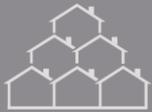




Centre for Affordable  
Housing Finance  
in Africa



AFFORDABLE HOUSING INSTITUTE

# HOUSING INVESTMENT LANDSCAPES

WEST AFRICAN ECONOMIC AND MONETARY UNION  
(WAEMU) REGIONAL REPORT

2019

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## Acronyms and abbreviations

AFD	Agence Française de Développement
BCEAO	Banque Centrale des Etats d'Afrique de l'Ouest
BOAD	Banque Ouest Africaine de Développement
BRVM	Bourse Régionale des Valeurs Mobilières
CFA	Commonly used abbreviation for FCFA
CIMA	Conférence interafricaine des marchés d'assurances
CREPMF	Conseil Régional de l'Epargne Publique et des Marchés Financiers
CRRH	Caisse Régionale de Refinancement Hypothécaire de l'UEMOA
DFI	Development Finance Institutions
ECOWAS	Economic Community of West African States
FCFA	Franc de la Communauté Française d'Afrique (WAEMU region currency)
IFC	International Finance Corporation
MFI	Microfinance Institution (also called "SFD" in the WAEMU region)
SME	Small and Medium Enterprise
WACMIC	West African Capital Markets Integration Council
WAEMU	West African Economic and Monetary Union

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## Background

Growing financial sector experience and increasingly sophisticated financial instruments are driving investor interest in African real estate. This includes new market opportunities related to a rising urban middle class, an increasingly localized construction material industry and innovations in housing finance such as the emergence of Real Estate Investment Trusts and mortgage liquidity facilities across Africa.

However, a key barrier to this growth remains the chronic lack of rigorous data on the breadth and character of financial infrastructure investment. This is particularly true for the housing sector as stimulating targeted investments requires highly differentiated data that illustrates market segmentation. In providing market intelligence that makes the case for investment in underserved markets (segmenting and quantifying the demand side; and scoping, understanding and tracking the supply side), we can support a better policy environment and increased private sector activity in affordable housing markets. In this way, we catalyze scale interventions. Without this data, targeted interventions to stimulate housing sector investment become challenging and result in unresponsive housing finance packages and poor uptake of new residential developments. Within this context, the need for more rigorous and nuanced data collection, analysis and interpretation is central to helping evidence-based decision-making in the sector. In the current environment, there is little information on investment activities and trends. Specific information gaps that urgently need to be filled include:

- **Market overview data:** This includes data on who is investing in the housing delivery and financing value chains and at what level this investment takes place. It is important to understand the geographic distribution of this investment, the type of capital used to invest and what the investment vehicles are. It is also crucial to relate this to reliable data on the investment environment and the ways it enables or stifles investor interest.
- **Market performance data:** This needs to be segmented by target market, housing type or investment intervention, and geography. Understanding the best performing investment instruments gives future investors a map to follow as they navigate the investment environment in Africa.
- **Competitive market horizon:** The size, financial capacity, geographic reach and market share of participants in the housing sector and in the housing finance (mortgage, home equity, personal loan, consumer loan, and housing microfinance) sectors. What are their investment objectives?

The report forms part of The Centre for Affordable Housing's Investor Programme which will investigate and clarify key investment and investor issues, with the intention of identifying and championing increased investment in affordable housing across the African continent. The overall goal of this project is to identify the breadth of investment activity in housing and housing finance across Africa, and to establish a mechanism to track this on an ongoing basis. This project has collected data and highlights gaps and opportunities in the investment landscape. Aiming to stimulate greater investment in affordable housing and to connect investors with potential investments, the report profiles investors and investment instruments with the greatest impact on the housing finance market in West Africa. Within this regional community, the investment landscape has been dominated by the State, private developers and development finance institutions (DFIs). The report will therefore focus on profiling these institutions and the operating environment in which they invest. However, since investment begets investment, it is important to understand how the landscape of investment helps market stakeholders in both the private, public and development finance sectors, to refocus their strategies further.

This report represents the West African segment of the study, with a focus on the housing investment landscape in the WAEMU region. The West African Economic and Monetary Union (WAEMU, also known by its French-language abbreviation UEMOA) is part of different regions. Geographically is part of West Africa, and economically, the Economic Community of West African States (ECOWAS), a union promoting economic

integration in the region of West Africa. The eight WAEMU member countries are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. WAEMU is an interesting sub-region and focus for this study because it has reached higher levels of integration than ECOWAS. Member countries share the same currency, the West African franc (FCFA), which is pegged to the euro. The strength of WAEMU economies varies, but they are globally weak. Côte d'Ivoire and Senegal represent the most advanced economies in the region. Therefore, this report will investigate trends and dynamics in the WAEMU region, with Côte d'Ivoire and Senegal as focus countries. This report is only indicative and does not give a complete picture of the situation in West Africa but makes possible an understanding of large-scale forms of investment in the region.

