears, corporate governance, and AML/CFT, though resolving banks in difficulty, and dealing with NPLs remains a pressing challenge. Historically, the coexistence of two competing stock markets with their respective regulators in Libreville and Douala and three central depositories had frustrated efforts to develop capital markets; however, the recent merger of capital markets, a reform spearheaded by BEAC and concluded in July 2019, is an essential first step for the further development of capital markets, and hence long-term finance, in the region.

**Countries are also keenly aware of the need to address the affordable housing shortage in their growing cities, and of the attendant benefits of developing the housing sector, not only in terms of social aspects but also for broader private and financial sector development.** A key feature of CEMAC member states

[1] The other top ranked business environment constraints are unreliable electricity, unfair competitions from the informal sector, corruption, and taxation.

is the rapid and increasing urbanization rate and the lack of affordable housing has emerged as a key bottleneck to the emergence of truly competitive and inclusive cities. The CEMAC zone now has more than 50 million inhabitants and has high population growth and urbanization rates. Urbanization rates have been rising and in four of the CEMAC (Cameroon, Gabon, Congo, Equatorial Guinea) more than 50 percent of the population now resides in urban centers with urbanization rates as high as 89 percent and 72 percent in Gabon and Equatorial Guinea respectively. These trends are expected to continue. Formal housing and mortgage financing remain out of reach for most of the population and about 90 percent of homes in the region are self-built. Many of these homes do not meet adequate standards, leading to unsafe conditions and the proliferation of urban slums. The housing deficit at the regional level is today estimated at 3 million units and affects one in three households**.**

**While historically CEMAC countries have relied on state interventions to develop the housing sector, there is broad consensus that they have been largely ineffectual, and their funding has largely dried up in the current constrained fiscal environment.** Despite the announcement of many housing programs in each country (including establishment of state-owned land banks, state -owned developer, and housing funds) none has been able to achieve its original goals. Furthermore, these state-owned entities are sometimes funded through payroll taxes on employees or other sources of government financing, resources to which the private sector does not have access. This mechanism has negative repercussions as it crowds out the private sector and limits the capacity of private sector players, such as commercial banks and real estate developers, to participate in the development of the housing market. Finally, the oil crisis has slowed or altogether stopped financial support provided by governments. Seen from this perspective, these funding shortages could present themselves as an opportunity for state owned agencies to initiate structural reforms that leverage private sector funding and catalyze changes along the housing value chains. There is a growing recognition by national authorities and regional institutions that the solutions for the housing shortage moving forward must draw on private sector investments, sustainable commercial-based financing that is affordable, while targeting lower segments of the population through well governed and monitored programs.

**As a result of demand from BEAC and interest from CEMAC countries, and with support from AFD complemented by World Bank regional as well as IFC resources, the World Bank has prepared this Housing Finance Diagnostic and related Feasibility Study for a Mortgage Refinance Facility.** The diagnostic preparation has been led by a World Bank Group (IFC and WB teams) along with a consulting team from the Affordable Housing Institute (AHI). The preparation featured in country visits to all six member states and consultations with Government, public and private stakeholders, donor partners, financial institutions, and regional institutions as well as reviews and collection of data covering all dimensions of the housing sector in CEMAC. In addition to this regional diagnostic, six individual country reports have been prepared. Following the internal bank review process, the regional diagnostic report will be disseminated with individual country report validations and dissemination events also to take place.

**This diagnostic would complement ongoing WBG interventions to support the further development of financial sector as well as urban development in CEMAC**. The Bank technical assistance and analytical work program with regional institutions is progressing well and is expanding. The 'Strengthening Financial Regional Institutions' project (US$35 million) is building capacity of BEAC, COBAC, and GABAC to promote financial stability, financial inclusion, and financial integrity. TA has been provided in the area of microfinance, financial protection of consumers, and collateral registries. TA to support capital market development following the conclusion of the merger capital markets has been launched in June 2019 and will support legal and regulatory framework, Government bond market development and public-private dialogue while a long-term finance ASA is planned to support the development of a more diverse institutional investor base for long term finance. The diagnostic also builds on urban development ASAs in CEMAC (Cameroon and Congo) and draws from World Bank and other donor urban development and property modernization interventions.

## 1.2. World Bank Group Experience

**Housing plays a key socio-economic role and represents the main wealth of the poor in most developing countries**. The UN estimates that the global population will reach 8.5 billion by 2030, with almost 60 percent of the population living in urban centers. An estimated 3 billion people will need new housing and basic urban infrastructure by 2030. Against the backdrop of rapid urbanization putting pressure on housing delivery systems, many urban poor will not be able to afford formal housing without proper housing finance solutions. This puts the issue of housing finance at the forefront of the global development agenda.

**Developing solutions for affordable housing has several inter-linked developmental impacts and is consistent with relevant WBG strategies and goals.** Home ownership provides a basic safety-net, and the inability of families to afford housing is associated with poorer developmental outcomes. The availability of financing for housing will also boost the incentives for developers to build the millions of homes that are needed. Considerable benefits will accrue in terms of job creation (including in the informal sector), business opportunities for the private sector, financial sector deepening, and the multiplier effect on shared growth and prosperity. By developing more competitive and inclusive cities and spurring the development of well-regulated construction and related industries, housing development can help diversify CEMAC economies and create higher productivity jobs- consistent with the Jobs and Economic Transformation (JET) Agenda. Deepening markets for housing finance, through developing capital markets and addressing market fragmentation, is an objective in the World Bank's "Regional Integration Strategy 2017–2023" for Africa. Housing finance is core to IFC's strategy to engage countries in deepening capital markets and improving access to finance in line with the broader Maximizing Financing for Development approach to catalyze and crowd in private sector resources.

**The World Bank Group assists client countries to develop and deepen resilient and affordable housing finance markets that are accessible to the lower and informal income and middle-income households. This requires managing risks and regulating the lending industry, as well as implementing targeted and fiscally responsible policy interventions**. The business line is important because it provides economic stimulus across the economy—leverage on growth, investment, and jobs—through the constructive value chain, helps in maintaining overall financial stability (housing finance markets representing a large share of the financial sector), and addresses the issue of urban poverty. Housing finance is also a critical component of the financial markets deepening process with complex capital markets products, and linkages to the domestic and global institutional investor base. World Bank engages on housing finance challenges by providing client countries with the tools to build and expand housing finance markets, fund housing finance (often through the mobilization of long-term mortgage securities where possible), develop sustainable and affordable housing finance markets, and respond effectively to housing finance crises. For example, a Mortgage Refinancing Company (MRC) supported by the WBG in WAEMU has attracted five times IFC funds in private sector investments.

**Ultimately there needs to be a focus on creating systems that address the needs of households across different income levels and developing solutions that are scalable, sustainable, and oriented to the private sector.** Our work in housing finance helps clients provide market-based safety nets, and fund long-term investments to support sustainable and inclusive economic growth.

Core interventions include:

- **Developing Resilient Housing Finance Markets:** conducting diagnostic analysis, advising on legal and regulatory frameworks and policy reforms, supporting institution building to create a sustainable and efficient housing finance system, and working on other building blocks of housing finance markets development. This work includes support to our clients in understanding and implementing fintech innovations in housing finance product development, delivery, and legal and regulatory frameworks.
- **Designing and Implementing Long-Term Funding Solutions:** providing solutions to improve access to long-term finance through capital markets instruments such as liquidity facilities and mortgage covered bonds as well enhanced systems to incentivize longer-term savings. A further objective is to help diversify long-term funding options, including through local currency bond markets.
- **Expanding Access to Lower-Income and Informal Markets:** We enhance access to lower-income and informal workers' segments of the population through credit markets, housing microfinance, rental housing, residential leasing, contractual savings, effective targeted subsidies, and guarantee schemes.
- **Addressing Obstacles to Affordable Housing:** In addition to the finance side that affects the demand, affordability reflects the cost of housing and its supply, so increasingly, there is a focus on various supply side issues: titling, land use and land infrastructure issues, construction finance, and housing policies including supply subsidies. Furthermore, we apply innovative thinking to reduce costs – both financial and environmental costs – of formal housing through the introduction of new, cheaper, technologies and supporting energy-efficient buildings.
- **Climate change agenda in housing finance:** Cognizant of the significant contribution of the housing sector to global GHG emissions, of up to 40 percent of the total in some countries, the World Bank also provides policy, legal and regulatory support to client countries and globally on setting up sustainable financial solutions for affordable and impactful "green" housing refurbishment and construction in support of reaching the Paris COP targets.

# 2. Analysis of the Housing Sector in the CEMAC Region

## 2.1 Introduction

The CEMAC zone now has more than 50 million inhabitants and has high population growth and urbanization rates. To address a widening housing gap, countries have adopted housing policies that target both the supply (housing production) and the demand sides (housing finance) of their housing value chains. Despite substantial public investment in the sector in the past, CEMAC still faces a growing housing shortage and current public investments have come to a halt. Because governments have historically been the most important actor in the housing sector, the oil crisis has negatively impacted both the housing construction and mortgage market in the region.

### *A High Housing Deficit*

The housing deficit at the regional level is today estimated at 3 million units and affects one in three households. Formal housing and mortgage financing remain out of reach for the majority of the population and about 90 percent of homes in the region are self-built. Many of these homes do not meet adequate standards, leading to unsafe conditions and the proliferation of urban slums.

**Table 1. Overview of the housing dynamics in CEMAC**

| Country | Population | Housing deficit | Urban population (%) | Urban population growth (%) |
|---|---|---|---|---|
| Cameroon | 24,053,000 | 1,300,0000 | 56 | 3.7 |
| Gabon | 1,811,000 | 150,000 | 89 | 2.7 |
| Congo | 5,260,000 | 150,000 | 66 | 3.3 |
| Chad | 14,899,000 | 357,000 | 23 | 3.8 |
| CAR | 4,659,000 | 1,000,000 | 41 | 2.3 |
| Equatorial Guinea | 1,267,000 | n.a. | 72 | 4.4 |

*Source:* World Bank, AHI.

### *High Levels of Government Involvement in the Housing Sector*

Each country's government is aware of its growing housing concerns and has taken a strong role in the housing sector by seeking to develop programs to address the housing deficit. Cameroon's tripartite state-owned housing system, despite its weaknesses, seems to have become an example for the rest of the region. Under this system, the state sets up three entities:

- a housing bank to finance the construction of housing as well as mortgages,
- a public company to develop land
- a developer to build housing for sale or for rent.

Land is provided at no or low costs and major housing programs are directly financed by either the government or its housing bank.

**Table 2. Overview of state-led interventions in CEMAC countries**

| Public Agencies or Initiatives | Cameroon | CAR | Congo | Gabon | Equatorial Guinea | Chad |
|---|---|---|---|---|---|---|
| Housing Bank | √ | In review | √ | Defunct | | √ |
| State developer | √ | √ | √ | √ | √ | √ |
| Subsidized land | √ | √ | √ | √ | √ | √ |
| Subsidized mortgages | √ | | | | | |
| Tax on salaries | √ | | √ | √ | | In review |
| Large housing programs | √ | | √ | √ | √ | √ |

*Source:* Affordable Housing Institute, 2019

Despite its popularity, this tripartite system has clear limitations. Despite the announcement of many housing programs in each country, none has been able to achieve its original goals. In addition, state subsidies are often directed towards wealthier households or even those from the diaspora.[1]

Furthermore, these state-owned entities are sometimes funded through payroll taxes on employees or other sources of government financing, resources to which the private sector does not have access. This mechanism has negative repercussions as it crowds out the private sector and limits the capacity of private sector players, such as commercial banks and real estate developers, to participate in the development of the housing market.

Finally, the recent oil crisis[2] has slowed or altogether stopped financial support provided by governments. Publicly funded entities are thus forced to operate like commercial banks or private real estate developers and target better-off segments of the population (even though they still receive non-cash subsidies such as land). Seen from another perspective, these funding shortages could present themselves as an opportunity for state owned agencies to initiate structural reforms that leverage private sector funding and catalyze changes along the housing value chains.

***Weak Housing Value Chain***

The high regional housing deficit is a consequence of a weak housing market, characterized by multiple blockages along each country's housing value chain. To have a functional housing market both sides of the housing value chain must work together:

- **Housing supply**, meaning the efficient production of affordable housing at scale
- **Housing demand**, meaning the efficient delivery of affordable housing finance products or mortgages.

Each side of the housing value chain is represented by eight steps. If one step is broken, the housing value chain becomes dysfunctional**.** In the CEMAC region, multiple steps of the housing value chain present problems as illustrated in figure 1. Green represents a functional step, orange a slightly dysfunctional one, and red where an intervention is critically needed.

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[1] The CFC in Cameroon has branches in France and Canada to target the diaspora. Government sponsored housing can also be purchased by members of the diaspora in most countries in the region.

[2] The drop of oil prices in 2014 significantly affected numerous economies in the region which are dependent on oil revenue.

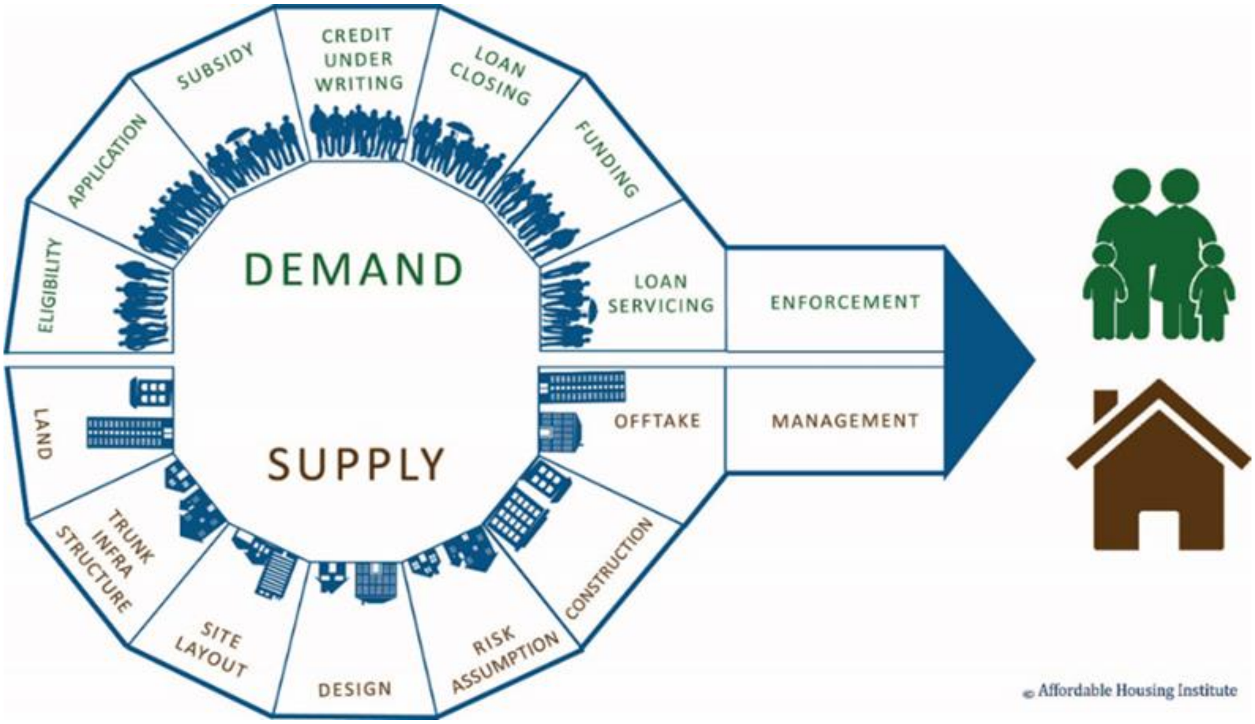
**Figure 1. Housing value chain analysis for the CEMAC region**

| | Land | Infrastructure | Site layout | Design | Risk assumption/financing | Construction | Offtake | Management |
|---|---|---|---|---|---|---|---|---|
| Supply | Land tenure issues remain a major problem throughout the region. | Expensive and rarely available. | Few issues | The condominium law remains an issue in some countries | High NPLs have led to a risk averse banking sector. | Relatively high construction costs. | Most developers still require government guarantees as offtake is perceived as risky. | Maintenance is an issue in all countries. |
| Demand | Eligibility is not a major issue. | Mortgages mostly offered by state-owned housing banks. | Subsidies only available to a select few. | High levels of income informality make underwriting difficult. | No major issues though can be expensive. | Banks lack access to long-term resources. | Few problems. Could be improved through mobile banking. | Mortgage foreclosure is expensive and lengthy |
| | Eligibility | Application | Subsidy | Underwriting | Closing | Funding | Servicing | Enforcement |

*Source:* Affordable Housing Institute, 2019.

To address the housing deficit, each of the dysfunctional links across the housing value chain should be addressed and targeted solutions should be developed**.** Using the value chain approach, the report addresses each of these obstacles and recommended interventions to help strengthen the housing market and enable governments to better allocate their resources. Finally, this report analyzes the feasibility of establishing a regional mortgage refinance facility to support access to long-term mortgages across the region.

**Figure 2. Housing value chain**




*Source:* Affordable Housing Institute, 2019.

The report is based on housing value chain analysis for each CEMAC member country and highlights trends and constraints observed at the regional level on the supply and demand sides to determine recommendations that are tailored to the unique context of housing.

## 2.2. Supply-side Analysis of Housing Value Chain

The supply side of the housing value chain follows each step in the housing construction process- from land acquisition, to financing, construction, and finally sale (or offtake) and maintenance. In the CEMAC region, like in many other countries in sub-Saharan Africa, few houses are built and sold on the formal real estate market. Rather, more than 90 percent of households engage in self-construction. This trend can be explained by the low level of housing production by private and public property developers and the high costs of new housing, which remain out of reach for most of the population in the region.

To avoid the proliferation of unplanned settlements and poorly built housing units, the supply side of the housing value chain must be strengthened and enabled for the development of affordable housing at scale.

### 2.2.1. Housing Developers are Mostly State-owned

The formal residential real estate market is underdeveloped and dominated by state-owned agencies that have privileged access to the state's land reserves and which, before the oil crisis, also had access to concessional resources. Though these state-owned developers have experienced some success in the past, most of their activities are currently stalled.

**Table 3. State-owned housing agencies in CEMAC**

| Pays | State developer | Founded in | Units built to date | Current financial status |
|---|---|---|---|---|
| Cameroon | SIC | 1952 | 12,000 | All are in need of financing. |
| CAR | ACPH | 2009 | 0 | |
| Congo | SOPRIM | 2012 | Over 300 | |
| Gabon | SNI | 1976 | Over 10,000 | |
| Equatorial Guinea | ENPIGE | 2007 | 8,600 | |
| Chad | SOPROFIM | 2009 | 70 | |

*Source:* Affordable Housing Institute, 2019.

These agencies have recently implemented housing programs which aim to reduce the housing deficit. Despite government efforts, the programs experienced many difficulties and have failed to meet objectives both in terms of quantity and affordability. Homes are selling at prices well beyond the means of most of the population and many programs have been criticized for offering subsidies to upper-middle class households. This trend is present in all the countries studied.

**Table 4. Government housing objectives and current program status**

| Pays | Government objectives (number of units) | Actual number of units built | Price of the cheapest unit (in CFAF, millions) |
|---|---|---|---|
| Cameroon | 10,000 | 1,000 | 17 |
| Gabon | 5,000 | 3,800 incomplete | n.a. |
| Congo | 10,000 | 3,000 | 9 |
| Chad | 10,000 | 70 | 20 |
| CAR | 7,000 | 0 | n.a. |
| Equatorial Guinea | 20,000 | 8,600 | 8 |

*Source:* Affordable Housing Institute, 2019.

All these housing programs, except for a few projects in Chad and Equatorial Guinea, are apartment buildings of at least 4 stories. This is a good practice that adds value to the cost of land and infrastructure.

**Figure 3. Government housing programs in Cameroon, Congo, Chad, Equatorial Guinea, and Gabon**

*Source:* Affordable Housing Institute, 2019.

Several government programs merit highlighting for their duration and scale, particularly the national housing program launched in the early 2000s in Equatorial Guinea, under which almost 10,000 units were built. Today, almost 100% of those units are occupied. Another remarkable achievement of these developments in Equatorial Guinea is that they are very well located, in proximity to or within reasonable limits of the city center and its core neighborhoods.

In Cameroon, Gabon and Congo, despite not reaching their initial objectives and facing significant obstacles, governments have delivered a significant number of housing units as well. The major housing programs in the region are described below.

#### *2.2.1.1. Major Housing Programs in Equatorial Guinea*

The *"viviendas sociales"* program is a public housing program undertaken since 2006 by the government of Equatorial Guinea. This program is part of the state's efforts to improve the country's basic economic and social infrastructure. It is a rent-to-own home ownership program, fully funded by the state but executed by the private sector. The proposed houses are single-family homes or condominiums. There are different price categories: CFAF 8, 10, 40 and 50 million. However, the price of these homes is subsidized by the government at a 60 percent discount. A house sold at 40 million CFA francs costs 100 million CFA francs to the state.

The eligibility criteria for ownership are broad and cover almost the entire population: to benefit from the program, one must be Equatorial Guinean by nationality and be debt free either from banks or the national treasury. But the program does not use income criteria for allocating the homes.

The government's goal was to produce 20,000 affordable housing units in 10 years. In September 2019, ENPIGE reported 9,455 public housing units built across the country in 13 years. This remains somewhat unique in the region by the breadth and the continuity of the program.

More than 70 percent of the homes built are mid-standard houses, sold at a price of 40 million CFAF. Buena Esperanza type housing, the most economic, are sold between 10 and 18 million CFAF and represent about 20 percent of the total public housing stock. Finally, the houses built in the new urban districts (selling at 8 million CFA francs) represent less than 1 percent of the houses built.

The current program has evolved a lot since its inception. It had three main phases:

1. ***From 2006 to 2010.*** Inception of program with many vacant buildings. During this first period, households could use home loans to purchase public houses. These credits were granted by banks at very low rates (2.5 percent), probably partly subsidized by the state, and over a very long period (20 years). However, the required input was very high (25 percent of the value of the house). As a result, few households were able to acquire these loans and many of these houses have remained vacant.

2. ***From 2014 to 2018: beginning of rent-to-own***. To alleviate the problem of high vacancy rates, the state decided to transform the sales program into a rent-to-own program by financing the entire project. Henceforth, households pay a very low entrance fee and monthly payments to acquire the homes after a specific lease period. As a result, banks no longer intervene in the financing of buyers. Their role is now limited to the domiciliation of bank accounts for the Public Treasury, in which tenants pay their monthly payments.

3. ***Beginning of 2019***: ***restructuring of contracts*.** Faced with the prolonged recession and the increase in unpaid rents, the government has by decree of the Head of State established new rental contracts for the entire stock of homes with new payment terms. Indeed, these new contracts provide for reduced monthly payments and lengthen the rental periods for ownership. In addition, monthly payments now include 10,000 CFAF of maintenance and co-ownership fees.

The different housing models presented on the ENPIGE website:

**Figure 4. Houses financed by the Equatorial Guinea Government**

### Modelo 1, Blancas con techo azul

Las viviendas construidas por la empresa HONG SHU LIN (las de techo azul), están pareadas, tienen una superficie de 76 m2 y se distribuyen como sigue:

- 3 dormitorios, salón-comedor, pasillo, 2 baños y 1 cocina. Una acera perimetral en tres de sus laterales al ser **viviendas adosadas.**
- Acceso a la parcela desde la calle con un pequeño jardín con vegetación baja. En esta franja también se localizan 2 aparcamientos exclusivos de la vivienda.
- Una zona programada como espacio verde en la parte posterior.

### Modelo 2, Casas Amarillas

Las viviendas construidas por FM (viviendas amarillas), constan de una superficie de 73 m2 y se distribuyen de la siguiente manera:

- 3 dormitorios, salón-comedor, un baño y una cocina. Una acera perimetral en tres de sus laterales al ser **viviendas adosadas.**
- Acceso a la parcela desde la calle con un pequeño jardín con vegetación baja. En esta franja se localizan también dos aparcamientos exclusivos de la vivienda.
- Una zona programada como espacio verde en la parte posterior.

### Modelo 3, Casas Rosas

Las viviendas construidas por CHINA DALIAN, son pisos (2 arriba y 2 abajo) y tienen una superfic de 86 m2; se distribuyen como sigue:

- 3 habitaciones, salón-comedor, pasillo, una cocina y dos baños. Una terraza en la parte delantera, una escalera y un apartamiento para las cuatro viviendas.

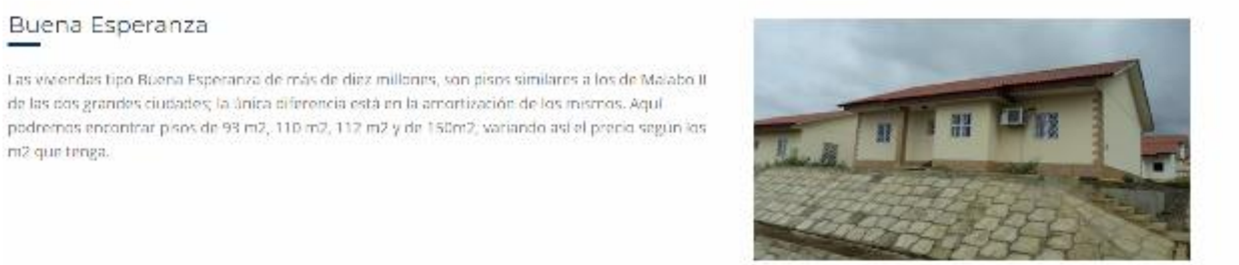
### Malabo II (VIGATANA)

Las viviendas tipo Malabo II (VIGATANA) de las dos grandes ciudades (Malabo y Bata), son pisos de 126,52 m2, tres (3) habitaciones, dos (2) baños (uno en la habitación principal y uno público), dos (2) terrazas, una (1) cocina, un (1) salón-estar, ascensor y escaleras (hasta el 6º piso), un parking amplio, espacios verdes, zona tranquila y muy luminosa, agua corriente durante 24 horas del día y corriente eléctrica (luz) constante.

Las viviendas tipo Malabo II de los distritos se diferencian de las anteriores sólo en las dimensiones, 110,4 m2, manteniendo lo de más igual.


### Buena Esperanza

Las viviendas tipo Buena Esperanza de 10.000.000, son generalmente chalets de 76 m2, tres (3) habitaciones, un (1) baño, una (1) cocina, un salón-estar, dos terrazas amplias, un parking para dos vehículos, agua corriente y luz constantes.




*Source:* Site internet ENPIGE, 2019.

### 2.2.1.2. Major Housing Programs in Cameroon

In 2009, the government of Cameroon launched a Program for the construction of 10,000 social housing units and the provision of 50,000 plots of land across the country. With costs approaching CFAF 17 million per unit, these so-called "social" housing have proved costly and beyond the reach of the poorest populations. The government's goal was to meet this commitment by 2015, but the program has experienced significant delays. Only 10 percent of the planned houses to be constructed have been delivered. Many of them remain uncompleted and uninhabited. As a result, the stock of houses is deteriorating.

