

FINANCING HOUSING IN AFRICA



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FINANCING HOUSING in Africa is a monthly publication of the African Union for Housing Finance for its members. Please submit material for inclusion to Kecia Rust, at kecia@housingfinanceafrica.org or Lorraine Nzimande at lorraine@housingfinanceafrica.org.

AFRICAN UNION FOR HOUSING FINANCE

The AUHF is an association of thirty-six mortgage banks, building societies, housing corporations and other entities involved in the mobilization of finances for the development of shelter and housing on the African continent. The AUHF is a non-governmental association and has its presence in some sixteen countries across the continent of Africa. See www.auhf.co.za

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Group: African Union for Housing Finance

Housing Finance products spread in Africa

Among the many factors restricting the development of the residential real estate sector in Africa, a key challenge is affordability. House prices are high whilst incomes are generally low, and this makes housing unaffordable for the majority of Africans.

According to UN Habitat approximately 40.32% of Africa's population live in slums, and according to the World Bank, only 3% of the African population has an income viable for a mortgage. In Kenya for example, information from the [2012 Housing Finance in Africa Yearbook](#) reveals that the cheapest house is between US\$13 000 and US\$26 000. Monthly mortgage repayments on a mortgage would therefore be US\$156 – US\$178. Given a 30% mortgage to income ratio, to qualify for a mortgage for a basic house in Kenya the applicant would have to demonstrate a verifiable income of US\$468-US\$534 per month, which is earned by less than 10% of the population. This is broadly the case throughout the African continent and therefore people use their savings and housing microfinance to buy materials to build their houses incrementally.

This was one of the many issues discussed at the [2012 AUHF annual conference](#), and delegates witnessed numerous examples of incremental home construction during the drive to Kigamboni, Dar es Salaam, Tanzania, the location of the conference site visit. Almost

every house encountered on the drive looked incomplete and had a pile of building materials lined up next to it.



Photo: AUHF Conference 2012 site visit- Kigamboni, Dar es Salaam.

In the midst of such challenges, however, various mortgage lenders and financiers across the continent are developing products to make housing more affordable to low income populations. It has recently been reported that in [Ghana](#), there have been developments in this space. Ghana Home Loans has developed a Home Completion Programme which allows customers to borrow on a short term basis to complete their homes and convert the debt to a long term loan structure upon completion of the structure in order to spread repayments over a maximum 20 year period. Another innovation is the Collateral Replacement Guarantee Scheme, developed by AUHF member Home Loan Guarantee Fund, which removes the need for a 20% deposit from the borrower yet keeps the Loan To Value (LTV) at 80% for the lender. The agreements governing this insurance product in the development of low income mortgages were signed in Accra early this year.. This is evidence of a growth of housing finance products on the continent.

In the news

This month in African housing finance

Housing delivery

A shift to low cost housing in Egypt

One of the greatest challenges Egypt faces, is the provision of housing for its growing population. The lack of decent housing for those in the lower to middle income bracket is thought to have been one of the triggers of last year's revolution. There are hopes that the newly elected government, headed by Mohammad Morsy, is likely to make the housing shortfall a priority. Egypt has a large housing shortage estimated at between 1m and 1.5 m units. It is estimated that the demand is growing by 300 000 units annually. In recent years, developers have been shifting their attention from the top end of the market, where demand has slowed and supply has noticeably outstripped sales, to the low- to middle-income segment, where margins are tighter but where sales are virtually guaranteed. This shift has been encouraging private developers to take on affordable housing projects. Much of the construction of low cost housing in Egypt has thus far been undertaken by the state and this is likely to continue for the foreseeable future as the Ministry of



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Housing has a plan to build 1m units in 22 cities in five years. The interim government of the Supreme Council of the Armed Forces (SCAF) has also put \$326.99m towards social housing and donated a plot of land south of Cairo for the purpose. There is hope that with the new government and the increasing interest of the private sector, the next few years could see real progress in providing new homes for Egypt's growing population. Source(1 October 2012): [Oxford Business Group](#).