## 1 Profiles of investors in the West Africa Economic and Monetary Union region

The investment landscape in the WAEMU region includes both local and foreign institutional investors. Below is a description of the two categories of investors, including their institutional type, sources of capital, and other parameters that define their investment models.

### 1.1 Local institutional investors

#### Commercial Banks

The WAEMU region has several local and international banks, regulated under a common central bank, the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO). According to the BCEAO, banking activities in the WAEMU area have had positive results in 2017. The region has fully regulated and diversified financial institutions that offer a variety of products and services.

Deposits increased by 4.2 percent in 2017.<sup>1</sup> However, this growth is not represented equally between countries, with a 42.9 percent increase in Senegal and 17.1 percent in Côte d'Ivoire, but a decline in Guinea-Bissau, Togo, Burkina Faso and Niger.<sup>2</sup> According to the BCEAO, bank deposits in the WAEMU region were estimated at CFA 8 396 billion (US\$14.8 billion) in 2017.<sup>3</sup> Long-term deposits represented only 5.8 percent in 2017. Credits in general grew by 4.1 percent in 2017.<sup>4</sup> Housing loans increased by 10.1 percent while consumer loans decreased by 34.9 percent. However, long-term credits still only represented 4.9 percent of total credits in 2017.

Banks have diversified their sources of funds and no longer rely exclusively on customer deposits for their lending activities, particularly mortgages. The Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH-UEMOA), which was created in 2010, is beginning to connect banks to international capital markets, giving them access to long-term resources to fund their mortgages.

#### Capital markets

Despite a decrease in 2017, due to a slowdown in the growth of listed companies, stock markets in the region advanced over the 2012-2016 period by 15 percent on average, with a peak of +17.8 percent in 2015. By sharing

<sup>1</sup> BCEAO (2018). Rapport sur les conditions de banque dans l'UEMOA en 2017. <https://www.bceao.int/sites/default/files/2018-08/Rapport%20sur%20les%20conditions%20de%20banque%20dans%20l%27UEMOA%20-%202017.pdf>

<sup>2</sup> Ibid.

<sup>3</sup> At an exchange rate of \$1 = 566,31 on 16 October 2018.

<sup>4</sup> Ibid.

a currency that is pegged to the euro, WAEMU countries have a lower foreign exchange risk. This has made domestic currency investments, particularly bonds, quite attractive.

Foreign companies can invest and list on the regional stock exchange for WAEMU countries (Bourse Régionale des Valeurs Mobilières or BRVM), which is based in Abidjan. In 2018, the BRVM celebrated 20 years of operations. In March 2018, the BRVM had a market capitalization of US\$17 billion<sup>5</sup> with 45 companies listed and 41 bond positions. It is smaller than the Nigerian Stock Exchange with its US\$63 billion market cap. The BRVM is regulated by the Regional Council for Savings Investments (Conseil Régional de l'Épargne Publique et des Marchés Financiers, CREPMF). It is dominated by Ivorian and Senegalese firms. Côte d'Ivoire has 34 companies listed on the BRVM, including banks, telecommunications, energy and food companies, making it the leading country in the region, followed by Senegal with only three companies listed, including Bank of Africa Senegal (BOA), a large pan African bank, which offers home loans and has been expanding rapidly in Senegal. Côte d'Ivoire has issued four eurobonds since 2014. The last one, in 2018, included dollar and euro securities, and a third tranche denominated in CFA franc, which is pegged to the euro.<sup>6</sup>

An initiative is under way to further integrate the West African region and link together the four stock exchanges of ECOWAS and the BRVM: the Nigerian Stock Exchange, the Ghana Stock Exchange, the Sierra Leone Stock Exchange, and the Bolsa de Valores de Cabo Verde. "This would make the West African Exchange the second largest in Africa with a market capitalization of \$76 billion, giving investors more access to more securities for a higher return," The Chief Executive Officer of the BRVM, Edoh Kossi Amenounve, has stated<sup>7</sup>. A steering body, the West African Capital Markets Integration Council, has already been set up.

Given the small size of the regional stock exchange, capital markets have remained a limited source of funding in WAEMU countries until recently. However, banks can now access long-term resources through another intermediary, the CRRH. Indeed, the CRRH has started to connect commercial banks (54 shareholders) within the WAEMU zone to capital markets, providing them with secure long-term funding at attractive rates. Further information on the CRRH is presented below.

## Insurance market and pension funds

Insurance markets directly contribute to WAEMU economic development although in a limited way. In 2014, insurance premiums in the CIMA region were worth US\$1.8 billion<sup>8</sup>. CIMA is the acronym of the inter-African conference of insurance markets (Conférence interafricaine des marchés d'assurances). It is composed of 14 French-speaking member states – including the eight countries of the WAEMU region – that share a common insurance code and a common regulatory body, the CRCA. The insurance penetration rate in the CIMA zone is 1 percent of GDP.