Olembe is the flagship initiative of the Government Program. In the framework of this Program, public authorities employed the expertise of private companies for the construction of new social housing units. A total of 500 local Small and Medium Enterprises (SMEs) were to participate in the construction of social housing on the Olembe site. The awarding of contracts to SMEs was strongly criticized owing to the absence of a bid evaluation Commission and the absence of adequate scrutiny of the technical and financial capacities of SMEs. Finally, many companies faced challenges in meeting objectives and deadlines.

**Figure 5. Occupied and unoccupied buildings at the Olembe site**

*Source:* Affordable Housing Institute, 2019.

Under the Government Program, a partnership was signed between the Cameroonian and Chinese governments for the construction of 1,500 housing units (out of the 10,000 announced), including 645 in Olembe. As part of this agreement, the Chinese government would advance 85 percent of the amount needed to build these homes. The China National Company for Economic and Technical Cooperation Shenyang was mandated to build these homes. Currently, some of the houses, infrastructure and basic services are complete. On the other hand, these dwellings are not inhabited; the other parts of the project must be completed before buyers would be allowed to move in. The Olembe project has experienced implementation difficulties due to cumbersome administrative procedures and authorizations, difficulties in supplying basic infrastructure (water, electricity) and weaknesses in financial capacity.

**The state has also signed several partnership agreements with foreign developers**. These partnerships were unsuccessful despite the many grants awarded to promoters. This is particularly the case for the Italian group Pizzarotti which signed a partnership agreement in 2017 with the State of Cameroon to build 10,000 housing units on a surface area of 20 hectares in the Mbankomo neighborhood in Yaoundé. At the time of this study, negotiations and the project had been suspended.

#### *2.2.1.3. Major Housing Programs in Congo*

In 2005, the Congolese government initiated a vast project for the construction of 10,000 social housing units (individual apartments or villas) on several sites. Several housing programs have been launched, but the target of 10,000 houses has not been reached and many new housing units are vacant. The two public bodies that have mainly contributed to these programs are SOPRIM and the Ministry of Territorial Development and Public Works, which have partnered with foreign construction companies to execute these programs.

The project to build 3000 housing units, which was started by SOPRIM in 2005, is still running. SOPRIM has completed more than 900 housing units by public-private partnerships throughout the country. SOPRIM's projects benefit from Congolese State guarantees. In addition, since the economic crisis of 2014 and 2015, the buildings on several sites have been suspended (see phase 3 of Residence Clairon) and the State no longer provides guarantees for housing projects.

**Figure 6. Logements de la Résidence du Clairon à Brazzaville**

*Source:* Affordable Housing Institute, 2019.

As mentioned above, the Ministry of Territorial Development and Public Works participated in the construction of several housing programs:

The Flamboyant Residence has 200 homes and was built as part of a strategic partnership with China. The program aimed to modernize and densify Brazzaville's city center. To accomplish this, the Government of Congo borrowed 125 million dollars from the Chinese state and Exim Bank China. However, this project offers only high-standard houses of three to four bedrooms. In addition, the Congolese government took the risk to commercialize the project and has now signed a partnership agreement with the Congolese Real Estate Management company (COGETIM) and the Housing Bank of Congo (BCH) to facilitate sales.

**Figure 7. Residence *Flamboyant* in Brazzaville**

*Source:* Affordable Housing Institute, 2019.

The Mpila site has 963 homes and was intended to unclog the city center of Brazzaville. The program, funded by China to the tune of $ 400 million, was carried out by a Chinese company. The houses are built on the site of a former military camp. Today, none of the 963 homes built has been sold due to difficulties in supplying electricity to the area and challenges to relocate victims of the explosions of March 2012. Indeed, the explosion of a military barracks, in spring 2012, destroyed about 15,000 homes, adjacent to the new Mpila housing program. The political and social issues related to the allocation of these houses are important and explain the delay in the sale of the houses. Currently, the Ministry in charge is assessing the local real estate market to determine the sale prices of these apartments in partnership with the Housing Bank of Congo. The Ministry has been attributed the land for free and is considering establishing criteria including salary ceilings to select future buyers and recipients.

**Figure 8. Houses at the Mpila site situated in the periphery of Brazzaville**

*Source:* Affordable Housing Institute, 2019.

In Kintélé, about 20 kilometers from Brazzaville, 600 villas were built out of the 1,000 originally planned. The state financed this 75-hectare project for the construction of 70 to 150 m² homes. These houses were intended for the Congolese middle class and their prices were defined as "economically superior". These single-story homes were finally used to relocate the victims of the explosion of spring 2012. They are still not connected to the water and sanitation systems.

**Figure 9. Houses built at Kintélé**

*Source:* Affordable Housing Institute, 2019.

### 2.2.1.4. Major Housing Programs in Gabon

In the mid-2000s, during the oil boom, the Gabonese government launched a program to build 5,000 homes. The structure of this program did not adequately consider demand (or the payment capacity of households), nor private sector investments. The State directly financed the State Real Estate company (SNI) which in turn hired construction companies for the realization of the works. As such, the risk of selling the homes was entirely borne by the state.

For 10 years, 3,800 homes have been under construction and none has been completed. The fall in oil prices has halted government spending and investment in housing and State arrears to construction companies are significant.

This program required considerable investment and expenditures by the State (land, infrastructure, construction). The rational to use these resources is now questionable owing to unsatisfactory program results and the stoppage of construction works. Nonetheless, the progressive construction of homes would have made it possible to limit the losses related to unfinished constructions and unsold homes. By simultaneously building several thousand homes, the space to maneuver in case of financial difficulties are significantly reduced. The profitability of the project is now subject to the completion of the houses or the sale-as-is of the building sites to real estate developers at favorable rates.

**Underlying reasons for housing project shortfalls in Gabon**

There are three main reasons why Gabon's state-led program in Gabon was not a success:

1. The lack of funds due to fiscal constraints post-2014 oil crisis hindered the development process of the state-led housing program, which was eventually stopped. Public housing developers are now indebted to local contractors and entrepreneurs involved in the project.
2. The large scale of the project should also have been scrutinized, especially in light of financial and technical constraints. Incremental project development, structured into phases, would have allowed the government and public housing developers to adapt more easily to financial budget constraints and unexpected events beyond the control of public actors, such as an international oil crisis.
3. Land available and chosen for public housing development lacked basic utilities such as water, sanitation and electricity, and housing units were built before trunk infrastructure reached the sites. The lack of coordination between government entities in this regard hindered the proper development of these housing units. The few housing units that were effectively built and completed remain empty and could not be sold as the land remained unserviced.

**Figure 10. Abandoned construction site and unoccupied buildings at Okala**

*Source:* Affordable Housing Institute, 2019.

Interventions should be staged to help governments work with the private sector to finish existing projects, as well as undertake future housing projects.

### 2.2.2. Low Levels of Participation of the Private Sector

Though the private sector has been involved in the construction of housing, few private sector developers have assumed the roles and responsibilities associated with investing in projects, with the exception of some luxury housing projects.

Cameroon and Gabon are the only two CEMAC countries in which our team observed formal private development in the housing sector. In Cameroon, SOPRIN is one of the largest private developers operating in the housing market. SOPRIN successfully built a housing project of 200 units in Yaounde in 2009 and was also selected to develop 15 hectares of land as part of the government public housing project in Olembé. Domestic developers do exist, but they are far from the needed scale and their contribution remains marginal. In Gabon, between 2010 and 2015, private sector housing developers delivered units, but they eventually failed to scale up initiatives and projects. As described in the table below, public housing developers built 5% of planned housing units whereas private housing developers built almost 52% of planned housing units.

**Table 5 Housing construction in Gabon**

| *Developer* | *Number of planned housing units* | *Number of housing units being built* | *Number of housing units completed* |
|---|---|---|---|
| **Public developer** | | | |
| ANGTI | 2 000 | 672 | 420 |
| SNLS | 2 049 | 726 | 0 |
| SNLS | 145 | 10 | 0 |
| UCET/ SNI | 1 100 | 880 | 0 |
| CDC | 548 | 65 | 0 |
| SNI | 3 930 | 2 991 | 77 |
| **Total** | **9 772** | **5 344** | **497** |
| **Private developer** | | | |
| OLAM | 116 | 0 | 116 |
| SCI Mimosa | 49 | 49 | 0 |
| SCI Perla | 225 | 28 | 197 |
| SCI Soleil | 32 | 0 | 32 |
| Others | 897 | 561 | 336 |
| **Total** | **1 319** | **638** | **681** |

*Source :* Mission de diagnostic pour le Financement du Logement en Zone CEMAC, Direction Générale de l'Habitat, 2018

Domestic formal private sector involvement and contribution is relatively marginal in CEMAC, since formal private initiatives seem to be crowded out by public and government agencies present in the market. The difficult business environment in CEMAC, which worsened over the past few years due to an acute oil crisis, tends to discourage formal private sector involvement. Additionally, because mortgage markets remain underdeveloped, offtake risks are perceived as too high and many developers either engage in small-scale projects or demand state guarantees to mitigate the risk.

Furthermore, high construction costs, as detailed in table 7, affects private developers' ROI, further hindering them from investing more in housing.

High construction costs add to the list of expenses that private developers have to pay when entering the market – the cost of creating a business, the cost of construction permits, the cost of registering a property (see table 6). All this leads to increasing the overall cost of doing business in the region.

However, we observed that informal private initiatives can be quite dynamic and are the predominant source of housing development in the region. Informal construction companies are the main housing providers in the region (together with self-built initiatives). Despite being one of the most impacted sectors by the fall in oil prices in 2014, the private construction sector is well developed and contributes to the local housing market.[3] Informality, however, remains a feature in this sector.

Only a handful of foreign developers have sought to develop large-scale housing projects in the region, and they have been met with limited success. Though projects are often announced in the media, ground is rarely broken due to ensuing failed negotiations with the government on issues such as land lease or sale agreements, infrastructure provision and sovereign guarantees. Technical support is needed to help countries select qualified developers and negotiate contracts properly.

**Table 6. Foreign developers and large-scale projects announced in the last 10 years**

| Developer | Country | Year | Size | Status |
|---|---|---|---|---|
| Sino Great Wall (China) | Congo | | 5,000 | 1,000 built |
| Addoha (Morocco) | Chad | 2014 | 15,000 | Stalled |
| Pizzarotti (Italy) | Cameroon | 2018 | 10,000 | Stalled |
| Alliances (Morocco) | Cameroon | 2014 | 800 | 100 |
| Chinese consortium | Gabon | 2017 | 200,000 | Stalled |
| SEG (Lebanon) | CAR | 2018 | 5,000 | Stalled |

*Source:* Affordable Housing Institute, 2019.

### 2.2.3. High Cost of Housing

The high cost of housing inputs, including land and construction costs, are another major hurdle to increasing housing access in the CEMAC region.

Land security is still a significant issue in all CEMAC countries, and as a result developer must pay premiums for well-located urban land with clear titles. Furthermore, the cost of registering a property in the region is well above the average for Sub-Saharan Africa, often exceeding 10 percent of the property price.

[3] There are many more construction companies than there are developers in most markets, including in the CEMAC region. Developers and construction companies are two different set of actors both involved in the housing market. Construction companies build on an owner's land or are commissioned to build by the Government or developer. They take on less risk than developers and are paid at completion of construction or in installments.

**Table 7. Cost of registering a property**

| Country | Cost (as a percentage of property price) |
|---|---|
| Cameroon | 18.7 |
| CAR | 11 |
| Congo | 13.9 |
| Gabon | 11.5 |
| E quatorial Guinea | 12.5 |
| Chad | 8.1 |
| Sub-Saharan Africa | 7.6 |

*Source:* Doing Business, 2019.

Construction costs are also relatively high in CEMAC countries, primarily due to the high cost of cement and other materials which are often imported. Though labor costs are usually low, the reliance on high labor construction techniques such as traditional masonry also puts pressure on the budget.

**Table 8. Cost of cement and labor (in CFAF)**

| Country | Bag of cement | Minimum wage |
|---|---|---|
| Cameroon | 5,000 | 37,000 |
| Congo | 3,000 | 90,000 |
| Gabon | 8,000 | 150,000 |
| Equatorial Guinea | 6,500 | 130,000 |
| CAR | 12,000 | 50,000 |
| Chad | 7,500 | 60,000 |
| Kenya | 3,000 | 58,000 |

*Source:* Affordable Housing Institute, 2019.

### 2.2.4. Land Titling and Property Registration Issues

Land issues remain a major problem throughout the region and hamper real estate development. In fact, only a small proportion of the territories is registered in the land registry and disputes related to land constitute most cases handled by the courts in the region.

The cost of registering property is high in the region and often exceeds 10 percent of the property's value. Registration fees are added to the final sale price of a home. According to the World Bank Doing Business report, CEMAC countries rank at the bottom of the list for ease of real estate registration.

**Table 9. Property Registration in CEMAC**

| Country | Rank (for 189 countries) | Number of procedures | Number of days | Cost (% of property value) |
|---|---|---|---|---|
| Cameroon | 176 | 5 | 81 | 18,7 |
| Central African Rep. | 172 | 5 | 75 | 11 |
| Congo | 177 | 6 | 55 | 13.9 |
| Gabon | 178 | 6 | 102 | 11.5 |
| Equatorial Guinee | 164 | 6 | 23 | 12.5 |
| Chad | 134 | 6 | 44 | 8,1 |
| Africa | – | 6 | 54 | 7.6 |

*Source:* Doing Business,[4] World Bank, 2019.

The countries of the CEMAC region have carried out numerous land reforms aimed at improving the situation of their land sectors. The purpose of these reforms is also to encourage and promote private investment in the housing sector. However, many problems persist. Indeed, table 9 shows that many reforms have been carried out, but these have a very limited impact on the strengthening of land ownership for all.

[4] Although this methodology considers the process of registering a warehouse, it should be the same for a dwelling.

**Table 10. Land reforms in each of the six CEMAC countries**

| Country | Reforms | Year Launched |
|---|---|---|
| Cameroon | Decentralization of land affairs | 2005 |
| | Reduced time to obtain title deeds, from 10 years to 81 days | 2014 |
| | Land Reserves Mobilization Program | Horizon 2020 |
| | Provision of 50,000 building plots | 2016 |
| | Support Project for Modernization of land registry and Business Climate. Establishment of a property tax. | 2013 |
| Gabon | Reduced delays in obtaining title deeds, from 5 years to 180 days with the creation of the ANUTTC | 2011 |
| | Project to create a central land register | In progress |
| | Land regularization project for the Estuary (Libreville) | 2015 |
| | Reflection on a property tax | In progress |
| Congo Republic | Land reform leading to the adoption of a National Land Policy | 2009-2015 |
| | Creation of new institutions: National Land Fund, Agency for Land Development, Office of Studies and Cadastral Works | 2001 |
| | UNDP Supported Land Action Plan | 2017–2020 |
| | Establishment of a property tax | 2019 |
| | Draft new land code | In progress |
| | Digitization of the property registry and creation of a land registration one-stop shop | In progress |
| Central African Republic | Draft building code | 2019 |
| | Draft law on real estate development | 2019 |
| Chad | Digitization of the property registry and creation of a land registration one-stop shop | 2012 (but not yet effective) |
| Equatorial Guinee | New land law | 2009 |

*Source:* Affordable Housing Institute, 2019.

Despite these efforts, most of the territory is still not registered. In Cameroon, only 2 percent of the territory is registered in the national land register. In the Central African Republic, only 0.1 percent of the territory is registered.

The housing market in CEMAC cannot thrive without a properly functioning, digitized and accessible land title registry. Land tenure must be ensured for all, including customary owners. Upgrading the land registry will, in time, reduce the number of land disputes and make security of tenure a reality in the region. Property registration needs to be streamlined, access to land titles provided for all, and faster land dispute resolution implemented. As an example (see Box below), Rwanda implemented a very successful program, which regularized and digitized all land in the county in a matter of years. The project's success stems from commitment at the highest levels of government, an efficient land title regularization process, which was decentralized and applied across the country, and finally the adoption of open-source software to ensure a state-of-the-art land registry available to all online.

**Land regularization program in Rwanda[5]**

Rwanda, through its Land Tenure Regularization Program (LTR), managed to regularize land tenure across the entire country in a short time frame and is a model of success for the rest of Africa. Land had long

[5] Rwanda Land Tenure Regularization Case Study, Dr Polly Gillingham and Felicity Buckle, March 2014

been a source of dispute and conflict in Rwanda. In the aftermath of the genocide, there was a lack of clarity over legal status and rights to land, with landowners returning to Rwanda to find their land occupied by others. The Government took a strong stance against land insecurity and implemented the program in two main phases:

Phase I was a 3.5-year program, which ran from 2005 until 2009. The main objective of the program was to develop and test a feasible approach to LTR in Rwanda, leading to the development of a Strategic Roadmap. This was a comprehensive document, which set out the Rwandan government's plans for land management and administration, with LTR as the main component. The SRM was adopted by the cabinet in March 2008, and largely defined the scope of the second phase of the program.

Phase II ran from 2010 to 2013 and had two primary objectives. Firstly, to register all land in Rwanda for the first time. This required surveying all land parcels in Rwanda and providing land titles to all rightful claimants nationwide. This meant registering 7.9 million parcels, later revised to 10.3 million, through a one-off, low-cost, community-based LTR process over five years. This process occurred in 8 steps:

**Table 11 Land title registration process**

| | | |
|---|---|---|
| 1 | Demarcation of land using aerial photography to produce an index map | Landowners were encouraged to make themselves available to identify the boundaries of their land, preferably in the presence of their neighbors so they could verify the boundaries were accurate. The boundaries were then marked on an aerial photograph. |
| 2 | Adjudication and recording details | Details of the claim were written in the adjudication record book, with the land owners name and names of other people with an interest in that land. Landowners need to bring with them their ID card and other documents and/or witnesses that they may have to support their claim to the land. |
| 3 | Issuing claims receipts | A claims receipt is provided for each land holding to confirm that a claim has been made. The land holder signs this to confirm they have identified their land parcel(s) in the presence of witnesses. It is countersigned by the Chairperson of the Land Cell Committee and a parasurveyor, both of whom verify the claim was properly made |
| 4 | Recording objections and disputes | If anyone has an objection to or disputes the claim to land they should bring this to the attention of the Adjudication Committee. If the dispute cannot be resolved on that day, the dispute will be entered in a separate dispute record book. The disputant is given an objection receipt, and the dispute referred to local judicial authorities. |
| 5 | Publication of Records | The objections and corrections period (60 days) allows for the adjudication record and index map to be inspected by the public and any further corrections or objections made. The record and maps were posted at the Sector or Cell office in the registration area. |
| 6 | Mediation Period | Sixty working days. If a claim is contested during the mediation period, the claimants and the other contesting party present their case to local judicial authorities (abunzi). Their decision is final and the land is assigned to the rightful owner |
| 7 | Final Registration | Final records are submitted to the District Land Bureaux (DLBx) for checking and posted to the Office of the Registrar for registration and |

| | | |
|---|---|---|
| | | titling. Any claims still in dispute cannot be registered until a ruling has been made |
| 8 | Title Issuance | If no dispute has been made, or any disputes have been resolved, the claimant can collect their lease from the Cell Office for a fee of RwF1000 (approximately UK£1) |

*Source: Rwanda Land Tenure Regularization Case Study, Dr. Polly Gillingham and Felicity Buckle, 2014*

Secondly, the program sought to support the design and implementation of the new Land Administration System. Traditionally, the creation of digital land records has required significant investment in licensed commercial software packages. The program instead adopted a mix of commercial software and open source solutions. While the GIS unit used predominantly commercially licensed software, the Land Tenure Regularization Support System and Land Administration Information System were developed solely using open source solutions. The program was the first large-scale land registration program to demonstrate the use of open source software for data processing and is the first of its kind to use the technology for systematic registration. The use of Open Source software provided the cost-effective option for data processing required for such a large-scale program.

The low availability of land with a formal land title in urban areas increases land prices, which can reach more than 50,000 CFAF per sqm in most capitals of the CEMAC region. In addition to the high costs of registering property, most households buy land on the informal market and therefore cannot access mortgage credit. This forces them to build incrementally, often with poor construction practices.

Formal housing construction in CEMAC has been dominated by state-owned housing developers. Despite some successes in the past, large government projects have been stalled since the oil crisis in 2014/15. This presents an opportunity for governments to shift from being direct suppliers of housing to market enablers, thereby allowing the private sector to assume a more active role in affordable housing provision. Though the cost of construction is relatively high in the region, governments can incentivize the development of market-led affordable housing by providing concessionary pricing of land or tax relief. For their part, developers should be encouraged to leverage their own resources and assume more offtake risk. The implementation of public-private partnerships (PPPs) should be encouraged. In this way, governments can meet their housing objectives even in the face of broader macroeconomic difficulties.

As the following section will explore, these developments must take place in conjunction with interventions on the demand side of the housing value chain to ensure that increased supply of housing is met by an increase in the number of households with the capacity to pay for it.

## 2.3. Demand-side Analysis of Housing Value Chain

The demand-side analysis of the housing value chain evaluates financing mechanisms available to prospective homeowners. Because a house is usually the most expensive purchase an individual will make in its lifetime, housing loans need to have long tenors and low rates to decrease monthly payments and increase affordability.

In the CEMAC region, the demand side of the housing value chain presents many obstacles limiting access to affordable mortgages for the majority of the population. The primary constraints are the overall low level of development of the mortgage market (which is dominated by state-owned housing banks), a lack of access to long-term financing, regulatory constraints, as well as high levels of poverty and income informality among the population.

### 2.3.1. An Underdeveloped Mortgage Market

The CEMAC mortgage market is underdeveloped. In fact, the region has one of the lowest mortgage penetration rates in all of Sub-Saharan Africa, with mortgages accounting for less than 1 percent of GDP (as compared to 20 percent in Morocco).

Mortgage financing occupies a marginal place in CEMAC zone countries with total outstanding balances amounting to CFAF 172 billion in 2018. Over 2012–2018, new mortgage issuances grew at an average annual rate of only 3 percent. Mortgages as a percentage of total credit outstanding averages around 2 percent in the region compared to 23 percent in Morocco.[6]

**Table 12. Mortgage balances in CEMAC countries**

| Country<br><br>(CFAF billions, 2016) | Total outstanding loans | Total outstanding mortgages | Mortgages out of total credit outstanding (%) |
|---|---|---|---|
| Cameroon | 3,249 | 68 | 0.4 |
| Gabon | 1,793 | 12 | 0.9 |
| Equatorial Guinea | 1,220 | 15 | 1.5 |
| Congo | 1,377 | 13 | 1.5 |
| Chad | 703 | 50 | 2.4 |
| CAR | 162 | 15 | 12.8 |
| Morocco | 50,575 | 11,900 | 23 |

*Source:* BEAC, 2019.

Data on mortgages outstanding by country are available from the regional Central Bank (BEAC) but might not be reliable because the methods of classification vary by year. However, there are obvious trends at the regional level:

- Cameroon is the largest mortgage provider in the region, mainly through the *Crédit Foncier du Cameroun*, a state-owned bank that issues new loans amounting to about CFAF 16 billion a year and has a current loan portfolio of 54 billion CFAF.

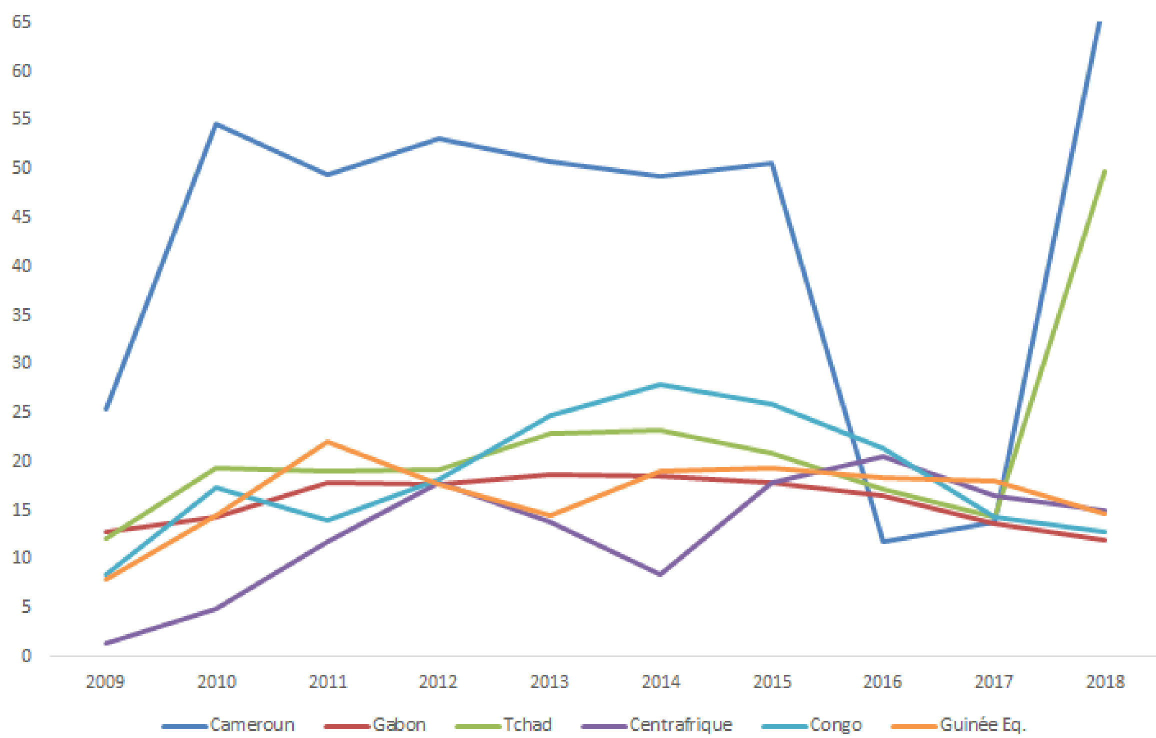
- The other countries have smaller outstanding balances of about 20 billion CFAF.

[6] It would appear that the data provided by BEAC on total housing loans outstanding for the CEMAC region only partially reflects and potentially underestimates the mortgage market penetration rate in the region. BEAC could not provide further details and explanation of these data. Pending a response and more precise data, the data used is the one initially provided by BEAC. It should be noted that the average GDP in the region is 1741 dollars in 2018. Looking at countries with similar levels of GDP per capita, mortgage market penetration as a percentage of GDP is generally much higher - Kenya (US$1,857, 1.9 percent), Bangladesh (US$1,745, 2.9 percent), India (US$2,037, 11.2 percent). The current regional GDP in local currency in nominal value amounts to CFAF 52.1 billion. This implies a market penetration rate in relation to GDP of 0.33 percent.

