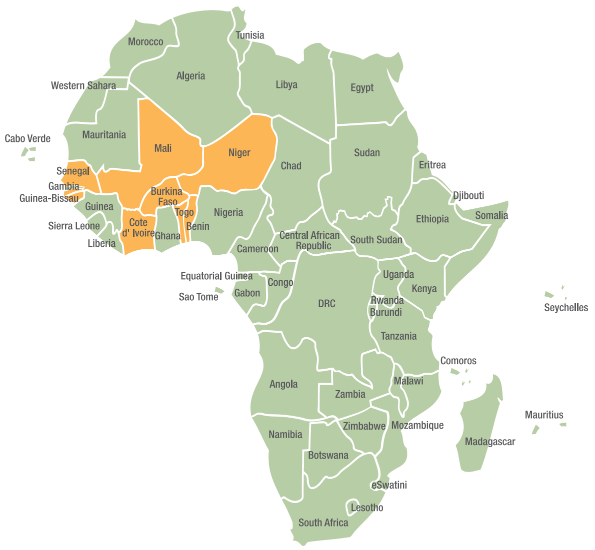
The West African Economic and Monetary Union WAEMU (UEMOA)



Overview

The West African Economic and Monetary Union (Union Economique et Monétaire Ouest Africaine, UEMOA) is a regional organisation of eight West African countries, namely Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. They share the same currency, the West African franc (CFA Franc), monetary policies, and French as an official language, with Portuguese for Guinea Bissau. The objective of the union is to promote regional economic integration and create a common market. Benin, Cote d'Ivoire, Guinea Bissau, Senegal and Togo are on the coast of West Africa whereas Burkina Faso, Mali and Niger are landlocked countries. The climate ranges from warm and humid on the southern coast to dry and hot in the semi-arid countries.

The economy is predominantly agricultural. Cocoa, coffee, timber, cotton, onions, sesame seeds, peanuts, gum arabic and cashew nuts are among the cash crops produced and exported by the union. All member states have some manufacturing activities, especially in the agro-industries, but in an embryonic stage. Currently, each member state has a development programme to promote industrialisation to modernise the existing agro-industries and develop logistics infrastructure to facilitate access to the rural zones where most of the agricultural activities are concentrated. Cote d'Ivoire, which represents the largest economy of the union, has some agro-industries. Niger, Mali, and Burkina Faso have mining industries, with uranium, gold and petroleum in Niger; gold in Mali and Burkina Faso; phosphate in Togo and Senegal; and iron in Benin. Animal rearing is still in the traditional mode, but it promises to be a significant economic activity if modernised. This includes milk and dairy produce, meat production for local consumption and export, tannery and hides, and skin industries. Other activities are artisanal mining of minerals used in construction - artisanal fishing and artisanal food transformation and cosmetics. These activities represent a massive potential to be developed and industrialised.

Prior to 2010, on average, the populations of the coastal countries mostly lived in the urban areas, compared to the landlocked countries where the population is primarily rural. Both population growth and urbanisation within each country is accelerating at one of the fastest rates in the world. The average urban population of the union has practically doubled, from 19.8 percent of the total population in 1975 to 39.2 percent in 2016.[1] In some of the urban centres, particularly in Abidjan, the capital of Cote d'Ivoire, the annual urbanisation rate is 4.6 percent. The fastest growing urban areas include Abidjan, Dakar, Lomé, Cotonou, Bamako, Niamey, Bissau and Ouagadougou. Approximately 110 million people currently live in the union; over the next 20 years another 100 million will be born.[2] Most of them will reside in urban areas.[3]

As a result of decentralisation and democratisation, cities are emerging from rural towns, and capital cities are undergoing modernisation, with a number of infra-structure projects underway in practically all the member states of the union. Other projects include industrialization and transportation; housing remains a priority with each member state driving an ambitious housing programme. The current economic dynamism of the union is an asset for modernising the construction and housing sectors of the economy. Reforms in the financial sector and business environment also serve to promote mortgage activities and develop the property market.

According to the Central Bank of the Union, (Banque Centrale Des Etats de l'Afrique de l'Ouest, or BCEAO), the economic drive initiated since 2012 within the WAEMU has been maintained in 2017, thanks to the gradual improvement of the international and internal economic environment of the member states. At the international level, the union has benefited from the revival of activities in Nigeria, the main trading partner of some of these states.[4] The steady pace of growth in the union is due to public and private infrastructure investment, productivity in the construction and building sectors, booming agriculture, a better business climate, and improvement in the broader socio-political climate. Real GDP growth was 6.7 percent in 2017.[5]

