

Benin

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Overview

Benin is a member state of the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU). With limited mining commodities, the country has focused its economic development efforts on agriculture, which contributes more than 34 percent of its Gross Domestic Product (GDP).¹ Production of cotton, one of the country's biggest earners of foreign reserves, is expected to reach 800 000 tonnes in the 2019/2020 agricultural season, up from 670 000 tonnes in the 2018/2019 agricultural season, according to Ministry of Agriculture forecasts.²

Benin's economy is heavily dependent on trade ties to its neighbours, particularly Nigeria. Its economy has been growing steadily in the past few years, by 5.6 percent in 2017 and 6.7 percent in 2018. It is expected to grow by 6.7 percent between 2019 and 2024, driven by high agricultural production, rising private investment, and the development of new sectors such as tourism and the digital economy. However, despite a robust economic performance, poverty continues to increase (40.1 percent in 2015 from 33.3 percent in 2007)³ with inequality reaching alarming levels.⁴ Rural people stay in the margins of society and youth unemployment is problematic.⁵

Politically, Benin's democratic order was seriously compromised in 2019 when President Patrice Talon and the National Electoral Commission barred the country's main opposition parties from fielding candidates by using tough new eligibility rules.⁶ Despite an international outcry and opposition supporters' boycott, the elections went ahead, producing 83 Members of Parliament all allied to Talon. Several people were shot dead by security forces in the ensuing post-electoral violence.⁷

Access to finance

Benin, a low income nation of 11.4 million people, has the highest financial inclusion index (0.556) in the WAEMU zone, followed by Senegal (0.459), Togo (0.453) and Ivory Coast (0.410).⁸ A large informal sector, estimated at over 70 percent of GDP,⁹ spurs many people to access finance through Decentralised Financial Systems (DFS), which include microfinance institutions and tontines.

The number of adults holding deposit or credit accounts in banks stands at 16.48 percent, while 36.87 percent of the adult population use microfinance institutions

KEY FIGURES

Main urban centres	Cotonou, Porto-Novo, Abomey-Calavi, Seme-Kpodji, Parakou
Exchange rate: 1 US\$ = [a] 1 July 2019 1 PPP\$ = [b]	580.15 CFA Franc (XOF) 206.88 CFA Franc (XOF)
Inflation 2018 [c] Inflation 2019 [c]	1.0 2.0
Population [b]	11 485 048
Population growth rate [b] Urbanisation rate [b]	2.7% 3.89%
Percentage of the total population below National Poverty Line (2017) [d]	36.6%
Unemployment rate (% of total labour force, national estimate) (2017) [d]	2.5%
Proportion of the adult population that borrowed formally (2017) [b]	9.4%
GDP (Current US\$) (2018) [b]	USD\$10 359 million
GDP growth rate annual [b]	6.9%
GDP per capita (Current US\$) (2018) [b]	US\$902
Gini co-efficient (2015) [b]	47.8
HDI global ranking (2017) [d] HD country index score (2017) [d]	163 0.515
Lending interest rate (2017) [b]	5.1%
Yield on 2-year government bonds	n/a
Number of mortgages outstanding (2018)	539
Value of residential mortgages outstanding (US\$)	n/a
Number of mortgage providers [f] Prevailing mortgage rate	n/a
Average mortgage term in years Downpayment	15 n/a
Ratio of mortgages to GDP	n/a
What form is the deeds registry? [e]	Paper
Total number of residential properties with a title deed [g]	47 000
Number of houses completed	n/a
Number of formal private developers/contractors [h]	32
Number of formal estate agents	n/a
Cost of a standard 50kg bag of cement [i]	3 500 XOF (US\$6.03)
Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units) [j]	20 000 000 XOF
Size of cheapest, newly built house by a formal developer or contractor in an urban area	n/a
Average rental price for this unit in an urban area (local currency units) [k]	150 000 XOF
Number of microfinance loans outstanding	n/a
Number of microfinance providers [l]	58
Number of housing construction loans outstanding	n/a
Number of providers of construction finance	n/a
World Bank Ease of Doing Business Rank [e]	153
Number of procedures to register property [e]	4
Time (in days) from application to completion for residential units in the main urban city	n/a

NB: Figures are for 2019 unless stated otherwise.

