

ACCESS TO HOUSING FINANCE IN AFRICA: EXPLORING THE ISSUES

No. 13

BENIN



Overview of the housing finance sector in Benin, commissioned by the African Union for Housing Finance (AUHF) and FinMark Trust's Centre for Affordable Housing Finance in Africa.

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October 2011



BACKGROUND TO THE SERIES

Since 2002, the FinMark Trust has been pursuing its mission, [“Making Financial Markets Work for the Poor”](#), first in the Southern African Customs Union (SACU) countries and now throughout Africa. An independent trust with core funding from the UK Department for International Development (DFID), FinMark Trust aims to promote and support policy and institutional development towards the objective of increasing access to financial services by the un- and under-banked in Africa.

A key product developed by the FinMark Trust is FinScope™, a national-level survey of individual usage of financial services, now being undertaken in eleven African countries.¹ FinScope™ provides baseline data to stimulate policy change and support innovation by commercial providers seeking to deliver products and services sustainably to consumers who are currently outside the formal financial system. FinMark Trust will build on the impact of FinScope™ by promoting and supporting change processes across the continent.²

The Centre for Affordable Housing Finance in Africa, a division of the FinMark Trust,³ conducts research and engages with sector stakeholders in the promotion of innovative housing finance mechanisms to enhance access to housing finance for the poor. Broadly, the CAHF’s activities can be separated into the following categories:

- Understanding the housing asset
- Exploring housing finance innovation
- Monitoring sector performance

This report is the thirteenth of a series of studies which will explore access to housing finance in various African countries (earlier reports consider housing finance sectors in Zambia, Botswana, Kenya, Uganda, Rwanda and Namibia). It is meant as an input into a larger debate about how to enhance access to housing poor by low and moderate income earners throughout Africa. Comments and contributions can be sent to the FinMark Trust’s Housing Finance Theme Champion, Kecia Rust on kecia@housingfinanceafrica.org The FinMark Trust hopes that its research into access to housing finance in Africa will begin to shed some light on the key issues facing the poor as they seek to mobilise the finance necessary to access adequate and affordable housing.

Country profile: Bénin

- Population: 8,778,000 in 2010
- Capital: Porto-Novo
- Area: 115,763 sq. km
- Major language: French (official)
- Major religions: Christianity (catholic), Islam, indigenous beliefs
- Monetary unit: CFA franc (1 CFA franc = USD 495 – average of 2010 – WDI)
- Main exports: Cotton products (fiber and seeds), palm tree products, cashew nuts, re-exportation to Nigeria
- GNI per capita: US\$ 750 in 2009 (WDI)
- Life expectancy at birth: 62 years in 2009 (WDI)
- **Housing sector**
- Price of a ton of cement: CFA francs 90,000 (approximately US\$ 181.81) in 2010
- Price of a square-meter of land in a housing estate: 2,970 (approximately US\$ 6) in 2009



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¹ FinScope™ is a nationally representative study of consumers’ perceptions on financial services and issues, which creates insight to how consumers source their income and manage their financial lives. The sample covers the entire adult population, rich and poor, urban and rural, in order to create a segmentation, or continuum, of the entire market and to lend perspective to the various market segments. FinScope™ explores consumers’ usage of informal as well as formal products and builds a picture of the role that the informal sector can play in the financial markets of developing countries. Since FinScope™ is a perceptual study, it also encompasses attitudes, behaviours, quality of life factors and consumption patterns. See www.finscope.co.za

² By 2012 it is intended that some 20 countries in Africa will have the survey. Repeat studies will take place on 2-3 year cycles, enabling trends within countries to be monitored and providing the basis for cross-country comparison especially around access to finance. FinScope™ data will provide financial service providers and regional integration initiatives with comparable, standard and reliable data about demand for financial services across borders. (FinScope™ Africa Brochure)

³ To go to the CAHF page on the FinMark website, go to www.finmark.org.za, click on “focus areas” and then click on “housing finance”.

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Introduction

Culturally, to be able to own one's house is considered a matter of honor. Despite the significant proportion of the population living below the poverty line, the struggle to own at least a piece of housing land before dying is very important for the Beninese. This explains the efforts made by the Benin Government since the independence to provide a decent and affordable housing to as many Beninese as possible. However, in spite of the many initiatives undertaken, whether alone or in partnership with private operators this ambition is far from being achieved. Most of the housing initiatives involving the Government have failed. While a housing policy has been recently adopted and Government initiatives continue to be developed (among which is the creation of a housing bank and an ambitious 10,000 Affordable Housing Units Program), it is still uncertain whether the policy goals will be achieved any time soon. The inexistence of a real national mortgage market (a regional mortgage and refinancing fund was created in 2010) and a risk-averse banking (because of weak land property rights) and microfinance sector leave no other options to the Benin populations than relying on their own resources to finance housing.

Benin's housing and housing finance sector face many of challenges. Among these, the most important and urgent are:

- Lack of data and market information on the nature and size of the demand for housing,
- Lack serviced land for housing, and limited infrastructure capacity at the local level,
- The predominance of informality in the housing finance sector,, namely finance through self-promotion, informal savings and loans cooperatives, tontines, etc.
- Poor targeting of government programmes and limited attention to the housing needs of the most poor. The Benin Habitat Bank is far from reaching the poorest of the Beninese and its services are mostly targeted to those who have a regular job.

