Shelter-Afrique: the first three years

Ebenezer Lufadeju explains the role of the Company for Habitat and Housing in Africa

African countries have been facing an unparalleled population explosion characterised by increasing and uncontrolled growth of towns and cities and a massive shortage of houses. The birth of Shelter-Afrique, the Company for Habitat and Housing in Africa, represents a decision by African governments to tackle the rampant problems that undermine the whole development process in the continent. They feel that the provision of decent and affordable housing could not be left to chance, as has been the case for so long. The challenge is to integrate housing into the development process itself and give it a proper status among economic and social priorities.

Shelter has thus to be seen as a precondition for meaningful national development. The provision of decent housing and essential amenities has to be recognised as an indispensable element in human welfare and economic development. It was this profoundly important realisation that led to the conception of Shelter-Afrique as a housing finance and development organisation on a Pan African and international scale.

Established in 1982 with its headquarters in Nairobi, Shelter-Afrique had a number of initial problems which were largely overcome by the time it reached an operational phase in 1985. Its membership to date stands at 27, made up of 24 African countries, two African institutions and one non-regional institution.

Role in the housing sector
Shelter-Afrique has realised the enormous dimensions of the African housing problem in terms of resource requirements. This factor prompted a careful and selective approach geared to housing mortgage facilities, use of inexpensive local building materials, sites and services and other components which contribute to affordability by low-income earners. Shelter-Afrique’s activities have thus focused on shelter and infrastructure provision, in particular sites and services schemes, local building materials development and establishment or strengthening of housing finance institutions.

Shelter-Afrique is also in favour of comprehensive housing programmes based on an integrated concept of development. Whenever possible, basic infrastructure and social facilities like access roads, water, waste disposal facilities, school and health services should complement the shelter units to create a habitable environment. In support of the above, Shelter-Afrique promotes the adoption of realistic housing standards, and the use of appropriate construction technology, and also encourages measures for the protection of the settled environment.

Local building materials development
Building materials account for about 50% of the total cost of building in African countries. Conventional building has become synonymous with imported building materials, particularly cement, iron rods, aluminium/galvanised iron roofing sheets, sheet glass, etc. While these meet the standard requirements of the building industry and the prevailing by-laws, the overall result is importation at great costs which worsen an already fragile balance-of-payments situation.

This is an unfortunate paradox, particularly when viewed against the reality that Africa is well endowed with the raw materials required for housing construction. Notable examples are limestone, pozzolana and rice husk, which could serve as intermediate binders, clay products and earth, as suitable walling materials, while fibre-cement sheets would be effective roof covering materials.

It is a well-known fact that the formal housing sector is too expensive for low-income groups. Shelter-Afrique thus believes that standards for housing construction for the low-income groups must have affordability as one of their cornerstones. Not only does such an approach ensure that the target groups can benefit from programmes specifically designed for them, it also guarantees...
reasonably durable houses and infrastructure, and therefore reduced costs, the more so because maintenance and other costs can then be comfortably afforded by the user-communities.

To these ends, Shelter-Afrique is currently commissioning a study of the potential for the promotion and establishment of a viable building materials industry in Africa. The study is to be conducted in six African countries spread over various sub-regions of the continent. Among other relevant investigations, the terms of reference for the study focus on issues like the role played by the building materials industry in the African economy, identification and evaluation of available raw materials that can be exploited economically on a sustained basis, the review of existing research on local building materials which can readily be used to establish new production facilities.

Depending on the outcome of this study, Shelter-Afrique will actually look into the financing of the production of viable and durable local building materials. It will then produce a formal blueprint applicable to African countries and capable of replication.

Housing finance institutions

It is recognised that African countries as a whole have over-relied on external sources of finance and paid insufficient attention to the mobilisation of domestic savings. Generations of researchers have concluded that there are enough thrifts even among the poorer categories of our populations to promote the construction of a high proportion of the dwellings required. The major problem, however, is that Africa as a continent is not organised to tap and harness this source of finance into sizeable proportions which can be channelled to the housing sector.

It equally lacks in several countries, developed and reliable primary and secondary mortgage markets which could be used for the promotion of domestic savings. Where housing finance institutions exist, most of them need either strengthening or assistance to channel mortgages at terms that are affordable by the very low-income earners which make up our target group.