[a] Coinmill	[g] National Agency of the Domain and the Land
[b] World Bank World Development Indicators	[h] Go Africa Online
[c] IMF World Economic Outlook Database	[i] Office de Radiodiffusion et Télévision du Bénin (ORTB)
[d] UNDP: Human Development Reports	[j] Expat.com
[e] World Bank Doing Business 2018	[k] BENIN-IMMO
[f] Orabank	[l] Central Bank of West African States

as a reliable channel to access finance.¹⁰ The country had 2 141 463 microfinance customers as of 31 March 2019, an increase of 108 643 from 30 September 2018.¹¹

Total deposits at microfinance institutions increased to nearly CFA104 million (US\$173 190) by 31 March 2019 from CFA97.7 million (US\$ 162 697) on 30 September 2018, while the outstanding loans increased from CFA124.20 million (US\$206 827) to CFA134.20 million (US\$ 223 480) for the same periods.¹²

However, it is difficult to have a sense of the total cash that goes through the tontines, as they all operate informally within communities and among people who know each other:

The mobile money industry has also been growing, according to figures published by l'Autorité de Régulation des Communications Electroniques et de la Poste du Bénin (ARCEP-Benin), the telecommunication regulator. There are now 2.67 million active Mobile Money subscribers, and total cash transferred via the channel in 2018 stood at CFA2 081 billion (nearly US\$3.6 billion).¹³

Despite their term deposits decreasing by 4.6 percent in 2018,¹⁴ Benin banks still hold the country's biggest chunk of money and represent key stakeholders in local housing finance. Potential home buyers must meet the requirements imposed by the banks to buy a house on credit because there are no alternatives.

The financing model differs from one bank to the other. For instance, at the Banque Atlantique, housing is financed up to 100 percent without initial contribution. It includes a repayment period of up to 20 years, and an affordable multi-risk insurance package in case of fire and water damage and life insurance. Other banks that provide home loans include Bank of Africa, NSIA Banque and Banque Sahelo-Saharienne pour l'Investissement et le Commerce (BSIC).

Despite the boom of decentralised financial systems, it is highly unlikely that they will be able to play a major role in providing access to housing for people who are essentially excluded from the traditional banking system.¹⁵ It would be necessary to collect precise data on the structural capacity of DFS to integrate and manage housing microfinance products, their exposure to long-term financing, and how easy low and medium income clients find accessing housing finance products. As a result, the issue of long-term funding is likely to arise and play a critical role in the satisfaction of borrowers who have decided to move toward DFS to realise their dream of becoming a homeowner.¹⁶

Affordability

Most houses in Benin were built between 30 and 50 years ago for civil servants who were part of Benin's middle class. This housing stock has severely deteriorated due to decades of depreciation, underinvestment and lack of maintenance. Water and sanitation supply are inadequate (one tap and one makeshift toilet and bathroom for approximately 30 people). Overcrowding is rife. No space is left in many of these compounds as makeshift backrooms (usually made of zinc and cardboard) have been built there to accommodate the latecomers, mostly family members arriving from rural areas in search of a better life, or daughters and granddaughters returning with their children to the family house after a failed marriage. Houses built in low-lying areas become flooded when it rains.¹⁷

The dire housing situation is due to several factors, including the country's volatile economy, the low purchasing power of the population and the fast-growing population. In Benin, the minimum wage is CFA40 000 (US\$67), and the salary of a middle manager is CFA150 000 (US\$250), according to the latest available information. The exorbitant cost of building materials makes renovations, depending on social class, difficult to achieve on an average wage.¹⁸

Rental is popular as renting a room or a house in Benin is now less complicated than it used to be. Landlords used to ask for up to 10 months deposit, but the Act voted by the National Assembly on 24 April 2018 set the deposit at three months. However, rental is still too expensive for nearly half the population, who live on less than US\$1.25 a day.¹⁹

Buying a piece of land to build a house with private savings is difficult. People save less because they earn less.

Benin was among the top 10 fastest growing economies in Africa in 2018. However, the benefits of this unprecedented economic growth went only to a few. Today, inequality has reached extreme levels in the region. The rich have grown richer while the poor have become even poorer.²⁰ Land bought years ago remains empty and neglected, due to lack of money to build even a tiny house. As time goes by, the owner will end up selling it to someone who can afford to build a house on it.

Housing supply

The government is forging ahead with its flagship project of building 20 000 housing units by 2021, at the cost of CFA347 billion (nearly US\$600 million), as

Availability of data on housing finance

Official data on housing and housing finance in Benin is scarce. Given the other more immediate priorities, funding, capacity and skills have not been made available by government for the collection and maintenance of data. The lack of transparency in data has added to the lack of trust in how government funds are spent or how funding is allocated. Data supplied by international institutions often does not correspond with the reality on the ground, adding to the mistrust of data. Internet connectivity is slow, and affected by frequent power cuts, making accessing data online difficult.

part of its 2016-2021 Programme d'Actions du Gouvernement (PAG). The first phase, comprising 12 049 housing units, was due to start in October 2018.²¹