- Almost all countries saw a decrease in outstanding mortgages after the 2014 oil crisis which affected all economies in the region (with the exception of CAR).
- Gabon has recently experienced a decline in mortgages following the bankruptcy of the Gabonese Housing Bank in 2017.
- Though Chad experienced a sharp increase in mortgage lending in 2018, this does not seem to be linked to the creation of a housing bank in the country that same year because the bank has yet to launch a housing product.

It should be added that while formal mortgage financing is very limited, banks do finance some housing development through consumer loans - but these are mainly for short-term home improvements/expansion or gradual self-construction. Typically, they rely on salary guarantees, are less than one year of term, and have high interest rates.

**Figure 11. Evolution of total balance of outstanding mortgages by year (in billions of CFAF)**




*Source:* COBAC, 2019.

**Box 1: Quality of available data**

In the CEMAC region, high quality data on housing, mortgage markets, and income distribution is rarely available. For the purpose of this research, the team has collected data from regional and state entities and have used it for analysis despite the presence of inconsistencies in data collection. The graphic above presents data on outstanding mortgage balances from COBAC but includes significant anomalies for the years 2016 and 2017. These anomalies are representative of inconsistent methods of data collection and categorization which can be found across the region.

CEMAC's underdeveloped mortgage markets must be understood in the context of relatively shallow banking sectors, which are characterized by low levels of financial inclusion and limited capacity for issuing home loan products that are suited to the needs of the population. A lack of access to long term sources of capital makes it difficult for financial institutions to offer mortgage loans.

### 2.3.2. The Banking Sector Lacks Access to Long-term Funding

Most banks in the region have indicated a lack of access to long-term capital as a major impediment to expanding their mortgage portfolios. Banks are forced to rely on short-term deposits to fund their loan portfolios, and therefore encounter maturity mismatch issues when trying to underwrite longer-term loans (over seven years). Because housing is most often the most expensive purchase a household will ever make, long tenors are essential for them to be able to afford monthly payments. Affordable housing thus goes hand in hand with long-term financing. Current rates and tenors in the mortgage sector reflect banks' inability to lend long-term (with the exception of CFC in Cameroon which receives state support).

**Table 13. Mortgage characteristics in CEMAC countries**

| Country | Interest rate (%) | Tenor (years) |
|---|---|---|
| Cameroon | 7.0 | 20 |
| Gabon | 9.0 | 10 |
| Equatorial Guinea | 2.5 | 5 |
| Congo | 8.0 | 10 |
| Chad | 11.0 | 10 |
| CAR | 12.0 | 10 |

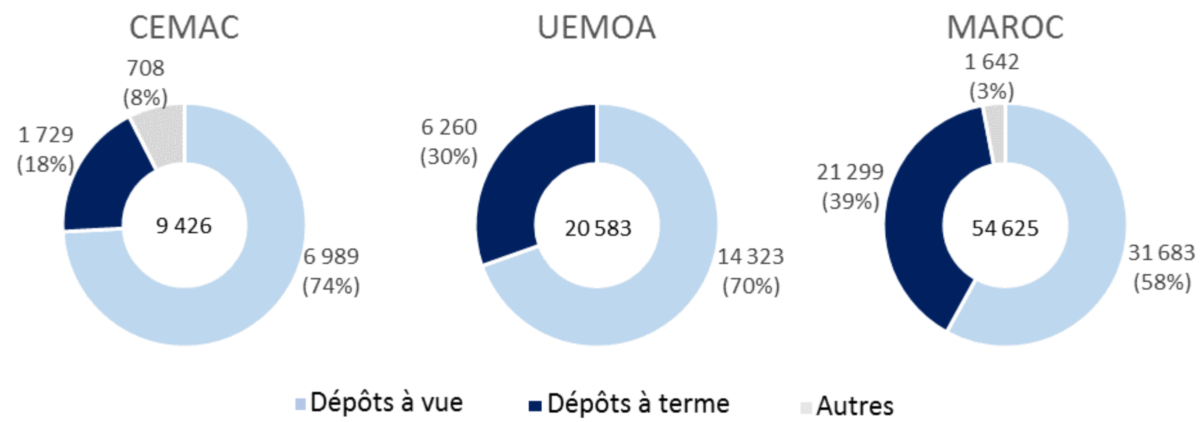
*Source:* Affordable Housing Institute, 2019.

#### *2.3.2.1. Sources of Bank Funding*

Although there are many reasons why banks do not issue mortgages (such as elevated levels of credit risk), one of the primary reasons why banks in the CEMAC region have low mortgage exposure is their underlying capital structure. Banks cannot lend long because they are reliant on short term deposits as their main source of funding.

Deposits represent banks' main source of funding in the region. In 2016, total customer deposits in the banking sector amounted to CFAF 9,426 billion, or 72 percent of total funds. However, the majority of these deposits (74 percent) are short term. This is relatively high when compared to 70 percent in WAEMU and 58 percent in Morocco.

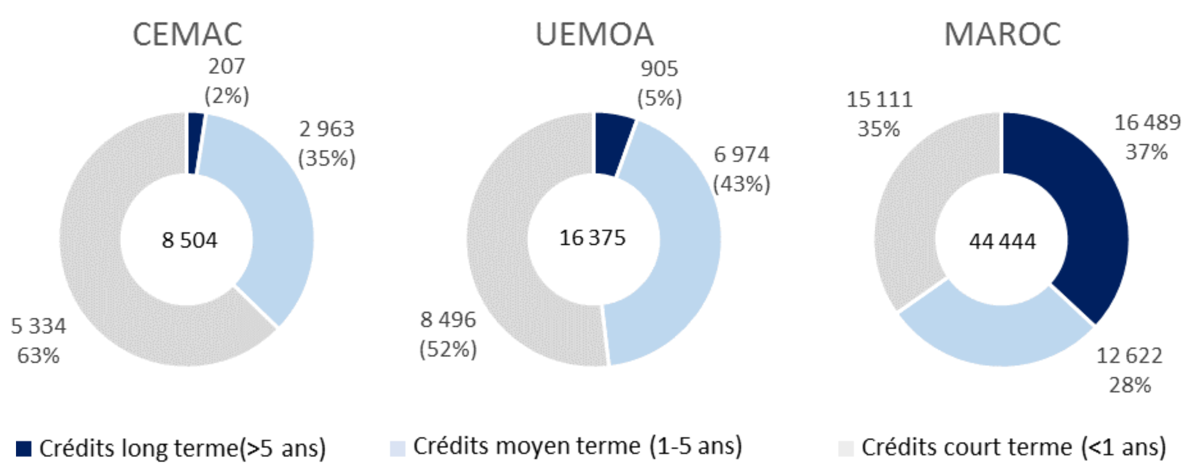
**Figure 12. Structure of deposits in CEMAC, WAEMU, and Morocco in 2016 (in billions of CFAF)**




*Source:* Annual reports COBAC 2017, BCEAO 2018, Bank Al Maghrib 2018.

In 2016, long-term lending accounted for only 2 percent of total loans in CEMAC, compared to 5 percent in WAEMU and 37 percent in Morocco.

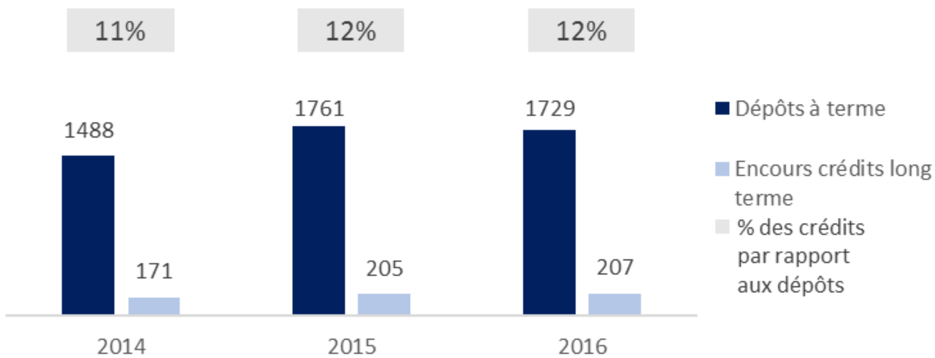
**Figure 13. Distribution of loans by maturity in CEMAC, WAEMU, and Morocco in 2016 (in billions of CFAF)**




*Source:* Annual reports COBAC 2017, BCEAO 2018, Bank Al Maghrib 2018.

The short maturity of loans in the zone can also be explained by the difficult economic situation, which discourages banks from taking long-term commitments. In effect, term deposits largely exceed the long-term credits granted, which represent only approximately 12 percent. This rate is approximately 14.5 percent in the UEMOA zone and more than 77 percent in Morocco. The overall loan-to-deposit ratio for the CEMAC region in 2018 is about 90 percent whereas the short-term loan-to-deposit ratio was 76 percent and the medium-long term loan-to-deposit ratio is about 130 percent suggesting that about 30 percent of medium to long term loans are financed by short term deposits. Unfortunately, available data does not provide specific information on the proportions or relative amounts of long- and medium-term deposits that make up the total of term deposits.

**Figure 14. Transformation of term deposits of banks in CEMAC (CFAF milliards)**




*Source:* COBAC Annual report 2017.

A limitation in this analysis is that available data does not break down term deposits by maturity to allow for an in-depth comparative analysis between the maturity of deposits and long-term credits.

In addition, over the 2012–2017 period, outstanding long-term loans in the CEMAC zone grew marginally (+ 7.6 percent) on average compared to short-term (+ 8.8 percent) and medium-term (+ 8.9 percent).

**Table 14. Evolution of the volume of credit by maturity in the CEMAC zone**

| Category Loans (CFAF billion) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | % total Loans 2017 | Average annual variation 2012–2017 (%) |
|---|---|---|---|---|---|---|---|---|
| **Short term loans** | 3,098 | 3,835 | 4,409 | 4,691 | 4,762 | 4,716 | 60 | **+8.8** |
| **Medium term loans** | 1,875 | 2,338 | 2,346 | 2,651 | 2,999 | 2,873 | 37 | **+8.9** |
| **Long term loans** | 141 | 149 | 153 | 183 | 180 | 204 | 3 | **+7.6** |
| **Total loans** | **5,114** | **6,321** | **6,908** | **7,525** | **7,941** | **7,793** | **100** | **+8.9** |

*Source: Annual* Reports BEAC.

The banking sector in the CEMAC zone is highly concentrated in four countries: Cameroon, the Republic of Congo, Gabon and Equatorial Guinea, which account for 90 percent of outstanding loans granted in the zone. Three of these countries also contributed to approximately 80 percent of growth in outstanding loans over 2012–2017.

**Table 15. Evolution of loan volumes by country in CEMAC zone**

| Country (data in CFAF billion) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | % total loans | Average annual variation 2012–2017 (%) |
|---|---|---|---|---|---|---|---|---|
| **Cameroon** | 1,988 | 2,274 | 2,554 | 2,843 | 2,969 | 3,048 | *42* | **+8.9** |
| **Congo** | 678 | 790 | 1,008 | 1 140 | 1,239 | 1,210 | *17* | **+12.3** |
| **Equatorial Guinea** | 621 | 829 | 973 | 1 109 | 1,150 | 1,166 | *16* | **+13.4** |
| **Gabon** | 1,177 | 1,479 | 1,391 | 1 304 | 1,172 | 1,120 | *15* | **-1.0** |
| **Chad** | 368 | 464 | 552 | 603 | 634 | 619 | *8* | **+11.0** |
| **CAR** | 135 | 112 | 119 | 120 | 136 | 134 | *2* | **-0.6** |
| **Total crédits** | **4,967** | **5,948** | **6,597** | **7,119** | **7,300** | **7,297** | ***100*** | **+8.9** |

*Source:* BEAC Annual Report.

The geographic concentration of long-term credit outstanding in the CEMAC zone is almost like that of loans globally with the same three countries (Cameroon, Congo, and Equatorial Guinea) which account for 72 percent of long-term loans. Gabon is the only country experiencing a fall in long-term credits over 2012–2017 due to the decline in oil activity and the reduction in credits granted to the State.

**Table 16. Evolution of long-term loans by country in CEMAC zone**

| Country (data in CFAF billion) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | % total loans 2017 | Average annual variation 2012–2017 (%) |
|---|---|---|---|---|---|---|---|---|
| **Cameroon** | 49.6 | 55.6 | 64.2 | 74.4 | 90.1 | 97.2 | *48* | **+11.9** |
| **Congo** | 16.1 | 16.0 | 18.3 | 24.0 | 22.1 | 24.0 | *12* | **+6.9** |
| **Equatorial Guinea** | 17.8 | 22.6 | 16.9 | 14.2 | 15.2 | 25.3 | *12* | **+6.0** |
| **Gabon** | 39.7 | 33.7 | 32.3 | 32.1 | 29.7 | 25.3 | *12* | **-7.2** |
| **Chad** | 14.5 | 16.5 | 18.6 | 24.9 | 18.7 | 18.7 | *9* | **+4.3** |
| **CAR** | 1.8 | 3.6 | 2.0 | 11.3 | 2.5 | 11.4 | *6* | **+36.0** |
| **Total long-term credits (>5 ans)** | **140.8** | **148.8** | **153.1** | **183.1** | **180.3** | **203.6** | **100** | **+6.3** |

*Source:* BEAC Annual Reports.

Banks have enough prudential margin to further develop long-term credit as COBAC requires that at least 50 percent of long-term loans be financed by long-term resources. Thus, 50 percent of long-term loans can theoretically be financed by short term deposits. On this basis, banks in the CEMAC zone would have excess long-term lending capacity with an additional potential of long-term credit outstanding of more than 280 billion CFAF in 2016, while also considering outstanding medium-term loans.

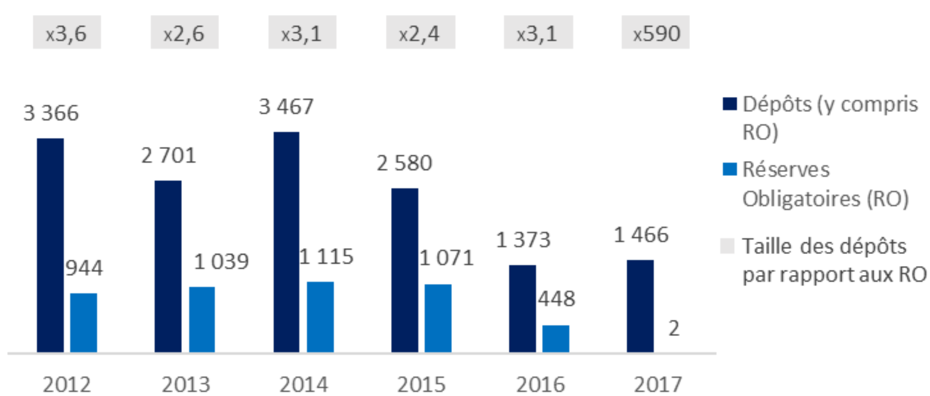
**Table 17. Surplus capacity to generate long-term loans by banks in CEMAC zone**

| Items (data in CFAF billion) | 2014 | 2015 | 2016 |
|---|---|---|---|
| **Term deposits (1)** | 1,488 | 1,761 | 1,729 |
| **Sight deposits** | 7,364 | 7,408 | 6,989 |
| **Maximum transformation of sight deposits into long-term credits according to COBAC prudential norm (100% TD) (2)** | 1,488 | 1,761 | 1,729 |
| **Potential Volume of LT Credits (3) = (1) + (2)** | 2,976 | 3,522 | 3,458 |
| **Volume of medium- and long-term credits (4)** | 2,698 | 2,987 | 3,170 |
| **Potential supplementary volume of long-term credits (5) = (3) – (4)** | 278 | 535 | 288 |

*Source:* Annual report COBAC 2017, CEMAC country monographes *Banque de France* 2018.

Deposits of banks in the CEMAC zone with the BEAC are well above the regulatory level required by the BEAC (reserve requirements) mainly because of their excess liquidity. Another factor in the high level of bank deposits with the BEAC is the refinancing policy of the Central Bank, which has led to a significant development of the interbank market. In fact, the total amount of deposits shown in figure 15 includes deposits and investments in the money market, current accounts of banks and reserve requirement accounts. The uneven pattern in the evolution of bank deposits with the BEAC is related to the monetary policy of the central bank and the dynamism of the money market.

**Figure 15. Evolution of deposits and obligatory reserves in BEAC (in CFAF billion)**



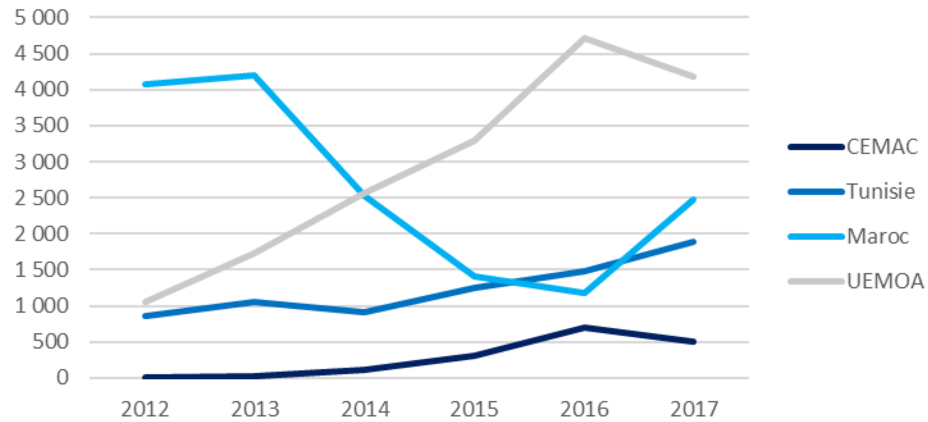

*Source:* BEAC annual reports.

### *2.3.2.2. Analysis of BEAC Refinancing Mechanisms Made Available to Banks*

The consequence of the excess liquidity situation of banks in the CEMAC zone is reflected, in addition to large deposits with the Central Bank (BEAC), by a low recourse to BEAC's refinancing mechanisms.

The amounts of credit granted by BEAC to banks are at levels well below those of banks in the WAEMU zone, Morocco and Tunisia. In 2017, for example, BEAC granted to banks approximately 500 billion CFAF against more than 4 000 billion CFAF granted by the Central Bank of West African States (BCEAO).

**Figure 16. Evolution of credits issued to local banks by central banks in CEMAC, Tunisia, Morocco and UEMOA (in CFAF billion)**

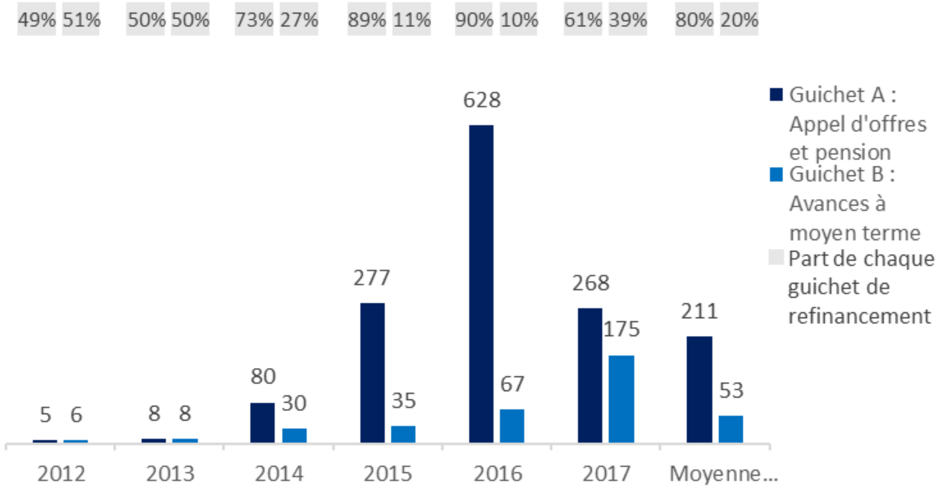



*Source: Rapports annuels des banques centrales* (BEAC, BCT, BAM, BCEAO).

***Banks in the CEMAC zone do not have at their disposal a refinancing mechanism dedicated to mortgage loans in the BEAC, unlike their "peers" in the WAEMU zone.*** Indeed, the BCEAO stands out very clearly from the BEAC, because it has a short-term refinancing window (up to 3 months) for mortgages of up to 30 million CFAF for young households "first-time buyers". However, it is simply temporary liquidity support and not a long-term refinancing. The available data are not enough to distinguish between the maturities of the credits granted by BEAC to banks to assess the feasibility and the impact of a possible mortgage refinancing window.

However, we know that BEAC has a medium- and long-term refinancing window (2 to 7 years) called the "Window B" in the money market, but this remains underutilized by banks who prefer short-term financing. This situation is explained by banks' aversion to long-term loans (SME investment credits and mortgages), which are perceived as very risky compared to short-term loans (consumer loans, bank overdrafts, etc.). While the volume of loans granted through the "Window B" has grown steadily since 2012 from CFAF 5.5 billion to CFAF 174.5 billion in 2017, the cumulative volume over the refinancing period remains marginal compared to short-term refinancing (approximately 319 billion CFAF or 20 percent of total loans granted by BEAC to banks against approximately 1,267 billion CFAF of short-term refinancing).

**Figure 17. Evolution of loans issued to banks based on the refinancing widow at BEAC**




*Source:* BEAC annual reports.

### *2.3.2.3. Access to Capital Markets*

Capital markets in the CEMAC zone (the Central African Regional Securities Exchange (BVMAC) and Douala Stock Exchange (DSX) in Cameroon) were small and underutilized. At end 2017, the market capitalization of the Regional Stock Exchange (BRVM) in the WAEMU zone was nine times that of the two CEMAC markets combined. CEMAC capital markets represented just 2.5 percent of GDP versus WAEMU's 15.6 percent. CEMAC's capital markets have not been used in any meaningful way by the banking sector and only three banks have issued bonds. In comparison, 12 banks are fully active in the WAEMU capital market.

The limited development of capital markets in the CEMAC zone was mainly due to (i) the structural problem of the existence of two competing markets: the Central African Regional Securities Exchange (BVMAC) based in Libreville, Gabon and the Douala Stock Exchange (DSX) in Cameroon, and (ii) the widespread lack of stock market culture by all players (public, corporate, institutional investors) in the region.

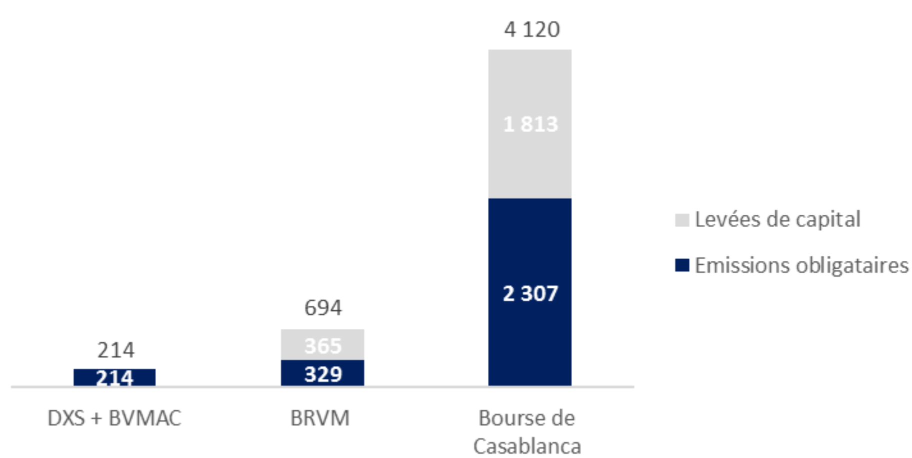
**Table 18. Comparison between capital markets in CEMAC and UEMOA (CFAF billion)**

| Capital market | Year of establishment | Listed companies | Market capitalization | No. of listed bonds | Bond market capitalization | Total market cap |
|---|---|---|---|---|---|---|
| **DSX** | 2001 | 3 | 146 | 6 | 286 | 432 |
| **BVMAC** | 2003 | 1 | 5 | 10 | 643 | 648 |
| **Total CEMAC** | — | **4** | **152** | **16** | **929** | **1,080** |
| **BRVM (UEMOA)** | **1996** | **45** | **6,836** | **46** | **2,969** | **9,805** |
| **Market cap (% GDP) CEMAC** | — | — | **0.4** | — | — | **2.5** |
| **Market cap (% GDP) UEMOA** | — | — | **10.9** | — | **4.7** | **15.6** |

*Source: rapport annuel BEAC 2017, Bulletin de la côte BCEAO*

CEMAC banks have been unable to raise money for themselves in the capital markets compared to their "peers" in the WAEMU zone or Morocco. Over the last decade, they raised 214 billion CFAF exclusively via bond issuances against 694 billion CFAF for banks in the UEMOA zone including 329 billion CFAF of bonds. Moroccan banks raised CFAF 4,120 billion, of which CFAF 2,307 billion came from bond issuances.

**Figure 18. Money raised by banks in the capital markets for 2009–2019 (CFAF billion)**




*Source: COSUMAF, Conseil Régional de l'Épargne Public et des Marchés Financiers (CREPMF), Autorité Marocaine du Marché des Capitaux (AMMC)*

The financial markets of CEMAC seem unattractive for banks with only 3 banks having raised all 214 billion CFAF exclusively through the bond market, of which 189 billion CFAF (88 percent) was issued by the Bank holding company, BGFI alone. In comparison, 12 banks are fully active in the WAEMU market, with regular issuances of bonds and equity by public offering.

The irregular nature of the issuances is a hindrance to the emergence of a dynamic and efficient market. In addition, there are still no benchmark issuances that offer investors a steady stream of securities that can help shape the emergence of a benchmark yield curve.

**Table 19. Bond issuances by banks in the CEMAC zone between 2009 and 2018**

| Banks (CFAF billion) | Year | Type | Amount | Maturity (years) | Rate (%) |
|---|---|---|---|---|---|
| **BGFI Holding** | 2013 | Bond | 80 | 7 | 5 |
| **BGFI Holding** | 2013 | Bond | 69 | 7 | 5 |
| **BGFI Holding** | 2008 | Bond | 40 | 5 | 5 |
| **BGD** | 2008 | Bond | 10 | 5 | 6 |
| **AFRILAND FIRST BANK** | 2016 | Private placement | 15 | 7 | 6 |

*Source:* COSUMAF.

The BRVM offers an interesting opportunity to raise long-term debt resources for banks in the UEMOA zone with maturities of up to 15 years thanks to the Regional Mortgage Refinancing Facility (CRRH), for a maximum interest rate of 7.5 percent. Since 1999, UEMOA banks have issued CFAF 397 billion worth of bonds, including CFAF 163 billion for maturities greater than or equal to 10 years.