Overview of the macro economy

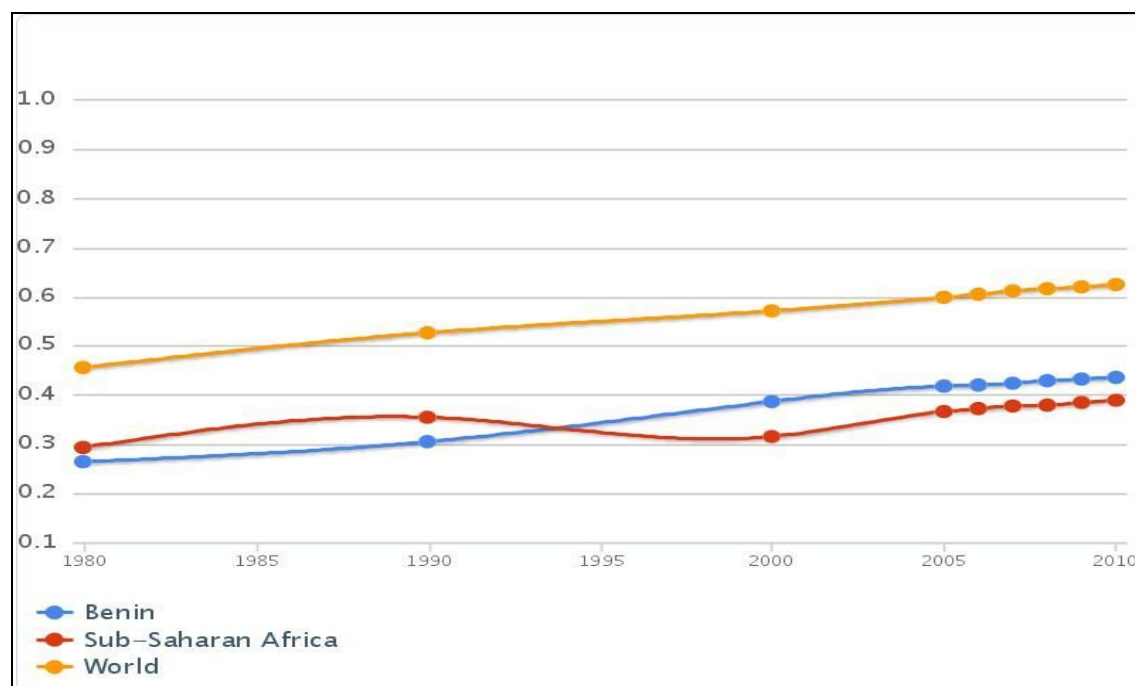
Introduction to Benin

Benin Republic, a West African country located between Nigeria (to the East) and Togo (to the West), has a total population of 8.8 million, growing at an annual rate of 3 percent. Of this, 38.6 percent lives in urban areas, defined as communities of more than 10,000 people. The country covers a total of 115,763 square kilometers. Benin Republic is renowned for being one of the most stable and vibrant democracies in Africa since its historical National Conference of February 1990. A former French colony, Benin republic became independent in 1960. For the next 12 years, the country experienced political instability, which ended with the 1972 coup and the rise of President Matthieu Kerekou's Marxist Leninist regime for the next 17 years. With the economic crisis of the 1980s and its social consequences, the Benin people reached consensus during the well-known National Conference of February 1990 to open up to a market economy and democracy along with other major political and economic reforms. A new constitution has been voted and regular elections have been held since 1990.

Thus, since 1990 democracy and a stable environment for development have been re-established in the country and a sustainable path to economic growth has been taken. Even so, Benin is still one of the poorest countries in the world. According to the UNDP's Human Development Index, it was ranked 134 out of 182 countries in 2009. Life expectancy at birth is 62 years. Gross domestic product

(in purchase power parity) was USD 1,500 per capita in 2009; again among the lowest in the world. In 2007, 51.6 percent of Beninese were living below the poverty line.

Figure 1: HDI trend in Benin (1980-2010)



Source: <http://hdrstats.undp.org/en/countries/profiles/BEN.html>

Macro economic factors

The Benin economy has to be analyzed in the context of the West African Economic and Monetary Union (WAEMU). Indeed the country does not have a property but rather a community monetary policy.

For a long time the Benin economy has been dependent on the primary sector (agriculture, forestry, fishing and breeding) as the main contributor to its GDP. While the secondary sector (extractive industries and mining, manufacturing, construction and public works) has kept a stable contribution to the GDP over the period 1960-2010, the tertiary (trade, transport and telecommunications, banking and insurance, other services) has developed significantly, and is now the highest contributor to the GDP. In the decade 1960-1969 the contribution of the tertiary sector was 46.2. In 2000-2005 this contribution went up 6.4 points from its level four decades before.

With a nominal GDP estimated to CFA francs 3,219 billion (USD 6.5 billion) in 2010, the Benin economy is the fifth economy of the WAEMU and has the third highest per capita GDP in the Union. Over the period 1960 to 2010 the real GDP has increased five-fold.

Table 1: Contributions to GDP of the primary, secondary and tertiary sectors (1960-2005)

	1960-1969	1970-1979	1980-1989	1990-1999	2000-2005
Primary sector	43,3	33,5	33,8	36,1	33,7
Secondary sector	10,5	13,9	14	13,7	13,7
Tertiary sector	46,2	52,5	52,2	50,2	52,6

Source: AFD (2011)

Ineffective economic policies implemented, especially during the revolutionary Marxist-Leninist period (1972 to 1990), exacerbated by international crises and international raw material price shocks have constrained the country to negotiate several structural adjustment programs with the International Monetary Fund (IMF). Since 1990 and the establishment of democracy and a market economy, Benin has returned to growth.

Benin's economy is becoming a "warehouse economy" because of the growing importance of re-exportation⁴ to Nigeria and hinterland countries (Niger, Burkina-Faso, Chad, Mali). Re-exportation contributes to increase the contribution of the tertiary sector to the GDP.

Table 2: Annual GDP growth and per capita GDP growth between 1960 and 2009

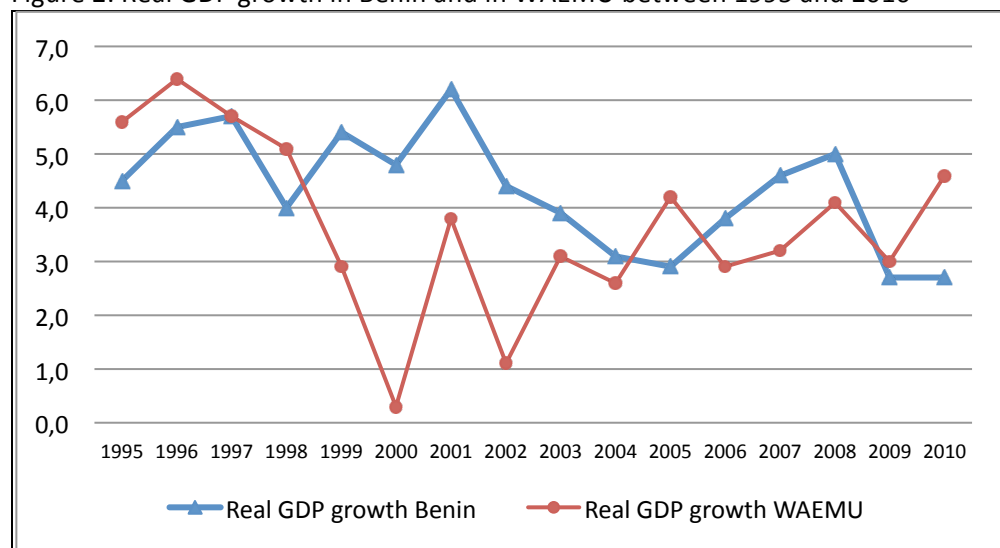
	1960- 1969	1970- 1979	1980- 1989	1990- 1999	2000- 2009	2005- 2009
Annual GDP growth (%)	3,1	2,3	3,1	4,5	4,2	4,0
Annual per capita GDP growth (%)	1,1	-0,2	0,2	1,1	0,9	0,7