The PAG is made up of 45 key projects, 95 sectoral programmes, and 19 institutional reforms. Major urban projects are being undertaken, at an estimated cost of CFA1.6 trillion (US\$2.7 billion). Access to water supply will be improved, waste collection will be modernised, and national, secondary and tertiary roads in major urban areas will be rehabilitated, among others.²² PAG will reportedly lead to the creation of 100 000 jobs in the construction sector.²³

The government's financial partners in its various social housing construction projects include Banque Ouest-Africaine de Développement (BOAD) which finances 3 034 units in Ouèdo, and Banque Islamique de Développement (BID), financing 2 819 units in Ouèdo. Poly International is building 450 homes in 12 cities in Benin. The CNSS (Caisse Nationale de Sécurité Sociale du Bénin - NSS) is building 3 175, of which 2 425 are in Ouèdo, 250 in Porto-Novo and 500 in Parakou. In addition, other real estate developers will realise 2 570 housing units in Ouèdo.²⁴

Once building is completed, a joint-stock company, which is overseeing and managing the project, will offer the houses for sale to the beneficiaries through a 17-year leasing mechanism at an interest rate subsidised by the state. The effective interest rate charged to the buyer is approximately one percent. Housing will be allocated on the basis of the beneficiary's ability to pay, once again bringing the issue of affordability to the fore. If the buyer stops paying the bank or insurance company issuing the guarantee will replace him or her.²⁵

Nevertheless, the government warned of challenges ahead, among them, the rising cost of building materials, the limited capacity of the country and region's real estate promoters to conduct large-scale operations, and the quality of the local workforce.²⁶

For the poor, corruption in the allocation of the new housing is a concern. "Will the allocation of these houses be transparent, will they be allocated to citizens without political connection? One thing is to build and the other is to distribute equitably to all, without vice, corruption, discrimination and favouritism," reported Adjinakou, a news website.²⁷

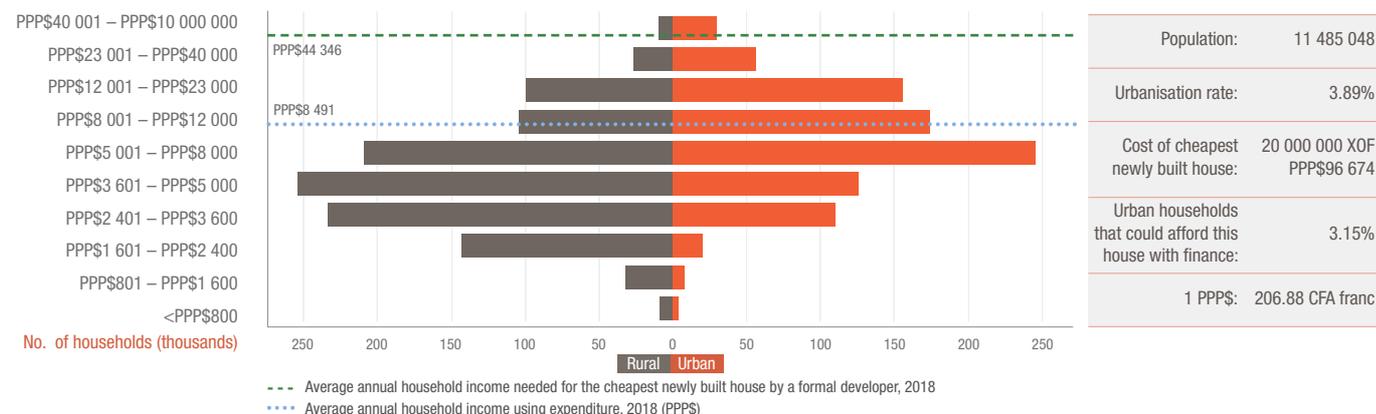
In an attempt at transparency, the government announced in February 2019 that it was planning to auction 10 000 housing units unallocated under the previous regime. The houses, in the areas of Abomey-Calavi, Parakou, Lokossa et Adjara, will be sold in their current conditions.²⁸ A picture published alongside a story in a local newspaper seemed to show some of these unfinished houses with bushes growing out of them.²⁹

Property markets

Most people owning houses and plots see them, first, as a commodity that they can sell to the highest bidder when prices rise. Prices triple or quadruple in a few years. Land that was worth CFA80 000 (US\$ 134.65) a hectare five years ago is worth CFA250 000 (US\$420.78) today. A plantation in the countryside that sold for CFA250 000 is worth CFA800 000 (US\$ 1 347) or CFA1 million (US\$1 683).³⁰

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Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/C-GIDD, 2019>

The uncontrolled surge in house prices is due, among other things, to the imbalance between housing supply and demand. Indeed, the supply on the housing market in Benin is dominated by households, followed by the government through the Housing Directorate in partnership with the private sector. Despite significant efforts by the government in partnership with private developers to provide accessible housing, this formal housing supply has fallen behind demand.³¹

Real estate agencies, which act as brokers between sellers and owners, claim in their advertising have thousands of plots and houses for sale. However, only plots are really available. Despite rising prices, plots appear to be the first step and the ultimate solution for potential home buyers – especially those left out of the banking system – towards owning a decent home in this impoverished nation.