Two important points should be highlighted:

- Housing banks in the WAEMU zone also use the BRVM for long-term resources: for example, the Housing Bank of Senegal raised in 2019, CFAF 20 billion at a rate of 6.5 percent for a maturity of 5 years. Housing banks in Mali and Benin have also raised CFAF 5 billion and CFAF 2 billion respectively in the past;
- The CRRH-UEMOA has since its creation, mobilized more than 160 billion CFAF in the bond market for the benefit of its shareholders which are banks, at rate and maturity conditions better than the issuances of banks. All issuances of 10, 12 and 15 years of maturity were done exclusively by the CRRH-UEMOA.

**Table 20. Bond issuances by banks in the UEMOA zone between 1999 and 2018 (CFAF billion)**

| Interest rate | 5 years | 6 years | 7 years | 10 years | 12 years | 15 years | TOTAL |
|---|---|---|---|---|---|---|---|
| **5–6%** | 9.8 | — | — | 58.8 | 65.1 | — | **133.8** |
| **6–6.5%** | 59.4 | 8.0 | 25.0 | 12.5 | 19.1 | 8,9 | **132.9** |
| **6.5–7%** | 9.2 | 20.0 | 40.0 | — | — | — | **69.1** |
| **>7%** | 21.0 | — | 40.2 | — | — | — | **61.2** |
| **TOTAL** | **99.4** | **28.0** | **105.2** | **71.3** | **84.2** | **8.9** | **397.0** |

*Source: Conseil Régional de l'Épargne Public et des Marchés Financiers (CREPMF)*

This observation confirms the important role that a potential mortgage refinancing facility in the CEMAC zone could play in providing long-term resources at optimal cost adapted to mortgage financing.

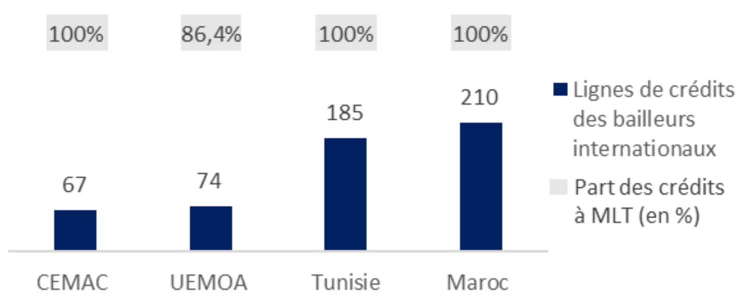
With the unification of the BVMAC and the DSX into a single regulated market completed on July 4, 2019 with the holding of the first board of directors meeting of the unified exchange, the regional financial market of the CEMAC has taken a new configuration which is likely to accelerate its development and dynamism. Indeed, the penultimate stage of the project had been completed since March 2, 2018 with the integration of the Cameroon Financial Markets Commission (CMF) into the Financial Markets Supervisory Commission of Central Africa (COSUMAF). COSUMAF has thus become the only regulator in the region.

### *2.3.2.4. Analysis of the Refinancing of Banks in the CEMAC Zone Through the Intervention Programs of International Lenders*

Banks in the CEMAC zone have received less support from major donors compared to their "peers" in the WAEMU zone, Morocco and Tunisia. Over 2015–2018, the zone's banks received approximately7 billion CFAF less than banks in WAEMU, 118 billion CFAF less than Tunisian banks and 143 billion CFAF less than Moroccan banks.

These funds come from four main donors: Proparco - French Development Agency (AFD), the African Development Bank (AfDB), the International Finance Corporation (IFC) - World Bank and the European Investment Bank (EIB).

**Figure 19. Credit lines given by international donors to banks in CEMAC, UEMOA, Tunisia and Morocco (in CFAF billion)**




*Source: Bases de données de MFW4A.*

The credit lines granted by international donors to CEMAC banks over 2015–2018 are intended exclusively to support the financing of businesses. In other words, no bank/housing finance institution in CEMAC has benefited from credit lines for mortgage financing, in contrast to banks in WAEMU and Tunisia.

### *2.3.2.5. State Resources for State-owned Housing Banks*

Three countries in the region (Cameroon, Congo, and Gabon) have implemented a tax which, in theory, goes to fund state-owned housing banks. Chad is considering doing the same.

- In Cameroon, all salaried workers are taxed (1 percent from salaries and 1.5 percent from employers) to fund the *Crédit Foncier du Cameroon* (CFC).
- In Gabon, salaried workers are taxed 2 percent and the funds went to the now defunct *Banque de l'Habitat du Gabon*. Today the funds are being managed by the *Caisse des Dépôts et des Consignations* instead (CDC).

- In Congo, workers are taxed 2 percent and the funding is supposed to be sent to the *Banque Congolaise de l'Habitat*.

In theory, these banks should function as provident funds, under which, workers pay a monthly tax and can access a mortgage when needed, or have their funds returned with interest at retirement. However, in practice, most of the funding doesn't make it to the bank, which must rely on other sources to fund its mortgage portfolio:

- In Cameroon, the Treasury collected around CFAF approximately 171 billion between 2009 and 2018, but only 48 percent of the funds were delivered to the CFC. Due to the 2014 oil crisis, the CFC is receiving even less and is facing a liquidity crisis.
- In Gabon, the treasury raised CFAF 4 billion of funds, but due to the 2014 oil crisis, none of the proceeds went to the housing bank. Today an undetermined amount goes to the CDC, which invests in housing projects for the middle class.
- Since its creation in 2008, the FNH in Congo has mobilized around CFAF approximately13 billion, but none of it has reached the country's housing bank. Legislation is currently being drafted to ensure a funding mechanism to enable the bank to receive around CFAF 3 billion per year.

Even if all the funds reserved for housing were disbursed to the housing banks, it is unlikely that the banks would operate as traditional provident funds and may continue to offer loans only to a select few. High NPLs and low levels of operational efficiency also limit the banks' capacities to operate effectively and make good use of taxpayers' contributions. For example, the CFC in Cameroon operates at a loss and has an operating cost to income ratio of 125 percent compared to 44 percent for the Housing Bank of Tunisia.

**Table 21. CFC income, costs, and operating ratio**

| | CFC | HOUSING BANK OF TUNISIA |
|---|---|---|
| Net banking income (CFAF millions) | **4,944** | 79,187 |
| Operational costs (CFAF millions) | **6,166** | 34,545 |
| Operating ratio (costs/income) | **125%** | 44% |
| Staff | **285** | 1,844 |
| Income/staff (CFAF millions) | **17** | 43 |

*Source:* Annual report CFC and Housing Bank of Tunisia.

#### *2.3.2.6. General Analysis of Access to Long-term Capital*

All banks in the CEMAC region have difficulty granting long-term loans due to lack of access to long-term capital. BEAC tries to regulate maturity mismatch issues and stipulates that a bank or a mortgage institution must meet the 50 percent 'ratio de transformation', or long-term assets to liabilities ratio. This prudential provision ensures the security and soundness of the banking system, but it also significantly hinders the expansion of the housing finance market in the CEMAC countries.

The lack of maturity matching mechanisms leads banks to cap the number of home loans they make and/or limit the duration of the loans, thus making them less affordable. Only state-owned banks have access to appropriate funds, such as *Crédit Foncier du Cameroon*, and can offer long-term loans over 30 years, though these are only available to a small portion of the population.

### 2.3.3. Low Levels of Participation of Commercial Banks

Commercial banks (specifically in Cameroon) are crowded out by state-owned housing banks because they do not have access to affordable sources of long-term capital through government funding and taxpayer contributions.

**Table 22. Market share of housing banks**

| Country | Housing Bank | Housing loan market share in the country (%) |
|---|---|---|
| Cameroon | Crédit Foncier du Cameroon | >80 |
| Congo | Banque Congolaise de l'Habitat | >50 |

*Source:* Affordable Housing Institute, 2019.

Today, only the CFC in Cameroon receives taxpayer contributions. Though in theory it should operate as a provident fund, in practice it only receives a small fraction of the contributions and does not specifically offer mortgages to contributors. Indeed, few contributors can expect to receive a housing loan or get their contributions back upon retirement. In fact, these contributions often go to fund the bank's operations and loan portfolios which target wealthier households and even the diaspora.[7] Despite the fact that only a small portion of the population can access a loan, the CFC's concessionary mortgage terms (7 percent for 30 years) serve as a disincentive to the private sector from engaging in the market (market rates around 10 percent for 10 years).

Although the housing banks in Congo and Chad are not currently receiving taxpayer contributions, laws are currently being drafted to enable this. Based on Cameroon's experience, such a practice should be avoided as it results in very little social impact, while crowding out the private sector.

Housing banks should be restructured to either function as efficient provident funds that provide benefits to all their contributors, or as commercial banks, in which case the housing tax would be eliminated. Another possibility is to enable housing banks to be catalysts of the mortgage sector in general see section 3 and deploy government resources strategically to leverage funding from commercial banks.

### 2.3.4. Structural Impediments to Mortgage Expansion

Banks have also indicated other factors limiting their capacity to lend towards the sector including:

- Lack of affordable housing stock on the market. Most housing loans disbursed are for self-construction instead.
- Weak mortgage foreclosure rules and regulations, and challenges in enforcement.[8]

[7] The CFC has branches in both France and Canada.
[8] There is no genuine problem related to foreclosure as the framework is relatively clear: The OHADA treaty applies in both West and Central Africa. The main issue related to foreclosure in the region is the capacity of the judiciary to enforce regulations, rather than the legal basis per se.

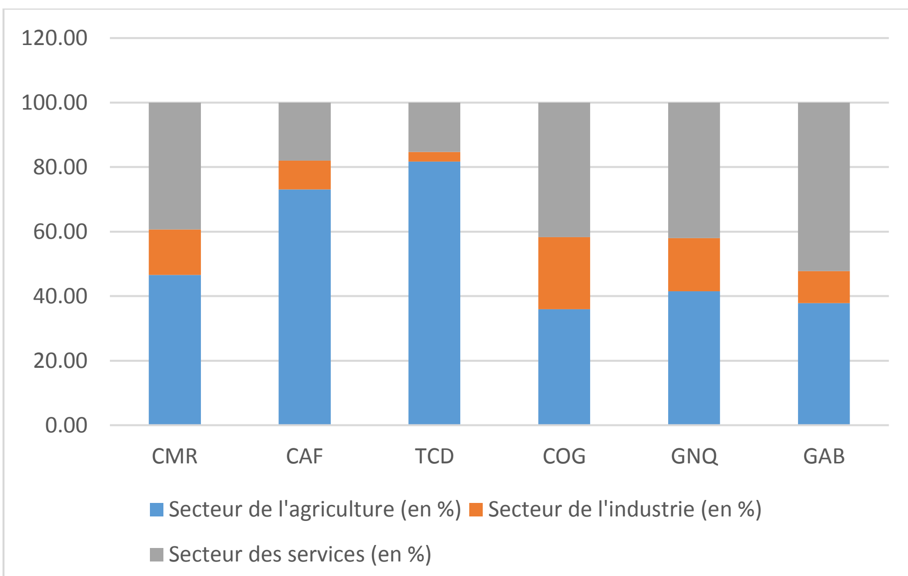
- Regulatory burden. Some countries, including Congo, have regulation that greatly increases the costs of issuing mortgages such as high legal fees and annual registration processes.
- Land tenure issues increase the risk of land title deficiencies and many banks consider land titles a poor form of collateral.
- High property registration costs increase the costs of formally transferring a property.
- Finally, low levels of income and high levels of income informality make underwriting mortgages difficult.

Undertaking reforms to address these issues will also be critical to enable an expansion of mortgages in the region.

### 2.3.5. Informal Households and the Microfinance Sector

Apart from Gabon and Equatorial Guinea, the majority of the region's population is employed in the informal sector and faces difficulties in accessing formal mortgage financing. According to estimates, only 25 percent of the population has a job in the formal sector in Cameroon and Congo. This proportion is even lower for Chad and the Central African Republic (about 6 percent), whose economy is dominated by the agricultural sector.

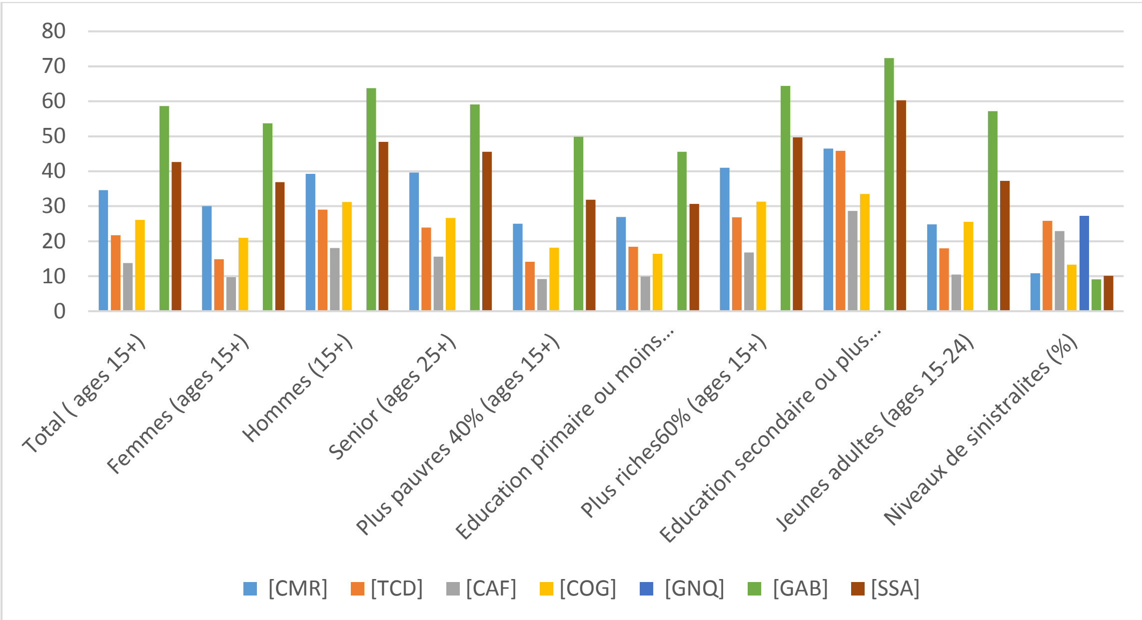
**Figure 20. Employment by sector in CEMAC countries**




*Source:* FINDEX 2017.

Without formal income, most of the population remains excluded from the formal banking system. Levels of access to banking systems in the region range from 12 percent to 59 percent. Regional disparities are important. In Gabon, for example, 59 percent of the population has access to the formal banking system, compared with 42 percent of the population in Equatorial Guinea. These levels are particularly low for Chad and Central Africa and amount to 21 percent and 12 percent, respectively.

**Figure 21.** ***Access of the CEMAC population to the formal banking system***




*Source:* FINDEX 2017.

Given the absence of reliable land registry systems in the CEMAC region, most of the land is neither demarcated nor identified and is the object of numerous disputes. In Cameroon, 2 percent of the territory is registered in the national land register. In the Central African Republic, only 0.1 percent of the territory is registered. This weakness adds to the challenges of access to land ownership in the six countries. Without access to a formal land title, households cannot obtain mortgage financing from banking institutions.

Without access to formal income or land title, most people use the microfinance sector to access credit. In the CEMAC region, the microfinance sector is regulated by the Banking Commission of Central Africa (COBAC) which has established 3 categories of Microfinance Institutions (EMF):

- **Category 1**: Cooperatives with a minimum of 100 permanent members, none of which can own more than 20 percent of the shares.
- **Category 2**: MFI that accept deposits from customers with a minimum capital requirement of 300 million CFAF (€ 457,317)
- **Category 3**: MFI that cannot accept deposits from customers, with a minimum capital requirement of 150 million CFAF (€ 228,659)

**Table 23. Number of microfinance institutions by country in the CEMAC zone (30/06/2017)**

| CATEGORIES | PAYS | | | | | | TOTAL CEMAC |
|---|---|---|---|---|---|---|---|
| | Cameroun | Centrafrique | Congo | Gabon | Guinée Équatoriale | Tchad | |
| **1ère catégorie** | **478** | **21** | **55** | **5** | **1** | **193** | **753** |
| -Indépendants | 196 | 5 | 21 | 5 | 1 | 13 | 241 |
| -Réseaux | 282 | 16 | 34 | - | - | 180 | 512 |
| **2ème catégorie** | **49** | **3** | **11** | **10** | **3** | **4** | **80** |
| **3ème catégorie** | **4** | - | **2** | **1** | - | - | **7** |
| **TOTAL** | **531** | **24** | **68** | **16** | **4** | **197** | **840** |

*Source:* COBAC, 2017.

The most developed microfinance sector in the CEMAC zone is in Cameroon. The country has 65 percent of the region's MFIs and 75 percent of outstanding loans.

A study by the International Monetary Fund, published in 2016, revealed numerous shortcomings in the sector (high loan loss rates and governance problems). Reforms have been undertaken to strengthen the sector including instituting COBAC as regulator of MFIs. Most MFIs, including category 1 institutions, have organized themselves into leagues. Today, 840 MFIs are present in the region. However, there are very few institutions offering products for housing finance.

Most housing loans available from MFIs are consumer loans. The conditions offered for consumer loans include longer maturities and larger amounts. Housing credit is perceived by MFIs as a product that does not generate additional revenue for lenders and remains difficult to secure. In addition, MFIs lack long-term resources and are regulated by prudential norms like those of the banking system: MFIs must also comply to the transformation ratio set by COBAC.

The few MFIs offering housing finance products suffer from a lack of long-term resources. Many MFIs use demand deposits or debts to finance their loan portfolios. Term deposits are rarely offered by MFIs, even though such products would facilitate the mobilization of long-term resources. Therefore, the financing conditions proposed by MFIs are limited to 24-month maturities.

The most active MFIs in the region offer housing products and are mostly Category 1 MFIs, which depend on their deposits to make loans and are limited by the transformation ratio. Some category 2 MFIs also provide housing finance to their members. For example, category 2 MFIs like Credit du Sahel in Cameroon, Loxia and Express Union in Gabon offer microfinance loans to finance housing only for employees in the formal sector. International microfinance networks, such as ACEP and Advans, or regional groups such as Express Union, BGFI Bank and Cofina, have invested in category 2 MFIs and could have greater flexibility to develop products for housing finance.

MFIs are governed by prudential standards, which limit the development of their loan portfolio. These prudential norms are as follows:

- A transformation ratio of 50 percent.
- A risk weight of 75 percent for mortgage loans (Weighting higher than that recommended by Basel III, which stands at 50 percent)

- A risk weighting of 100 percent for unsecured loans.
- MFIs can lend up to 10 times the value of their equity but are only allowed to lend 65-70 percent of their deposits and can only borrow twice their own funds.
- MFIs can lend a maximum of 50 million CFAF per credit

By having long-term resources, the MFIs could develop their portfolios and their housing credit business. It would also help to strengthen the financial inclusion of informal sector workers and facilitate their access to housing loans. In addition, MFIs could benefit from technical assistance to develop housing-specific products and offer specialized services aimed at enhancing the quality of self-constructed houses.

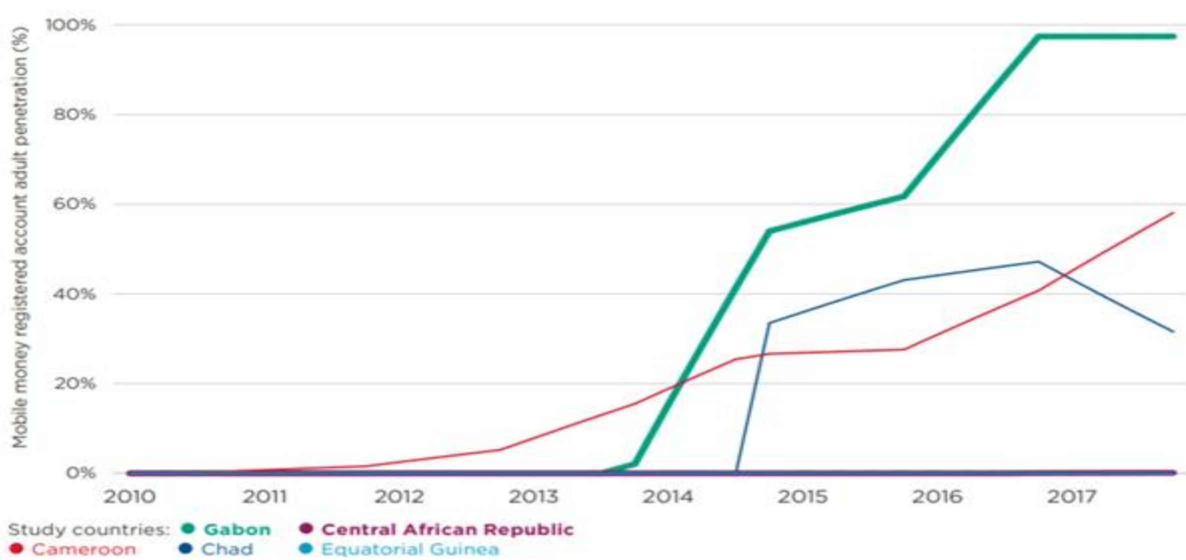
### 2.3.6. Digital Financial Services in CEMAC Zone

E-money is an innovation that accelerates financial inclusion. According to the BEAC, electronic money is defined in the CEMAC zone as a monetary value stored on a medium in electronic form against remittance of funds of equal value. This medium can be used to make payments to recipients other than the issuer. This transaction does not require a bank account. The flagship instruments of electronic money are the prepaid cards and the mobile phone (Mobile Money). "Mobile Money" represents 97 percent of electronic transactions, more than 3,160 billion CFAF in 2017.

There are large regional disparities within the CEMAC area with respect to the use of digital financial services. Cameroon accounts for 70 percent of the activity at the regional level while the Central African Republic and Equatorial Guinea use very little of these modes of payment.

In the use of electronic money, Gabon is the most advanced country—nearly 100 percent of the adult population has an electronic account—followed by Cameroon (nearly 60 percent) and Chad (nearly 35 percent). Few operators are present in other countries in the region, which explains adoption levels close to zero.

**Figure 22. Adoption of digital currency in CEMAC zone**




*Source:* GSMA, 2019.

Digital payments are mainly used to pay for transport, electricity, and telephone costs. Rent payments represent only 4 percent of mobile payment transactions. The reasons for the limited usage of digital financial services vary across countries and certainly between urban and rural areas. However, a number of reports have identified some common reasons for this: insufficient or irregular income, transaction costs, lack of identification, lack of knowledge of the benefits of DFS, lack of conveniently-located agents and, more important, the absence of interoperability to support domestic and cross border payments.

Although e-money transfers are an efficient payment alternative, particularly in the management of mortgage repayments, no housing bank or MFI has obtained BEAC's authorization to develop this mode of payment. In 2017, only 18 banks in the region could issue or receive payments using mobile financial services.

The development of an electronic money product by housing banks and other institutions offering housing finance should be encouraged to promote the financial inclusion of low-income households and facilitate the repayment of credit.

## 2.4. Analysis of Inclusion of Women in Housing Finance

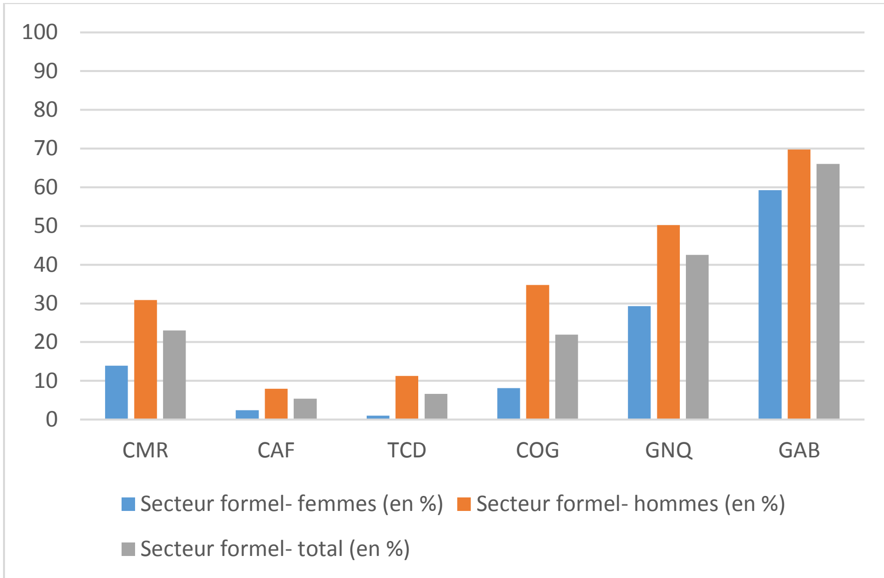
There are significant gender inequality challenges that should be addressed for the development of an inclusive housing sector. Indeed, the challenges of gender inclusion are numerous:

- Occupational inclusion: Women make up 75 percent of informal sector workers.
- Financial inclusion: Women have limited access to banking services, including credit.
- Access to land ownership: Land titles are mostly registered in the name of the male spouse and few women are officially owners of land.

### 2.4.1. Occupational Inclusion of Women

Today, only employees in the formal sector can access mortgage loans in the CEMAC region. Women in CEMAC countries are particularly underrepresented in the formal sector and more than 75 percent of them work in the informal sector.

**Figure 23. Job Distribution in the formal sector based on gender**

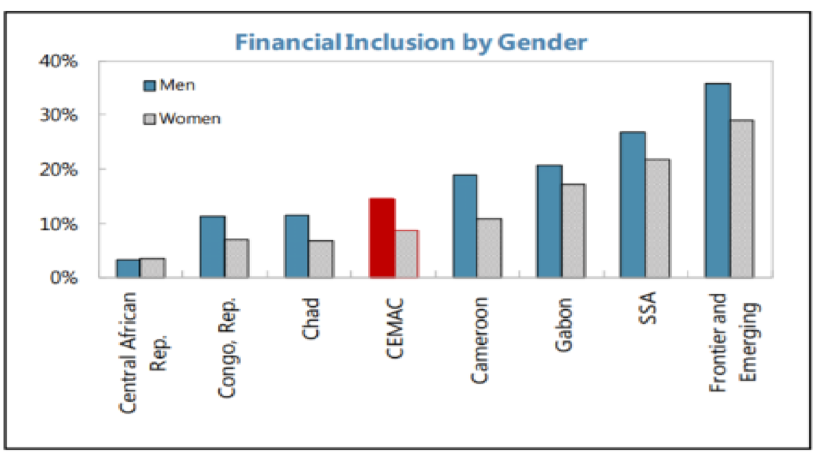



*Source:* FINDEX, 2017.

### 2.4.2. Financial Inclusion of Women

The number of women with a bank account in the CEMAC region is lower than the number for men. According to the IMF, only 6.8 percent of women in the region have a bank account against 11.3 percent for men. These low rates imply that it is even more difficult for female-headed households to acquire a home through bank financing.

**Figure 24. Financial Inclusion of women in the CEMAC zone**




*Source:* IMF, 2014.