Source: AFD (2011)

Per capita GDP growth has been positive for all of the five decades, except for the decade 1970-1979 characterized by international crises and internal difficulties, specifically the famine that struck the country during that decade.

Real GDP growth has been strong over the period 1995-2001 with a peak at 6.2 percent in 2001. However, it has been lower than the average of the WAEMU zone and too low to significantly reduce poverty.

Figure 2: Real GDP growth in Benin and in WAEMU between 1995 and 2010

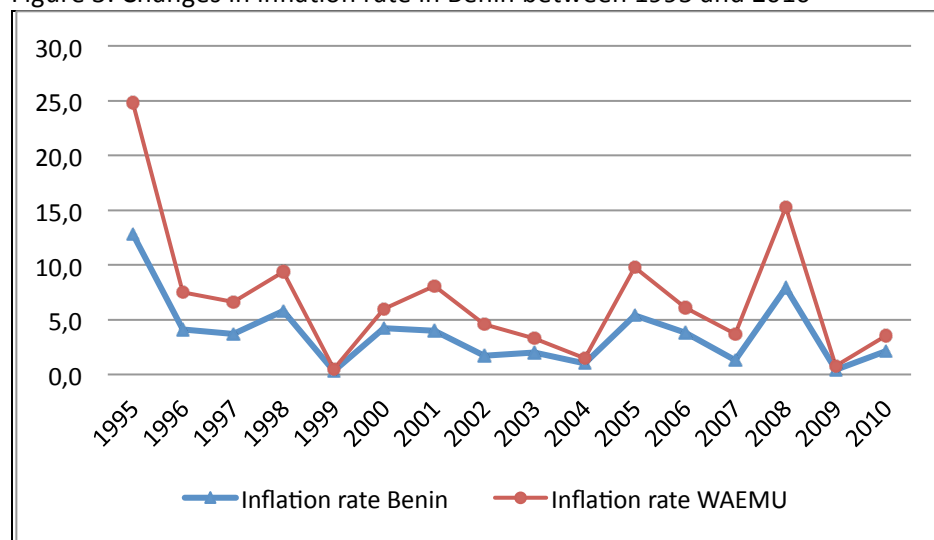


Source: BCEAO Statistics Yearbook 2010

⁴ Re-exportation is defined as the exporting to their final destination of goods that have been previously imported and warehoused in Benin by other countries (those that do not have direct access to the sea such as Niger, Chad, Mali, and Burkina Faso, but also the neighboring Nigeria.) Re-exportation to Nigeria is explained by disparities in economic (high taxes/tariffs on a number of imported products to Nigeria and other protectionist policies, etc.) and monetary policies between the two countries. Re-exportation contributes substantially to government revenues (up to CFA francs 160 billion or US\$ 323 million or 56 percent of customs revenue in 2010.)

The inflation rate has been under control over the past 15 years, after the explosion (as high as 40 percent in 1994, before dropping to 12 percent in 1995) that followed the devaluation of the CFA in 1994. Since 1996, except for the years 1998 and 2009 inflation has been kept under 3% in compliance with the convergence criteria of the WAEMU zone.

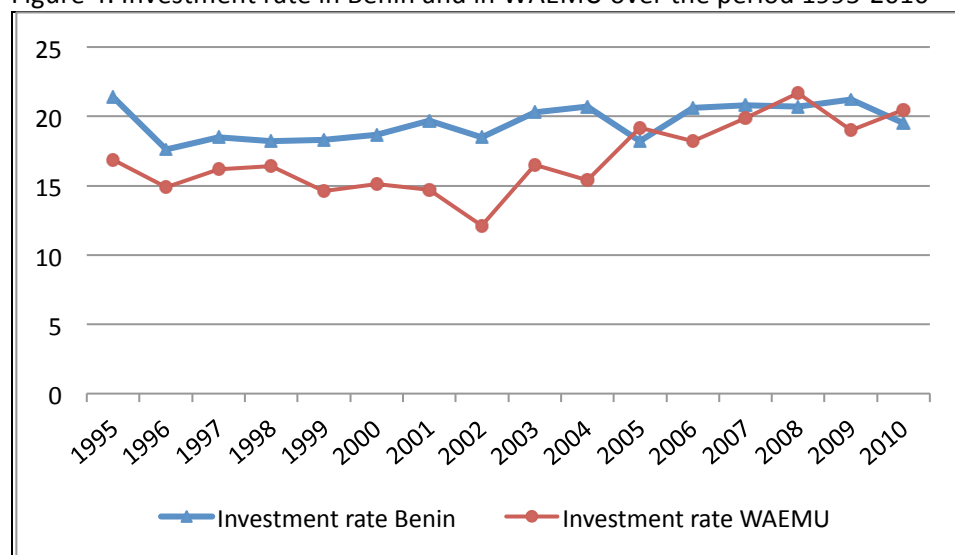
Figure 3: Changes in inflation rate in Benin between 1995 and 2010



Source: BCEAO Statistics Yearbook 2010

Benin's investment rate has been on average below 20 percent over the period 1995-2010 and has remained somewhat constant on the period. While the investment rate in Benin was higher than in the WAEMU zone during the first 10 years of the period, the average increase in the WAEMU zone combined with the stagnation of the Benin investment rate resulted in an overlap at the end of the period.