According to the CIMA, 20 percent of assets managed by insurers in the region are invested in real estate.<sup>9</sup> In Côte d'Ivoire and Senegal, pension funds, in particular, are investing in real estate and providing crucial long-term capital to the housing industry. Senegal has two mandatory pension funds: FNR (for civil servants) and IPRES (for private sector employees). IPRES owns 8 percent of Banque de l'Habitat du Sénégal, which is the country's main mortgage bank. Both pension funds own a 5.5 percent stake in Senegal's National Development Bank (BNDES), which offers home savings accounts. In Côte d'Ivoire, the main funds are the National Social Insurance Fund (CNPS) for the private sector and CGRAE for the public sector. CNPS is a shareholder of two banks, Société Générale and Attijariwafa Bank, and several investments funds (Amethis, Yelen and AfricInvest).

<sup>5</sup> Dia, M, La Afrique Tribune (2018). Marché financier de l'UMOA: 13,5 milliards de dollars mobilisés depuis sa création. <https://afrique.latribune.fr/finances/bourse/2018-06-05/marche-financier-de-l-umoa-13-5-milliards-de-dollars-mobilises-depuis-sa-creation-780775.html>

<sup>6</sup> Jeune Afrique (2018). La Côte d'Ivoire prépare une quatrième émission d'eurobonds. <http://www.jeuneafrique.com/528295/economie/la-cote-divoire-prepare-une-quatrieme-emission-deurobonds/>

<sup>7</sup> Bloomberg Professional Services (2015). Opportunities in West Africa's capital markets.

<https://www.bloomberg.com/professional/blog/opportunities-in-west-africas-capital-markets/>

<sup>8</sup> Baccelli, F. Proparco's Private Sector & Development magazine (2016). *The African insurance sector: building for the future* - Using insurance to harness savings and boost corporate and capital investments: the example of the CIMA zone.

<sup>9</sup> Ibid.

CNPS is increasingly diversifying its assets, including in the real estate and housing sectors with the construction of 32 residential buildings in Abidjan.

### National governments

National governments in the region have been active in developing housing and affordable housing in their respective countries. Seven of the eight WAEMU countries have launched large-scale presidential housing programmes in the early 2010s, to try to reduce their housing backlogs. They have defined affordable housing as a priority and, based on that, implemented a national housing policy and related programmes. While some of these programmes have been successful, others have failed to take off or meet their objectives.

**Table 1 Government housing activity**

	<i>Government objectives for the construction of social housing (number of units)</i>	<i>Current status (number of units)</i>
Bénin	20 000	n/a
Burkina Faso	40 000	1 260
Côte d'Ivoire	150 000	> 12 000
Guinée-Bissau	n/a	n/a
Mali	20 000	n/a
Niger	40 000	n/a
Sénégal	150 000	> 10 000

*Source : author's own compilation*

In most of these countries, governments have increasingly involved the private sector by offering various incentives, including tax advantages and access to cheap and serviced land. National governments have also supported the demand-side and banking institutions.

In Côte d'Ivoire, the government has taken measures on both the supply and the demand sides to support its social housing programme with the aim of building 150 000 units by 2020. The main instruments to implement this programme include the Housing Mobilization Account (CDMH), the Housing Support Fund (FSH) and the Urban Land Account (CTU). The CDMH refinances housing loans and offers incentives to private developers who build social housing, such as an 18 percent exemption on VAT. The refinancing conditions of CDMH were improved, with the interest rate lowered from 9.5 percent to 5.5 percent to make it easier to access mortgages. Since its creation in 1987, the CDMH has refinanced 5 000 loans but the fund is almost exhausted. The FSH is a subsidy scheme with a wide range of activities,<sup>30</sup> covering part of the infrastructure costs of housing projects, generating interest subsidies on loans extended by BHCI, particularly for housing cooperatives, and lending to housing cooperatives, mainly in rural areas, at a low recovery rate. Just like the CDMH, the FSH has been improved and now also guarantees housing loans for the acquisition of social housing units, particularly for informal workers. Since 2011, the FSH has disbursed approximately CFA 22 billion (US\$39 million).

<sup>30</sup> Décret n° 2013-219 du 22 mars 2013 portant organisation et fonctionnement du fonds de soutien de l'habitat, en abrégé FSH.