### 2.4.3. Women and Access to Land Ownership

In the CEMAC region, economic and cultural factors tend to limit women's access to land ownership. According to the FAO, in Cameroon, only 3 to 7 percent of land titles have been issued to women.

FAO attributes this exclusion to several factors:

- Low representation of women in decision-making spheres;
- Lack of knowledge on land laws and the modern laws on inheritance due to a lack of information and technical training in these areas;
- Women are rarely organized in networks on such matters.

Strengthening access to land ownership is a major issue for the inclusion of women and for the broader economic development of the CEMAC zone. Greater access to land and housing programs can contribute to the inclusion of women in land tenure issues. In fact, these programs can establish conditions for the allocation of land, such as the compulsory registration of land titles and the establishment of an act of ownership specifying the name of the head of the family (often a man) and his wife. A similar program has been set up in India to ensure that women receive state subsidies on par with their spouses.

## 2.5. Housing Affordability Analysis

Low household incomes remain a major and persistent obstacle to CEMAC's mortgage market. Most banks in the CEMAC zone grant mortgages guaranteed by household wages, as a home or plot of land is still perceived as a risky form of collateral. In addition, banks have adopted a general practice of capping the amount of loans so that repayment payments do not exceed 33 percent of wages.

The estimates below detail the current conditions needed to acquire the cheapest house produced on the formal real estate market (often by the state-owned developer). Assuming that the acquiring households benefit from the most advantageous mortgage rates on the market, we observe that households must have an income equal to ten times the local minimum wage. This is found in each of the countries of the CEMAC zone.

**Table 24. Percentage of the urban population which could afford the cheapest home with the lowest rate mortgage**

| | Cheapest house (CFAF, millions) | Mortgage rates | Monthly salary needed (CFAF) | Monthly minimum wage | % of the urban population |
|---|---|---|---|---|---|
| Cameroon | 17 | 30 years, 7% | 340,000 | 37,000 | 42 |
| CAR | 20 | 10 years, 11% | 793,000 | 35,000 | 4 |
| Congo | 25 | 10 years, 8% | 910,000 | 90,000 | 21 |
| Gabon | 35 | 10 years, 9% | 1,300,000 | 150,000 | 13 |
| Equatorial Guinea | 8 | 5 years, 2.5% | 532,000 | 129,000 | 77 |
| Chad | 20 | 10 years, 12% | 792,000 | 60,000 | 3 |

*Source:* Affordable Housing Institute, 2019.

This analysis shows levels of affordability under the best terms available currently in the market, but access to housing is likely to be worse than indicated as subsidized housing and mortgages are only available to a select few. Even under the best terms, only 3 percent and 4 percent of the urban population of CAR and Chad can afford a home. Other countries fare slightly better, with Cameroon at 42 percent and

Equatorial Guinea at 77 percent, though these terms are likely to be slightly unrealistic as few houses are produced at such low prices.

To expand access to housing at the regional level, major interventions will need to take place to both decrease the cost of housing and lengthen the tenor of mortgages available. Without simultaneous interventions on both sides of the housing value chain, expanding access to housing will remain difficult.

## 2.6 Summary of Major Obstacles Along the Housing Value Chain

The following summarizes and recaps the main housing value chain obstacles and findings from the preceding sections.

**Supply-side Barriers**

CEMAC governments have funded many housing projects with their own resources. However, through public-private partnerships, states could develop more housing units while mobilizing fewer resources, benefiting from greater leverage. Indeed, public-private partnerships (PPPs) are an effective means of sharing the cost-related risks of major housing programs between government and private sector actors. However, public-private partnership contracts in the housing sector differ from conventional public-private infrastructure partnership contracts. Negotiations between property developers and governments rarely result in concrete projects. Governments need to restructure public-private partnership contracts to better divide risks between private and public actors. These projects should also be subject to competitive bidding followed by a rigorous and transparent selection process.

All countries of the CEMAC region are experiencing difficulties in the management of land. Indeed, investments in the real estate sector are limited by vague legislation and a predominance of customary practices in this area. It is rare to find land located in urban areas with land titles that are not subject to litigation; as such, their selling price is sometimes prohibitive. Under these conditions, the development of the affordable housing sector is difficult without targeted interventions by governments. However, the governments of the CEMAC countries have at their disposal important land reserves, which could be used wisely for social housing projects. State-owned land has many advantages for residential real estate projects because these lands have proper title deeds and little exposure to litigation. States are therefore able to dispose of these lands at subsidized prices which are lower than market prices. However, these public land reserves are often scattered among different competing government ministries. No database records and centralizes this information and there is no mechanism for distributing land reserves.

Currently, the private sector is virtually absent from the housing sector in the CEMAC region. Indeed, the state is the main player in the residential real estate sector in virtually all CEMAC countries. To reduce government expenditures, a dialogue between governments and private actors should be conducted to implement programs to promote private sector participation and investment in affordable housing development in the region. Instead of contributing directly to housing production, the state should encourage the private sector to take part in this effort. In the interest of efficiency, the role of the state should be limited to the redistribution of resources, in the form of subsidies to the most modest households.

In addition, the state has an important role to play in encouraging private actors to innovate and to make greater efforts in the construction of green and sustainable housing. Indeed, although few homes are built ecologically today in the CEMAC region, the investment needed to make these green and sustainable homes is relatively low and could be amortized in a few years. EDGE simulations show that the additional investment required to meet green and sustainable construction criteria is between US$1,000 and US$2,000, depending on the countries in the CEMAC zone. These investments would, among other things, enable households to reduce their water and electricity consumption and achieve significant savings.

**Demand-side Obstacles**

There are several housing banks in the CEMAC zone. The most active is *Crédit Foncier du Cameroon*, whose resources come from levies on the wages of Cameroonians. This model, according to which employees of the public and private sectors contribute monthly to the resources of housing banks, exists in several forms in the other countries of the region: in the Republic of Congo, a law on the distribution of the resources of the National Housing Fund is being reviewed and could favor channeling of the resources to the Housing Bank of Congo (BCH).

However, this mandatory contribution of employees cannot be justified politically except these provident funds replenished with these resources has an added value for the households that contribute to it. The contributors want to ensure that returns from investments are reliable and growing. However, this is rarely the case in the CEMAC zone. Indeed, the loans granted by Crédit Foncier du Cameroon are often intended for wealthy households and for the diaspora (remember that the Cameroonian diaspora does not contribute to the National Housing Fund which finances the CFC credits). Most contributing employees will not receive a CFC credit in their lifetime and CFC will likely not be able to repay their contributions upon retirement. In addition, it appears that the CFC does not receive the total amount of the deductions from salaries and that funds are always kept in the coffers of the public treasury. This aspect makes CFC activity less transparent to contributing employees.

In theory, contingency funds are supposed to cover general operating expenses, which is relatively low compared to the loan portfolio. However, many institutions, including public institutions that have guaranteed revenues and certain competitive advantages intrinsic to their status, tend to have high management costs. A comparative analysis with commercial banks clearly shows a disproportionate workforce compared to the level of activity of the CFC with a net banking product (NBP) per employee of 17 million CFAF in 2015 that is, 1/5 of the level of Société Générale du Cameroon, 1/3 of the level of Afriland First Bank and 2/5 of the level of the Housing Bank of Tunisia (BHT).

The mortgage lending sector is underdeveloped in commercial banks, which highlighted the lack of access to long-term resources. This shortage of long-term resources is a major limitation in the mortgage business of commercial banks. Banks mainly use deposits to finance their loan portfolio. However, customer deposits consist mainly of demand deposits (74 percent) and few term deposits (18 percent in CEMAC zone against 30 percent in WAEMU zone and 39 percent in Morocco). In addition, BEAC's prudential rules, including the conversion ratio, limit the ability of banks and microfinance institutions to deploy short-term resources to finance long-term loans. BEAC's refinancing mechanisms are essentially short term, with very little recourse to medium-term advances. This happens via the "B Window" and represents on average 20 percent of BEAC's outstanding loans over 2012–2017. As a result, loans granted by banks are short term (often less than 1 year).

In addition, many households in the CEMAC region are employed in the informal sector and cannot access the traditional banking system, and by extension, mortgage loans. Mortgage underwriting procedures require evidence of income that is not available to informal sector workers. However, this segment of the market has good potential and solutions can be developed to offer them adapted housing finance.

Lastly, the housing sector, and in particular the banks, make very little use of electronic money, even though its development has accelerated in the region. Integrating electronic payments into the mortgage process could both facilitate the underwriting and income verification process as well as the monthly loan repayment procedure.

## 2.7. Regional Assets to Leverage

Despite the numerous obstacles blocking the development of a housing market in the CEMAC countries, the region has a number of assets it can leverage to develop efficient and scalable interventions that will broaden housing access in a sustainable way.

These assets include:

1. Housing is already a priority for most governments in the region. They will likely be eager to implement solutions that will render their existing investments more sustainable.
2. Countries have a great number of resources at their disposal including:
    a. Land.
    b. State-owned institutions which could promote public-private partnerships to supply housing
    c. An underutilized private sector
    d. Commercial banks eager to expand their housing portfolios
3. CEMAC's single currency presents an opportunity to develop financial solutions at the regional level which could benefit all six countries. A regional mortgage refinance facility, similar to the one implemented in the WAEMU region, could provide long-term funding to both state-owned housing banks and commercial banks.

Because the CEMAC region presents numerous assets at the regional and country level, different interventions can be developed to strengthen the housing value chain and expand access to formal housing. The next part of this report explores several recommended interventions.

# 3. Road Map and Recommendations for Development of Housing in the CEMAC Region

Changes instituted in the CEMAC regions should operate across the five following domains:

1. **Coordinate a housing taskforce**. Strategy will work only if it is integrated across all three pillars of land development, property development, and offtake financing.
2. **Restructure countries' housing programs**. Particularly to remove deadweight or inefficient programs and to support or facilitate housing PPP.
3. **Reduce the ancillary costs of buying or renting** that have the effect of shrinking the population of those with financeable demand.
4. **Launch needed new inclusive interventions** as outlined in this report.
5. **Sustain ongoing inclusive interventions** especially those aimed at the informal sectors and those who cannot afford to buy a formal home.

Countries in the CEMAC region have encountered many common obstacles in the development of their housing markets. This first section examines recommendations that are applicable to all countries and can be implemented either at the regional level or at the national level. Recommendations are grouped into five timeframes:

- Interventions to be undertaken immediately, within the next few months
- Interventions which can strengthen the housing sector in the short term (less than 6 months)
- Interventions to be undertaken in the medium term (1 to 2 years)
- Interventions to be undertaken in the longer-term (in next 3 years)
- Interventions which should be a point of continuous focus

In the table that follows below, we have schematically illustrated how the activities and sub-activities could be sequenced. These interventions are described in greater detail in the sections to follow.

**Table 25. CEMAC housing road map**

| | *Now* | *Short term* | *Medium term* | *Long term* |
|---|---|---|---|---|
| **Coordinate a housing taskforce** | | | | |
| Collect data on housing | | | | |
| Quantify current public housing spending | | | | |
| Review housing strategies | | | | |
| **Restructure state housing programs** | | | | |
| Restructure large housing programs | | | | |
| Develop housing PPPs | | | | |
| Restructure housing banks | | | | |
| Restructure taxes on salaries | | | | |
| **Reduce ancillary costs of buying/renting** | | | | |
| Reduce land registration costs | | | | |

| | Now | Short term | Medium term | Long term |
|---|---|---|---|---|
| Reduce costs of filing a mortgage | | | | |
| Implement escrow accounts | | | | |
| Reduce rental barriers | | | | |
| **Launch new inclusive interventions** | | | | |
| Put in place a mortgage refinance facility | | | | |
| Promote the participation of the private sector | | | | |
| Develop housing microfinance | | | | |
| Promote housing access for women | | | | |
| Promote green housing | | | | |
| Put in place land banks | | | | |
| **Strengthen ongoing inclusive interventions** | | | | |
| Reinforce security of tenure | | | | |
| Financial inclusion of the informal sector | | | | |

Unstated in the foregoing table are perhaps the two most important premises:

- *Housing reform must have a champion*. The champion must be both institutional and individual. To reform the demand side, the champion must come from a demand-side platform, entity, or ministry; to reform the supply side, the champion must come from a supply-side platform, entity, or ministry; and to reform the housing system as a whole, the country's executive leadership (President, Prime Minister, or similarly high placed official).
- *Housing reform takes time and the champion(s) must have suitable policy and political horizons*. Far too many worthwhile and well-planned housing strategy changes have fallen apart because a political disruption (e.g. an election with a change of ruling party or coalition) resulted in an abrupt reversal of course.

## 3.1. Restructure Public Investments in the Housing Sector

Although at varying degrees, every CEMAC government has invested in its housing sector. Most of these investments, however, have had limited success and have failed to meet their objectives. The 2014 oil crisis debilitated ongoing investment and underscored the need for governments to devise more sustainably funded programs that leverage existing government assets and private sector participation.

### 3.1.1. Put in Place a Housing Task Force and Revise Housing Strategies

In the short term, each country should put in place a housing task force to undertake the following activities.

1. *Collect data.* Though this report has collected a substantial amount of data on housing in the CEMAC region, a lot of data points are still missing, and many others should be regularly updated. A task force could ensure that this data is collected regularly and analyzed. This data could be made publicly available to attract potential investors into the housing sector. Data points could include (among others): construction costs, state land available, cost of land, effective demand by income category, mortgage volumes etc.

2. *Quantify current investments in the housing sector.* Before undertaking new projects, governments should start by taking stock of all current contributions, including both cash subsidies and non-monetary subsidies. These may include:
    - Direct financial investments into the construction of housing
    - Land grants
    - Financial support to state-owned entities including housing banks and developers
    - Taxes to support the national housing funds
    - Tax exemptions for private sector developers
    - Sovereign guarantees of offtake risk for developers
    - Sustained losses on rental housing currently owned by the state

Once these investments have been quantified, their impact and efficiency should be evaluated. Poorly performing programs should be ended or restructured. At the same time, states must determine which segments of society they wish to target with their subsidies. Most countries today subsidize housing for anyone who can afford the home (including the diaspora), representing an inefficient investment as the subsidy doesn't always go to those who could most benefit from it. Setting stricter beneficiary criteria will enable governments to better evaluate the impact of their investments.

3. *Review housing policies and strategies.* Once data has been collected and current government expenditure has been reviewed, the task force will be able to recommend new government policies and strategies to be implemented. Such strategies should take into account the interventions listed in the following sections.

### 3.1.2. Restructure Government Housing Programs and Implement Public-private Partnerships

Up to now, CEMAC countries have funded many housing projects with their own resources, with varying results and limited effectiveness. Other Sub-Saharan African countries that experienced similarly variable and limited success with direct vertically integrated production have in recent years shifted to public-private partnerships (PPPs).

PPPs can be a promising avenue for reinventing affordable housing delivery in CEMAC's member countries, but so far the local attempts at housing PPPs have rarely led to successfully completed affordable housing developments, due in large part to weaknesses in the supply-side value chains and lack of rigor in defining and structuring the PPPs.

A PPP-style approach to residential housing development makes sense when:

- There appears to be ample effective demand and financeable demand.
- The public parties (government entities) have assets the private sector needs (land, trunk infrastructure) and can make them available for specific sites at little or no up-front cash cost.
- The private sector has capital, risk tolerance, construction and real estate know-how, and interests in developing.

- The legal and regulatory framework is reliable and appropriately protects consumers and the public sector.

The first three of these conditions appear to be present in the CEMAC countries; the fourth needs strengthening as referenced below.

#### *3.1.2.1 What is a housing PPP?*

Housing PPP's are unlike infrastructure PPP's because every other form of infrastructure produces products citizens benefit from, but in a facility (the infrastructure) that is owned and operated by someone else. Drivers do not own highways; water customers do not own dams. Electricity users do not own power plants. Housing consumers do own their homes.

Likewise, major infrastructure is a long-term physical asset that produces its value – water, power, transportation – over time, in a series of transactions that people pay for each time they use it, so the infrastructure offtake financing rests with the operator, not with the customer. Homes are sold, to their homeowners, so the offtake financing is provided individually by each customer, and the customers repay those individual loans over decades.

This makes housing PPP a different form of PPP because it is short-term: Design-Finance-Build-Sell. And in this it differs fundamentally from general contracting, because the private partner is taking the market risk.

**Design-build general contractor versus developer**

In the emerging world, the term 'developer' is overused, and often conflated (especially by prospective private-sector partners) with the concept of 'design-build general contractor'.

| *<u>Design-build general contractor</u>* | *<u>Developer</u>* |
|---|---|
| 1. Creates master plan for affordable housing on a particular site<br>2. Proposes building typology<br>3. Proposes apartment configuration<br>4. Proposes principal construction materials<br>5. Value-engineers cost<br>6. Clears vacant site for housing development<br>7. Constructs property to specifications<br>8. Delivers Certificates of Occupancy (CO's) | Everything the design-build general contractor does … |
| | … plus … |
| | 9. Secures site control<br>10. Clears site of adverse possession<br>11. Arranges for trunk infrastructure<br>12. Secures construction financing/ capital (debt, equity, or a combination)<br>13. Borrows construction financing<br>14. Funds cost overruns (typically all of them)<br>15. Achieves offtake by selling homes<br>16. Captures development profit (net of all costs) |

Fundamentally, a design-build general contractor takes only risks that are within its operational cost; a developer takes risks beyond its control and in some cases beyond anyone's control. When it comes to affordable housing in emerging countries, where government is the commissioning and motivating party and may provide land or bulk effective demand (employees), design-build general contractors come to believe they are 'developers' – until the point in time when it becomes manifest that the commissioning governmental body will not take the development risks that the design-build general contractor wants to lay off onto it.

#### *3.1.2.2 The case for housing PPP in CEMAC*

CEMAC's housing markets face numerous supply side constraints, which render the development of affordable housing and housing supply in general difficult and expensive.

Despite multiple constraints, CEMAC's housing markets bear several strengths worth leveraging:

- *Availability of land.* The governments of the CEMAC countries have at their disposal important land reserves, which could be used wisely for social housing projects. State-owned land has many advantages for residential real estate projects because these lands have proper title deeds and little exposure to litigation. States are therefore able to dispose of these lands at subsidized prices which are lower than market prices. Land costs are part of development costs, which directly impact the final sale price of a house.
- *Effective demand.* The demand for housing in the CEMAC region is undeniable as housing shortage reach about 3 million units. The effective demand for housing can be constrained by low households' incomes but as described in the affordability analysis we provided page 46, we believe that a mortgage refinancing facility could help in developing and boosting an effective demand in the region.
- *Political will and commitment.* CEMAC countries have proven over the years their will to solution the housing shortage in the region by undertaking large scale housing project and implementing their national housing strategies. A PPP would enable them to still contribute to the effort of housing production and supply while sharing parts of the risks and costs with the private sector and thus relying less on national public budgets.

#### *3.1.2.3 Principles to adopt in structuring PPPs*

- *Define the public sector contribution in more fixed terms, with the private sector's benefit dependent on performance*. In a suitably structured PPP, both parties gain benefits, the benefits are reasonably proportionate to each other, and neither party could do as well without the other. Typically:
  - The public partner is able to deliver affordable housing to a predetermined set of households which meet their criteria. If the economics are favourable, both in conception and in execution, the public sector should get a return on its investment depending on the level of subsidy provided on the land and infrastructure.
  - The private developer gets a reasonable profit margin on the affordable housing built as well as a higher margin on any market-rate or commercial buildings constructed on the site.

- *Structure the main transaction economics first, then let private parties compete for the developer role*. PPP tender processes should be subject to competitive bidding, followed by a rigorous and transparent selection process.
- *Align incentives throughout*, so that private parties make profits only if they deliver, meet the overall development cost targets, and then sell the homes. Share the profits above the baseline in a pre-agreed formula.
- *Quantify the market value of inputs and trace these through to achieved affordability.* If land is being offered on a concessionary or free basis, or if taxes (e.g. VAT) are waived, the financial ansalysis should demonstrate transparently how these non-cash subsidies are converted into lower prices of the resulting homes.
- *Make sure that private parties are taking market offtake risk*.
- *Have reliable trunk infrastructure delivery with aligned incentives.* Some housing PPPs come apart when the public infrastructure is not delivered, completed, and operational as the private sector has relied on it to be. Mechanisms need to be in place to ensure that infrastructure is delivered on time to the site, with responsibilities and economic consequences shared between public and private parties.
- *Organize each housing PPP as a separate SPV* as described in the inset box.

**Key benefits of the SPV**

- It can be difficult to secure project finance unless the land is owned by the borrower, in this case the Development Group. If the land is owned by the SPV, that entity becomes the borrower and can pledge its property as collateral for the development or construction loan. Collateralized lending is strongly preferred by development/ construction lender as it provides an enforceable first lien with the ability to take over control and complete the property if things go wrong.
- Meanwhile, the Government does not want the land to be owned directly by the Private Development Group, because if the property is uncompleted the Government can face difficulty recovering possession of the land.
- Banks are used to collateralized lending with judicially enforceable counterparties. A legally formed SPV is a more judicially enforceable entity than (say) direct government ownership of the land. Private capital will be less comfortable when the enforcement is directly against the Government.
- Likewise, the formation of an SPV enables the non-developer parties (government or development lenders/ equity investors) to require the private developer to contribute financial assets (e.g. cash, letter or credit) to the SPV, where that collateral can be ring-fenced as security for this development and not entangled in a corporate developer’s aggregate balance sheet or borrowings.

#### *3.1.2.4 Structural and ecosystem weaknesses to address before or alongside housing PPPs*

On the *demand side* of housing, because the CEMAC countries share a (strong, stable) currency and have a strong and common central bank, demand-side initiatives can be applied broadly across all six countries, with the principal variable being the strength and depth of their respective private commercial banking systems.

On the *supply side,* however, there is substantial variation among the countries because not only are urbanization and market conditions different, laws pertaining to housing production, and government agencies and entities involved in delivering or supporting it, are specific to each country.

Although an exposition of the potential reforms of the supply side delivery in the CEMAC and its member countries is beyond the purpose or scope of this report, our research and analysis has identified several areas that we believe should be studied in depth to assess the extent to which the enabling, regulatory, and consumer protection environments should be strengthened for housing PPP, including the following:

- ***Ground leases and sale of leasehold ownership*** atop leased land, including mortgageability of homes subject to ground leases.
- ***Titling and title transfer***, including subdivision of parcels.
- ***Homeowners' Association (HOA) and condominium law***, both with respect to vertical dwellings (common areas within structures, rights to sell condo units); and common-area or facilities maintenance charges (assessment, enforcement, collectability).
- ***Housing co-operatives*** as potential bulk offtakers.
- ***Foreclosure*** and securing vacant adverse possession as well as title for resale.
- ***Vente en l'Etat Futur d'Achevement (VEFA)***, especially with regard to use of an applicant's VEFA proceeds (e.g. via escrow), buyer's ability to recover the deposit payments in the event of developer's non-performance or delayed performance.

As these forms are both national and legal in nature, they will take time to achieve, so they should be undertaken as soon as practical. Ideally, the reforms would proceed fastest in countries where there is a combination of a clear imperative for additional affordable housing, a natural nexus of government bodies in a position to work in a PPP model framework rather than vertically integrated direct government production, and with an empowered champion within the national government.

### 3.1.3. Restructure State-owned Housing Banks and Tax-based Contributions

There are several state-owned housing banks in the CEMAC region. The most active is the *Crédit Foncier du Cameroon*, which is funded by monthly tax-based contributions. Replication of this quasi-provident fund model is currently being contemplated for Chad and Congo, but is not recommended, as the model has been largely ineffective. Failures with Cameroon's model include:

- Contributing households rarely receive mortgages or a payout upon retirement. The CFC only finances a few hundred households per year but receives a contribution from hundreds of thousands of workers.
- Banks have exhibited a preference for lending to higher-income households, rather than contributing households.
- State-owned housing banks 'crowd-out' commercial banks who do not have access to cheap and long-term sources of liquidity, thereby contributing to the broader underdevelopment of the mortgage sector.

To ensure that tax payers' contributions are well utilized, these banks need to be restructured and follow certain rules including:

1. Finance mortgages for all contributing households or repay workers (with interest) upon retirement, thus functioning as a true provident fund
2. Contributions need to be managed separately from the rest of the capital of the bank to ensure proper processes
3. The banks must undergo yearly external audits
4. Contributors should be supplied monthly individual account statements as well as the annual financial statements of the banks.

Some state-owned banks (for example, Cameroon and Congo) are only receiving a portion of the contribution funds to which they are legally entitled. This constrains their ability to function as true provident funds. These banks should instead consider positioning themselves as catalysts to the mortgage industry in general and work with commercial banks to ensure the development of the sector (see individual country reports for more details on each case). In Ghana, for example, the government has recently made funding available to all commercial banks who wish to develop their affordable housing portfolios. Banks must match funds one-to-one to access the concessionary liquidity as well as meet strict loan criteria. This enables the government of Ghana to work through a multitude of banks and leverage their funding while ensuring that social objectives are met.

### 3.1.4. Implement Regulatory Reforms to Reduce Transaction Costs

New reforms should aim to reduce transaction costs that affect the price of housing:

1. *Reduce the costs of registering a mortgage:* High mortgage costs act as a disincentive for households. In some countries, such as in the Congo, the mortgage must be registered each year at the land registry, which is both expensive and inefficient. Government should institute regulatory reforms to reduce red tape and create more efficient processes.
2. S*trengthen the foreclosure process.* Foreclosing on a home can be both time-consuming and costly. Banks are therefore understandably reluctant to enter into mortgage agreements. To reduce the risk associated with and increase mortgage lending, governments should pass legislation that establishes a due process procedure as well as a specific land court.
3. *Establish escrow accounts:* Many developers in the region seek to sell homes off-plan. Not only do pre-sales reduce offtake risk at completion, but developers use the proceeds to fund construction. Unfortunately, there have been cases where developers receive payments but do not deliver units, which has created a great deal of mistrust in the marketplace. Escrow accounts should be introduced to alleviate concerns between the two parties. The funds can be held in bank, and only released at construction completion and title transfer, or in pre-determined tranches as construction progresses.

## 3.2. New Interventions

In addition to reforming existing programs, governments should consider the following new interventions.

### 3.2.1. Enable Banks to Access Sources of Long-term Financing

The majority of banks in the CEMAC region have highlighted the lack of access to long-term funds as one of the main obstacles to increased mortgage lending. Banks mainly use deposits to fund their loan portfolios. However, customer deposits are typically short term (74 percent). In addition, BEAC's prudential oversight, including the 'ratio de transformation', limit the ability of banks and microfinance institutions to deploy short-term capital to fund long-term credit.

A regional mortgage refinance facility could connect banks to the capital markets and enable them to access long-term funds to refinance their mortgage portfolios (see detailed feasibility study in section 3). CEMAC's single currency and new stock exchange could help make this solution feasible. Although the number of mortgages issued at the country level is small, the regional output could be sufficient to merit such an institution. A similar regional facility currently exists in the WAEMU region.