Housing Policy

Tanzania urged to shun colonial planning laws

At the AUHF conference attended by over 320 delegates from across the globe, it was suggested that English speaking African countries - including Tanzania- should get rid of the 1847 British colonial housing law. Professor Paul Collier, a director at the Centre for the Study of African Economies at Oxford University, stated that this law has contributed in the development of urban slums in most of the continent's cities. He said that the 1947 Town and Country Planning Act enacted by Britain's parliament, was adopted by most African countries which were colonies of Britain. Professor Collier stressed that Tanzania and other African countries should get rid of this colonial inheritance and adopt their own standards because it is not working. Professor Collier argued that the law, which sets high standards of urban development favour a few rich who can afford to invest in real estate, while the majority poor are denied access to decent houses, hence most African cities are dominated by slums. Source (10 October 2012): [Daily News](#).

Nigerian lawmaker urges government to make plans for slum evictees in Lagos

A Nigerian lawmaker in the Lagos State House of Assembly has called on government to design programmes to ensure that people living in slums are not displaced. This is on the backdrop of a demolition in Makoko, a coastal community in Lagos, by the state government. Mr. Lanre Ogunyeni representing Ojo II in the state constituency, in an interview with Vanguard, stated that ongoing discussions in the aftermath of the demolitions, must accommodate the views of the Makoko evictees and other people living in slums across the state. These views would assist in developing better mechanisms of dealing with the resettlement of communities. Mr. Ogunyeni said that all over that world, there is provision for the poor, and Nigeria needs to do the same. Source (2 October 2012): [3 Invest Online](#)

Housing Finance

South Africa: Nedbank finances development in affordable housing in Port Elizabeth

Shield Homes Developers which specialises in the affordable housing sector, was granted R12 million finance for the Applewood development in Port Elizabeth, in the Eastern Cape. The Applewood development will consist of 29 freestanding units with two bedrooms, one bathroom and a single garage measuring 55m². The complex is said to be fully secured with remote control access. Shield Homes met Nedbank Corporate Property Finance's stringent standards, ensuring quality homes for the affordable market. According to Mannie Annandale, head of Affordable Housing at Nedbank Corporate Property Finance, Applewood Gardens is situated in close proximity to critical infrastructure such as schools local shopping centres and major traffic routes. He noted that this

illustrates Nedbank's commitment to building more than just a physical structure for this sector of the property market. Nedbank finances developments in the affordable housing sector throughout South Africa and it is committed to help meet housing delivery in the country through the use of credible developers and tailor-made financial solutions. Source (9 October 2012): [Commercial Property News](#).

Habitat for Humanity International & Mastercard Foundation launch \$6.6 m Housing Finance Project in Ghana

Habitat for Humanity and the Master Card Foundation launched a \$6.6 million partnership in Accra, Ghana. This five year partnership is aimed at expanding microfinance access to improve homes for disadvantaged families in Ghana, Kenya and Uganda who cannot access formal financial institutions. The launch of the partnership coincided with World Habitat Day, an annual event held on the 1st of October and designated by the United Nations to draw attention to the systems, policies and attitudes that lead to poverty, housing and to involve partners in solutions. Mr. James Anewenah, National Director, Habitat for Humanity, Ghana, said that despite efforts by government to provide houses, coupled with the efforts of private estate developers, the demand for housing units still out-strip supply. It is estimated that Ghana has a housing deficit of about one million housing units. Mr Anewenah noted that most families in Ghana build their homes in phases and therefore Habitat would support the delivery of housing microfinance to support this observation. Habitat has built 7500 houses for families across the country over the past 25 years. Source (2 October 2012): [Ghana Business News](#).

Zimbabwe: New scheme to benefit home seekers

The Zimbabwe Amalgamated Housing Association and the ZAGB Bank have partnered to provide low income residential stands. Under the deal, prospective house owners would have to open fixed deposit or special savings accounts with ZAGB Bank where they deposit a certain amount of money which is then pooled and used to service residential stands. The scheme ensures that until a homeowner gets a stand, their money remains in their personal fixed account or special savings account. Source (10 October 2012): [The Zimbabwean](#).

