

Government Policies for Sustainable Mixed Use and Mixed Tenure Housing in Sub-Saharan Africa

27th WORLD CONGRESS - Sun City, South Africa
29 September - 3 October 2008

A look at Sub-Saharan Africa
Kecia Rust



- Two extremes of current shelter systems are being witnessed today: *affordable shelter that is inadequate and adequate shelter that is unaffordable*
- In Sub-Saharan Africa, the richest 10% of the population control 35.37% of the wealth while the poorest 10% of the population control 2.18% of the wealth.
- Many forms of inequality can be attributed to the policies of national and local governments in urban areas
 - Infrastructure investment or lack thereof
 - Housing investment or lack thereof
 - Property markets, both formal and informal

- *Sustainable* mixed use and mixed tenure housing is about:
 - Supporting dynamic **growth and development** in urban spaces
 - Supporting residents in realising **sustainable livelihoods**
 - Maximising the **financial capacity** of all stakeholders
 - Addressing **market failure**
 - Ameliorating **income inequality**

“...even as the rest of the global economy slows down and some parts even flirt with recession, business in large parts of Africa is booming like never before. Despite the credit crunch in the rich world’s financial markets, in sub-Saharan Africa in particular there is no sign of any reduction in a growth rate that has averaged over 5% a year for the past decade.” Economist July 8th 2008 “Africa Shines”

1. Problem statement: Housing conditions in sub-Saharan Africa
2. Current government policy and practice in a few African countries
3. Challenges & Opportunities

1. Problem Statement



FINMARK TRUST

MAKING FINANCIAL MARKETS WORK FOR THE POOR

1. Problem statement

	Level of urbanisation %		Improved water %		Improved sanitation %		House connections %		Poverty	
	2000	2030	1990	2002	1990	2002	1990	2002	% < \$1	% < \$2
Africa	37.1	53.5	78.7	83.4	55.3	57.8	42.5	43.3	40.3	75.7
E Africa	24.4	41.0	85.2	84.5	51.1	53.8	42.9	42.3	37.5	74.5
Middle Africa	35.2	54.4	67.9	74.9	46.0	43.2	30.0	30.8	43.5	76.0
S Africa	52.4	67.0	94.0	94.2	68.8	69.6	62.0	63.6	30.7	54.7
W Africa	40.1	58.9	95.6	81.6	46.2	57.0	27.8	32.8	49.4	77.4


- By 2030, most countries will be > 50% urbanised. Urban populations in Africa are growing by 3.5% pa
- Sanitation and electricity are the most significant urban services challenges
- Poverty is significant : 75% of the population earning less than \$2 per day
- Southern Africa leads in access to services and has lower poverty figures. It is already more than 50% urbanised.

- Demand for housing is clear
- Access to urban services and poverty levels suggest incremental housing processes will dominate
- Poverty levels suggest limited affordability for large scale loans
- **Wild card:** access to secure tenure

1. Problem statement

Zambia	<ul style="list-style-type: none"> Backlog estimated at roughly half the population Few, isolated pockets of middle-high income housing development
Botswana	<ul style="list-style-type: none"> Overcrowding rather than informal settlements - no measurable backlog per se Estimated need for another 130 000 - 150 000 housing units by 2016 Vast majority (75%) of housing units are built by individuals, not companies
South Africa	<ul style="list-style-type: none"> Persistent informal settlements - backlog estimated at about 2 million units Housing subsidy (hh income < \$450 per month): full house on serviced stand for free Established middle and high income property market
Kenya	<ul style="list-style-type: none"> Annual deficit of 120 000 units met by slum housing Formal production by the public and private sectors not more than 30 000 units / year
Rwanda	<ul style="list-style-type: none"> Housing demand growing by about 30 000 units per year - without affordability Sparse development efforts for low income earners
Mozambique	<ul style="list-style-type: none"> No systematic data on housing backlog, demand and production In 2005, only 40% of urban houses were constructed with cement block walls
Uganda	<ul style="list-style-type: none"> 550 000 unit backlog nationwide: 160 000 units in urban areas Inadequate housing delivery in past 25 years - only 2900 units planned by next year
Namibia	<ul style="list-style-type: none"> Backlog estimated at just under 62 000 units Poor housing provision for lower income earners

1. Problem statement

- Private sector housing development beginning to emerge after period of drought, but scale remains inadequate
 - Examples in Zambia, Uganda, Ghana, Kenya
 - Mortgage finance limited
 - Affordability and title the two key challenges... but there are also others
- In most countries, other than South Africa, the majority of housing is built unit by unit:
 - The rich formally house themselves (own resources)
 - Middle and lower income households overcrowd in existing structures, or build step-by-step (in unplanned areas often with informal materials)
 - Rental tenancy is at the household level
- These settlements are indeed mixed use and mixed tenure, but not adequate and not sustainable

Informal settlements are home to a majority of the inhabitants on most African cities. **Over 70% of the urban population suffers shelter deprivation** in terms of inadequate housing, water supply, or sanitation.