### 3.2.2. Promote Participation of the Private Sector

Currently, the private sector is virtually absent from the housing sector in the CEMAC region as states take on the role of both developer and financier.

To reduce government spending, programs to promote private sector participation and investment should be implemented. Instead of contributing directly to housing production, the state should encourage the private sector to take part in this effort. The role of the state should be limited to the redistribution of resources, in the form of subsidies to lower-income households. Promoting private sector participation can be done through several mechanisms:

- Establish training programs to strengthen the skills and capabilities of local real estate developers.
- Design incentives (for example, tax exemptions or access to land) to encourage private investment in the affordable housing sector.
- Reduce the size of government projects to encourage the participation of local developers. Currently housing programs are so large that only foreign developers have the capital to undertake them. Adopting more modest objectives and/or breaking down projects into smaller phases could encourage the local private sector to participate.

### 3.2.3. Support Informal Households

Most households in the CEMAC region work in the informal sector and cannot access mortgages. To address the housing deficit, it is important to develop targeted solutions for informal households which could include:

- Housing microfinance products to enable informal households to access credit for home repairs, incremental building or even to purchase a new home.
- Savings schemes that enable informal households to build credit history and to demonstrate their payment capacity over time.

### 3.2.4. Promote Gender Inclusion

Women face even more challenges accessing property and credit than men and their inclusion should be prioritized in all housing programs. This can be done by ensuring that all government housing programs (including public-private partnerships) respect the following guidelines:

1. At least one woman needs to be on all property titles
2. Put aside a portion of houses in large government housing programs (approximately 10 percent) exclusively for women-led households
3. Promote mortgages and housing finance products specifically targeting women, especially when government subsidies are being utilized.

### 3.2.5. Promote Green Construction

Few houses in the region are currently built with their environmental footprint in mind even though ecofriendly construction practices can reduce the monthly expenses of the household. An EDGE analysis shows that the upfront investment in solar lighting and efficient home toilets would be between US$1,000 and US$2,000 and could be amortized over a period of 2 years. In the medium and long-term, green construction can reduce monthly utility payments and make housing more affordable. The adoption of green building should thus be encouraged by ensuring the following:

1. Raise awareness among developers and banks on the benefits of green building
2. Teach developers how to use free EDGE software
3. Put in place fiscal incentives for green building
4. Ensure that all developers selected for PPPs follow green building practices

### 3.2.6. Create Land Registry Databases or Land Banks

All governments in the region own substantial amounts of urban and peri-urban land that could be used for housing development. However, this land is often owned by a variety of state entities and there is little coordination between them. Too often land is allocated without due process to foreign developers with poor results. To overcome these issues, governments should consolidate land into registries and establish land banks which would do the following:

- Track all government-owned land in a central database
- Identify land best suited for housing development
- Put in place criteria for allocating this land through public-private partnerships in a transparent and efficient way
- Ensure that land use is respected after land is transferred

**The example of Al Omrane in Morocco**

Al Omrane is a Moroccan state agency that operates as a land bank by servicing and developing state land. It also selects the real estate developers responsible for the construction and sale of affordable housing. Al Omrane runs the country’s « Cities without Slums » program, and has contributed to the construction of more than 450,000 housing units in 10 years.

Al Omrane's activities consist of:

1. Acquisition of State land for housing development
2. Servicing land with trunk infrastructure
3. Transparent selection of developers through calls for tenders directly available on its website
4. Monitoring of private developer
5. Selection of households eligible for subsidized housing

## 3.3 Continue to Invest in Long-term Reforms

Certain obstacles cannot be surmounted immediately, but rather will require sustained efforts by governments to reduce the housing deficit.

### 3.3.1. Improve Access to Land Titles

Though many efforts have been made in recent years, all countries in the region are constrained by low levels of land tenure security and land registries that only cover a small portion of each country. Real estate development will always be expensive and difficult under these conditions as developers have to pay high premiums for land with secure title. To reduce the cost of housing and increase investments into the sector, governments must continue to invest in land reforms by doing the following:

- Digitize land title registries
- Put in place ‘one-stop shops’ where land titles can be obtained without excessive red tape
- Reduce the cost of registering a land title
- Reduce litigation time over land disputes by instituting specialized courts.

### 3.3.2. High Levels of Poverty and Income Informality

High levels of poverty and income informality make access to housing in the region difficult even with subsidies. Recommendations provided will support the development of a sustainable housing market but won’t necessarily be able to provide housing to low-income households. Governments must continue to support their populations and ensure rising salaries, without which housing for all will remain difficult.

## 3.4. Country-specific Recommendations

Although CEMAC countries share many common characteristics, each country has its own specific constraints, for which tailored solutions adapted to the local context will have to be imagined.

### 3.4.1. Cameroon

There are many banks in Cameroon, but Crédit Foncier du Cameroon (CFC), Cameroon's state housing bank, plays a predominant role in the mortgage sector. The CFC receives a parafiscal tax, levied on salaries, and therefore has free and long-term resources. This gives it an advantage over local commercial banks because this mechanism allows it to grant long-term loans (30 years) at subsidized rates (about 7 percent). Faced with these enhanced loan conditions, other banks cannot compete with the CFC and have finally stopped offering housing finance products, such as mortgages. In theory, this situation should not be problematic, but given the difficulties facing CFC and the very limited volume of credits it grants, households' options for financing housing are limited. In addition, the CFC currently only supports the financing needs of the better-off or the diaspora. Faced with this situation, the mortgage sector cannot develop.

Several solutions exist to remedy this situation. Crucially, some reforms may be envisaged to encourage commercial banks to participate in the mortgage credit market which could potentially spur the development of the sector and make it more accessible to the greatest number:

- Allow the CFC to function as a 'provident fund' which only grants credit to taxpayers
- Reorient CFC to commercial banking and redirect employee contributions to a specialized fund
- Reform the CFC to support the banking sector. Public banks often have high claims rates.

Reforming the CFC, to reduce expenditure and maximize impact, requires close collaboration between several public and private bodies: the CFC, the Ministry of Housing, the Ministry of Finance, the BEAC and commercial banks. Although many housing banks in Sub-Saharan Africa have recently closed and/or been privatized (notably the Gabon Housing Bank), the CFC still has a role to play in the sector. For this, it is imperative to undertake reforms to make it a more effective and operationally sustainable institution and to enhance its social impact.

**Challenges relating to CFC's role in the Cameroonian housing finance market**

Events since CFC's founding have revealed the fragility of its business and funding model. Today, even though CFC has a monopoly on parafiscal transfers for housing and is receiving deposits from 681,129 formally employed Cameroonians, it issues only 336 new mortgage loans a year (in 2018). Thus, it would take more than 2 025 years for a contributor to receive a loan from CFC. This is far below the level needed to manage even a small fraction of the financeable demand.

Moreover, CFC's history and current practice has had the undesirable and presumably unintended effect of crowding out the private sector in multiple ways:

- *Distorting the market.* CFC's lending reaches only the wealthier citizens, or the diaspora. Neither group has a fundamental housing affordability need and the lending CFC does adds little or nothing to the housing affordability ecosystem.
- *Deflecting and inhibiting the consumer market.* CFC's flagship product, 7% fixed rate over 30 years, is far superior to conventional private-market financing, which would be 10 to 15% with a maximum 10-year tenor. Even though only a tiny fraction of Cameroonian depositors ever

receive a CFC loan, the belief that they are entitled to one discourages them from considering market alternatives.

- *Preventing private market innovation*. Although private commercial banks could offer their own housing finance products, these will never be competitive with the currently announced CFC product.
- *Failing to enable, complement, or leverage private sector financing*. Because CFC is entirely vertically integrated, it operates in total isolation from the rest of the commercial banking sector and nothing is done to grow the sector.

**Potential changes to CFC's ecosystem role and business model**

If CFC were fully committed to reinventing itself (see next subsection), it would start from the premise that whereas integrated direct state-owned development and finance may have been an idea some decades ago, in the modern era government-mandated entities exist to complement, enable, and lever the private sector[9]. This is especially true in CEMAC, as with the strong CFA Franc and the forward-looking BEAC the region has reliable macroeconomic policy and a steady sovereign yield curve with long tenor instruments.

Shifting from competition or crowding out to complementing the private sector could be accomplished in several ways:

1. *Separate lending from savings, and operate purely as a provident fund that builds taxpayers' equity.* First, the CFC should be allowed to obtain all employee contributions due to it. The CFC could choose to grant a housing loan to each employee who contributed to the fund or to reimburse employees upon retirement if they never have access to a loan (plus interest). This would make it possible to set up a more legitimate system in which each employee can thus obtain a housing loan or benefit from a secure investment.

2. *Shift to wholesale interbank lending to support the rise of private residential lending.* The CFC could support the development of the mortgage market by managing employee contributions and redistributing these funds to commercial banks that are committed to providing affordable mortgage credit to low-income households. For instance, the CFC could be a liquidity provider lending its funds to commercial banks that offer residential loans and expanding that lending from time to time as the commercial banks' portfolios grow[10]. This would significantly reduce CFC's costs: fewer or no branches, fewer employees, and far less administrative cost. With this new role, the CFC maintains its position as a key player in the housing sector, while contributing to the development of the mortgage lending sector with commercial banks and using the fund's resources in a strategic and targeted manner.

[9] As a cautionary tale for CFC, many government-mandated housing banks in sub-Saharan Africa have recently gone bankrupt and/or been privatized (including the Banque de l'Habitat du Gabon).
[10] In effect, CFC would act for Cameroonian banks the way CRRH in UEMA acts for its member-countries' commercial banks.

3. *Channel savings into a subsidy for those households that cannot afford market financing*. CFC's aggregate deposits represent a potential source of subsidy that could be annuitized into a step-down rate available to lower-income households. In other words, for certain target households at the frontier of financeability, the bank would make its normal market-rate mortgage loan, and CFC would provide an annual interest subsidy so that the borrower's net payment would be lower.

**The need for an aligned vision of change, and commitment to making change rapidly**

Today, CFC is a retail institution that exists apart from the private financing system, making a tiny number of loans annually to upper-income or diaspora Cameroonians. No one piece of that can be changed in isolation:

- Retail → Wholesale
- Apart from banks → Complementary partners with banks.
- Few loans funded on balance sheet → More households helped with less cost per household.
- Serving the market's apex → Going down-pyramid beyond where private markets can reach

For this to happen, CFC's governance and leadership have to be aligned top to bottom. BEAC, Ministry of Finance, Ministry of Housing, CFC board, and CFC C-suite leadership all must embrace that vision and commit to making it happen rapidly and decisively.

### 3.4.2. Central African Republic

The Central African Republic is the country of the CEMAC region in which the housing sector is the least developed. Despite several attempts by the government to intervene in the housing sector, public and private sector programs are virtually non-existent. Like other countries in the region, the Central African Republic should promote the participation of the private sector in the housing sector. The embryonic state of the housing sector is both a challenge for the country and an opportunity to better plan the national housing policy. Two solutions are possible at this stage:

- Rethinking the project to create a Housing Bank
- Build the capacity of the ACPH

### 3.4.3. Congo Republic

Congo can implement three important reforms to strengthen its housing sector:

- Review the bill for the development of a National Habitat Fund
- End the obligation to re-register a mortgage every year with the land registry
- Allocate the houses built at the Mpila site

To make the best use of State resources, the sale price of apartments built by the State and the target population must be precisely defined. Income caps must be put in place to ensure that houses built by the State are not sold to well-off households and that subsidies are diverted from their targets.

### 3.4.4. Gabon

The Gabonese State has invested in the construction of 3,800 apartments, which remain unfinished and abandoned. Following the oil crisis, the State no longer has the financial capacity to complete the construction works. The State is in a complex situation, but it must complete the unfinished buildings as soon as possible to limit its losses associated with the resources already invested. In addition, many construction companies that were involved in the construction projects are still awaiting payments. To solve this problem, the building projects must first declare bankruptcy and then the houses must be completed and sold.

### 3.4.5. Equatorial Guinea

In Equatorial Guinea, housing finance and production are mainly provided by the State. Indeed, the State has invested a huge amount of resources for the construction of more than 9,000 homes over the last 10 years. Nevertheless, the oil crisis has halted public investment in the public housing sector (*viviendas sociales*). This calls for a rethink to restructure these government lease-to-own programs to amortize public investments faster and to sustain the housing programs. To do this, several mechanisms can be deployed simultaneously:

- Amend lease-to-own agreements to make home mortgages
- Pursue major housing projects by capitalizing on private sector investments
- Increase the production of affordable housing

### 3.4.6. Chad

We have identified several unique issues in Chad that require specific interventions:

- Develop the activities of the Chad Housing Bank by providing sustainable access to long-term resources
- Annul the bill to use a percentage of the personal income tax (IRPP) to fund housing (Habitat Promotion Fund).

# 4. Mortgage Refinance Facility Feasibility Study

A mortgage refinancing facility is a possible solution to the banking sector's lack of access to long-term financing. The facility would connect banks to capital markets and enable them to develop their mortgage portfolios. Around the world, nations have found that when availability of long-term fixed-rate residential finance becomes available to consumers, housing production expands.  However, the creation of such a facility would require a substantial upfront investment and its success is not necessarily guaranteed. This section analyzes the feasibility of developing such a facility at the regional level, identifies potential risks, assesses potential impact, and determines a way forward.

## 4.1. Role of a Regional Mortgage Refinance Facility

The role of a mortgage refinancing facility is to provide the banking system with long-term capital. A facility refinances banks (usually shareholders of the facility) by issuing bonds on the capital markets, collateralized by banks' mortgage assets. This type of facility currently exists in France, Nigeria, Malaysia, Kenya, and so on.

A regional mortgage refinancing facility would refinance the banking systems of several countries simultaneously. This would be possible in CEMAC because the region shares a common currency. Such a facility is already in operation in the WAEMU zone, which follows the same business law as CEMAC (OHADA or *Organisation pour l'harmonisation en Afrique du droit des affaires*).

CRRH-UEMOA, WAEMU's mortgage refinancing facility, is based in Togo (under the West African Development Bank or BOAD) but refinances mortgages in all eight countries of the region. Its shareholders are the BOAD, the Central Bank, Shelter Afrique, IFC, and 54 banks in the region. Up until today, CRRH has mobilized 162 billion CFAF through 8 bond issuances to refinance mortgages originated by 35 banks across the region.

## 4.2. Prerequisites to Establish a Mortgage Refinance Facility

For a mortgage refinance facility to be successful and impactful, it must meet the following preconditions:

- Stable macroeconomic conditions, including low inflation;
- Legal prerequisites and banking uniformity across the region;
- Sufficient mortgage volumes;
- Developed capital markets;
- Interest from primary mortgage providers;
- Interest from institutional investors;
- Supply-side capacity to respond to an increase in housing demand.

Our analysis shows that many of these preconditions are already in place and others could be achieved over time through targeted interventions. However, it should be noted that not all of these preconditions must be met. For example, the presence of a 'champion' or a leading institution can make up for weaknesses in some of the required areas.

**Table 26. Evaluation of the feasibility for implementing a regional mortgage refinancing facility in CEMAC**

| Condition | Evaluation | Notes |
|---|---|---|
| Stable macroeconomic conditions | Yes | The CFAF is pegged to the Euro |
| Appropriate banking supervision | Yes | All banks are supervised by COBAC. |
| Sufficient mortgage volumes | Yes but[11]… | Would require the participation of CFC, the region's largest mortgage lender. However, CFC currently receives concessionary finance and may be reluctant to pay market rates for long-term financing. |
| Interest from primary mortgage lenders | Maybe | Some banks have expressed strong interest while others are still reluctant to engage in the housing sector. |
| Developed capital markets | Yes | Due to the recent merging of the two stock exchanges |
| Appetite from institutional investors | Maybe | A few investors would be interested though others are constrained due to the oil crisis. |
| Supply side capacity | Maybe | Would require restructuring government housing programs. |

*Source:* Affordable Housing Institute, 2019.

The sufficient mortgage volumes prerequisite listed in the table above merits a deeper dive, as a shortage of existing mortgage portfolios is one of the most frequently cited impediments to the development and success of a mortgage refinance facility. Today, the biggest risk facing a private property developer in CEMAC is that there will not be enough financeable demand for that developer to execute a speedy, well timed, bulk offtake. Households with effective demand (ability to make periodic payments) do not necessarily represent financeable demand because the primary mortgage originators lack the expandable liquidity to grow their balance sheets by underwriting new mortgage loans.

**How a mortgage refinancing facility impacts supply**

Mortgage refinancing can build up the supply side of the housing value chain by increasing confidence throughout the production cycle. Not only is housing a manufactured physical product, housing affordability is the output of a manufactured financial product – a mortgage. The physical product is produced by a developer, the financial product by a bank, and the two must come together in one household buying one home at one moment in time.

That is why the value-chain graphic (see Figure 2 Housing Value Chain) is displayed in the shape of an abstract key – property and family must come together at the same time that end-user financing arrives, and only then does production unlock.

In terms of supply, this can also be displayed in a time sequence, running from left to right:

- Land development: From bare unserviced land to a site ready to build.
- Property development: Design, finance, construct, and sell.
- Offtake financing: Find and recruit buyers, use off-plan sales, have bulk offtake.

*Three pillars to achieve housing production volume*

[11] The CFC provides over 50 percent of mortgages in the CEMAC region and currently receives government funding. Without the participation of the CFC, a mortgage refinancing facility would struggle to get access to a sufficient volume of mortgages.

| *Land development* | *Property development* | *Offtake financing* |
| --- | --- | --- |
| Government (several entities) | Private building sector | Private financial sector |
| Availability of land | Construction and project management expertise | Off-plan sales |
| Title and zoning | Risk capital for 'site control' | Reliable rapid offtake |
| Reliable trunk infrastructure | Access to construction lending | Buyers' ability to secure long-term fixed-rate loans |
| Affordable land acquisition cost | | |
| **Attracting national-class development expertise →** | **→ Reliability of construction loan takeout →** | **→ Mortgage originators' flexible tenor-matched liquidity** |

Critically, the key player in each earlier stage (government, property developer, construction lender) will act – and take the risks – only if it has high confidence that the later stages (which are in the future and which it does not control) will in fact be achievable in a timely, reliable fashion.

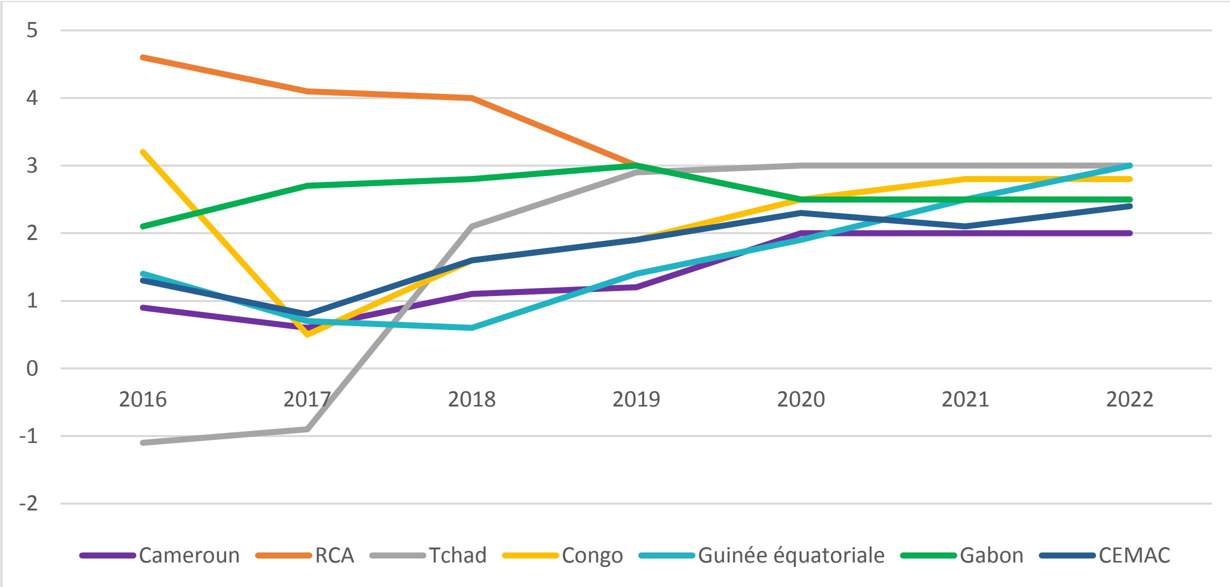
When the availability of long-term fixed-rate residential finance becomes available to consumers, housing production expands. This happens because private sector developers, who are always anticipating where the future demand will be, can readily forecast changing demographic and economic projections and can equally readily analyze how much more home people will be able to afford if they can tap better financing.

Freeing mortgage originators from dependency on deposits and giving them a specialized long-term fixed-rate asset-specific liquidity window will remove the hidden risk-assessment surcharges imposed on residential lending, and thus the depressant effect on the profitability of residential development. That will make organic catalytic change in banks, mortgage originators, developers (shifting into housing as a new asset class), and aspirational general contractors (seeing the opportunity to move into development in a sector that is under-competed by other developers).

### 4.2.1. Stable Macroeconomic Conditions

The macroeconomic conditions of the CEMAC region seem to be conducive to the implementation of a refinancing facility. Despite the acute economic crisis that has plagued the region since 2014, the monetary situation in the CEMAC zone is stable, thanks to the single currency, the CFA Franc, a currency indexed to the euro. In addition, inflation levels in the various countries of the region remain low.

**Figure 25. Inflation rates in the CEMAC countries**




*Source: Projections du Fonds Monétaire International, 2019.*

### 4.2.2. Appropriate Banking Supervision

Banks in the CEMAC region are all under the supervision of the Banking Commission of Central Africa (COBAC). Until 1992, when COBAC was set up, supervision of banking systems in the region was under the joint supervision of BEAC and the National Banking Supervision Commissions. The BEAC would prepare a report of its findings about the situation of the banking system and the National Commissions would take the necessary measures and inflict sanctions. National Commissions encountered difficulties in playing their role effectively. Indeed, the State had a regulatory role but was also the majority shareholder of many banks.

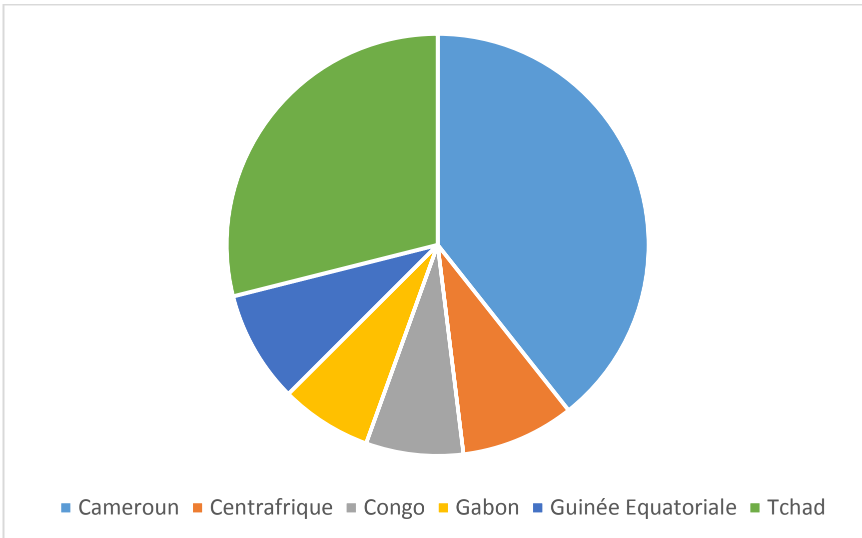
Currently, banking supervision is carried out at the regional level by COBAC and all banking and financial institutions within the CEMAC zone are subject to the same rules and sanctions. COBAC has several prerogatives including the power to regulate, control, administer, and sanction all banks in the region. The gains of regional supervision and the uniformity in the rules and standards to which banking institutions likely to benefit from the refinancing mechanism are expected to comply, are real assets for a regional mortgage refinancing facility (MRF).

In addition, CEMAC is a member of OHADA, an organization that harmonizes and regulates 17 member countries in business law. This is an asset for the mortgage sector, which is unified under the Uniform Securities Act (Secs. 190 et seq.), which is the basic text for the regulation of mortgages. Under this section, the process of realization of a mortgage is clearly regulated. The OHADA space therefore makes it possible to ensure that guarantees are done in a standardized manner.

### 4.2.3. Sufficient Volume of Mortgages

Although limited, total outstanding mortgage loans in the CEMAC region is about 172 billion CFAF. Most of these loans are originated by a single bank, *Crédit Foncier du Cameroon* (CFC). The participation of CFC and the refinancing of its mortgages are essential to the success of the future MRF.

**Figure 26. Distribution of mortgage loans by country in CEMAC**




*Source:* COBAC, 2019.

### 4.2.4. Clear Interest of the Banks for a Mortgage Refinancing Mechanism

For a refinancing facility to be effective, banks must express a real interest and a need for such a mechanism. They must also demonstrate an interest in the development of their housing loan portfolios. These two aspects will have to be the subject of two separate analyzes:

- Some banks in the CEMAC region have signaled their willingness to invest more in the housing sector. Many banks have also stressed the need to invest in the production and construction of affordable housing, otherwise banks will not have the opportunity to provide new mortgages and expand their portfolios. Programs must be implemented in parallel, to allow a better elasticity of the housing supply.
- Banks will use the refinancing facility based on the cost of financing already available in the market. Public financial institutions, such as Crédit Foncier du Cameroon, which already have privileged access to improved resources will have little incentive to turn to the refinancing facility if its cost of funds is higher. The establishment of the Regional Mortgage Refinancing facility should therefore be done in parallel with a restructuring of State banks.

### 4.2.5. Institutional Investor Interest in Long-term Obligations

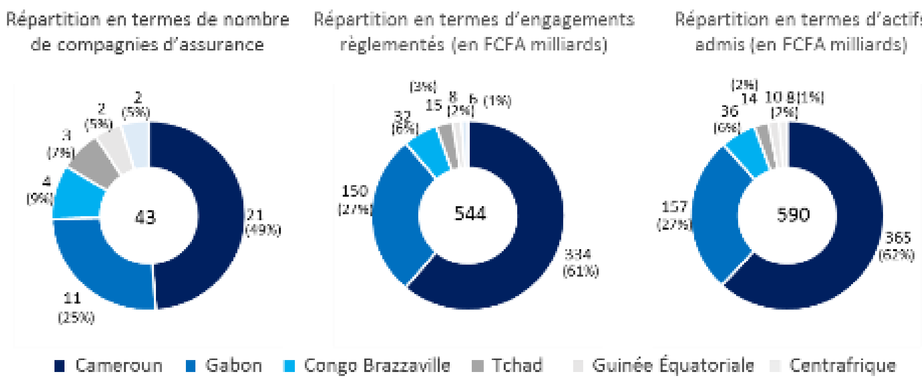
Because a CRRH-CEMAC would draw its resources from the regional capital markets through the issuance of long-term bonds, it is important to ensure that there are already interested institutional investors as analyzed in the following sections.