In Senegal, where the backlog is estimated to be about 322 000 units, the government launched the “Une Famille, Un Toit” (One family, one roof) programme in 2009. The programme encourages the role of the private sector, providing support to real estate developers in the form of tax and import duty breaks. It also creates special legislation for housing cooperatives, and provides free housing and land, tax breaks and a range of subsidies to homebuyers who buy housing that costs less than US\$15 000.<sup>11</sup> The government has also encouraged its Housing Bank (BHS) to offer exclusive financing arrangements on units in the programme. The government through the Guaranty Fund for Priority Investments (FONGIP) created a special guarantee facility for housing loans in 2015, the Guaranty Fund for Access to Housing or FOGALOG. This guarantee scheme targeting low income households received US\$1.7 million in capital from FONGIP. FOGALOG has signed an agreement with BHS and the housing ministry to facilitate access to affordable houses for the Senegalese in the informal sector.

## 1.2 Foreign institutional investors

### Caisse Régionale de Refinancement Hypothécaire de l’UEMOA (CRRH-UEMOA)

The Caisse Régionale de Refinancement du Crédit Hypothécaire de l’UEMOA (CRRH-UEMOA) was created in 2010 to provide long-term resources to real estate lenders in the region. The CRRH-UEMOA was established by the BCEAO, the Banque Ouest Africaine de Développement (BOAD), and the Conseil Régional de l’Épargne Public et des Marchés Financiers. Its mission includes providing long-term resources for refinancing mortgage loans to credit establishments in the UEMOA/WAEMU zone, whether through issuing loans on the regional financial markets, or by mobilizing concessional financing from development partners. The goal is to increase housing finance while deepening local capital markets. The CRRH currently refinances mortgages from the banking sector and is looking into opening a window for housing microcredits.

The CRRH-UEMOA issued its first bond in 2012 and has made considerable progress since, refinancing nearly 8 000 mortgages. By December 2016 the institution had issued six rounds of bonds, totalling CFA 107 billion (US\$189 million) and providing funding to 33 banks in the eight WAEMU member countries.

The IFC was an original equity investor in the facility, and in January 2018 it announced an additional significant investment. The IFC bought US\$9 million of CRRH-UEMOA 12-year local currency bonds by tapping into the US\$2.5 billion IDA18 IFC-MIGA Private Sector Window, a development finance tool created to catalyze private sector investment in the lowest-income countries eligible for financing from the IDA. In its transaction with CRRH, the IFC aimed to enable the mortgage refinancing company to ramp up its housing portfolio at the same time as it helped to extend the local bond market yield curve. Without the Private Sector Window support through its local-currency facility, the IFC would not have adequate local currency to buy the CRRH-UEMOA bonds. The window provides protection against currency fluctuations and this enables the IFC to buy the bonds. The local currency facility allows the IFC to provide financing in local currency for high-impact projects in countries where local currency solutions are under-developed or non-existent.<sup>12</sup>

The CRRH-UEMOA’s ability to expand, however, is still limited by a combination of factors, including the lack of affordable housing supply and small size of the region’s mortgage volume as well as the limited number of investors present in the regional capital markets. The World Bank group has tried to overcome this with other financial support, detailed below.

### DFI Support of Housing Finance

There have been three significant DFI investments into affordable housing finance in WAEMU, the first initiated by the German donor KfW and the other two by the World Bank Group.

<sup>11</sup> <https://www.globalpropertyguide.com/Africa/Senegal/Price-History>

<sup>12</sup> <https://ifcextapps.ifc.org/ifcext/pressroom/ifcpressroom.nsf/0/7E158950CE863FCB85258220002BoA5B?OpenDocument>

The first investment was a US\$48 million line of credit from KfW to the West African Development Bank (BOAD) in 2016. BOAD then transferred it to the CRRH to refinance loans under CFA 25 million (US\$44 000) for a maximum of 10 years.<sup>13</sup>

The World Bank loan was agreed upon in October 2017, when BOAD, the WAEMU Commission, CRRH, and the World Bank signed a US\$155 million package to support the development of affordable housing finance in WAEMU. The US\$155 million package consists of an IDA Scale-up credit of US\$130 million to BOAD, the first IDA SUF credit to a regional organization, and a US\$25 million regional IDA grant to the WAEMU.

Funding from IDA will be channeled from BOAD to CRRH-UEMOA, which will extend long-term loans to banks and microfinance companies, allowing them in turn to extend the term of their loans to households with moderate and irregular incomes. IDA funding into CRRH-UEMOA is expected to facilitate approximately 50 000 new mortgages and will leverage much greater amounts of investment into affordable housing through the bond-raising activity of CRRH-UEMOA. Overall it is estimated that one dollar of IDA will leverage about five dollars of private finance.

In addition, the project will provide technical assistance to develop the enabling environment to support construction of cheaper housing. The technical assistance element of the project is aimed at strengthening national housing policies and supporting the increased provision of secured and serviced land. The project is also expected to support job creation. Housing investment has a strong multiplier effect across the economy, given the number of linked sectors, whether it is production of raw material, the construction sector, finished goods or financial services. Applying a conservative job multiplier of five to the additional mortgages originated by the project would result in creating approximately 250 000 jobs across the WAEMU region.