High Mortgage Prices in Kenya lock out 90% of buyers

According to the [Africa Housing Finance Yearbook 2012](#) by the Centre for Affordable Housing Finance Africa, owning a house is still a pipe dream for the majority of middle class Kenyans. Only 11% of Kenyans earn enough to support a mortgage, therefore middle income Kenyans cannot afford an average mortgage necessary to buy an entry- level house. High construction costs for the construction of decent housing and a low housing supply are some of the reasons that make it too expensive to buy a house even for those who ordinarily are expected to afford one. Construction costs are often high because developers are also forced to take over government's role in the building of roads, sewer lines and other infrastructure. As a result, such costs are shouldered by the buyer. Kenya has about 16 000 mortgage loans, are valued at Sh91.2 billion in 2011, which accounts for only 2.5 % of the GDP. This is low in comparison with other countries such as South Africa which has a 26.4% ratio. Source (29 October 2012):[Business Daily](#).



AUHF Member Profile: Global Communities



Global Communities (formerly CHF International) is an international non-profit organization that works closely with communities worldwide to bring about sustainable changes that improve the lives and livelihoods of the vulnerable. Global Communities engages with communities, governments, the private sector and NGO's in bringing together complementary strengths and sharing responsibilities in working toward common goals.

Global Communities began as the Foundation for Cooperative Housing in 1952. It was later known as the Cooperative Housing Foundation, and more recently as CHF International. The organization currently works in more than 20 countries in: Africa, Asia, Europe & the Caucasus, Latin America and the Caribbean, and the Middle East.

“Our mission is to be a catalyst for long-lasting positive change in low- and moderate-income communities around the world, helping them improve their social, economic and environmental conditions”.

History

When Global Communities was first established as the Foundation for Cooperative Housing, it was a U.S organization focused on building houses for people in need, based on the cooperative model. The organization built 60 000 houses in 35 states in the United States. In the 1960's, the organization which was now known as the Cooperative Housing Foundation (CHF) was asked by the US government to work in Central America, exporting their model of housing to partner countries. In the 1970's CHF became a pioneer in housing microfinance. In the 1980's CHF shifted to working internationally and moved away from a solely housing focus, to addressing community needs more broadly, in Africa, Latin America, Europe and Asia. In response to socio economic changes in the post-cold war period, CHF began working in Eastern Europe, still strongly focused on housing. The organization also expanded to the Middle-East, developing microfinance programs for entrepreneurs and home owners. These microfinance programs are still in existence today.

Global Communities recognizes that Africa is economically among the fastest growing regions in the world and is therefore at the centre of Global Communities' work. Acknowledging the changes in the world while cognizant of the central nature of the role of empowering the vulnerable and helping them to be leaders of their own development, CHF International changed its name to Global Communities.

Global Communities expertise

Presently, Global Communities undertakes development work in over 25 countries around the world. They partner with communities to enable them to direct their own development for a sustainable future. Global Communities has expertise in the following areas: Economic Development, Micro SME and Housing Finance, Infrastructure and construction, Governance & Urban Development, Civil Society & Municipal Development, Global health and Emergency Response. Global Communities is an innovator in providing locally appropriate financial solutions and designs its products to meet the

needs of the local communities in which it works. To view detail on the rest of Global Communities' areas of expertise, visit their [website](#).

Across the areas of SME, Housing Finance, and microfinance, Global Communities' offers a broad spectrum of products, comprising a growing portfolio of over \$123 million in nine countries. Between 2004 and 2011, 354 000 loans to low and moderate income customers were disbursed, totaling \$843 million and an average repayment rate of 98% has been maintained.

Small and Medium Enterprise (SME) Finance

Global Communities recognizes opportunity in Small and Medium Enterprises (SME's). It acknowledges that SME's are an engine of economic growth, however, are often un-served by traditional banking because the risk is considered too high. SMEs are therefore excluded from microfinance providers because their capital needs are too large. Global Communities believes that SMEs have the most potential to create jobs and contribute to local economies and therefore fills this financing gap by offering loans from \$10 000 to \$250 000 depending on the market.

Housing Finance

Global Communities also continues to work in Housing Finance and finds housing solutions for families previously excluded from the opportunity of home ownership. An example: Global Communities provides oversight and risk- management services for a \$150 million fixed rate mortgage initiative in Jordan which is funded by the Overseas Private Investment Company (OPIC). Global Communities also has developed a series of home buyer educational materials that complement its financial products.

Microfinance

Global Communities' largest and fastest growing portfolio is in microfinance. Global Communities operates the largest international network of microfinance institutions in the Middle East with major operations in Iraq, Lebanon, West Bank and Gaza and, Jordan.