Figure 4: Investment rate in Benin and in WAEMU over the period 1995-2010

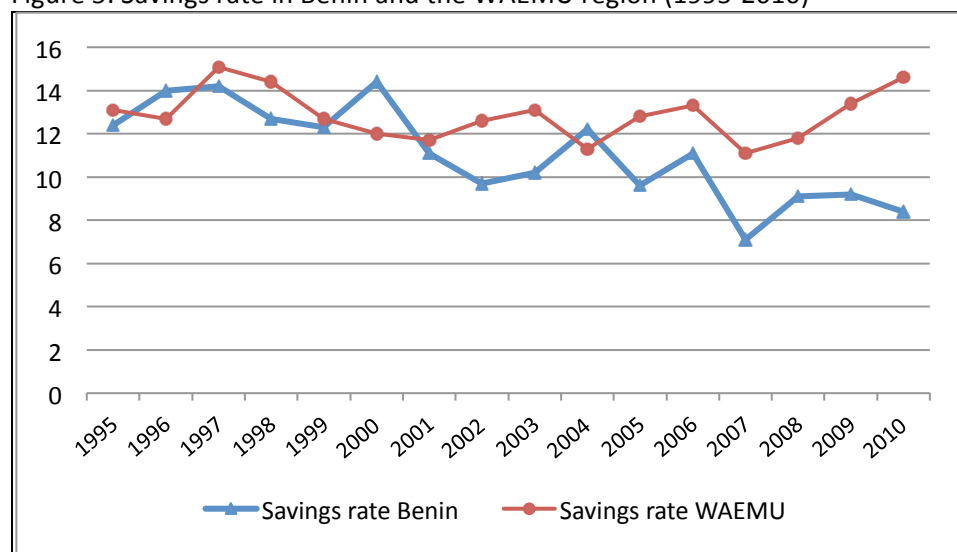


Source: BCEAO Statistics Yearbook 2010

Statistics over the period 1995-2010 show that on average savings rates have steadily decreased in Benin. Compared to the average of the WAEMU zone, savings rates in Benin have kept pace with the regional average for the first 6 years of the period. During the second part of the period, while

savings rates have gone up on average in the WAEMU region, they have significantly decreased in Benin, thus limiting the amount of money available in banks for lending.

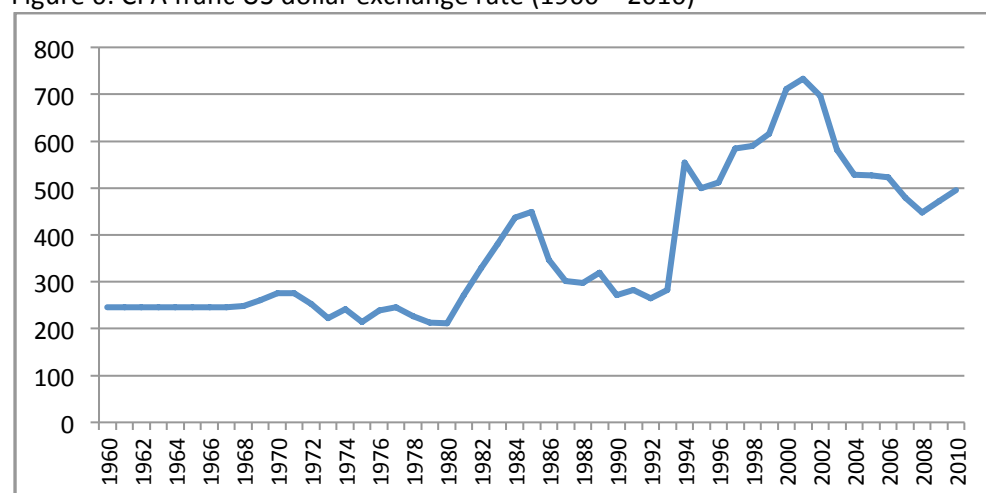
Figure 5: Savings rate in Benin and the WAEMU region (1995-2010)



Source: BCEAO Statistics Yearbook 2010

For a long time the CFA francs, the Benin currency (also the WAEMU currency) has been matched to French franc at a fixed exchange rate of 50 CFA francs for 1 French franc. In 1994 the whole CFA franc economic zone experienced a 50 percent devaluation of the CFA franc. This contributed to increase dramatically the exchange rate of the CFA francs to other foreign currency. Since the entry into force of the Euro as the European currency, the CFA franc was matched to the Euro, with the support of the French Treasury, at a fixed rate of CFA francs 655.95 for 1 Euro. The true value of the CFA francs can thus be measured against other foreign currencies such as the US dollar. The figure below describes the changes in the exchange rate between the CFA franc and the US dollar over the period since 1960.

Figure 6: CFA franc US dollar exchange rate (1960 – 2010)

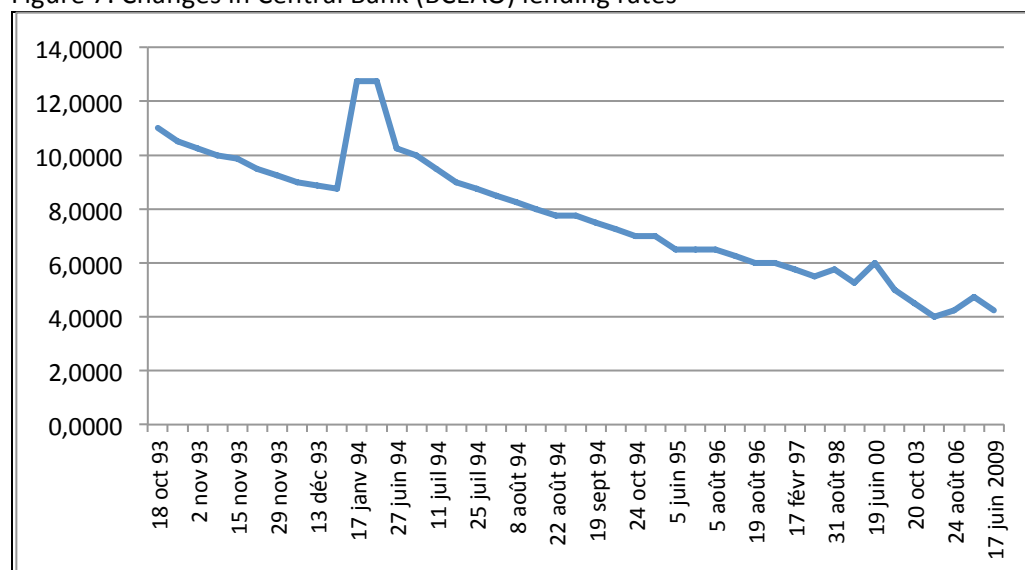


Source: World Bank Development Indicators (2011)

Interest rates have significantly gone down over the past two decades. The Central Bank (BCEAO) lending rate has dropped from an average of 11% in 1993 to 4.25% in 2009, mostly due to the

stability of the macroeconomic framework in the country. As a consequence, commercial banks lending rates have also dropped.

