

DEVELOPMENT OF HOUSING FINANCE IN SSA

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ISSUES TO ADDRESS

- Macroeconomic instability to stability
- Urbanisation, land and housing delivery
- Mortgage Finance Delivery
- Microfinance for housing purposes (a new product)

INSTABILITY TO STABILITY

- Previously mismanaged economies (centrally-controlled, state-owned banks)
- Today macro-economic conditions are improving (GDP, inflation, interest rates, selling of state-owned banks)
- Concern banking sectors are not supporting private sector (impacts on housing)
- Poverty Reduction Strategies (WB)

URBANISATION, LAND AND HOUSING DELIVERY

- SSA cities have high rates of urbanisation
- SSA cities are surrounded by unplanned settlements, which house both the poor and middle-class
- Inadequate supply of land to the private sector, which limits the supply of formal housing

LAND CHALLENGES

- Most land is held on a tribal basis or has been taken over by government
- Land laws reflect the colonizer
- Land is owned through overlapping systems of ownership and administration
- Land titling is almost non-existent limiting banks willingness to lend

MORTGAGE FINANCE

- The rich formally house themselves (own resources)
- The middle class must finance own construction (over time in unplanned areas)
- Minimal amounts of finance (quasi-mortgage) available to high-net worth clients through a handful of banks

MF cont.

- Move to revive, extend or introduce mortgage lending (asset-based collateral) in a handful of countries (G,T,Z,U,K)
- Financial Sector Reform Programmes have a new housing focus as key to economic growth

MF cont.

- Promote a legal framework for property rights (land titling and registration system as the basis for collateralised lending; foreclosure)
- Promote a property market (housing supply chain – land release, infrastructure provision, township planning, materials supply)
- Promote government housing policy

MF cont.

- Promote mortgage market infrastructure (flexible underwriting, risk assessment tools, borrower credit information)
- Promote funding sources (savings, primary market, secondary market)
- Different time frames/easy vs hard

MICROFINANCE FOR HOUSING

- Majority of the urban poor can only house themselves incrementally
- Growth of MFIs has been considerable
- Microfinance for housing established (LA/I/SA)
 - Longer-term product

MICRO cont.

- Market for microfinance for housing includes:
 - middle-class
 - poor
- Slum upgrading projects in Tz, Ghana
- Community-based lending (SDI, HH)

MICRO cont.

- Informal systems based on group-based savings collection methods (susu, umpato)
- Semi-formal systems (donor-funded)
- Formal systems (microfinance banks)
- Linkages from semi-formal to formal banks
- Regulatory/prudential issues affects size and sustainability

INTEGRATED PROPERTY DEVELOPMENTS

- Private sector is taking housing delivery into its own hands (supply-driven)
- Manage the entire delivery process (identify land, assemble land, title land, infrastructure provision, house construction, sales)
- Result is housing estates for high income which are costly and time-consuming but ground-breaking

LIGHTENING ROD TO HOUSING FINANCE

- Millennium Development Goals
- Financial Sector Reform Programmes
- Uncoordinated actions by donor agents which has resulted in a number of initiatives around “access to housing finance in SSA”

FINANCE A LEAD SECTOR

- Finance for ‘growth’ and finance for ‘all’
- ‘Modernist’ vs ‘Activist’
 - Western practices
 - Reality of what occurs on ground: take risks and experiment
- Different skills sets and policy emphasis

RECOMMENDATIONS

- Housing finance is an emerging vs established field (especially m/h)
- Consultant assessments vs academics that focus on broader issues
- Gaps (locals writing; tracking progress; how locals respond to outside influences; how MFIs manage/struggle with regulatory issues)