### *4.2.5.1. Financial Capacity of Insurance Companies in CEMAC Zone*

The CEMAC zone has 43 insurance companies totaling CFAF 544 billion of regulated commitments and CFAF 590 billion of financial investments in 2017. Regulated commitments represent the provisions made by insurance companies to cover all rights of insured persons, creditors, partners, (intermediaries or other insurance and reinsurance companies) and staff.

Insurance activities are highly concentrated in 3 countries (Cameroon, Gabon and Congo) representing 83 percent of insurance companies in number, 94 percent of regulated liabilities and 95 percent of financial investments of insurance companies.

**Figure 27. Breakdown of the number of insurance companies in the zone, regulated commitments and eligible assets of insurance companies in CEMAC zone by country**




*Source:* FANAF Report, 2019.

The assessment of the financial capacity of insurance companies cannot be done without considering the regulatory constraints to which they are subject in terms of allocation of their investments by asset class, territoriality, and dispersion rules. Table 26 summarizes the allocation constraints in terms of minimum and maximum thresholds to be met by insurance companies for each asset class. It should be emphasized that the surplus funds, once provisions for regulated liabilities are constituted, can be freely invested by the insurance companies without any constraint.

**Table 27. Allocation constraints in terms of minimum and maximum thresholds to be met by insurance companies for each asset class**

| ***Asset class*** | ***Minimum threshold* (%)** | ***maximum* threshold (%)** |
|---|---|---|
| Bonds issued or guaranteed by a member state of CIMA | 15 | 50 |
| Other bonds and shares | — | 40 |
| Buildings | — | 40 |
| Loans obtained or guaranteed by a member state of CIMA | — | 20 |
| Other secured loans (including mortgages) | — | 10 |
| Current accounts or cash on hand | 10 | 40 |

*Source:* CIMA, 2019.

***In terms of territoriality:***

- The assets must be placed in the same territory as the risks subscribed, however, it is possible to invest in other CIMA countries to a maximum of 50 percent of the assets representing the regulated commitments;
- Assets placed or located outside the CIMA zone are not eligible to be considered as appropriate for regulated commitments.

***In terms of investment dispersion constraints***, the representative assets of the company reported in the balance sheet total cannot exceed:

- 5 percent for securities of the same issuer other than a Member State (10 percent if the value of the securities of all issuers whose issuances are admitted above the 5 percent does not exceed 40 percent of assets);
- 15 percent for the same building or the same property or real estate company;
- 2 percent for unlisted securities issued by the same commercial enterprise (other than insurance or reinsurance) of the zone.

In any case, an insurance company may not assign more than 50 percent of shares issued by the same company to represent regulated commitments.

Given these regulatory requirements, the theoretical maximum potential of funds mobilized from insurance companies in the zone could reach 46 billion CFA francs in 2017. It is important to note that this potential is purely theoretical because (i) it does not consider the current investments of the insurance companies; and (ii) it assumes that all surplus assets admitted under regulated liabilities will be invested in bonds. This is a strong hypothesis, which must be taken with caution and refined with complementary data.

**Table 28. Estimate of the maximum potential of funds available from insurance companies of the CEMAC (CFAF billion)**

| ***Pays*** | ***Regulated commitments*** | ***Excess assets admitted for regulated commitments*** |
|---|---|---|
| Cameroon | 334 | 31 |
| Gabon | 150 | 7 |
| Congo Brazzaville | 32 | 4 |
| CAR | 6 | 3 |
| Chad | 15 | 0 |
| Equatorial Guinea | 8 | 2 |
| **Total** | **544** | **46** |
| Maximum threshold admitted for bonds (%) | 40 | 100 |
| Potential fonds admitted for bonds | 218 | 46 |
| Dispersion constraints (maximum percentage invested in a single security) | 5% | — |
| **Potential fonds available for the MRF** | **11** | **46** |

*Source:* rapport FANAF, 2019.

### *4.2.5.2. Financial Capacity of Social Security Funds in the CEMAC Zone*

The National Social Security Fund (CNPS) of Cameroon is the only fund with significant reserves among the eight (08) social security funds in the CEMAC zone. Indeed, at the end of 2018, the total amount of its reserves (working capital reserves, safety reserves and technical reserves), which grew by an average of + 10.4 percent over 2014–2018, totaled 605 billion CFAF of which 354 billion CFAF are technical reserves. In addition, the National Health Insurance and Social Security Fund (CNAMGS) of Gabon also stated during the interviews to have excess reserves to invest.

**Table 29. Evolution of the reserves of CNPS-Cameroon**

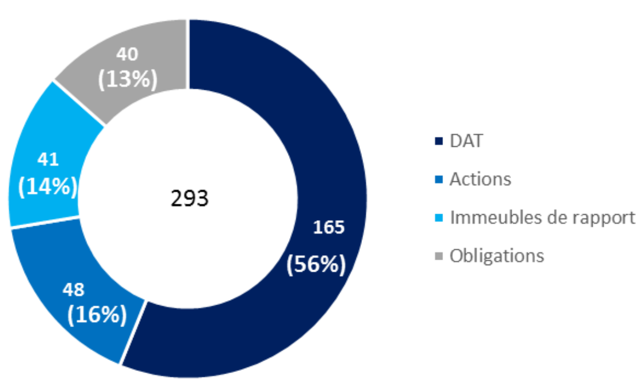
| Type of reserves | 2014 | 2015 | 2016 | 2017 | 2018 | Average annual variation 2014–2018 (%) |
|---|---|---|---|---|---|---|
| **Working capital** | 40 | 48 | 51 | 54 | 56 | **+9.0** |
| **% of reserves** | 9.8 | 10.5 | 10.3 | 9.8 | 9.3 | **—** |
| **Security reserves** | 161 | 165 | 172 | 183 | 194 | **+4.8** |
| **% of reserves** | 39.6 | 36.5 | 34.8 | 33.4 | 32.1 | **—** |
| **Technical reserves** | 206 | 239 | 272 | 312 | 354 | **+14.5** |
| **% of reserves** | 50.6 | 53.0 | 54.9 | 56.9 | 58.6 | **—** |
| **Total reserves** | 407 | 451 | 495 | 549 | 605 | **+10.4** |

*Source:* CNPS statistics yearbook, 2018.

Social welfare organizations (SWOs) do not really have regulatory constraints on assets in which they can invest. The only constraint is linked to the respect of the maximum threshold of 30 percent investment in assets considered risky.

Moreover, SWOs in the CEMAC zone invest mainly in term deposits (DAT) and government bonds, and only marginally in UCITS, real estate and current accounts. The investment structure at the end of 2018 of the CNPS Cameroon illustrates the predominance of term deposits (DAT) in the investments of the SWOs.

**Figure 28. Structure of CNPS investments at the end of 2018 (CFAF billion)**



*Source:* CNPS Statistics yearbook, 2018.

Four main criteria are considered by SWOs as part of their investment strategy:

- **Security**: there is a high probability to recover the assets high value and sufficient collateral;
- **Liquidity**: the asset can be sold in a relatively short time without a high discount;
- **Return:** the asset provides optimal return with respect to the associated risk;
- **Purpose:** SWOs have an important role to play as an actor in economic and social development and investments are also part of this perspective.

SWOs generally have 3 categories of reserves but technical reserves are the only ones that can potentially be mobilized for the future mortgage refinancing facility because they are intended to be invested in assets with a long maturity.

#### *4.2.5.3. Investment Potential*

***Insurance Companies in the Region Expressed Interest to Invest in MRF Bonds***

The insurance companies surveyed expressed general interest in the securities of the future refinancing facility with a view to diversification, provided that the financial conditions (rate, maturity) are better than those of sovereign bonds. Another decisive condition is tax exemption of the bonds of the refinancing facility similar to the tax exemption of government bonds.

In Congo, the Insurance and Reinsurance Company of Congo (ARC) places an amount of 4 billion CFAF in DAT and real estate. For her, subscribing to the bonds of the refinancing facility would fit perfectly in their strategy of asset diversification.

**Table 30. Recap of the survey of insurance companies**

<table>
<tr><th>Insurance company contacted</th><th>Country</th><th>Interest</th><th>Amount to invest</th><th>Conditions</th></tr>
<tr><td>AXA Assurances Cameroon</td><td>Cameroon</td><td>✓</td><td>-</td><td rowspan="2"><ul><li>Conditions of profitability and risk better than those of sovereign securities</li><li>Tax exemption for bonds in the same way as sovereign securities</li></ul></td></tr>
<tr><td>Assurances et Réassurances du Congo (ARC)</td><td>Congo</td><td>✓</td><td>-</td></tr>
<tr><td>Assurances Générales du Congo (ARC)</td><td>Congo</td><td>✓</td><td>-</td><td><ul><li>Economic recovery, improvement of its treasury</li></ul></td></tr>
<tr><td>Allianz</td><td>Cameroon</td><td>-*</td><td>-</td><td>-</td></tr>
<tr><td>OGAR</td><td>Gabon</td><td>-*</td><td>-</td><td>-</td></tr>
<tr><td>Activa</td><td>Cameroon</td><td>-*</td><td>-</td><td>-</td></tr>
<tr><td>SUNU assurances</td><td>Cameroon</td><td>-*</td><td>-</td><td>-</td></tr>
<tr><td>NSIA Assurances</td><td></td><td>-*</td><td>-</td><td>-</td></tr>
</table>

*Source:* Interviews FINACTU and AHI, 2019.
*Note:* * These companies did not express any specific interest

Strong interest expressed by social welfare organizations (SWOs) surveyed with an investment potential of 20 billion CFAF. The CNPS in Cameroon and the CNAMGS in Gabon are interested and able to invest in the bonds of the refinancing facility. These two SWOs are ready to consider an investment of up to 10 billion CFA each. Regarding the other SWOs in the zone, they are currently running on deficits. Therefore, despite their interest in the refinancing facility, they would not be able to invest their reserves in this type of instrument.

**Table 31.** ***Resources mobilized in 2017 by institutional investors in the CEMAC that could potentially be invested in the bonds of the refinancing fund (CFAF billions)***

| Social Welfare Organization | Interest | Possible amount (CFAF billion) | Comments |
|---|---|---|---|
| CNPS Cameroon | ✓ | 10 | Interested if rates above sovereign rates, maturities greater than 5 years, tax exemption |
| CNAMGS Gabon | ✓ | 10 | Currently CFAF 30 billion in term deposits. Suggests granting credit to maturities greater than 20 years (low wages, high costs), tax exemption of bond issued by the MRF, housing the MRF in BEAC and enacting laws obliging institutions to invest in the MRF |
| CNSS Gabon | ✗ | — | Running on deficits |
| CPPF Gabon | ✗ | — | Not yet sufficiently developed |
| CNSS Congo | ✓ | — | Interested but facing a declining income/contributor curve limiting its capacity for long-term investments |

*Source:* FINACTU, 2019.

The coupon rate of sovereign bonds in the CEMAC zone vary between 5.5 percent and 6.5 percent depending on the country. The bonds of the future MRF could be attractive to the main institutional investors in the zone if the financial conditions they offer are better than those of the government of Cameroon, that is, a rate of 5.5 percent for a maturity of 5 years.

### 4.2.6. A sufficiently Developed Bond Market

To ensure the success of a CRRH-CEMAC, the region must have a sufficiently developed bond market. Although the capital market of the region was for a long time fractured, the merger of the two stock exchanges of the CEMAC region (BVMAC in Gabon and DSX in Cameroon) is now complete. The merger of the regulators is also completed and only one regulator, COSUMAF, now supervises the regional stock exchange. This merger is an opportunity for the region to develop its capital markets, which remain limited today. Bond issuances in the financial market are rare and often oversubscribed. Since 2010, 22 bond issuances have taken place, including 6 from the private sector. The average maturity of the bonds is 5 years at a rate of 6.5 percent. The amounts vary between 1 and 200 billion CFAF.

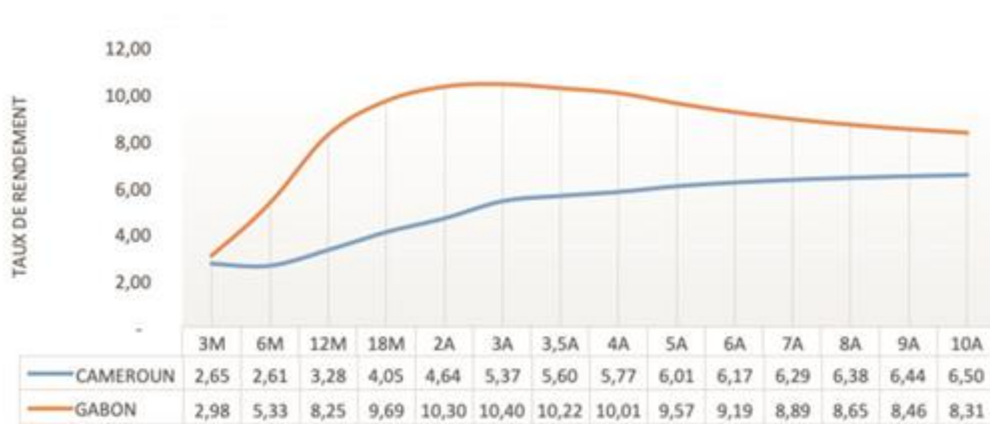
**Table 32. Bond issuances in the capital markets of the CEMAC zone**

| Designation | Amounts (*en milliards CFAF*) | *Taux* (%) | *Maturité* (years) |
|---|---|---|---|
| *Bonds issued in the regional market* | | | |
| *État Gabon 2017* | 131.4 | 6.50 | 5 |
| *État Congo 2016* | 192.3 | 5.50 | 5 |
| *État Gabon 2016* | 134.9 | 6.50 | 5 |
| *État Gabon 2015* | 63.5 | 6.00 | 5 |
| *État Chad 2013* | 6.4 | 6.00 | 5 |
| BGFI 2014 | 69.0 | 5.00 | 7 |
| Alios Finance 2014 | 3.6 | 6.25 | 7 |
| FAGACE 2014 | 1.8 | 5.25 | 5 |
| BDEAC 2010 | 1.8 | 6.50 | 7 |
| *Bonds issued in Cameroon* | | | |
| Oragroup 2018 | 9.5 | 6.50 | 5 |
| FINANCIA 2018 | 5 | 6.50 | 9 |
| Afriland 2016 | 15 | 6.00 | 7 |
| Alios Finance 2018 | 8 | 5.75 | 5 |
| IFC 2009 | 7,5 | 4.25 | 5 |
| *État Cameroon 2018* | 150 | 5.50 | 5 |
| *État Cameroon 2016* | 165.0 | 5.50 | 5 |
| *État Cameroon 2014* | 150.0 | 5.50 | 5 |
| *État Cameroon 2013* | 80.0 | 5.90 | 5 |
| *État Cameroon 2010* | 200.0 | 5.50 | 5 |
| FAGACE 2014 | 3.50 | 5.25 | 5 |
| *État Chad 2013* | 58.3 | 6.00 | 5 |
| BDEAC 2010 | 11.8 | 5.50 | 7 |

*Sources:* COSUMAF, CMF.

Only yield curves for Cameroon and Gabon are available. These curves contain theoretical maturities above 5 years with a maximum 10-maturity interest rate of 8 percent in Gabon.

**Figure 29.** ***Bond yield curve in Gabon and Cameroon***




*Source:* BEAC, 2018.

The merger of the two exchanges should create multiplier effects in the market and make it easier for the private sector to raise funds. Bonds issued by the future refinancing facility could also be attractive despite conditions (rate, maturity) below sovereign bonds, if the risk perceived by investors of the MRF is lower based on a strong shareholding and improved capital market liquidity.

The example of the CRRH-UEMOA is quite telling. With a total of more than 162 billion CFAF mobilized in 8 bond issuances since 2012, the CRRH has become the third regular issuer in the WAEMU regional financial market, after the Ivorian and Senegalese states. CRRH currently raises funds at better market conditions than the States. Indeed:

- In 2018, it raised 25 billion CFA francs at an interest rate of 5.95 percent for a 12-year maturity, whereas the Ivorian government issued a bond with the same maturity at 6.25 percent in 2017;
- It also raised in 2011, 5 billion CFA francs at a rate of 6.05 percent, for a maturity of 15 years while the public treasuries of Burkina Faso, Mali and Niger issued 7-year bonds at a rate of 6.50 percent in 2018 and Niger issued for same conditions in 2019.

The main underwriters of the CRRH are banks and insurance companies. For the 7th bond issuance in 2017, banks and insurance companies subscribed more than 90 percent of the 25 billion CFA francs issued. The International Finance Corporation (shareholder of the CRRH) was also one of the largest underwriters of this seventh bond issuance.

### 4.2.7. Strong Potential in the Construction Sector and Public-private Partnerships

If demand is stimulated by improved access to mortgage loans for households, it must be associated with enough housing production. These two conditions are not presently met in the region; the construction of affordable housing in CEMAC is still very limited and faces many obstacles despite the efforts of governments.

Therefore, for the regional mortgage refinancing facility to have a real impact, it would be necessary to concurrently put in place programs that would stimulate the construction of houses (increase in production but also at lower prices), such as public-private partnerships.

**Table 33. Objectives of government programs to build social housing in the CEMAC**

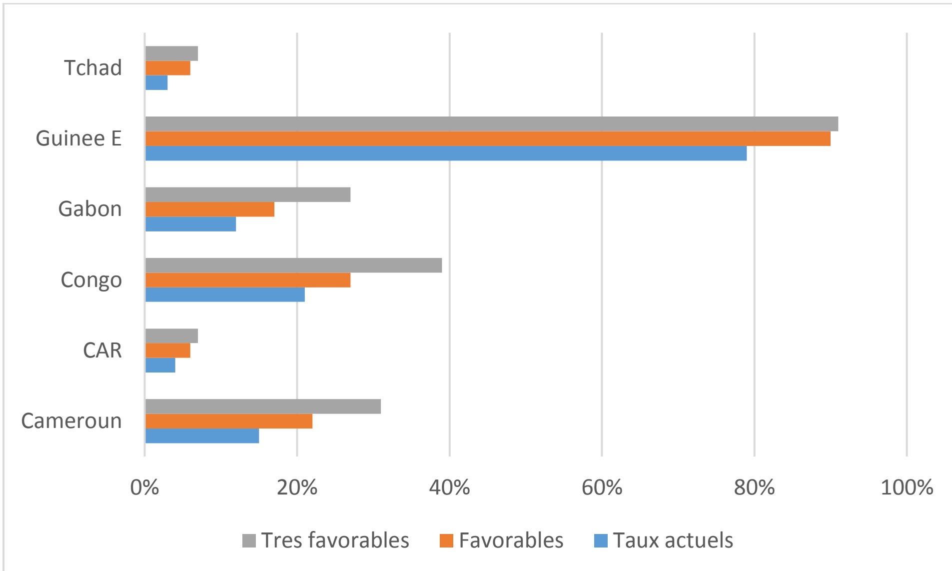
| Country | Objectives of government programs to build social housing |
|---|---|
| Cameroon | 10,000 |
| Gabon | 5,000 |
| Congo | 10,000 |
| Chad | 10,000 |
| CAR | 7,000 |
| Equatorial Guinea | 20,000 |

*Source:* Affordable Housing Institute, 2019.

## 4.3. Impact of a Regional Mortgage Refinancing Facility

To evaluate the impact of a mortgage refinancing facility on access to housing in all countries in CEMAC, we have chosen to work with CGIDD data on incomes of urban households. Because a mortgage refinancing facility would increase the tenor of mortgages over time, we have compared three scenarios (current, medium term, and long term). Figure 30 shows that, for most countries in the CEMAC region, access to housing will double in the long-term if a mortgage refinancing facility is implemented and assuming that the cost of the cheapest home stays the same (and are available on the market via supply-side interventions). The three scenarios are detailed in the section below.

**Figure 30. Percentage of the urban population which can afford the cheapest home under three mortgage scenarios**




*Source:* Affordable Housing Institute, 2019.

### 4.3.1 Impact under three financing scenarios

**Scenario 1: Base case under current conditions**

This first scenario looks at the percentage of the urban population that can afford a home assuming the following current conditions:

- Purchase of the cheapest home on the formal housing market (often offered by a state-owned developer)
- Access to current average mortgage terms. Because the mortgage refinancing facility is a market mechanism, we have chosen to use current market rates instead of subsidized rates offered by state-owned housing banks.

**Table 34. Effective demand for housing in urban areas under current market conditions**

| Current conditions | Cameroon | CAR | Congo | Gabon | Equatorial Guinea | Chad |
|---|---|---|---|---|---|---|
| Cost of home (in thousands of CFAF) | 17,000 | 20,000 | 25,000 | 35,000 | 8,000 | 20,000 |
| Cost of home (in US$ PPP) | 74,600 | 59,700 | 43,300 | 151,500 | 34,600 | 100,000 |
| Down payment | 14,900 | 11,900 | 8,700 | 30,300 | 6,900 | 20,000 |
| Mortgage amount | 59,700 | 47,800 | 34,600 | 121,200 | 27,700 | 80,000 |
| Interest rate (%) | 11 | 11 | 8 | 9 | 12 | 12 |
| Tenor (in years) | 10 | 10 | 10 | 10 | 7 | 10 |
| Annual payment required (in US$ PPP) | 9,900 | 7,900 | 5,000 | 18,400 | 5,900 | 13,800 |
| Annual income required (in US$ PPP) | 33,000 | 26,300 | 16,700 | 61,300 | 19,700 | 46,000 |
| **# of urban households which can afford house** | **213,996** | **6 ,181** | **112,858** | **17,271** | **72,916** | **8,312** |
| **% of urban households which can afford house** | **15** | **4** | **21** | **12** | **77** | **3** |

*Source:* Affordable Housing Institute, 2019.

Today, only 3 percent of Chad's urban population can access the cheapest home available on the formal housing market. On the other hand, in Equatorial Guinea, 77 percent of the urban population can access the least expensive house on the market. These houses correspond to houses built and subsidized by the government.

The large discrepancies between countries are due to several factors including income levels, purchasing power parity, and government subsidies in the housing sector. Incomes in Equatorial Guinea tend to be much higher than in the rest of the region, while the government has also been the most active in subsidizing housing prices.

**Scenario 2: Medium-term impact**

The development of a regional mortgage refinancing facility would lengthen mortgage tenors over time and decrease interest rates. In this scenario, we have taken the same housing prices but increased mortgages tenors to 15 years and reduced rates by 1 percent in each country.

**Table 35. Effective demand at favorable mortgage terms**

| Favorable conditions | Cameroon | CAR | Congo | Gabon | Equatorial Guinea | Chad |
|---|---|---|---|---|---|---|
| Cost of home (in thousands CFAF) | 17,000 | 20,000 | 25,000 | 35,000 | 8,000 | 20,000 |
| Cost of home (in US$ PPP) | 74,600 | 59,700 | 43,300 | 151,500 | 34,600 | 100,000 |
| Down payment | 14,900 | 11,900 | 8,700 | 30,300 | 6,900 | 20,000 |
| Mortgage amount | 59,700 | 47,800 | 34,600 | 121,200 | 27,700 | 80,000 |
| Interest rate (%) | 10 | 10 | 7 | 8 | 11 | 11 |
| Tenor (in years) | 15 | 15 | 15 | 15 | 15 | 15 |
| Annual payment (in US$ PPP) | 7,700 | 6,200 | 3,700 | 13,900 | 3,800 | 10,900 |
| Annual income (on US$ PPP) | 25,700 | 20,700 | 12,300 | 46,300 | 12,700 | 36,300 |
| **# of urban households who can afford home** | **312,205** | **8,948** | **165,352** | **26,174** | **85,132** | **16,607** |
| **% of urban households who can afford home** | **22** | **6** | **31** | **17** | **90** | **6** |

*Source:* Affordable Housing Institute, 2019.

Comparing Scenarios 1 and 2, the percentage of the urban population able to access housing has increased in all countries. This is due to a reduction in monthly payments of about 20 percent.

**Scenario 3: Long-term impact**

In the long-term, a mortgage refinancing facility would enable banks to substantially increase mortgage tenors and lower interest rates. Under this third scenario, we have kept the same housing prices but increased mortgage tenors to 20 years and decreased interest rates by 2 percent.

**Table 36. Effective demand under very favorable conditions**

| Very favorable conditions | Cameroon | CAR | Congo | Gabon | Equatorial Guinea | Chad |
|---|---|---|---|---|---|---|
| Cost of home (in thousands of CFAF) | 17,000 | 20,000 | 25,000 | 35,000 | 8,000 | 20,000 |
| Cost of home in US$ PPP | 74,600 | 59,700 | 43,300 | 151,500 | 34,600 | 100,000 |
| Down payment | 14,900 | 11,900 | 8,700 | 30,300 | 6,900 | 20,000 |
| Mortgage amount | 59,700 | 47,800 | 34,600 | 121,200 | 27,700 | 80,000 |
| Interest rate (%) | 9 | 9 | 6 | 7 | 10 | 10 |
| Tenor (in years) | 20 | 20 | 20 | 10 | 20 | 20 |
| Annual payment (in US$ PPP) | 6,400 | 5,200 | 3,000 | 11,300 | 3,600 | 9,300 |
| Annual income required (in US$ PPP) | 21,300 | 17,300 | 10,000 | 37,700 | 12,000 | 31,000 |
| **# of urban households which can afford home** | **441,101** | **10,628** | **209,229** | **40,944** | **86,432** | **21,139** |
| **% of urban households which can afford home** | **31** | **4** | **39** | **27** | **91** | **7** |

*Source:* Affordable Housing Institute, 2019.

These particularly favorable conditions make it possible to double the number of households in urban areas that can access housing. The facility has the most impact in Cameroon, where more than 200,000 additional households would be able to access formal housing.

## 4.4. Regulatory Elements to be Taken into Consideration When Creating the Refinancing Facility

The legal system and a fortiori the company law established by the OHADA uniform laws in force in both the CEMAC and UEMOA zones do not present any obstacle to the legal constitution of the CRRH-CEMAC. OHADA law, as mentioned earlier, represents an asset that serves to unify and standardize the mortgage sector through legislation on real estate foreclosure.[12] The OHADA law, establishing the legal and judicial

[12] With regards to debt recovery and foreclosure, the signatory countries of the Treaty of the Organization for the Harmonization of Business Law in Africa (OHADA), including those of CEMAC and WAEMU, adopted the Uniform Act in 1998 on the organization of simplified recovery procedures and enforcement measures. Through this Uniform Act, the legislator has enshrined the right to forced execution for the creditor, through the many procedures proposed to ensure the recovery of his claim (order for payment, delivery or restitution). As the effective application of the Uniform Act faces many obstacles, in particular those related to the functioning of judicial systems, a revision introduced extra-judicial enforcement procedures and was adopted in 2011. However, housing loans have remained excluded from the reform and the implementation of mortgage securities in this area remains hampered by the long delays inherent to courts' functioning but aggravated by the use of delaying remedies by debtors and by the low liquidity of the market for seized collateral. The legal framework seems relatively clear but shortfalls and difficulties arise when it comes to enforcement (rule of immunity from execution in favor of the State and public persons, lack of staff dedicated to the collection services, lack of control over procedures and corruption).

framework applied to commercial companies in the countries of the CEMAC zone, is also in force in Togo, where the CRRH-WAEMU is based.