Figure 7: Changes in Central Bank (BCEAO) lending rates



Source: BCEAO

Demographic factors (including employment figures and household incomes)

Benin's population has grown a lot since the beginning of the century. According to the statistics of the 2002 general population and housing census the total population of Benin was 6,769,914 inhabitants, or 1,120,463 households. The population was estimated in 2010 to 8.8 million inhabitants. Total population is rapidly growing at a rate of about three percent a year. Between 1960 and 2010, Benin's population has been multiplied by four. The population growth rate also has doubled compared to its level in 1961.

Table 3: Demographic dynamics between 1960 and 2010: Population and population growth rate

	1960	1980	1990	2000	2010
Population (in thousands)	2,269	3,560	4,795	6,260	8,778
Population growth rate (in %)	1.5	2.8	3.4	3.1	3.2
Urban population (in thousands)	210	973	1,654	2,398	3,687
Percentage of urban population	9.3	27.3	34.5	38.3	42.0

Source: AFD (2011)

In 2010 about 42 percent of the population was living in urban areas. Urban population dynamics have been driven by Cotonou the economic capital, Porto-Novo the administrative capital, and five secondary cities (Abomey-calavi, Abomey, Bohicon, Parakou, and Natitingou.) Between 1960 and 2010 the urban population has been multiplied by a factor of almost 18. This extremely rapid urban population growth has been driven by rural exodus. It is estimated that more than half of the population will live in urban areas by 2015.

The size of the household has also increased over time. Estimated to 4.5 persons in 1961, the average household size has grown to 5.4 persons in 1979, to 5.8 persons in 1992, where it stayed for ten years. The highest average household sizes are respectively for the Alibori (8.3), Donga (8.2),

Borgou (7.8) and Atacora (7.3) provinces, all of them located in the northern part of the country. The table below shows changes in the size of households between 1961 and 2002.

Table 4: Changes in household size between 1961 and 2002

	1	2	3-4	5-6	7-8	9 and +	Total
1961	14.2	14.7	30.7	20.1	10.5	9.8	100.0
1979	13.6	11.7	25.0	20.2	12.4	17.1	100.0
1992	12.0	10.0	23.1	20.3	13.9	20.7	100.0
2002	11.7	10.5	25.4	21.2	13.3	17.9	100.0

Source: INSAE (2003)

Between 1961 and 2002 the proportion of households with a size of 9 and more has almost doubled from 9.8 to 17.9 percent. The proportion of households with between 5 and 6 persons has been stable over the period while the proportion of households with 7 to 8 people has slightly increased from 10.5 percent in 1961 to 13.3 percent in 2002. Households with 2 persons have slightly decreased from 14.7 to 10.5 percent; however their proportion has been somehow stable since 1979. The same decreasing trend has been observed in the proportion of households of 3 to 4 persons over the period.

Overall, there seems to have been an increasing trend in household size between 1961 and 2002, especially in households with 7 or more people.

One interesting parameter is the number of active, income-earning members of a household. The table below shows this parameter based on the 2002 census data.

Table 5: Distribution of household size according to the size and number of active income-earners in 2002

Number of active income-earners	0	1	2	3	4	5	6 and +	Total
Household Size								
1 person	21.6	78.4	0.0	0.0	0.0	0.0	0.0	100.0
2 persons	12.8	42.6	44.5	0.0	0.0	0.0	0.0	100.0
3 persons	7.6	34.4	45.4	12.7	0.0	0.0	0.0	100.0
4 persons	5.6	28.1	44.7	15.7	5.9	0.0	0.0	100.0
5 persons	4.3	22.7	39.2	21.9	8.7	3.3	0.0	100.0
6 and + persons	2.3	11.1	19.8	19.7	15.6	10.9	20.5	100.0
Benin	7.1	29.0	28.7	14.1	8.0	4.8	8.2	100.0
Urban	9.8	33.2	29.8	12.5	6.3	3.4	5.1	100.0
Rural	5.0	26.0	28.0	15.3	9.3	5.8	10.6	100.0

Source: INSAE (2003)

It is interesting to see that in households with only person, that one person has a job in 78 percent of the cases. Only 13 percent of households with two persons have no one employed. In general, the higher the number of individuals in the household, the lower the proportion of those with no income. In more than 20 percent of the cases, almost everybody in households with 6 or more persons is employed.

Living conditions of Benin households vary a lot from one area to the other. At the national level 40 percent of households were considered poor in 2002. Poverty was higher in rural areas (59%) than in

urban areas (14%). The table below describes the distribution of Benin households according to the different quintiles of revenue and to the area.

Table 6: Distribution of households according to different quintiles of revenue and to the area

	Poorest	Poor	Middle income	Rich	Richest	Total
Benin	19.9	20.1	20.0	20.0	20.0	100.0
Urban	6.8	7.5	11.9	29.4	44.4	100.0
Rural	29.6	29.4	26.0	13.0	2.0	100.0

Source: INSAE (2003)

On average, there are 2.5 occupied active individuals in each household in Benin. Distribution according to the living area shows that there are on average 2.1 occupied active individuals in urban areas for 2.8 for the rural areas. In rural as well as in urban areas, the higher the number of employed active individuals in the household, the lower is the revenue category of the household. This confirms revenue inequalities in Benin society, and suggests the motivation among lower-income earners for larger household sizes.

Table 7: Distribution of households according to the average number of employed individuals and revenue quintiles

	Poorest	Poor	Middle income	Rich	Richest	Total
Benin	3.0	2.9	2.7	2.1	1.8	2.5
Urban	3.1	2.9	2.6	2.0	1.8	2.1
Rural	3.0	2.9	2.8	2.2	1.9	2.8

Source: INSAE, General Population and Housing Census of 2002

In general the informal sector is the biggest employer of heads of households in Benin. On average 82 percent of heads of household were employed in the informal sector in 2002. More than nine in ten heads of poorest households (94.6%) were working in the informal sector in 2002. Less than one percent of them were employed in the public sector. At the same time, 55 percent of heads of the richest households were employed in the informal sector for 15 percent employed in the public sector and 13 percent in the formal private sector.