Economic growth is expected to continue because of good agricultural harvests, execution of some regional and national socioeconomic infrastructure, and improvement in the political stability of some of the member countries, particularly those countries with forthcoming elections. Insecurity in the northern part of Mali, northeast of Niger, and terrorist attacks in Cote d'Ivoire and Burkina Faso are of great concern, however. The union has minimized the average annual inflation rate to 0.8 percent in 2017.[6]

Access to finance

Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) is a unique central bank for the eight countries and governs the financial institutions across the union. The BCEAO headquarters are in Dakar, Senegal, and each country hosts a national agency. The formal financial system of the union is developing, and the banking network is growing. Three new banks and three financial institutions were added to the network in 2017, making a total of 126 banks and 18 financial institutions operating in the union by the end of 2017.[7] The three new banks were established respectively in Burkina Faso, Cote d'Ivoire and Senegal. Most of the banking activities are concentrated in three to six commercial banks in the majority of the countries. Although the banking rate in the union remains one of the lowest in the world, access to banking services in the last decade has significantly increased and the number of banks and micro-finance institutions has grown. According to BCEAO, at the end of June 2017, there were 623 microfinance institutions in the Union, with 4 853 branches, CFA 1 216.1 billion (US$2.1 billion) deposits, 13.6 million depositors and CFA 1 142.2 billion (US$1.98 billion) worth of loans.[8]

BCEAO continues its efforts in promoting financial inclusion and diversifying financial instruments by promoting new products among which are leasing, participative finance (SUKUK) and modernising the banking information system (digital banking).

The housing finance market in UEMOA countries is under-developed. Few long-term mortgage vehicles exist; those that do belong to government. Only a few of the member countries have mortgage banks. These include: Banque de l'Habitat du Bénin, created in 2003 with operations starting in 2004; Banque de l'Habitat du Burkina Faso, created in 2005; Banque de l'Habitat de Côte d'Ivoire, created in 1994; Banque de l'Habitat du Mali created in 1996; Banque de l'Habitat du Niger created in 2010 and not yet operating; and Banque de l'Habitat du Senegal (BHS) created in 1979. BHS is the most active of the mortgage banks of the union and represents 50 percent of the demand for mortgages authorised in 2014 and 30 percent of the disbursed loans (CFA 60.4 billion; US$105 million).[9] (More recent data is not available.) The bank continues to maintain its leadership position in the union by diversifying its sources of financing and innovating its products. In October 2017 BHS and ECOWAS Bank for Investment and Development signed a CFA 7 billion (US$12.2 million) credit for boosting housing production in Senegal.

The average interest rate in the union in 2013 was 7.44 percent; Senegal had the lowest rate at 6.81 percent.[10] The average interest rate in the union is 7.53 percent since December 2017.[11]

A study by BCEAO in 2014 demonstrated that housing loans as of percentage of total loans disbursed between 2005 and 2012 was very low (less than 2 percent).[12] Analyzing the union data between 2013 and 2017, housing loans as of percentage of total loans disbursed still remain low.[13] To promote mortgage activities and access to mortgages, a regional mortgage institution, Caisse Regional de Refinancement Hypothecaire-UEMOA (CRRH-UEMOA), was created in 2010 by the BCEAO, Banque Ouest Africaine de Dévelopment (BOAD) and Conseil Régional de l'épargne Publique et des Marches Financiers. The mission of the institution is to promote easy access to long-term financing to its member commercial banks to enable them to finance housing loans. The total capital of CRRH-UEMOA as of 31 December 2017 is CFA 8 993 970 000 (US$15 641 687), 41.73 percent of which belongs to financial institutions and 64.9 percent to commercial banks, 17.16 percent to BOAD, the majority shareholder, and 13.90 percent to International Finance Corporation, the second major shareholder. The CRRH headquarters are in Lomé, Togo. The regional institution's goal is to promote mortgage development urgently needed in the UEMOA countries. In February 2017 CRRH signed an agreement of CFA 1.25 billion (US$2.175 million) with the International Finance Corporation, IFC and BOAD, making the IFC the second largest institutional shareholder in CRRH-UEMOA.

CRRH-UEMOA, as expected, is reinforcing the capacity of commercial banks, unleashing construction activities, fostering housing development, generating investments, employment opportunities and raising incomes, as currently illustrated by the increase in the number of members' banks (shareholders), now 54, and its success in bringing in IFC as a shareholder in 2017. It is expected that CRRH-UEMOA's success in mobilising funds will accelerate the development of mortgage activities in the union.

Among the institution's 2017 activities was a workshop entitled "Financing of Affordable Housing in UEMOA" (Etudes Sur le Financement Du Logement Abordable dans l'UEMOA) held in February 2017. The workshop formulated recommendations relevant to boosting production of decent and affordable houses, producing relevant information for the development of effective policies, and improving urban and land management. Among the recommendations to boost supply are the creation of liquidity funds for affordable housing and capacity-building of construction professionals.