In 2011 Global Communities launched two new large initiatives in the Middle East with OPIC. With a total value of \$500 million over the next ten years, Global Communities will be managing two Loan Guaranty Facilities in partnership with local commercial banks to drastically expand lending to small and medium enterprises, partly in response for the need to create jobs and respond to the growing needs of young people driving the Arab Spring. These guaranty facilities build on the experience of Global Communities and OPIC in the West Bank where a similar loan guaranty model has successfully turned over to local management.

Global Communities- formerly CHF International

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Player in focus: Azania Bank



Azania Bank Ltd

Azania Bank, formerly known as 1st Adili Bancorp Limited, was established in 1995 following the liberalization of the banking sector. It is the first indigenous private bank in Tanzania. The major shareholders of the Bank include National Social Security Fund (NSSF) 34.8%, Parastatal Pensions Fund (PPF) 30.1%, Public Service Pensions Fund (PSPF) 17.2%, Local Authorities Pensions Fund (LAPF) 14.2%, East African Development Bank (EADB) 2.3% and several indigenous Minority Shareholders including staff holding 1.4% of the shares the bank.

The Bank currently provides banking services at 11 locations in Tanzania. The bank is a shareholder of Umoja Switch Company which has more than 23 member Banks sharing a common EFT Switch and payment infrastructure platform through ATM's throughout the country. Through this shared infrastructure, member banks are now implementing additional services like internet banking that will facilitate online fund transfers through accounts in different banks, mobile banking, online air time recharge, utility bill payments. They are also exploring options for institution of a gateway to other international networks like VISA/Master Card.

Azania Bank is one of the pioneer banks with an equity investment in AUHF-member Tanzania Mortgage Refinance Company Limited (TMRC), an institution created to provide long term financing to member banks to support the creation of a vibrant mortgage market in Tanzania. Azania Bank Ltd aims at becoming a leading bank in providing banking and financial services to the small and medium sized enterprise sector, by using professionally, motivated and dedicated staff, applying the state of the art-technology and continually enhancing shareholder value.

Azania Bank acknowledges that providing credit does not guarantee growth in any economy, but how the credit is supplied matters greatly in the development of the economy. As a result, part of Azania Bank's target market are small and medium sized companies, on the premise that Small and Medium Enterprises (SME's) have long been the true engines of economic growth. They are more innovative, faster in growth and possibly more profitable as compared to larger sized enterprises. Azania Bank's target market also includes individuals and NGO's.

Azania Bank Limited recognizes the fact that fair and reasonable access to credit matters, not just because credit helps small business to grow, but more importantly because small businesses help the economy to grow. In this, Azania Bank values: Innovation, Effective Risk Management, Low Cost Services, Responsiveness, Leadership, Commitment, Integrity and Motivation and Teamwork.

Products and Service Azania Bank offers credit and deposit products as well as other services. The credit products include home loans, educational loans, personal loans and business loans.

Home Loans

Azania Bank offers loans for home purchase and home construction (dwelling houses and flats). The minimum requirements to qualify for a home loan are:

- A savings account with Azania Bank with a balance of no less than 20% of the expected loan
- A title deed of the property
- The sale agreement if a house is being bought

For **house construction or improvement** the requirements are:

- Approved building plans by relevant authority
- Bills of quantities from registered quantity surveyor
- Copy of title deed with leasehold remaining not less than 15 years and,
- An approved survey plan of the area where the house is to be constructed

When applying for a loan to **purchase a house**, the following is needed:

- Sale agreement signed by both parties and an attorney
- Valuation report by approved bank's valuer and addressed to the bank
- Copy of title deed with leasehold remaining not less than 15 years
- Transfer deed duly signed by both parties and,
- Spouse consent (seller)

Azania Bank offers a repayment period of up to 15 years at a 18% annual interest rate.

Education Loan

Azania Bank offers eduloans for primary, secondary and college or university training. This loan is payable within 12 months at a low interest.

Personal Loan

Azania Bank offers consumer finance and, personal loans. Consumer finance is offered to salaried individuals, and is guaranteed by their employers. The personal loan is an arrangement secured by collateral to buy anything of choice for personal use. Interest is charged on reducing balances and it has a repayment period of up to 24 months.