## Other DFI investments

The French Development Agency (AFD) is also a prominent investor in the WAEMU region through the ARIZ guarantee. ARIZ guarantees loans to micro, small, and medium enterprises and microfinance institutions (MFIs). The maximum amount guaranteed is €2 million (US\$2.3 million) per transaction and €4 million (US\$4.7 million) per company or group. This system has been operational in Côte d'Ivoire since 2008, and now operates with BICICI, BOA, SGBCI, SIB and ALIOS FINANCE. So far, the programme has guaranteed a total of €83 million (US\$96 million) in Côte d'Ivoire.

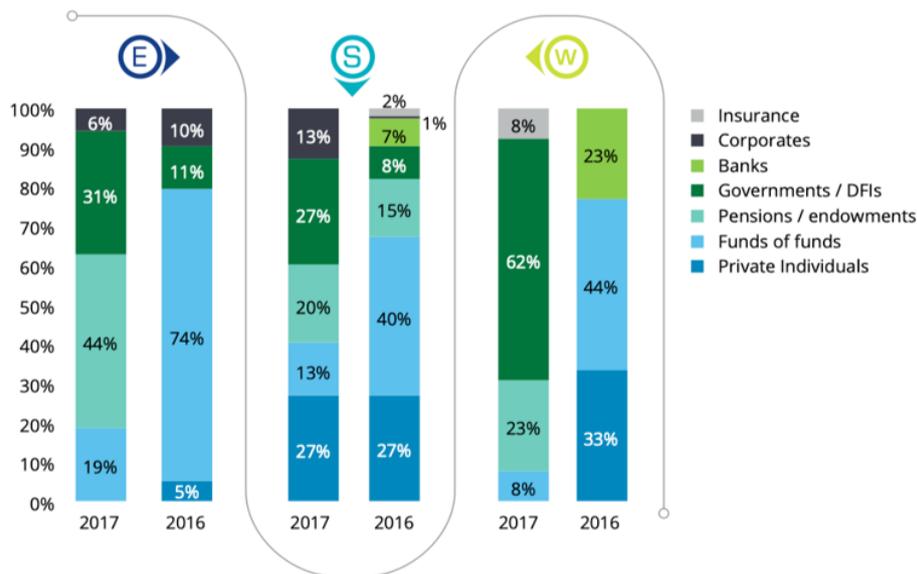
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<sup>13</sup> World Bank (2018). West African Economic & Monetary Union: Taking Care of Housing Needs. <https://www.worldbank.org/en/about/partners/brief/west-african-economic-monetary-union-taking-care-of-housing-needs>

## Private sector

Private sector investors are increasingly focusing on opportunities in the real estate and housing sectors in West Africa. They raise funds from various sources. According to the 2017 Deloitte Africa Private Equity Confidence Survey, "In West Africa, most respondents intend to raise funds from governments and DFIs. Going forward, pension funds are relatively new but still becoming an increasingly interesting option in the region. Recently approved regulation, which allows pension funds to invest in private equity, is likely to drive further opportunities for fundraising activities."<sup>14</sup> See the West Africa columns, far right, in Figure 1 below.

**Figure 1 Sources of funds for private investors**



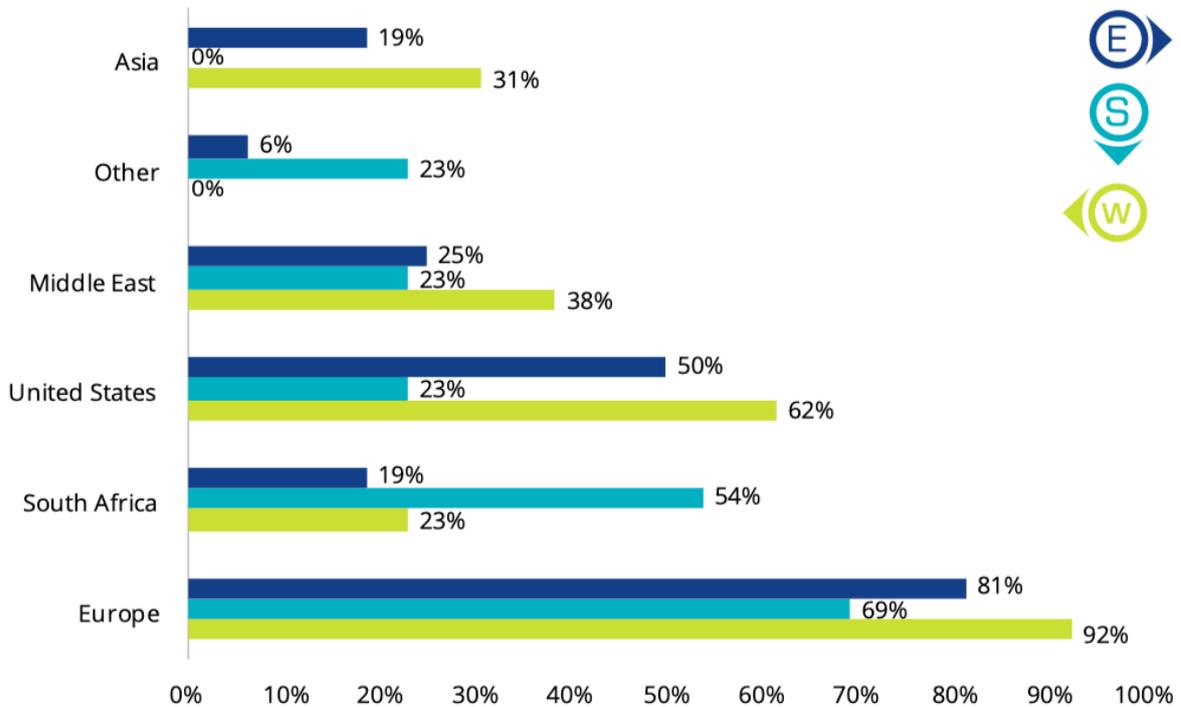
Source: 2017 Deloitte Africa Private Equity Confidence Survey.