Shelter-Afrique has therefore moved boldly into the field of housing finance institutions and strengthening existing ones as a major means of achieving mobilisation of domestic resources. Proposals have already been made to member governments of Shelter-Afrique to establish jointly with the company and local entrepreneurs, housing finance institutions that will respond to housing finance requirements. Shelter-Afrique is simultaneously developing contacts with agencies which possess wide experience in the matter as well as seeking the assistance of international organisations with common objectives.

Resource mobilisation and co-operation with international organisations

Given the enormous capital required to create a meaningful impact on housing problems in the continent, the resource limitations of African countries and the pressing needs of other priority sectors, Shelter-Afrique’s success depends critically on its ability to attract funds from multi-lateral and bi-lateral funding agencies as well as member governments. In recognition of this fact, mobilisation of resources at both domestic and international levels has assumed high priority.

However, from the very nature of the issues involved, the approach needs to be diversified. The greatest handicap in this area has been the pricing of the funds as the cost must be low enough — if not concessional — to be affordable by the target groups to be catered for, i.e. the low income earners.

On the other hand, it must also be conceded that with the serious shortage of foreign exchange and balance-of-payment problems persisting in several African countries, the chances of default in repayment cannot be ruled out. This calls for adequate precautions to be built into the company’s lending and borrowing programmes to meet any eventuality.

Much ground work has been carried out in promoting the name of the company in major capital markets. Whilst the initial reaction has been very positive and encouraging, a few technical problems do occur which clearly highlight the fact that this is not, as of now, the right source of the type of capital that Shelter-Afrique requires. For one thing, Shelter-Afrique’s financing has to extend over a long term whilst international capital markets prefer short-term loans for a period that does not normally exceed seven years. In addition, Shelter-Afrique’s basic objective is to finance low-income housing.

There arises, therefore, a profound contradiction between the price of loans obtainable at market rate and the affordability of the target group. Shelter-Afrique has to focus its attention on other sources and alternatives. I have described the role the company is assuming in the formation of new housing finance institutions or the strengthening of existing ones in co-operation with other entrepreneurs, as vehicles for mobilising local resources. Feasibility studies will shortly be undertaken, initially in Zambia, Malawi and Kenya and, once completed, these will form a blueprint for replication in other member countries.

Shelter-Afrique is clearly aware of the importance of co-operation with international organisations and their involvement in the company’s activities. Shelter-Afrique has not spared any efforts to seek co-operation in technical and financial areas with such organisations as the African Development Bank (ADB), United Nations agencies, the World Bank, the Commonwealth Secretariat, the OPEC fund, etc.

So far the most rewarding contacts have emanated from the African Development Bank. It will be recalled
that Shelter-Afrique is the brainchild of ADB, which has consistently followed its growth and offered advice whenever called upon to do so. It is therefore natural that co-operation with ADB should be at the highest level possible. Indeed, there have been several areas of co-operation in both technical and financial terms. Not only is ADB our largest single shareholder, it is also highly represented on the board. Soft loans have been requested from ADB’s concessional funding agency, the African Development Fund.

As regards the UN agencies, notably UNCHS (HABITAT) and the Economic Commission for Africa (ECA), relations have progressed to the point at which there are actual co-operation agreements or agreements to be finalised soon. The study on low-cost building materials is to be undertaken in association with ECA, UNCHS and UNDP, whilst a low-cost housing project in Kampala, Uganda, is to be implemented jointly with UNCHS. The scope for co-operation with the World Bank appears equally auspicious and a start is being made in connection with a low-cost housing project in The Gambia.

The Commonwealth Secretariat is prepared to join hands with Shelter-Afrique in assisting, in the first instance, in strengthening the existing housing finance institution as well as in the feasibility study on the production of key local building materials in Uganda.

The above list is merely indicative and by no means exhaustive. No stone is being left unturned to persuade the rest of the international community to understand the housing problem in Africa and appreciate that the solution lies largely in their co-operation.

Progress to date

Shelter-Afrique has been shouldered with vast responsibilities, in tune with the massive problems it is called upon to grapple with, at a time when the African continent has been confronted with problems of unimaginable dimensions — problems of drought, fall in gross national income, collapse of export markets, mounting debts and cut back in foreign aid— that have crippled attempts at economic and social advancement. Shelter-Afrique’s own financial and manpower resources are puny in relation to the work to be accomplished. However, the company could not have been created at a more appropriate time, and in spite of the odds, it has actually recorded appreciable achievements.