2. Current government policy and practice



2. Current government policy & practice

Zambia	<ul style="list-style-type: none">■ New housing strategy pending - in consultation phase■ Lilayi housing development provides useful lessons - developer driven model
Botswana	<ul style="list-style-type: none">■ National Housing Policy (1999)■ Self Help Housing Assoc. (SHHA) - provides land & housing finance to low income households■ Policy interest in public-private partnerships
South Africa	<ul style="list-style-type: none">■ National Housing White Paper (1994) and Breaking New Ground (2004)■ Fully subsidised housing for low income population■ Market-driven housing for middle - high income population■ Urban development zone depreciation allowance
Kenya	<ul style="list-style-type: none">■ Kenya Slum Upgrading Project (KENSUP) established to respond to MDGs■ National Housing Corporation (NHC) and local authorities provide limited public rental■ Private sector developers working in up-market developments

2. Current government policy & practice

Rwanda	<ul style="list-style-type: none">■ Draft National Human Settlement Policy (2004); draft Land bill (2004) draft Mortgage Law (2007)■ Focused land regularisation initiative underway to formally register 7.7m plots■ Government low cost housing scheme in rural areas to accommodate returning refugees■ Kigali City also provides subsidised housing
Mozambique	<ul style="list-style-type: none">■ No national housing policy : draft strategy in 2005 not implemented■ Nationalised rental - policy of divestiture since 1991■ FFH promotes construction of social housing and provides low-cost credit to low income households
Uganda	<ul style="list-style-type: none">■ Draft National Housing Policy prepared in 2005 - not yet adopted■ Addresses slum upgrading, minimum norms & standards, private sector role in the provision of housing on a commercial basis■ PPPs with local and national government, and int'l donor, address self-help housing
Namibia	<ul style="list-style-type: none">■ Vision 2030 and 5-year National Development Plans, National Housing Policy■ Distinction between high, middle and low income markets■ Build Together programme, mobilising savings

2. Current government policy & practice

- South Africa's subsidy policy is unique

- Shift away from state-driven to state facilitated housing delivery, to:
 - Improve targeting: poorest were getting left out
 - Sustainability: build long term private sector capacity
 - Achieve scale: state-driven delivery hopelessly inadequate

- Mixed use / mixed tenure not explicitly targeted other than in SA

- Policy in flux in most countries

3. Challenges and opportunities



3. Challenges & opportunities

Key policy challenges



Affordability

- At most 10% -15% of the population can afford the cheapest, newly-built house
- Economic growth leads to property price appreciation, and...
- Property price appreciation can entrench inequality
- Developers build to affordability leading to economic segregation

Access to well-located, serviced land



■ Roles and responsibilities of the players

- National government: set policy and provide subsidies... **direct land markets?**
- Municipal government: access to land, planning, bulk services, ... **engineer integration?**
- Private sector: housing delivery... **picking up the pieces?**
- CBO sector & individuals: public participation, self build **in established developments?**

■ Responding constructively to the Millennium Development Goals

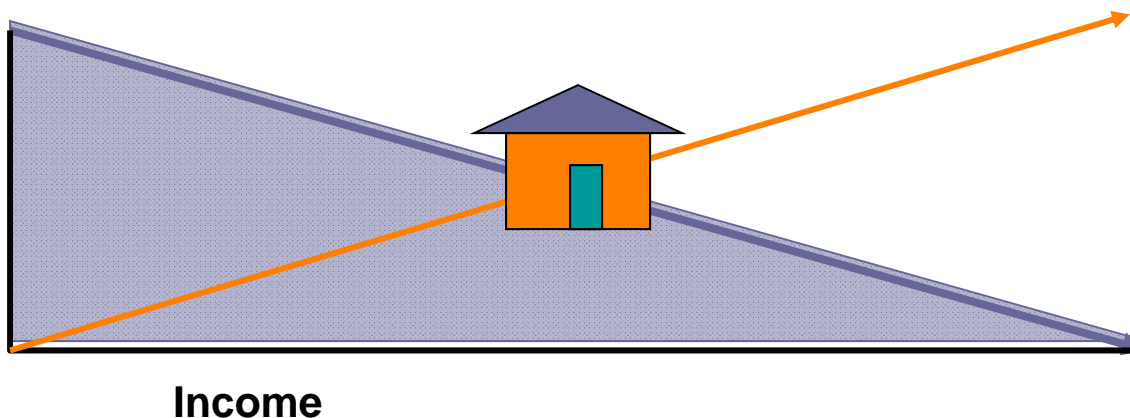
- Integration
- Just title, or quality housing?