The survey indicates that Europe, the USA, the Middle East and Asia are respectively the main geographical sources of funding for private investors in West Africa.

<sup>14</sup> Deloitte Africa (2017). Private Equity Confidence Survey: Translating potential into investment growth.

Figure 2 geographical sources of funding for private investors

Figure 16. We intend to raise funds within the next 12 months from the following geographical source\*



\* Note: answers do not sum to 100%, given that respondents were allowed multiple answers.

Source: 2017 Deloitte Africa Private Equity Confidence Survey.

### Moroccan investments

Morocco is one of the largest sources of foreign investments in West Africa, particularly in the construction and real estate sectors. Twenty-two percent of companies in Côte d'Ivoire are Moroccan, primarily banks and their subsidiaries and construction firms.

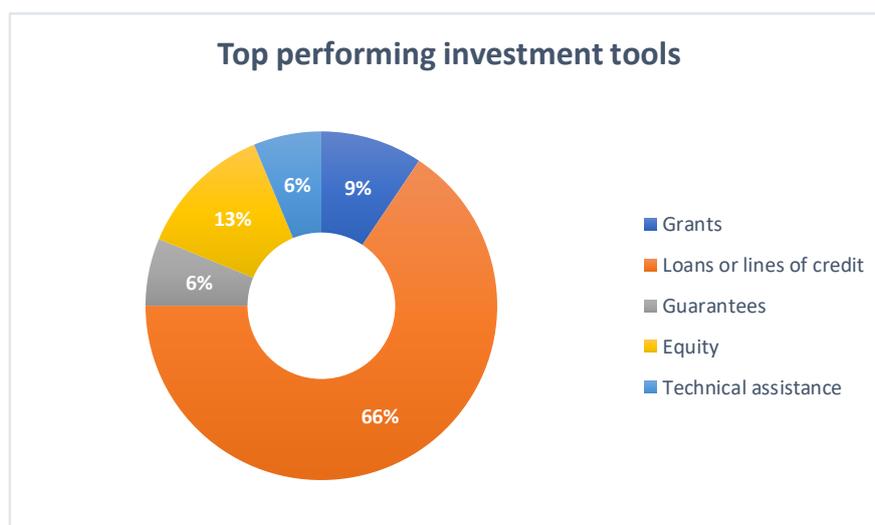
In 2011, the Moroccan group Addoha, a large cement and real estate company, started investing heavily into Sub-Saharan Africa through its subsidiary, CimENTS de l'Afrique (CIMAF), active in 11 countries, and with annual production capacity of 8.75 million tons via its 12 cement plants. In this emerging market CIMAF quickly positioned itself as a serious competitor vis-à-vis regional producer Dangote (Nigeria) and global companies. In 2016, the group further launched three more cement plants in Gabon, Ghana, and Mali. Addoha also announced large affordable or middle-income housing projects in Côte d'Ivoire (for a total of 8 000 units), Senegal (2 500 units), Cameroon, Ghana, Mali, Burkina Faso, Gabon, and Congo. However, most of Addoha's West African housing projects have failed. For instance, Cité de l'émergence in Dakar, envisioned as 17 10-storey buildings for a total cost of US\$38 million, has fallen far behind schedule. Addoha's announced affordable housing property in Mali has not broken ground. Several other projects are on hold in Senegal, Côte d'Ivoire, and Niger.