Table 8: Distribution of households according to the occupational status of the head of household

	Poorest	Poor	Middle income	Rich	Richest	Total
Employed in informal sector	94.6	92.3	89.5	76.9	55.3	81.8
Employed in public sector	0.2	0.5	1.4	5.9	15.0	4.6
Employed in private sector	0.4	0.5	1.0	3.6	12.7	3.6
Looking for a job	0.0	0.0	0.1	0.3	0.6	0.2
Unemployed	0.0	0.1	0.2	0.6	0.9	0.4
Housewife	2.1	3.0	3.5	4.9	3.9	3.5
Student	0.1	0.3	0.7	2.1	4.6	1.5
retiered	0.1	0.2	0.6	2.3	4.5	1.5
Annuitant	0.2	0.3	0.4	0.5	0.5	0.4
Other inactive	2.1	2.9	2.9	3.0	2.0	2.6
	100.0	100.0	100.0	100.0	100.0	100.0

Source: INSAE, General Population and Housing Census of 2002

Policy and regulatory framework

Even though owning a house is known to be an important concern for Benin households, it is only in 2005 that a housing policy was adopted by the Government. Former public interventions in the housing sector have been implemented without a real policy framework. Under the formal Marxist-Leninist regime, massive amounts of public resources were injected into the housing sector, especially in the production of land for housing and the direct supply of housing units, but these investments fell short of resources to meet the needs of households.

Since the return to a market economy in the 1990s, a constant in housing interventions in Benin has been the development and implementation of housing projects and programs in partnership with private real estate developers. Thus, between 1993 and 2008 eight important housing projects and programs have been launched by the Government (more details on those programs and projects are provided in section 4 of this report.)

Over the period 2007-2010, public expenditures in the housing sector totaled CFA francs 41.6 billion (US\$ 84.1 million) or an annual average of CFA francs 10.4 billion (or USD 21.0 million.) Compared to the GDP, this expenditure represented an average of 0.3% of Benin's GDP over the same period and 1.5% of total public expenditures. In fact the share of public expenditure in the housing sector has seriously declined since 2008 (when it was at its highest) after the launching of the new Government programme to build 10,000 affordable housing units. The international economic downturn has also negatively impacted public finance in Benin and thus the execution rate of public expenditures in all sectors, including the housing sector. In 2010, public expenditure in the housing sector represented only 0.1% of the GDP and 0.4% of total government expenditure.

Table 9: Public expenditures in the housing sector (2007-2010)

	2007	2008	2009	2010	Total
Total Executed (in million CFA francs)	12,625	17,374	8,509	3,105	41,613
GDP (in million CFA francs)	2,638,900	2,970,500	3,109,400	3,219,200	11,938,000
Total Government expenditures (in million CFA francs)	594,300	684,700	805,400	702,200	2,786,600
Total Executed (in million US\$)	26	35	17	6	84.1
GDP (in million US\$)	5,331	6,001	6,282	6,503	24,117
Total Government expenditures (in million US\$)	1,201	1,383	1,627	1,419	5,629
Housing expenditures as a percent of GDP	0.5%	0.6%	0.3%	0.1%	0.3%
Housing expenditures as percent of total Gov expenditures	2.1%	2.5%	1.1%	0.4%	1.5%

Source: Ministry of Environment, Housing and Urban Development and BCEAO (2011)

Regulatory factors

One of the most important regulatory factors in the housing and housing finance sectors in Benin is the question of land security. Indeed, access to a secured land is often the first step toward access to housing. However, as for many African countries, the housing context in the Benin Republic is characterized by the existence of a dual tenure system, the mixture of the traditional and modern tenure systems.

On the modern side, two laws govern the property right system on lands: Law 60-20 of July 13th, 1960 on occupancy permits system, and Law 65-25 of August 14th, 1965 on the organization of the system of property right on lands.⁵ Most of the land available in Benin is not registered, however, making it very difficult for people to feel secure in their homes. Of these two laws, it is the second that offers the most security to property rights in Benin as it allows the land owner to acquire unassailable rights (a land title) on their land. Only the occupancy permits and land titles are explicitly mentioned in a law. Other “property titles” such as sale agreements or other documents evidencing a transaction are not recognized as secure property title.

Even though a land title is the most secure property right and the most requested collateral to apply for a mortgage in Benin, obtaining it is a cumbersome and expensive process. A study by the Millennium Challenge Account (MCA) Program in Benin showed that depending on the procedure, it cost on average between CFA francs 421,000 (US\$ 851) to CFA francs 585,000 (US\$ 1,182) and took on average 13 to 23 months to obtain a land title in 2006 and 2007 (MCA Benin, 2009). Besides this, the complexity of the land registration procedure discourages many land owners from registering their land. According to a study by the MCA Programme in Benin on land policy and administration, it takes 13 steps, after obtaining a land sale agreement and an occupancy permit, to register one’s property. A case study on Benin (Mattingly, 2004) estimated the backlog of land title in Benin in 2002 to more than 2,000 properties per year.⁶

The table below presents the distribution of households according to their housing occupancy status, based on data from the 2010 Households Living Conditions Survey (EMICOV 2010). The data in the table shows the low proportion of households holding a land title on their property in Benin.

Table 10: Distribution of households by housing occupancy status

	Urban (%)	Rural (%)	Benin (%)
Land title	4,1	2,7	3,2
Long-term lease	1,1	2,8	2,1
Short-term lease	0,2	1,5	1,0
Occupancy permit	10,6	1,1	5,0
Official land sale agreement	49,8	30,7	38,5
Other administrative document	6,1	7,2	6,7
Non official land sale agreement	12,6	25,7	20,3
Other document evidencing a transaction	15,7	28,4	23,2

Source: INSAE, EMICOV⁷ (2010)

According to the 2011 World Bank Doing Business Indicators, Benin ranked 125th out of 183 countries on the “Dealing with construction permit regulations” indicator; making it one of the lowest ranking countries in the world. Indeed, it took on average 320 days, 15 procedures and cost 249.6% of the per capita income to obtain a construction permit. Likewise, registering a property

⁵ Other regulations relating to land and land ownership that complete these two laws, but are less referred to are: the Decree 64-276/PC/MFAEP-EDT of December 2nd, 1964 on building permits; and the Law 2007-284 of June 6th, 2007 and its Order of Application 0022 of June 16th, 2007 on dwelling permits.