Furthermore, at country level, the governments of all the member states continue to promote housing finance through different mechanisms, among which are the establishment of mortgage banks, housing development agencies, and fiscal incentives for private companies and developers. Some commercial banks and members of CRRH-UEMOA are now promoting housing loans to individuals.

Total UEMOA loans and home loans 2013-2017 (CFA and US$ billions)

	2013	2014	2015	2016	2017
Total loans					
CFA billions	9 210.00	10 708.90	11 976.40	12 376.80	12 376.80
US$ billions	16.03	18.63	20.84	21.54	22.43
Housing loans					
CFA billions	203.70	181.20	136.50	261.70	288.0
US$ billions	0.35	0.32	0.24	0.46	0.50
Home loans as share of total loans	2.18%	1.72%	1.15%	2.14%	2.22%

Source: BCEAO (July 2018). Rapport sur les conditions de banque dans l'UEMOA, En 2017. Tables 2-9.

Affordability

Despite the union's economic growth, affordability is still a challenge and depends on each country's economic environment. The population of the union is estimated at 110 million; approximately 43 million live below the extreme poverty line and have little or no capacity to finance their homes.[14] To tackle these affordability challenges, some initiatives are being implemented, including plans to secure funds at competitive prices in the financial markets. The creation of CRRH-UEMOA has facilitated access to financing for its members to improve banking conditions for mortgage loans. Although average interest rates dropped from 9.78 percent in 2005 to 7.44 percent in 2013[15] and 8.04 percent in 2017,[16] these are still relatively high compared to other countries. In October 2017, CRRH-UEMOA, BOAD and the World Bank signed a project of US$155 million to support the development of affordable housing finance in the union. According to the World Bank, the project will solve the problem of the chronic shortage of housing across the union by expanding access to long-term housing finance for households with modest and irregular incomes.

Approximately 800 000 housing units are needed every year to take care of the chronic shortage.[17] Yet UEMOA banks only issued approximately 15 000 new mortgages per year – an insignificant fraction of the estimated needs. The project will facilitate 50 000 new mortgages and leverage greater amounts of investment from the private sector.[18]

To boost affordability, each member state has a series of housing projects and provides fiscal incentives to foreign and local investors. These incentives are intended to promote local small and medium enterprises, and include mutual funds for housing in Senegal, the allocation of free land, fiscal incentives and property registration reforms in all the member states of the union. Other measures include the promotion of industrialisation of local resources, leading to new cement factories being established, and old factories upgraded, in Senegal, Benin and Cote d'Ivoire.

These efforts have had some impact on the price of cement, which has been on the rise since early 2018.[19] A 50kg bag of cement at CFA4 500 (US$7.83) five years ago cost on average CFA3 450 (US$6.00) in 2018 and suddenly went up to CFA4 000 in July 2018 in Benin. Prices went down in Senegal to CFA2 900 (US$5.04) and is now going up to CFA3 250 (US$ 5.65). Prices in other countries are on the rise: Cote d'Ivoire and Mali CFA4 500 (US$7.85); and Burkina Faso and Niger CFA5 000 (US$8.70); and Togo CFA4 000 (US$6.96). Prices differ from one country to another and sometimes within the country depending on the geographical location.

In addition to individual state measures, the union has adopted common measures, including reinforcement of the capacity of mortgage banks, the promotion of savings for housing, and mortgage guarantees. Nevertheless, there is a need to support the private sector to develop the construction industry and make housing finance affordable for the majority of the population in the UEMOA countries.

Housing supply

Rates of housing supply differ from one country to the other but overall this is still dominated by incremental, self-construction and informal entrepreneurship. Most of the supply is produced by informal entrepreneurs. Some of the upper-middle class can use government housing development agency services and to some extent, private developers. On the whole, the upper and middle class live in residential zones, while the poor live in slums. Little data on the stock of houses in the union is available.

In every UEMOA country, the housing supply is insufficient to meet demand. As has been noted, high population growth rates of the eight countries mean the population will more than double over the next 20 years, with most of the newcomers adding to the urban population.[20] The housing deficit in the union is estimated at 3.5 million units.[21] To face this challenge, some of the presidents have established ambitious housing programmes as part of their presidential campaigns. Alhassan Ouattara of Cote d'Ivoire announced a programme of 50 000 houses for five years at a rate of 10 000 houses a year; the number has changed over time, increasing to 60 000 in 2012, and to 150 000 to be delivered by 2020. Issoufou Mahamadou of Niger has promised more than 40 000 houses all over Niger. Other promised housing numbers are for Mali 50 000, Guinea Bissau 1 000, and Benin 10 000.