## 2 Investment activity in housing

### 2.1 Investment instruments

As shown in the figure below, the most common investment tools used by non-government investors in the housing sector in the WAEMU region are loans and lines of credit.

**Figure 3 Investment instruments**



### 2.2 Investment activity, horizon and period

The Table below gives an overview of the investment portfolio, activity, horizon and timelines committed by institutional investors in the housing and housing finance sectors in WAEMU.

**Table 2 Institutional investor activity**

Name of investor	Allocation to housing (million USD)	Investment activity	Year of investment
World Bank	50	Loan to build the capacities and institutions necessary to support the implementation of Côte d'Ivoire land policy	2018
BOAD	44	Loan to support the installation of a cement production unit in Côte d'Ivoire	2018
World Bank	130	Scale-up credit to BOAD/CRRH	2017
World Bank	25	IDA grant to WAEMU Commission	2017
BOAD	35.5	Credit line to Orabank Côte d'Ivoire	2017

BOAD	17.6	Project to build 1 300 social housing units in the municipality of Abomey-Calavi in Benin	2017
BOAD	17.6	Project to set up a refinancing line for the Banque de Développement du Mali (BDM)	2017
BOAD	9	Project to acquire a stake in the share capital of the real estate and development company (SIMAU) in Benin	2017
Proparco	29	Loan to NSIA-CI bank	2017
CRRH	45	7 <sup>th</sup> bond CRRH-UEMOA 2017-2027	2017
IFC	6.5	Four-year loan to UM-ACEP, Savings and Credit Union	2017
IFC	5	Loan to support the growth of Microcred-CI	2016
IFC	2	Equity investment in CRRH	2016
KfW	48	<b>Credit line with BOAD to refinance CRRH's loans</b>	2016
CRRH	38	6 <sup>th</sup> bond CRRH-UEMOA 2016-2026	2016
Proparco	0.3	ADVANS-CI capital increase	2015
CRRH	32	5 <sup>th</sup> bond CRRH-UEMOA 2015-2025	2015
BOAD	9	Project to support access to credit for the poor in Togo	2014
IFC	1.8	Loan to Microcred Senegal	2014
CRRH	27	4 <sup>th</sup> bond CRRH-UEMOA 2014-2024	2014
CRRH	35	3 <sup>rd</sup> bond CRRH-UEMOA 2013-2023	2013
AFD	9.3	Line of credit to Senegal's main housing bank, BHS	2012
CRRH	22	1 <sup>st</sup> bond CRRH-UEMOA 2012-2022	2012
CRRH	34	2 <sup>nd</sup> bond CRRH-UEMOA 2012-2024	2012
UN-Habitat	2.659	Improved access to sustainable housing finance mechanisms for disaster-prone urban poor population in Saint-Louis, five-year programme	2011
AFD	1.9	Grant for a five-year programme to strengthen the capacities of housing cooperatives	2011
UN-Habitat	0.126	Assist national and local governments in Benin, Burkina Faso and Senegal to successfully complete the first phase of CDS activities, two-year programme.	2010
IFC	5.2	Equity investment and guarantee mechanism for MicroCred Senegal	2010
AFD	97	Ariz Guarantee to support SME lending	2008

CNPS CI	43	Equity holding in a housing project (384 apartments) in Côte d'Ivoire	n/a
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### 3 Impact of investments on the West African Economic and Monetary Union's housing industry

#### 3.1 The breadth and depth of housing and housing finance products

##### Mortgages

Overall, the housing credit market has improved in WAEMU countries: the distribution of housing loans has increased from CFA 80 billion per year over the period 2005-2011 to CFA 122.2 billion in 2012 and CFA 288 billion in 2017.<sup>15</sup> Housing loans represented 2.2 percent of total credit in 2017.

**Table 3 Housing loans in 2013 in WAEMU**

	Number of approved credit files	Amount (in millions CFA)	Average amount per credit (in millions CFA)	Average amount for individuals (in millions CFA)	Approved files (in percentage)	Amount (in percentage)
Benin	539	20 613	38.5	5.0	3.5	10.1
Burkina	1 491	48 745	32.7	13.8	9.7	23.9
Cote d'Ivoire	696	38 137	54.8	15.0	4.5	18.7
Guinée Bissau	112	4 587	40.9	8.7	0.7	2.3
Mali	452	6 106	13.3	11.4	2.9	3.0
Niger	1 439	14 285	9.7	7.6	9.4	7.0
Sénégal	7 676	60 419	7.9	4.2	50.1	29.7
Togo	2 923	10 783	3.8	2.9	19.1	5.3
<b>Total</b>	<b>15 328</b>	<b>203 675</b>	<b>29.7</b>	<b>9.8</b>	<b>100</b>	<b>100</b>

Source: BCEAO (2014). Note d'analyse sur les conditions de financement bancaire de l'habitat dans les pays de l'UEMOA.