⁶ According to data from the Department of Estates, Registrations and Stamps (Direction des Domaines, des Enregistrements et des Timbres –DDET) of the Ministry of Finance and Economy on mortgages, 218 land titles enabled to make mortgages in 2006. The same figure stood at 214 in 2007. Mortgages amount to F.CFA 37.4 billion (US\$ 75.6 million) in 2006 and CFA francs 35.5 billion (US\$71.7 million) in 2007. In total, as of end 2006, there were 22,820 land titles available in Benin; of which about 7,256 (or 31.8%) were used as collateral for a mortgage (MCA Benin, 2008). About two third of the land titles were issued in Cotonou and Abomey-Calavi (a neighboring municipality of Cotonou).

⁷ The EMICOV (Enquêtes Modulaire Intégrée sur les conditions de vie des ménages) surveys are periodic surveys conducted by National Institute for Statistics and Economic Analysis (INSAE) to measure the living conditions of households and assess poverty all over the country. EMICOV surveys use a representative large sample of more than 20,000 households.

took an average of 120 days, 4 procedures and cost 11.6% of the cost of the property, making Benin rank 129th of 183 countries.

Beside these issues, the land registration administration is centralized in Cotonou thus adding to the cost and complexity of the procedure for people living in other urban areas or the countryside.

Despite significant power devolved to local administrations (through the Decentralization Laws), especially on land administration, in practice this power is selectively used, mostly in land subdivision operations. Local administrations lack human, financial and material resources to play their role in securing land in their jurisdiction. The Access to Land project of the Benin Millennium Challenge Account program has contributed to solve this issue, but a lot of work lies ahead. Only 24 out of 77 municipalities have been supported with the required equipment for land administration at local level.

The current situation of land property right in Benin makes it difficult to apply the OHADA (Organization for the Harmonization of Business Law in Africa) Uniform Law organizing securities, as this recognizes only the land title as a legal title to be used as collateral for mortgages. Indeed the Law 60-20 cannot apply in the OHADA Law context since the Occupancy Permit is a precarious and revocable right.

A key challenge is that most of the land regulations are old and thus will need to be updated and adapted to current realities (including the regional context.) As they currently are, land regulations do not really secure land properties. Indeed, property rights conferred by a land title are strong; however, because of its prohibitive cost and the complexity of the acquisition procedure, most land owners prefer to settle for unstable titles such as housing permits, administrative certificates, certificates of resettlement, land sale agreements, etc. This makes banks and credit institutions reluctant to accept the documents these generate (except for the land title) as collaterals against loans.

A separate challenge is that land administration in Benin is fragmented, with too many government branches involved. This makes it confusing and costly for land owners to sort out where do complete each step of the land registration process to register their property.

For these reasons, it becomes important to reform the current land legislation as well as the institutional framework. That's why in 2009, a draft White Book on Land Policy has been developed with the support of MCA Benin to help solve most of the challenges relating to land and property security in Benin. The overall objective of the land policy is to "ensure equitable access to land, security of investments, efficient management of land conflicts, thus contributing to poverty reduction, the consolidation of social peace and the achievement of integrated and sustainable development." Specific objectives of the policy are to: (i) define a coherent institutional framework for land management; (ii) facilitate access to land to businesses and individuals with economic and social projects; (iii) secure access to land and land ownership, (iv) facilitate the access of public authorities to land; (v) improve the management by the State and decentralized communities of their respective jurisdictions; (vi) regulate land transactions and land transfers; (vii) strengthen the capacities of stakeholders in land management; and (viii) disseminate the procedures relating to land. However the White Book is yet to be adopted by the Parliament and enacted by the Government.

Housing regulations consist of: (i) two acts of June 1952 on commercial leases and residential leases – the act on residential leases regulates the conditions for determining rents, for subletting, dispute resolution between the landlord and the tenant, etc.; (ii) the Order 0002/MEHU/DC/DUA of

February 1992 defining nonresidential zones; and (iii) the Order 0033/MET/DC/DUH of October 1990 defining some general technical building standards for housing estates. In practice these housing regulations are not well known among the general public and are thus not complied with.

Housing and housing finance legislation includes:

- The Framework Law on Banking Regulations in the West African Monetary Union. This law regulates the activities of commercial banks in the WAMU regional covering 8 countries;
- The PARMEC Law governing microfinance institutions and which is also a regional framework law. The PARMEC Law has been adopted in Benin in 1997 (Law 97-027 of August 1997).
- The 1997 OHADA Uniform Law organizing securities.

There are no specific regulations for housing banks in WAEMU. Thus the WAEMU banking regulations fully apply to the Benin Housing Bank (BHB), the only bank dedicated to housing finance.

Housing policy

The public power in Benin has well understood the relationship between housing and regional development. This explains why urban development policies and interventions have always been placed upstream of housing interventions (at least in theory). Encouraging efforts and steps have been taken since 1960 to create the framework for a harmonious and sustainable urban development. Thus, the first master plan for the City of Cotonou was developed in 1961. The main objectives of this plan were to: (i) contain the expansion of urban population; (ii) limit the development of traditional housing on the northern side of the city; (iii) create and develop an industrial zone on the east side of the Port of Cotonou; (iv) develop the shores of Lake Nokoué; and (v) create a residential zone on the south east side of the city, along the Akpakpa beach. This plan failed to achieve these objectives, however, especially on demographic parameters. Indeed, the anticipated slowdown demographic growth had not happened. Besides, urban population settlement in swamps continued.

Following this first significant urban planning effort were numbers of planning and programming initiatives, namely:

- the schematic structure of the city of Cotonou (1985)
- master plans of secondary cities – Porto-Novo, Abomey-Bohicon, Lokossa, Parakou, Natitingou, Djougou (1986)
- elaboration of development plans for 18 secondary cities (1990)
- the Rehabilitation and Urban Management project for Cotonou and Porto-Novo (1993-1997)
- the Urban Policy Statement (1995)

Besides all these, there have been many national seminars and retreats on housing policy and strategies, urban development, land management, etc. Most of these remained at the thinking and study stage, with no real implementation.

