



## **AFD awards CAHF €1.5 million for a five year programme to strengthen the affordable housing finance sector in Francophone Africa**

The French development agency, *Agence Française de Développement* (AFD), has awarded a grant of €1.5 million to the Centre for Affordable Housing Finance in Africa (CAHF), a not-for-profit think tank based in Johannesburg, South Africa, to extend its work into Francophone Africa. The programme will run from 2016 – 2021.

The main objective of the programme is to support the development and deepening of Africa's housing finance sector in Francophone Africa, through the provision of data and market intelligence, as well as capacity building among key players. This will support practitioner investment decisions and policy developments, leading to increased investment in affordable housing and housing finance in Africa. The programme also facilitates active exchange of experiences, case studies, and data between Francophone and Anglophone Africa.

### **Rationale for the Programme**

Africa's housing finance sector has been going through considerable growth and change over the last decade, responding to the broader economic growth opportunities in many countries on the continent, as well as to the pressures of rapid urbanisation. Historically, housing has been primarily a personal exercise – households themselves, whether wealthy or poor, have constructed the majority of housing on the continent.<sup>1</sup> This is now changing; over the past ten years, developers have increasingly targeted residential construction<sup>2</sup>, and housing finance systems are reconfiguring themselves accordingly. And, as economic frameworks improve, some investors are starting to look at the slowly developing mortgage markets.<sup>3 4</sup>

This is important – we need the scale. In response to these emerging opportunities, CAHF has developed a programme that seeks broadly to address two key challenges:

- 1. The need to shift the housing sector's focus down market, towards housing that is affordable to the majority:**  
In this new, young sector, the focus has been on the high value market, while the overwhelming majority of the need (and demand) is from very low, low and middle income households. Of course, this is to be expected: new markets generally start where there are margins to support the perceived risk. In the absence of accurate and trended market information, a clear indication of risk and return, and track records that prove long-term viability, practitioners stick to familiar territory and high margin activities. Investment in *real estate* has therefore become increasingly popular, while attention to *housing* is still seen as the purview of government. As nations urbanise further, and as economies develop under the pressure of new dynamics (recent mineral discoveries, for example), explicit effort must be placed on harnessing practitioner interest further down market. Governments cannot serve this market alone. It is also worth considering that the very success of

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<sup>1</sup> See Tomlinson, R (2007) A literature review of housing finance development in sub-Saharan Africa.

<http://www.housingfinanceafrica.org/document/a-literature-review-of-housing-finance-development-in-sub-saharan-africa/>

<sup>2</sup> News reports show a [boom in Kenya's luxury property market](#) and a growing number of countries are now witnessing large-scale residential projects in their major cities. Examples include [Tatu City](#) in Nairobi, Kenya; the DRC's [La Cite du Fleuve](#), in Kinshasa, and the Victoria Island development [Eko Atlantic](#), in Lagos, Nigeria. Targeted at middle-upper and high-income earners, these residential estates often by-pass the development challenges associated with stretched local authorities by providing fully serviced, mini-city "islands".

<sup>3</sup> Since 2006, after doubling year on year, the Egyptian mortgage market carries just under 30,000 mortgage loans. Growing at a similar pace, Kenya's total mortgage book at end-2011 was KSH 91.2 billion (about US\$ 1.1 billion) with 16,135 mortgages. This is an increase of just under 50% from the previous year, and by the end of 2015 was comprised of just over 20,000 mortgages. The Tanzanian government's efforts are beginning to foster change: the Tanzanian Mortgage Refinance Corporation, established in 2010 as a mortgage liquidity facility, has 11 shareholding banks intent on building the country's mortgage market. Nigeria has established a similar facility, which began operations in 2014.

<sup>4</sup> CAHF (2015) 2015 Housing Finance Yearbook, <http://www.housingfinanceafrica.org/document/2015-housing-finance-in-africa-yearbook/>

residential property markets at the top end may well be exacerbating the access challenges faced by households at the middle and bottom end of the affordability spectrum.

- 2. As a key link in the housing delivery chain, the housing finance sector – investment capital, construction capital, end user finance, and all the facilitative interventions (guarantees, insurance, subsidies, and so on) – is underdeveloped.** First, financial sector development initiatives focus largely on other sectors: insurance, agriculture, small business development, and mobile money. The notion of a housing sector in the African context is still very new and the financial sector is unfamiliar with its dynamics. This is possibly because of the second reason: that housing finance is dependent on a much wider array of activities – construction costs, security of tenure, servicing of land, and so on – that together comprise the housing value chain: activities that are beyond the financial sector’s reach.

For the past two years, CAHF has been addressing these key challenges in its work, and publishing this work on its website. However, its focus has been on Anglophone Africa, and in the publishing of English-language resources. The AFD grant gives CAHF the opportunity to now extend its work into Francophone Africa, and to draw experiences from both English- and French-speaking countries for the benefit of the continent as a whole.

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**CAHF, the Centre for Affordable Housing Finance in Africa**, is an NGO based in Johannesburg, South Africa, with the vision of an enabled affordable housing finance system in countries throughout Africa, where governments, business, and advocates work together to provide a wide range of housing options accessible to all. CAHF’s mission is to make Africa’s housing finance markets work, with special attention on access to housing finance for the poor. We pursue this mission through the dissemination of research and market intelligence, supporting cross-sector collaborations and a market-based approach. The overall goal of our work is to see an increase of investment in affordable housing and housing finance throughout Africa: more players and better products.

Our work covers four main areas: (1) understanding the housing market, (2) monitoring housing sector performance, (3) exploring innovation in housing finance, and (4) supporting housing finance market development.

Since its formation, the CAHF has come to be known as the most comprehensive and up to date source of information on housing finance in Africa. Its research and other material is regularly used by investors, lenders, pension funds, and other financiers; legal practitioners, researchers and academics; policy makers and other housing finance practitioners to scope and pursue the opportunities for extending access to housing finance across Africa. As a thought leader in the sector, CAHF is a respected advocate for financial inclusion in housing finance in Africa. Our work is available on our website: [www.housingfinanceafrica.org](http://www.housingfinanceafrica.org). CAHF is also secretariat to the **African Union for Housing Finance** – see [www.auhf.co.za](http://www.auhf.co.za).

**AFD, the Agence Française de Développement**, is a public development-finance institution that has worked for seventy years to alleviate poverty and foster sustainable development in the developing world and in the French Overseas Provinces. AFD executes the French government’s development aid policies. In 2015, AFD committed over Euros 8.1 billion to finance projects in developing countries and overseas France.

AFD operates on four continents via a network of seventy-two field offices and bureaus, including nine in France’s overseas provinces and one in Brussels. The Agency provides financing and support to projects that improve living conditions, boost economic growth, and protect the planet.

AFD fulfills its mission with help from its private-sector arm, [Proparco](#). The private sector is an essential link in the development chain because it creates jobs and invigorates economies.

In addition, AFD manages the FFEM, the [French Global Environment Facility](#), financing innovative environmental projects that preserve biodiversity, fight climate change, and prevent land and forest degradation, among other vital actions.