Despite considerable efforts, the programmes are not yet fully implemented. In Cote d'Ivoire, a total of 46 developers, 42 domestic and four foreign, have signed up to build projects under the programme, with a combined 72 social housing projects in progress as of January 2016. Among the developers were Société Ivoirienne de Construction et de Gestion Immobilière. They teamed up with partners from Benin, China, South Africa, and the Netherlands to build 20 000 units around Abidjan. Two Moroccan construction groups – Addoha and Alliances – were reportedly between them building 19 000 affordable homes in and around Abidjan, with the first units planned to be completed in July 2015. However in spite of the various projects, construction has been proceeding at a slower pace than expected, with less than 10% of the target completed as of the end of 2015.[22]

In addition to presidential programmes, all member states have ambitious housing programmes and innovative solutions for the deficit, such as the creation of new urban zones in Senegal and Burkina Faso, and the construction of 20 000 rent-to-own houses (lodgement location-vente) in Benin and 1 000 houses in Guinea Bissau. As of 2015, most commercial banks of the union have been offering housing loans and private developers are offering various housing schemes.[23] This is attributed to the union's economic growth, and the support of CRRH-UEMOA. Nevertheless, the gap between the supply and the demand persists.

Union member governments are focusing their efforts on improving the business environment and sourcing foreign investment to develop urban infrastructure and housing. To this end, the UEMOA is initiating a series of investment forums to source diversified investors. The result is illustrated through the different housing programmes under construction in the entire union and the progress accomplished by some of the states as measured in the 2018 World Bank Doing Business Report. For example, Benin ranks 46 out of 190 countries in dealing with construction permits: 13 procedures and 88 days for obtaining a construction permit, compared to the sub-Saharan average of 147.5 days. It is expected that the result of the efforts and the success of CRRH-UEMOA will favour the development of mortgage activities and boost housing supply across the union.

Policy and regulation

There have been reforms in land administration, but the registration of properties to obtain full ownership rights – Titre Foncier – remains a challenge in all UEMOA countries. In 2016, the CRRH-UEMOA proposed to undertake a regional study of the different regulations concerning full ownership rights in all its member countries with the aim of proposing a unique framework to be recognised and accepted by all the member states. There is no further information regarding the study to date.

One of the recommendations to CRRH-UEMOA during the February 2017 workshop on affordable housing finance within UEMOA was to promote a land and real estate observatory to the UEMOA Commission to provide necessary information for the development of effective policies and improvement of urban and land management. To date the observatory has not been established. Other recommendations concern: investment in slum upgrading and basic infrastructure for the poor; promoting accessibility to housing finance by reducing the cost of construction; increasing the maturity term of housing loans; and a lower interest rate. Creation of an Affordable Liquidity Fund within the CRRH-UEMOA that will initiate and support growth of affordable housing finance in the union was proposed.[24]

The 2018 World Bank Doing Business Report indicates that some of the reforms implemented by some member countries are yielding results.[25] For example, Cote d'Ivoire and Burkina Faso obtained good scores in dealing with construction permits among the member countries of the Union, however some difficulties persist, one of which is the high cost of construction. The recommendation is to improve regulations on urban planning and construction and access to land.[26] This will have a great impact on the procedures and delays associated with obtaining a construction permit.

Additional updated information is difficult to obtain. However, CRRH-UEMOA has been busy mobilising funds and hopefully in the future it will provide necessary information for the development of effective policies.

Property market and opportunities

UEMOA countries are witnessing social and economic changes, primarily due to the economic boom, political and economic reforms, and the development of infrastructure such as roads, highways and secondary roads and telecommunications, and increased investment. This has facilitated improved access to rural areas, resulting in high demand for land and properties. Decentralisation and the high demand for land and roads are accelerating the urbanisation of villages around the capitals and other internal cities. Incentives are also stimulating local and foreign investors to participate in the development of housing and other urban infrastructure.

Each member state has housing on the priority list of its agenda and the government is promoting public private partnerships for housing development and fiscal incentives for businesses. Investment interests from foreign countries both in and outside Africa are present in all the member states of the union. Dangote Group has plans to produce cement in Niger,[27] and the Adoha Group, a Moroccan group in housing development, is now present in Cote d'Ivoire and Senegal.[28]

In summary, UEMOA's property market is promising. The market is practically untapped and there is demand for all sectors of the market, industrial, hospitality, commercial, offices, and residential, fuelled by the rate of urbanisation. The union's rapid urbanisation is aggravating housing deficits, thus increasing interest in the residential market, especially housing for lower income groups. The yield on investment according to Knight Frank is in the range of 7-9 percent, one of the highest in the world. Various development programmes, such as urban infrastructure, electrification of new cities and rural areas, and housing as well as the rate of urbanisation and the population growth rate (both high), are indicators of opportunities for the housing finance and housing development sectors, especially in the low income bracket.

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