However, the OHADA law is particularly restrictive regarding the regulation of bond issuances: it imposes an incompressible deadline of two years of existence of a company before any first issuance of bonds and does not grant a tax exemption on bonds. Article 780 of the OHADA Uniform Act requires any company that wishes to issue bonds or make a private placement to have 2 years of existence and 2 regularly approved balance sheets. Thus, it will be necessary for the CRRH-CEMAC to obtain an exemption (which seems complicated) or to find other sources of funding during this period of 2 years. The CRRH-UEMOA, complied with this rule by issuing its first bond in July 2012, two years after its creation in July 2010, after obtaining the necessary visa from the CREPMF.

Bonds issued by financial institutions are not tax exempt unless the refinancing facility will obtain the status of an international financial institution. A CRRH-CEMAC should therefore seek for a headquarters agreement with the Council of Ministers of CEMAC. In 2012, the UEMOA Council of Ministers agreed to grant the CRRH-UEMOA an exemption from all taxes in WAEMU countries for the next ten years. In addition, the CRRH-UEMOA concluded in 2010 a headquarters agreement with the Republic of Togo allowing it to enjoy the privileges of international financial institutions:

- It is exempted, during any legal proceeding, to provide collateral and advance;
- Its property and assets are exempt from search, confiscation, expropriation or any other form of seizure ordered by the executive or legislative power of the Togolese Republic;
- Its assets are protected from all restrictive measures and its archives are inviolable;
- Income, property and all other assets and transactions carried out by the refinancing facility in accordance with its Articles of Incorporation shall be exempt from all direct and indirect taxes in Togo;
- Debt securities issued by the Facility or interest derived therefrom, benefit from the same tax exemptions in Togo;
- The official communications of the Facility enjoy the same treatment in the Togolese Republic as the official communications of the other International Organizations.

Banking regulations in WAEMU zone and CEMAC zone are the same in terms of approval. The credit institution categories differ slightly between the two zones, but the approved banking operations remain the same. In the light of its corporate purpose, the CRRH-CEMAC would normally carry out banking operations (in this case credit operations) vis-à-vis commercial banks. Consequently, to proceed with the refinancing operations, the CRRH-CEMAC should obtain an approval from COBAC as a financial institution. More specifically, the CRRH-CEMAC would be approved as a financial establishment (and not a credit institution because it would not collect deposits). It is the same for the CRRH-UEMOA.

The minimum social capital requirement is less restrictive in the CEMAC zone than in the WAEMU zone. COBAC regulations set the amount of the minimum capital of financial establishments at 2 billion CFA francs. Comparatively, the WAEMU banking law sets the minimum capital of financial establishments at CFAF 3 billion.

However, the banking regulations in force in the CEMAC zone and in the WAEMU zone impose a prudential standard, limiting loans to major shareholders which may require the granting of an exemption to ensure the proper establishment of a refinancing facility. Obtaining a waiver from COBAC is necessary for the proper implementation of the CRRH-CEMAC. The limitation of loans to the main shareholders, the managers and the personnel, limits the cumulative amount of loans to these persons to 15 percent of their effective equity.

Under the terms of its authorization, the CRRH-UEMOA benefited for five years, effective from November 11, 2011, from a waiver of the prudential standard, limiting the loans granted to major shareholders, managers and staff at 20 percentage of effective shareholder's equity. This waiver was renewed for a period of five years starting from November 11, 2016. Thus, in 2018, shareholder loans represented 41 percent of the effective shareholders' equity.

**Table 37. Limitation of loans to main shareholders of financial establishments**

| Regulatory standards for a financial institution | CEMAC | UEMOA | CRRH-UEMOA |
|---|---|---|---|
| Limitation for loans to main shareholders | < 15% | < 20% | 41% *exemption* |

*Source:* Report COBAC 2016, report Banking Commission UEMOA 2018, annual rapport 2018 CRRH-UEMOA.

## 4.5. Mechanism for Creating a CRRH-CEMAC

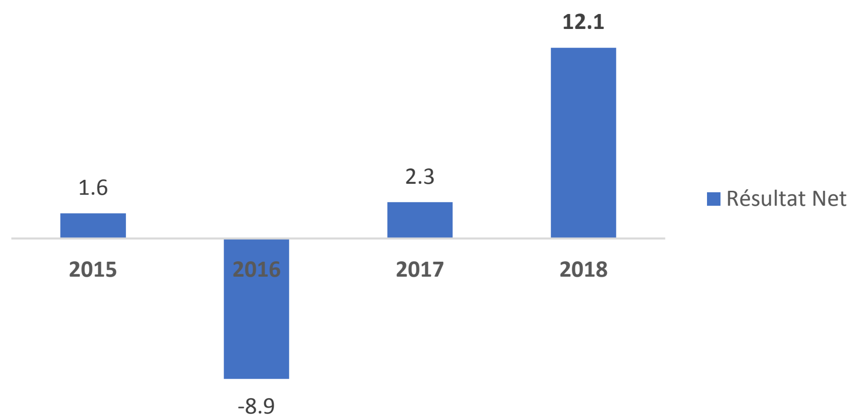
The success of a CRRH-CEMAC depends on its nature, independence, and shareholding, but also on its creation mechanism. Housing the facility under the tutelage of a strong organization will have a positive effect on the activities of the facility as well as on its bond rates. The CRRH-UEMOA, for example, is housed under the West African Development Bank (BOAD) which is the majority shareholder of the fund with more than 17% of the shareholder equity.

The Central African Development Bank (BDEAC) is the sister structure of the West African Development Bank (BOAD) in Central Africa. It has not yet received a rating (one is in progress and should be available in 2020). The BDEAC shareholders are made up of the countries of the CEMAC region, the Central Bank (BEAC), the African Development Bank (ADB), France, Libya, Kuwait, and the Kingdom of Morocco.

BDEAC and BOAD do not enjoy the same credibility. Since 2015, BDEAC has been experiencing difficulties. When the new management took office in early 2017, BDEAC was in a critical situation, both financially and in terms of governance. In FY16 it has a loss of CFAF 9 billion, the imbalance between incomes and expenditures was more than CFAF 118 billion, and a portfolio at risk of 15 percent

That said, since 2017, BDEAC has started to show some improvement. Indeed, an increased mobilization of resources (reinforcement of equity capital, opening of share capital, negotiation of credit lines with new financial partners) and the launching reforms for improving good governance and organizational optimization enabled BDEAC to post positives incomes at the end of the 2017 and 2018 financial years.

**Figure 31. Evolution of net income de la BDEAC (CFAF milliards)**




*Source:* Annual report BDEAC.

The year 2018 for BDEAC was marked by a stepped-up effort to finance projects. Between 2000 and 2017, the cumulative commitments of BDEAC amounted to 1000 billion CFAF. Between 2017 and 2018, cumulative commitments amounted to nearly 450 billion CFAF.

**Table 38. Evolution of resource short-fall of BDEAC (CFAF billion)**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Situation of resources and commitments | - 435 | -118 | -261 | -40 |

*Source:* Annual reports BDEAC.

Today BDEAC is better capitalized and has enough resources to consider a disbursement in favor of the CRRH-CEMAC. In 2018, BDEAC's paid-up capital amounted to CFAF 92.6 billion, bringing the equity to CFAF 115.8 billion, or 27 percent of its total liabilities (same level as BOAD). In addition, CFAF 15.4 billion was pending release, notably from the French State and the AfDB. Finally, the Bank diversified its shareholding with the entry of the Kingdom of Morocco into its shareholding in 2017 (CFAF 2.4 billion).

**Table 39. Equity capital of BDEAC in 2018 (in CFAF billion)**

| Shareholders' Equity | 2016 | 2018 |
|---|---|---|
| Subscribed equity capital | 953 | 1 037 |
| Equity capital on demand | 851 | 929 |
| Called equity capital | 102 | 107 |
| Equity capital paid-in | 69 | 93 |

*Source: Rapport annuel BDEAC.*

BDEAC has a large debt capacity that is still underutilized. Outstanding BDEAC loans amounted to CFAF 256.6 billion, or 60 percent of its total liabilities. However, these loans accounted for only 39 percent of the "capital on demand" while COBAC regulations authorize a level of 70 percent. The BDEAC thus has a margin of indebtedness that allows it to raise long term resources in financial markets, thus freeing itself from the traditional dependence on the resources of its shareholders. After the losses of 2014 and 2015, when it was unable to respectively raise 75 billion CFAF and 35 billion CFAF needed, BDEAC is preparing to issue a regional bond to the amount of 100 billion CFAF.

BDEAC has financing instruments specifically dedicated to economic and social integration projects. These special resources are currently under exploited.

The Community Development Fund (FODEC) is a financing tool aimed at providing a response to the promotion of the harmonious development of all CEMAC Member States and to overcome the various handicaps related to economic and social integration. In fiscal year 2018, the disbursements made by BDEAC under the FODEC amounted to CFAF 3.5 billion, for a budget of CFAF 10.4 billion. In addition, BDEAC has an equity investment fund. This fund is intended to finance strategic equity investments in regional companies, mainly in the banking and financial sector. The endowment of this fund increased by 60 percent in 2018 from approximately 0.8 billion CFAF to approximately 1.3 billion CFAF. In August 2019, BDEAC announced that it had acquired an equity stake in Afreximbank (a priori 500 million CFA francs to be approved).

**Table 40. Mobilizable resources by the specialized financing instruments at the disposal of BDEAC (In CFAF billion)**

| Specialized Financing Instruments | Amount |
|---|---|
| FODEC | 10.4 |
| Equity investment vehicle | 1.3 |

*Source:* Annual report BDEAC.

On the other hand, equity investments of BDEAC represent only 800 million CFAF or 0.2 percent of its assets. This represents a major difference with BOAD which, in addition to being the main shareholder of the CRRH (17.16 percent shareholding of approximately 1.5 billion CFAF), took stakes in 7 regional financial institutions for a total amount of 126.6 billion CFAF, or 4.9 percent of its assets.

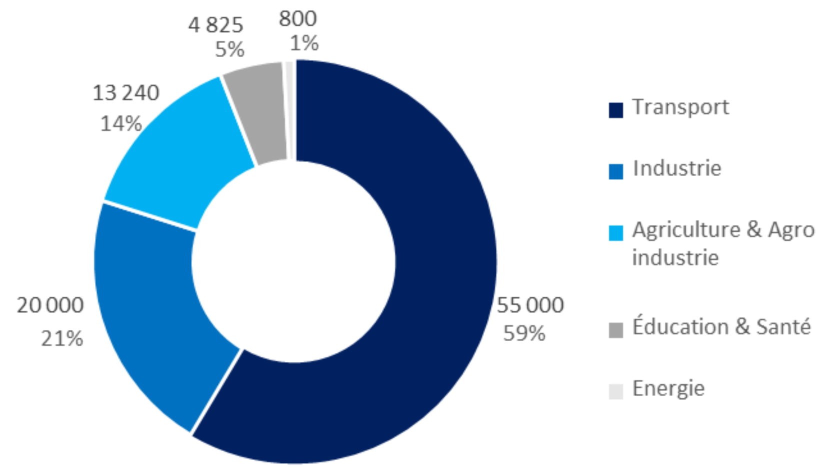
**Table 41. Equity share holdings of BDEAC and BOAD**

| In CFAF billion | Shareholdings | Shareholding/total balance sheet (%) |
|---|---|---|
| BOAD | 126.6 | 4.9 |
| BDEAC | 0.8 | 0.2 |

*Source:* Annual reports (BDEAC and BOAD).

Although the BDEAC has informally expressed its interest in the mortgage refinancing facility, its priority is to continue with the implementation of its Strategic Plan 2017–2022 consisting primarily of financing projects in the agricultural, agro-industrial, livestock and fisheries sectors. This suggests that the share of financing it is likely to devote to the housing sector will be negligible by 2022. In fiscal year 2018, the volume of commitments made amounted to approximately 94 billion CFAF, that is, approximately 94 percent of the annual commitment target of CFAF 100 billion in SP 2017–2022. No commitment for housing finance projects had been made.

**Figure 32. Sectoral breakdown of commitments approved in 2018 (CFAF billion)**




*Source:* BDEAC Annual report 2018.

It should be underlined that while there could be a role for BDEAC in the a CEMAC mortgage financing facility, it first should concentrate on concluding its reforms and implementing its current strategy while obtaining a credit rating and improving its loan portfolio and financial performance. Other options for the institutional set-up of a CEMAC -CRRH should be considered consistent with OHADA laws and COBAC rules. Key is to ensure the preponderance of private shareholders, a well governed structure in line with best practice, and professional staff along with operational and fund management systems to enable it to function effectively over the long term.

## 4.6. The Case for and Against

The case for a mortgage refinancing facility in CEMAC is not manifestly visible, because the case for it requires seeing how the supply side and demand side housing value chains interconnect, and in particular the three pillars (land development, property development, and offtake financing) that support a country's functional affordable housing delivery system.

**The case against a mortgage refinancing facility: shortage of new annual mortgage loan volume**. A mortgage refinancing facility, whether private and regulated or quasi-governmental, is intended to be self-sustaining, and for this to be, it necessarily must have a certain annual volume of new performing mortgage loans that have been originated, closed, funded and are now being serviced by primary mortgage institutions such as banks, housing finance companies, or in some cases credit unions or SFDs (decentralized financing system). In CEMAC today, the volume of new mortgage loans originated is small and simple arithmetic on the potentially available spread invites the conclusion that the mortgage refinancing facility, even if properly established and well managed, will not have enough fuel to run its machine.

**The case for a mortgage refinancing facility: invisible control valve on both mortgage volume and housing development**. While it is true that a mortgage refinancing facility needs new mortgages as its fuel, it is conversely true that a primary mortgage institution cannot originate new mortgages unless it has fuel, in the form of flexible expandable liquidity. Mortgage originators that are non-depositary are entirely dependent on the commercial capital markets. Generally speaking, in CEMAC these are not deep, and the local or regional debt-buying capacity has other asset classes it prefers, because they are (a) better credit (e.g. office blocks, manufacturing, parastatals), (b) unitary counterparty (i.e. a single public listed company instead of a cluster of homeowners) and therefore larger volumes, (c) shorter tenor, and (d) without the public-policy visibility of buying home loans and having potentially to foreclose on them.

The result of housing being adversely selected in the domestic and regional capital markets[13] is visible today: new homes sold are bought with cash, by diaspora investors who can borrow abroad and invest back home, or by the top deciles that have strong consumer credit and banking relationships. This situation will not correct itself through market mechanisms – housing loans will always be adversely selected vis-à-vis the other asset classes.

Meanwhile, the deposit base is finite and does not expand, so while financial institutions all hungrily chase depositors because that source of liquidity is so cheap when acquired, there are only so many of these depositors to go around.

As a result, the absence of liquidity means an invisible control valve on new mortgage lending, which in turn is an invisible control valve on new production.

## 4.7. Conclusion and Recommendations

Developing a regional mortgage refinance facility in CEMAC would enable banks to access long-term financing and develop their mortgage portfolios. This, in turn, could also stimulate supply by minimizing offtake risk for developers. The affordability analysis indicated that in the medium and long-term, the facility could help lengthen mortgage tenors and double the percentage of the urban population that could afford a home.

A refinancing facility would also provide a sustainable source of liquidity to state-owned housing banks that have been relying on government resources to fund their portfolios. Since the oil crisis, these resources have become scarce and such a facility would provide a more sustainable alternative.

Despite these promising impacts, a mortgage refinancing facility cannot address other major obstacles currently constraining the development of the housing sector. Though a more exhaustive list of solutions is provided in section 2 of this report, a facility would have to be instituted in conjunction with the following interventions:

1. *Promote housing production in the region.* Supply and demand must be developed simultaneously. The mortgage market will not be able to develop without the production of affordable housing. As major government housing programs are currently at a standstill, interventions will be required to jumpstart the production of housing. The implementation of public-private partnerships with competent real estate developers (technically and financially)

[13] Adverse selection as a potential use of new liquidity is also why a general-purpose liquidity facility or loan to an emerging country will seldom boost residential lending – because to financial institutions with expandable liquidity, other potential borrowers will always look like a better return-on-assets (ROA) than housing will.

will allow individual states to continue to promote housing without having to deploy significant financial resources.

2. *Restructure the region's largest mortgage issuer, the CFC in Cameroon.* CFC's mortgage portfolio represents the bulk of home lending in the CEMAC region. The participation of the CFC will thus be crucial for the success of the facility. Although the amount has decreased, the CFC currently receives concessional funding from the State of Cameroon from a payroll tax on public and private sector employees. To function effectively and sustainably, the CFC will have to reorganize its capital structure and operate without government support or use these resources solely to subsidize the most vulnerable households. Only in this way will the CFC be able to develop its mortgage loan portfolio without being dependent on the annual contributions of the Cameroonian State and its taxpayers.

3. *Implement regulatory reforms*. Some reforms will need to be implemented to enable mortgage expansion including:

    a. *Adopt and implement condominium laws*. Some countries in the region are still struggling to put in place legislation on vertical co-ownership, which hinders real estate development in urban areas. Increased density is desirable to improve accessibility to housing given the high costs of land and infrastructure in the region. Therefore, states must ensure that condominium laws are instituted.

    b. *Reduce the cost of registering mortgages*. The legal and administrative costs of obtaining a mortgage can be prohibitively high. The Congo, for example, requires an annual re-registration of all mortgages, to be undertaken at the household level. This legal obligation represents a major obstacle to the development of the sector.

    c. *Pursue land reform*. The housing sector will not be able to develop without the implementation of a solid land law framework, including the guarantee of tenure and property rights. Land-related issues in CEMAC are numerous and affect not only housing prices but also the issuance of mortgage loans, which are considered higher risk. In addition, foreclosures can take years to implement representing an additional risk for the banks. It is essential to continue land reforms, including the digitalization of land cadasters. In the short term, states must enable real estate developers wishing to build low-cost housing to access titled land.

    d. *Enforcing foreclosure laws*. Foreclosure laws and processes need to be strengthened so that the risk profile of a mortgage product reaches a more acceptable level for lenders.

4. *The development of housing microfinance products.* A facility will initially refinance mortgage loans granted by banks in the region. However, the majority of the CEMAC population works in the informal sector and is unable to obtain a mortgage loan to buy a home. As a result, other products need to be developed to enable these households to build their own homes or to improve existing homes. Although many microfinance institutions (more than 700) currently exist in the region, very few of them have dedicated housing products. In the short term, these institutions could receive technical assistance to develop relevant loan products. In the medium and long term, the facility could consider refinancing microfinance institutions as well.

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# Annex 1. Interviews Held During the Report Preparation Missions

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| Cameroun | *Crédit Foncier du Cameroun* |
| | MINDHU |
| | *Association Professionnelle des Etablissements de Crédit du Cameroun* |
| | BEAC |
| | MAETUR |
| | *Communauté Urbaine de Yaoundé* |
| | SOPRIN |
| | ANEMCAM |
| | *Association des Promoteurs Immobiliers* |
| | *Caisse Nationale de Prévoyance Sociale* |
| | *Commission des Marchés Financiers* |
| | *Société Immobilière du Cameroun (SIC)* |
| | *Mission d'Aménagement et d'Equipement des Terrains Urbains et Ruraux (MAETUR)* |
| | *Crédit Foncier du Cameroun (CFC)* |
| | *PROPARCO/Agence Française de Développement (AFD)* |
| | *Banque Atlantique* |
| | Starline |
| | ECOBANK |
| | *Société d'Aménagement de Douala (SAD)* |
| | *Communauté urbaine de Douala* |
| | BICEC |

| | |
|---|---|
| Gabon | BICIG |
| | *Association Professionnel des Etablissements de Crédit* (APEC) |
| | ECOBANK |
| | Citibank |
| | *Bureau International de Conseil et de Promotion* (BICP) |
| | *Société Nationale Immobilière* (SNI) |
| | *Agence National d'Urbanisme, des Travaux Topographiques et du Cadastre* (ANUTTC) |
| | *Commission Bancaire de l'Afrique Centrale* (COBAC) |
| | *Commission de Surveillance du Marché Financier de l'Afrique Centrale* (COSUMAF) |
| | *Fonds gabonais d'investissement stratégique (FGIS)* |
| | *Direction de l'Habitat* |
| | *Caisse des Dépôts et Consignations (CDC)* |
| | *Caisse des Pensions et des Prestations Familiales des Agents de l'Etat (CPPF)* |
| | *Caisse Nationale de Sécurité Sociale (CNSS)* |
| | *Banque de Développement des Etats d'Afrique Centrale (BDEAC)* |

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|---|---|
| Congo | *La Congolaise de Banque* (LCB) |
| | ECOBANK |
| | *Assurances et Réassurances du Congo (ARC)* |
| | *Ministère de l'Aménagement du Territoire et des Grands Travaux* |
| | *Assurances Générales du Congo (AGC)* |
| | *Agence de promotion des investissements* |
| | *Ministère de la Construction, de l'Urbanisme et de l'Habitat* |
| | *Banque congolaise de l'Habitat (BCH)* |
| | *Société de Promotion Immobilière (SOPRIM)* |
| | *Agence Foncière et d'Aménagement des Terrains (AFAT)* |
| | *Caisse Nationale de Sécurité Sociale (CNSS)* |
| | *Caisse Nationale des Fonctionnaires (CNF)* |
| | BGFI Bank |

| | |
|---|---|
| *Centrafrique* | *Banque Sahélo-Saharienne pour l'Investissement* (BSIC) |
| | *Crédit Mutuel de la Centrafrique* (CMCA) |
| | *Agence centrafricaine de promotion de l'habitat* (ACPH) |
| | ECOBANK |
| | *Ministère de l'Urbanisme, de la Ville et de l'Habitat* |
| | *Banque des Etats d'Afrique Centrale RCA* (BEAC) |

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|---|---|
| Tchad | *Banque Sahélo-Saharienne pour l'Investissement* (BSIC) |
| | ECOBANK |
| | *Ministère de l'Aménagement du Territoire, du Développement de l'Habitat et de l'Urbanisme* |
| | UBA |
| | *Banque de l'Habitat du Tchad* |
| | *Banque des Etats d'Afrique Centrale Tchad (BEAC)* |
| | *Société Générale Tchad* |
| | *Agence Française de Développement (AFD)* |
| | *Direction de l'Urbanisme et de l'Habitat* |
| | *Agence tchadienne d'architecture, d'urbanisme et de développement (ATAUD)* |
| | *Société de Promotion Foncière et Immobilière (SOPROFIM)* |
| | Orabank |
| | Finadev |
| | *Hayatt Architecture* |

| | |
|---|---|
| *Guinée équatoriale* | *Ministère des Travaux Publics, de Logement et de l'Urbanisme* |
| | ENPIGE |
| | BGFI Bank |
| | Bonafide |
| | *Société Générale* |
| | INEGE |
| | CCEI Bank |
| | *Entreprises de BTP et agences immobilières* (China Dalian, CMEC, Arab Contractors, ABBA Immobiliare) |

# Annex 2. Insurance Companies in CEMAC

| CAMEROUN |
| --- |
| **ASSURANCE VIE** |
| ALLIANZ CAMEROUN ASSURANCES VIE |
| SUNU ASSURANCES VIE CAMEROUN |
| PRUDENTIAL BENEFICIAL LIFE INSURANCE SA |
| ACTIVA VIE SA |
| SHAM ALL LIFE INSURANCE CAMEROON |
| SAAR ASSURANCES VIE |
| NSIA VIE ASSURANCES |
| **ASSURANCE NON-VIE** |
| ALLIANZ CAMEROUN ASSURANCES |
| SOCIÉTÉ AFRICAINE D'ASSURANCES ET DE RÉASSURANCE |
| ACTIVA ASSURANCES |
| AXA ASSURANCES |
| CHANAS ASSURANCES SA |
| GARANTIE MUTUELLE DES CADRES SA |
| ZENITH INSURANCE SA |
| SAHAM ASSURANCE |
| NOUVELLE SOCIÉTÉ INTERAFRICAINE D'ASSURANCES |
| ASSURANCES and RÉASSURANCES AFRICAINES SA |
| COMPAGNIE PROFESSIONNELLE D'ASSURANCE (CPA) |
| ASSURANCES GÉNÉRALES DU CAMEROUN |
| PRUDENTIAL BENEFICIAL GENERAL INSURANCE SA |
| **CENTRAFRIQUE** |
| **ASSURANCE NON-VIE** |
| ALLIANZ CENTRAFRIQUE ASSURANCES |
| SUNU ASSURANCES |

| CONGO BRAZZAVILLE |
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| **ASSURANCE VIE** |
| ASSURANCES GÉNÉRALES DU CONGO - VIE (AGC-VIE) |
| NSIA VIE CONGO |
| **ASSURANCE NON-VIE** |
| ASSURANCES GÉNÉRALES DU CONGO (AGC) |
| NOUVELLE SOCIÉTÉ INTERAFRICAINE D'ASSURANCES |
| **GABON** |
| **ASSURANCE VIE** |
| OMNIUM GABONAIS D'ASSURANCES ET DE RÉASSURANCES VIE |
| SUNU ASSURANCES VIE GABON |
| NOUVELLE SOCIÉTÉ INTERAFRICAINE D'ASSURANCES VIE |
| SAHAM ASSURANCES VIE GABON |
| **ASSURANCE NON-VIE** |
| OMNIUM GABONAIS D'ASSURANCES ET DE RÉASSURANCES |
| AXA ASSURANCES |
| ASSURANCES INDUSTRIELLES ET COMMERCIALES SA |
| NOUVELLE SOCIÉTÉ INTERAFRICAINE D'ASSURANCES |
| SAHAM ASSURANCES GABON |
| SUNU ASSURANCES IARD GABON |
| ASSURANCES DU GABON SA |
| **TCHAD** |
| **ASSURANCE VIE** |
| STAR VIE SA |
| ASSURANCE NON-VIE |
| STAR NATIONALE SA |
| SOCIÉTÉ AFRICAINE D'ASSURANCES ET DE RÉASSURANCES |

| GUINÉE ÉQUATORIALE |
| --- |
| **ASSURANCE NON-VIE** |
| EGICO (filiale de la SAAR) |
| L'AFRICAINE DES ASSURANCES DE GUINÉE ÉQUATORIALE |