Mortgage interest rates have also significantly decreased in the region, improving access to credit: from 9.78 percent in 2005 to 7.44 percent in 2015. However, more recent trends show a slight increase in the rates: to 8.04 percent in 2017. In Senegal the interest rate surged from 6.8 percent December 2017 to 8.6 percent in April 2018.

<sup>15</sup> BCEAO (2017). Note d'analyse sur les conditions de financement bancaire de l'habitat dans les pays de l'UEMOA.

**Table 4 Mortgage lending terms in WAEMU**

	<i>Benin</i>	<i>Burkina Faso</i>	<i>Cote d'Ivoire</i>	<i>Guinea-Bissau</i>	<i>Mali</i>	<i>Niger</i>	<i>Senegal</i>	<i>Togo</i>
Bond term (years)	3	15	15	20	6	15	20	5
Down payment (percentage)	30	10	19	10	30	0	25	40
Mortgage interest rate (percentage)	8.5	13	9.5 (5.5 CDMH)	11.2	9	10.5	6.8	9

Source: 2017 CAHF Annual Survey and author's own compilation.

### Microfinance

The microfinance sector is developing in all eight WAEMU countries, with a total of 130 MFIs in 2016<sup>16</sup>. Over the 2001-2011 period, savings and outstanding loans more than quadrupled – recording average annual growth rates of 16 percent and 18 percent respectively. In 2017, Côte d'Ivoire became the leader in the region with a 34 percent penetration rate, before Senegal (18 percent) Mali, Togo and Burkina Faso. In Côte d'Ivoire, UNACCOPEC, a large cooperative network, offers housing loans but with high interest rates (1.5 percent a month) and short terms (average term is 3 years). UNACCOPEC has suffered great losses in the last five years, partly due to bad governance and fraud, and was placed under temporary administration in 2015.

CRRH is looking into refinancing housing microcredits. Though the volume of housing microfinance on the market is small, the availability of long-term liquidity will help grow the market in years to come.

### Housing production

Despite the implementation of national housing programmes with strong incentives for private developers, including land below market price and tax incentives, both public and private investments have had a minimal impact of the affordable housing sector in the WAEMU region. Senegal and Côte d'Ivoire have developed residential property markets, with approximately 10 000 to 20 000 new units built, depending on the sources. However, in all eight WAEMU countries, developers have concentrated on the high end of the market due to better margins and high land prices. Since 2012, some developers have tried to build more affordable products, but the quantities remain low and the quality poor. Most housing in the WAEMU region is still produced informally and self-constructed.

## 4 Challenges and opportunities to improving the investment landscape in West African Economic and Monetary Union

According to the World Bank, West Africa only captures 5 percent of FDI into Africa. An even smaller share goes to the housing sector. However, with a stable political environment and a positive economic outlook, the region is attracting foreign and private sector investors that increasingly focus on opportunities in the real estate and housing sectors.

<sup>16</sup> Rapport annuel de la Commission Bancaire de l'UMOA, 2016. [https://www.bceao.int/sites/default/files/inline-files/rapport\\_annuel\\_com\\_ban\\_umoa\\_2016\\_internet.pdf](https://www.bceao.int/sites/default/files/inline-files/rapport_annuel_com_ban_umoa_2016_internet.pdf)

Affordability remains one key issue across West Africa and WAEMU countries. Constraints on both the supply and demand side of the value chain are prohibiting the development of affordable housing. On the supply side, housing developers have few development finance channels they can mobilize. So far, they have been supplying the high-end segment of the market, leaving the informal sector and self-constructors filling the gap of middle and low income housing. However, with housing identified as a national priority and the launch of government affordable housing programmes across West Africa, some developers have started going down-market and building more affordable housing.

On the demand side, the low levels of income and the lack of access to mortgage finance are critically challenging the provision of affordable housing in West Africa. Nevertheless, governments have sought to address this challenge by deploying several instruments and working alongside major commercial banks. DFI investment has also been critical in developing mortgage finance across the WAEMU region.

CRRH offers a unique opportunity for the banking sector of WAEMU countries to connect to international capital markets. It is a regional solution to the challenge of accessing long-term resources for affordable housing finance. With the IDA funding, banks' mortgage portfolios are expected to grow significantly, as well as CRRH activities. CRRH could go further in the process of improving access to finance by lengthening the term of its bonds from 10-12 to 13 or 14 years.

Extending existing credit guarantees to the housing finance sector could also considerably improve affordability for informal and low income workers. Currently, guarantee schemes are mainly used for SME lending.

The production of affordable housing through either public or private investments is the main remaining challenge. It is essential to attract more investments in this area, both local and foreign, to facilitate public-private projects, and to professionalize the housing development sector.

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