Over the short span of three years, starting with the assumption of duty of the first member of staff, Shelter-Afrique is now in full operation and has reached a stage of loan disbursement on viable housing projects. Three projects are underway — in the Gambia, Kenya and Uganda—which will altogether benefit nearly 5,000 households. Several other projects are under scrutiny.

In Malawi, a scheme involving the provision of main infrastructure services for a site in the suburb of Blantyre will eventually cater for 7,600 serviced plots. In Rwanda a housing project in Kigali will comprise the development of serviced plots and the construction of 600 low-cost houses as well as the provision of technical assistance during construction. In Djibouti Shelter-Afrique will be involved in an umbrella low-income housing project which will also include the promotion of local building materials.

Other projects are being actively examined in Guinea, Morocco, Gabon, Nigeria, Cameroon and Sierra Leone. Shelter-Afrique is equally prepared to extend its collaboration with non-member countries in the areas referred to above.

In this International Year of Shelter for the Homeless (IYSH) the needs and aspirations of those living in precarious shelter or those without any shelter at all are, of course, foremost in our minds. Shelter-Afrique has not missed any opportunity to make the international community aware of their plight. The approach and methodology of Shelter-Afrique is prepared, in a few instances, to disburse funds at concessionary rates of interest for low-cost housing projects that cater for the very poor.

In a more general way and as a matter of policy, some 60% of the loanable funds of Shelter-Afrique are meant for low-income housing which may include some and the provision of basic infra-structure and upgrading of sub-standard living environments.

Conclusion

Housing is one of Africa’s greatest challenges, as much a challenge to African governments as it is to Shelter-Afrique, the agency they have created and to which they have assigned the crucial role of assisting them to solve their shelter problems. In many ways Shelter-Afrique is a unique venture, and its achievements in the years to come will determine the extent to which the continent is capable of improving the economic and social standing of its populations.

Shelter-Afrique has made strenuous efforts to improve the status of housing in the priority programmes of African states. It takes time to convince decision makers of the fundamental role of the housing sector in social and economic development, but there are now clear indications of a change in attitude.

A fundamental problem that has been left largely untackled by the African continent is, of course, that of mobilising adequate resources and raising capital for housing finance and development. In this regard the assistance of several international institutions is being sought and every effort made to enlist their co-operation and participation.
Nine operational projects launched

THE COMPANY for Habitat and Housing in Africa (Shelter-Afrique) has now approved projects in nine African countries and its operations are expected to increase significantly in the near future. In view of its limited capital and investment resources, Shelter-Afrique is seeking partners for its investments from governments, financial institutions, and multi-national agencies. For example, the nine projects approved to date have an estimated cost of US$20 million, of which Shelter-Afrique is financing 36.4%. Nearly 7,500 lower income families — representing about 45,000 people — will benefit from these projects. However, this has to be seen in the context of Africa’s rapidly-growing urban population which, between 1980 and 2000, will increase from about 140 million to nearly 400 million.

Projections for the next five years call for 28 projects to be financed at an estimated cost of over US$115 million, of which Shelter-Afrique will provide over US$50 million.

The finances available to Shelter-Afrique have been provided by shareholders, that is, the member countries, and three institutional shareholders, African Development Bank, Africa Re-Insurance Corporation, and the Commonwealth Development Corporation. The authorised capital is US$40 million, divided into 40,000 shares of US$1000 each. Class A shares are currently held by 24 African governments; Class B shares by the two Pan African organisations, ADB and African Re-Insurance Corporation (Africa-Re), and Class C shares by the Commonwealth Development Corporation. 50% of the share capital is allocated to African governments, 35% to Pan African institutions, and 15% to non-African institutions and other legal entities.

Shelter-Afrique has been constituted in the form of a company rather than a treaty organisation to ensure that it will operate on businesslike lines. It governing body is the general meeting of its shareholders. The board consists of 11 directors and 11 alternate directors. The management team is headed by the managing director and chief executive, Mr E. O. Lufadeju.

Projects on which Shelter-Afrique has now embarked are detailed below:

The project in Djibouti comprises a feasibility study that will form the basis for project appraisal. The study will focus on housing finance, promotion of local building materials, and development of site and service plots. The cost of the study is estimated at US$75,000, of which Shelter-Afrique will finance US$60,000 and the government of Djibouti the remaining US$15,000.