After buying property, registering it is a lengthy, difficult process. Benin ranks 130th out of 190 countries on the Ease of Doing Business registering property indicator,³² three places down compared to 2018. Overall, the country ranks 153rd in the Ease of Doing Business Report.³³

Four procedures are involved in property registration and the waiting period is up to 120 days, while the average waiting period in Sub-Saharan Africa is 53.9 days, according to the Doing Business Report 2019. It costs 3.4 percent of the property value to register a property in Benin, compared to 7.6 percent in Sub-Saharan Africa. The overall quality of land administration stands at 6.5 versus 8.8 in Sub-Saharan Africa and 23.0 in the OECD high income countries.

The Benin rental housing market presents distortions that affect the social welfare of the population, according to a July 2017 report on Cotonou housing published by the Centre d'Analyses des Politiques de Développement - CAPOD). The main distortions are non-compliance by building owners with building standards and high rents.³⁴ The price per m² for rent varies according to areas. For luxury housing the rent varies between CFA730/m² (US\$1.23) and CFA1 290/m² (US\$2.17) depending on the area. High prices are found in shopping centres and administrative centres (due to high demand), in peri-central and peripheral central districts (medium-demand) and in precarious housing areas (populated areas where building standards are generally not respected).

Rents for low income housing vary between CFA791/m² (US\$ 1.33) and CFA838/m² (US\$ 1.41). Foreign tenants are charged CFA65.45/m² more than nationals. This situation explains the preference that the owners have for foreign tenants.

Real estate is lucrative in the commercial capital Cotonou, even if the construction standards are not respected. In the peripheral areas, housing is more spacious and the rent is lower:

The concentration of economic activities in Cotonou has boosted housing demand there. Put off by the poor quality of the supply (the limited space and

lack of comfort of the offered housing), tenants move towards the peripheral zones (the communes of Sèmé-Kpodji and Abomey-Calavi) where the rents are more reasonable and the dwellings are larger.³⁵

Policy and regulation

Corruption is rife in the housing sector and it is full of fraudulent activity, with, for instance, one property being sold to several buyers at a time.³⁶ Mindful of the chaotic state of affairs that still plagues the sector despite existing policies and regulations, the National Assembly adopted a legislative and regulatory framework for better land management by voting the Act N° 2017-15 of 10/08/2017, which amended and supplemented the Law N° 2013-01 of 14/08/2013 on land and land code in Benin.³⁷ This legal context has culminated in the launch on 9 April 2019 of the national land registry to solve the thorny problem of land conflict in Benin.³⁸ The launch is an initiative of the finance ministry and the Agence Nationale des Domaines et du Foncier (ANDF). Public finance management and fiscal reforms are therefore among the key reforms undertaken by the new government. These reform aims essentially to tackle numerous problems in the country, and speed up delivery of various services, improve the competitiveness of the business environment and promote social peace.

As for rental housing, Benin now has a legal framework, namely the Act No. 2017-02 which regulates the leasing contract, and the rights, obligations and responsibilities of the parties involved in a leasing transaction. The new law seems to have made renting easier by setting the maximum deposit at three months rent, rather than the 10 months landlords used to demand.³⁹ The law applies to commercial and non-professional leasing, finance leasing and house leasing. It also stipulates that the amount of the annual rental price must not exceed 8 percent of the total amount of the real value of the property. However, implementation and enforcement of this legislation may be a challenge.

Furthermore, the government continues to enact more laws to reform the sector. In accordance with the Act No 2018-39 of 28 December 2018 on finance management 2019, le Conseil Consultatif Foncier (CCF) du Benin recently announced official tariffs on the issuance of land and the formalisation of land transactions.⁴⁰

Opportunities

Rental housing could be the first step towards revitalising Benin's housing sector and solving the country's crisis. As one expert put it, "If we acknowledge that the rental housing sector is a legitimate option, then the question becomes what have we, as a continent, done or what are we currently doing to make sure that it is properly regulated and that it plays a bigger role in reducing the housing deficit in Africa."⁴¹ The government of Benin's recent move to put some order into the country's rental housing sector must be commended because it lays a solid base on which the rental housing sector can take shape.

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