3. Challenges & opportunities

In Mozambique (Allen and Johnsen, *forthcoming*):

“ ... a household would require a monthly net salary of 48 000 MT (\$1 900) to borrow \$40 000 over a 20 year period to purchase a small apartment in the less attractive areas of the cement city of Maputo. ... **This is more than the net basic salaries of a couple senior doctors working for the national health system.**”

Affordability
support



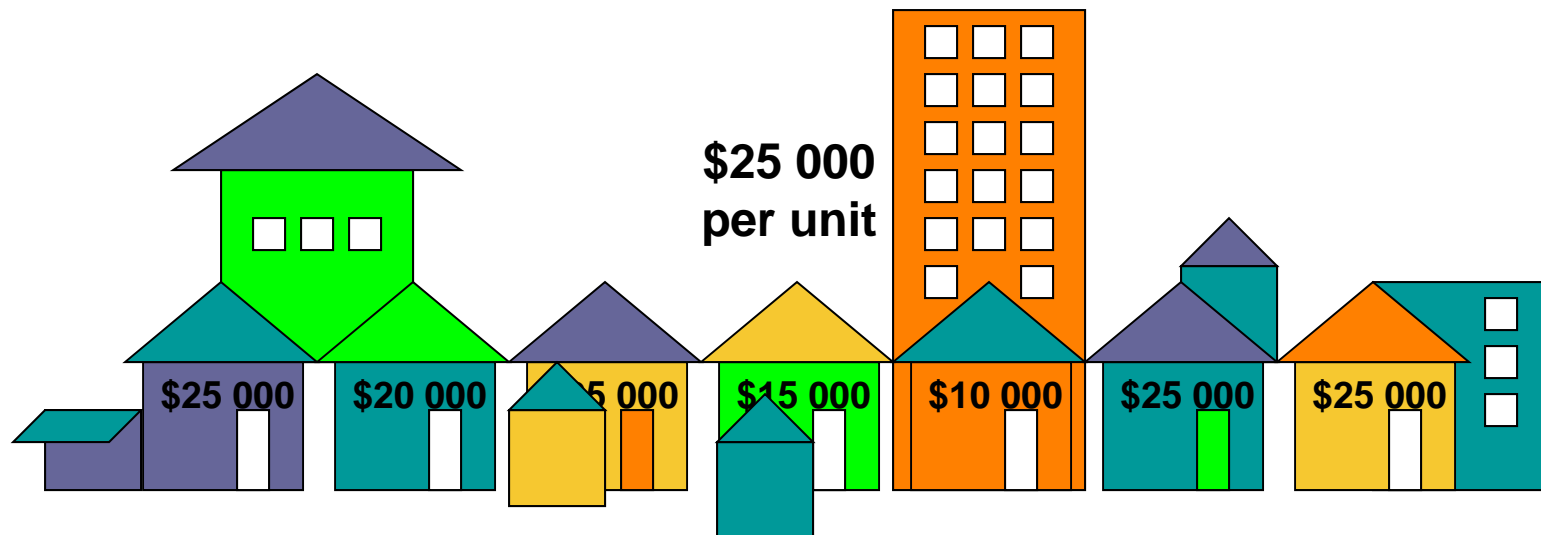
3. Challenges & opportunities

Lowering the affordability threshold

- End-user subsidies increase affordability
- Tax credits reduce costs
- Streamlined building processes reduce costs
- Increased density decreases costs
- Shared equity spreads costs
- Fixed rates reduce risk

Maximising diversity

- Neighbourhood planning: the corner store
- Facilitative zoning: home based enterprises, second & third dwellings
- Incentivise home improvements & gentrification
- Incentivise institutional investment at a neighbourhood level



Critical challenge: where should / could governments target affordability support? At the land? The services? The house? The neighbourhood?

Thank you!

Kecia Rust
kecia@iafrica.com

