

African institutions adopt recommendations on shelter and urban development

HELD in Vienna, Austria, in September 1986, the second International Shelter Conference was a private sector effort to support the International Year of Shelter. The objective was to produce an authoritative private sector statement which would define the principles and action steps necessary to address the problem of shelter and urban development at the national level.

The Conference produced the Vienna Recommendations which have been widely circulated and reported in an earlier issue of this journal. These recommendations were considered at a workshop in Mangochi, Malawi, at the end of March 1987 by representatives of the public and private sectors drawn from six countries in Africa and were amended to meet African needs.

The amended recommendations form the basis for further dialogue

'Basis for further dialogue'

between the public and private sectors and will be distributed to interested parties.

The recommendations note the urbanisation trends in world population and examine the experience with shelter and urban development over recent years. The need for economic growth with equity is stressed.

The partnership for a new action agenda is seen to be the recognition

of the necessity to foster co-operation between the public and private sectors. The public sector has specific responsibility for appropriate macro-economic policies, the encouragement of the mobilisation of domestic financial resources, supporting efficient pricing policies, emphasising efficiency in urban management and infrastructure provision and also land policy, and defining its activities and those which can best be done by the private sector.

The private sector's responsibilities are to balance the essential need for operating profits with a response to social needs for all income groups, to mobilise investment capital for housing and urban development, to accept prudent business risks, competitive principles and market results, and to develop entrepreneurship and innovation.

It is recommended that regional, public and private sector coalitions be established for Northern Africa, West and Central Africa, and East and Southern Africa.

A series of recommendations was adopted covering shelter and urban policy formulation, urban management and planning, urban land policies and procedures, infrastructure services, housing production and finance, and finally housing finance.

The recommendations in respect of housing finance are set out in full below:

RECOMMENDATION VI HOUSING FINANCE

1. The lack of housing finance resources is a major constraint to

the housing market in most developing countries. While in many countries it may be necessary to protect and favour the housing finance system to foster its development, housing finance should enjoy equal priority with other national needs, have full access to national capital and savings markets.

'Lack of finance a major constraint'

The financial services necessary to support housing development include finance for land acquisition, on- and off-site infrastructure, construction, and long-term mortgages for the ultimate purchaser. The sources of these financial services are likely to involve a variety of institutions in the public and private sectors as well as informal networks. Each of these financing entities must mobilise its funds from the four main sources of gross savings: the household sector, business sector, government, or international transfers.

Housing finance policy must address the needs of all target groups. In few countries are the finance institutions developed to the point that adequate sources of funding are mobilised and allocated effectively to support the needs of housing among all the

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income groups. Typically, there are three-tiered housing markets: a small, well-financed upper-income market supplied entirely by the private sector; a small subsidised market of civil servants and middle-class salaried workers supported by public sector housing activities; and a large informal housing market serving the poor.

2. All countries should seek to develop housing finance policies and institutions which are integrated into their capital markets, which maximise the mobilisation of savings, and seek solutions that stress affordability, general application and cost recovery.

3. Housing finance institutions and policies.

a) The development of the housing finance sector is a joint responsibility of the government and the private sector. In this co-operation, the contributions of the government should be made in a manner consistent with market principles and economic efficiency. The contributions should be done in a way that will promote the long-term growth, development and viability of the housing finance system.

b) The development of housing finance institutions should be a national objective with the rate and scale determined by the demand associated with increasing levels of GDP and the growth of the capital market.

c) The full range of potential public/private partnerships in housing finance institutional development should be explored. The government should support and encourage the establishment of housing finance institutions by private groups, and, if such groups do not emerge, the government should consider establishing the institution itself.

d) Governments should provide a regulatory climate conducive



The town of Mangochi, Malawi, where the Vienna Recommendations were discussed and amended.

to the establishment of private specialised housing finance institutions by allowing them to compete effectively for savings and respond to market demand for loan rates.

e) Housing finance institutions should be allowed the flexibility to conduct their business in a manner consistent with long-term profitability. This includes the ability to develop products and services suited to

the various borrowing needs of its customers and its own needs to raise funds; the ability to locate operations in the neighbourhoods it serves, subject to management capacity; and access to technical assistance and training.

f) There should be efforts to link the informal housing finance mechanisms found in most countries to the formal housing finance system. ■