In Gabon, a scheme comprising 100 houses and related services will be financed. The estimated cost is US$4.25 million of which Shelter-Afrique will finance US$1.5 million. The government of Gabon and the Gabon Housing Corporation will contribute US$1.98 million and US$0.77 million respectively. The project is expected to be completed in March 1989.

In Rwanda, the project comprises off- and on-site infrastructure which will improve the living conditions of the present 500 households. It also involves the construction of 100 turnkey houses, which demonstrate the use of local building materials; 500 building materials loans for self-help construction; another 100 loans to improve existing houses; and technical assistance to strengthen the operation capacity of the Rwanda Mortgage Bank. The total cost of the project is US$4.77 million out of which Shelter-Afrique will fund US$1.5 million. The balance will be financed by the Rwanda government and the Rwanda Mortgage Bank.

The project in Morocco consists of installing infrastructure networks (roads, potable water, electricity and sanitation) on a site of 34.5 hectares. The site and service will make it possible to develop: 1155 low-income housing plots of 70 m², 225 commercial plots of 70 m², 223 plots of 200-400 m² for detached houses,

Shelter-Afrique is to finance a site and service scheme on plots near this settled area in Balbala, Djibouti.
49 plots for multiple storey core houses and shops, 13 car parks, 1 socio-administrative area of three hectares.

The total cost of the project is estimated at US$4.43 million. Shelter-Afrique will provide a loan of US$1.45 million to the state agency for slum clearance (ANHI) and the latter will finance the balance of US$2.97 million.

The Zambian project is a part of the overall housing programme of Nyumba Yanga, 15 km from Lusaka Centre. This project is a direct response to the government policy of house ownership by Zambian citizens. It aims to develop 60 low-cost detached houses for purchase by individuals and on-site infrastructure including sewers, water pipes, roads and security lights. The project aims at developing 60 three-roomed detached housing units for sale, as well as related infrastructure services. The total project cost is estimated at US$935,768. Of this amount, Shelter-Afrique will finance US$348,000 and the remainder will be financed by the National Housing Authority, the Implementing Agency. The beneficiaries of this project are between the 34th and 43rd percentiles of the income distribution scale of Lusaka, ie between US$500 and US$1,250.

In the Gambia, Shelter-Afrique will make a loan of US$62,000 to Social Security and Housing Finance Corporation (SSHFC) to finance the Kanifing East low-cost housing project. The loan, which will be guaranteed by the government of the Republic of the Gambia, will provide supplementary assistance to an urban management and development project being funded by the World Bank. Project components comprise building materials for self-help housing in Kanifing East, 11 km from Banjul, the capital city, community facilities and technical assistance to SSHFC for housing finance. In all, the project will cost US$936,000 and SSHFC will meet the remainder of the costs, amounting to US$374,000.

The project in Kenya concerns the development of a low-cost demonstration housing project at Kibera, 6 km from the Nairobi city centre. The project has the following objectives: To demonstrate the use of various local building materials including stabilised soil blocks, sisal cement roofing sheets and pisé-laterite in the construction of low-cost housing; to demonstrate the use of appropriate planning and building standards in low-cost housing; to provide rental accommodation and extendable tenant-purchase houses, affordable by low-income groups.

The project comprises 757 one to five-roomed rental and tenant purchase houses and on-site infrastructure. The total project cost is estimated at KES.33 million (US$2.06 million). Shelter-Afrique will finance KES16 million (US$1 million) and the remainder will be financed by the National Housing Corporation (NHC), the implementing agency.

The Republic of Uganda has received a US$920,000 loan for the upgrading of Namuwongo, an unplanned settlement in Kampala. The loan will finance infrastructure services and building materials. The United Nations Development Programme (UNDP), acting through the United Nations Centre for Human Settlements (HABITAT), and the government of Uganda will co-finance the project to the tune of US$2.15 million. Discussions have been held with the Housing Company of Uganda to assist it in playing a more prominent role in shelter development. The Commonwealth Secretariat is to work with Shelter-Afrique in helping Uganda’s housing finance and building materials sectors.

The Building Materials Project concerns a study of the potentials for the promotion and establishment of a viable building materials industry. The study is to be conducted in six African countries spread over various sub-regions of the continent. Depending on the outcome of this study, Shelter-Afrique will actually look into the financing of the production of viable and durable local materials. It will then prepare a formal blueprint applicable to African countries and capable of replication.