Business Loan

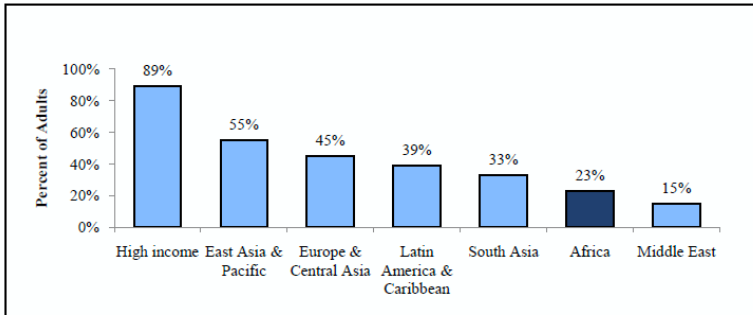
Business loans offered by Azania Bank include: LPO Financing, Invoice Discounting, Bills Discounting, Bills Discounting or negotiating, Terms loans, Guarantees, Bonds, Letters of Credit and Working Capital overdrafts.

Azania Bank
www.azaniabank.co.tz



Graph of the Month

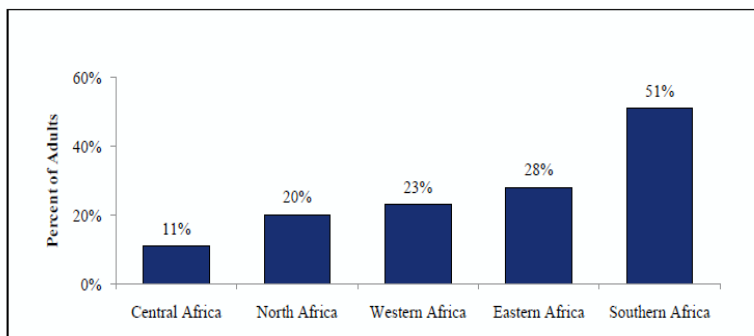
Figure 1: Account Penetration
Panel A: Regional Comparison



The World Bank Development Research Group's Finance and Private Sector Development Team produced a brief report which provides a broad overview of Financial Inclusion in Africa in 2012. The two graphs analysed here, were extracted from this report.

The first graph, figure 1 above, presents a regional comparison of financial inclusion across the globe. The graph reveals that only 23% of adults in Africa are financially included, making the level of financial inclusion in Africa among the lowest, second after the Middle East. The Middle East's percentage of financially included adults is the lowest at 15% and, the highest is that of the higher income countries, at 89%.

Panel B: Sub-Regional Comparison



Source: Demirguc-Kunt and Klapper, 2012.

The second graph -above- presents a picture on the levels of financial inclusion across the African regions. Southern Africa reflects the highest percentage of financially included adults at 51%, followed by Eastern Africa, 28%. Central Africa has the lowest levels of financial inclusion in Africa, at only 11%.

For the full report visit:

<http://elibrary.worldbank.org/content/workingpaper/10.1596/1813-9450-6088>

UPCOMING EVENTS

CONFERENCES / WORKSHOPS

NOV

22-23

Africa Urban Infrastructure & Real Estate Summit. Cape Town, South Africa. For more detail visit http://www.ic-events.net/africa_urbaninfrastructure/

20-23

Housing Microfinance Workshop – Lagos, Nigeria. **Discount for AUHF members!**
Email: ahb.hmfworkshop-africa2012@anthillbees.com

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Nairobi Property Summit- Developing a World Class City. Nairobi, Kenya. Register online @ <http://www.nairobipropertysummit.com/form/3-registration-form.html>

2013

FEB

11- 13

2nd Annual Urban & Housing Development conference. Johannesburg, South Africa. **10% Discount if 3 or more AUHF members confirm!** For details & brochure <http://www.auhf.co.za/event/2nd-annual-urban-housing-development-conference/>

MAR

20-21

Global Microfinance Forum 2013. Vienna, Austria. http://uni-global.eu/en/event/2013-128?utm_source=BenchmarkEmail&utm_campaign=Global_Microfinance_Forum_2013_First_Campaign&utm_medium=email

AUHF Regional SEMINAR in Nigeria, further details coming soon!

JUN

5- 7

Sound Housing Finance Around the World Joint Congress IUHF and EFBS. Vienna, Austria. http://www.housingfinance.org/uploads/Flyer_Vienna_2012_English.pdf