In the wake of discussions on housing policy in Benin, the issue of the subdivision has had special attention. The legal vacuum that has for long characterized land subdivision in Benin has been underlined. The quasi-monopoly of the Société Nationale de Gestion Immobilière (SONAGIM), the only public entity responsible for land subdivision and the production of housing lands, has been denounced along with the juxtaposition of land subdivisions without a clear spatial planning framework. It has also been pointed out that most of the time; land subdivision comes only after people have settled. This has led to the partial demolition of many housing units built over land subdivision lines.

In order to fill the void of the absence of a policy framework for regional development and the management of land and space, a National Land Use Planning Policy was adopted in 2002, right after the enactment of decentralization laws. The three strategic objectives of the policy are: (i) The promotion of land use planning and rational management of resources; (ii) the promotion of decentralization; and (iii) the strengthening of basic infrastructure at the local level. However, the policy is not yet well known by all stakeholders, especially local governments. Besides, the leadership of the Delegation to Regional Development (Délégation à l'Aménagement du Territoire – DAT) the executive body of spatial planning in Benin is yet to be affirmed. Adding to these, the legislative, regulatory, planning and programming work that should support the implementation of the policy is slow to deliver results.

Benin's current housing policy was adopted by the Government in 2005 and complements the other policies (specifically the National Land Use Planning Policy Statement and the Urban Policy Statement), and sets a clear vision for the housing sector: "to facilitate the access of the majority of the Benin households to decent and affordable housing and thus contribute to reduced poverty". To achieve this vision, eight policy objectives have been identified:

- Define the required strategic orientations to achieve the goal of providing an affordable housing to the majority and provide basic urban services;
- Make available and at a reasonable price land required for the territorial development, particularly to the satisfaction of collective needs;
- Improve land tenure security and make public intervention more effective;
- Encourage individual housing investment efforts through relevant regulatory and operational provisions;
- Develop public private partnerships for the production of housing;
- Improve access to infrastructure and to basic equipments (roads, sanitation, public light, etc.);
- Facilitate access to the financing of their housing for the poorest;
- Define the rules and access conditions to housing.

Five strategic instruments have been identified to support the implementation of the housing policy:

- Develop and implement a land policy;
- Develop and implement a national housing strategy;
- Regulate self-promotion;
- Develop a culture of real estate promotion;
- Promote new financing axes.

Three main means of implementation have been identified, namely: (i) the improvement and the strengthening of the regulatory and institutional framework for housing; (ii) the promotion of local building materials; and (iii) the establishment of a mechanism for housing finance, specifically the creation of a housing bank. This last approach is detailed in section 5 of this report.

The housing policy prescribes that any new land subdivision in any given municipality should be subject to the existence of a master plan, a schematic structure and a land use plan. The reality is that no municipality really complies with this prescription. Besides the role of municipalities in the implementation of the policy is still fuzzy; while at the same time building permit delivery that has been devolved to local government is not exercised for lack of capacities (technical, human and material.)

In part to overcome these institutional challenges, the government uses public-private partnerships for the development and the implementation of its housing interventions. As incentives to attract the private sector the government uses two instruments: tax benefits and the provision of land for housing. Experiences with more than eight programs and projects have shown that the private

sector has taken advantage of these incentives without delivering the expected results, however. This calls for a thorough assessment of past public-private partnerships and drawing all the lessons from these before engaging in any new interventions using this strategy.

Finally, as it is the case for many other policies, the massive legislative, regulatory and planning work that is expected to support the implementation of the policy is very slow.

In general, the current housing policy constitutes the main framework in which all government actions are rooted. The new 10,000 Affordable Housing Units Program, the creation of the Housing Land Agency (Agence Foncière de l'Habitat – AFH) and the foreseen rehabilitation of the National Housing Fund are in line with the objectives and strategies of the policy.

The specific case of the 10,000 Affordable Housing Units Program

In 2008, the Government launched an ambitious housing program to build 10,000 affordable housing units. The main objective of this program is to provide housing at reasonable prices to employees of the public and private sector. The program is foreseen to cover the whole country, but is focused in priority urban areas. Indeed, 5,000 housing units will be planned for Cotonou (the economic capital) and its peripheries, 3,000 units for Porto-Novo (the administrative capital) and its surroundings and finally the remaining 2,000 units will be built in Parakou in the northern part of the country. The program is a typical subsidized housing program using a public private partnership scheme. Besides private developers, commercial banks and the Benin Housing Bank are partners of the program. A pilot phase of 2,100 housing units has started in 2008 and was expected to be completed in 2009.

The implementation of the program is based on the creation of the Housing Land Agency whose missions include (i) the search and development of land for housing, (ii) the selection of private developers, (iii) the control and follow up of constructions, and (iv) the follow up of the marketing of housing units produced by the program. The AFH has been operational since 2009. The other instrument of the program is the National Housing Fund (FNH). The FNH was created in 1985 but has never properly functioned. The Government will take the opportunity of the 10,000 Affordable Housing Unit Program to rehabilitate it. Until today, the FNH is still not functional.

The conditions set by the Government to facilitate the implementation of the project are the followings:

- Availability of land for housing
- Registering building plots with formal title
- Support by the Government of the servicing of sites (water and sanitation, electricity, telephone, roads, etc.)
- Rigor and transparency in the sale of housing units built
- Tax exemption of interests on term deposits to encourage the formation of long-term resources at partner banks
- Exemption of home buyers of the payment of the financial activity tax (FAT)⁸
- A fixed price by type of housing
- Implementation by banks, of specific and easier mechanisms on issues of guarantees and credit insurance.

⁸ The FAT applies to all transactions by banks (including mortgages), exchange bureaus and financial institutions except those that are not related specifically to securities and money trade. The rate of the FAT is 10% and applies to the gross amount of before-tax interests, commissions and other compensation received by banks and financial institutions.

An initial financing of about CFA francs 26 billion (US\$ 52.2) was put in place for a pilot phase of 2,100 housing units project in Cotonou, Lokossa and Parakou by the government (via a Treasury bond) and direct contributions of two banks: the Benin Housing Bank (BHB) and the Atlantique Bank a commercial bank.

Table 11: Pricing scheme⁹ for the 2100 units of the pilot phase of the program.

	F2 (1-bedroom)	F3 (2-bedroom)	F4 (3-bedroom)	Total
Number by type of housing	420	1,050	630	2,100
Unit cost (CFA francs)	6,500,000	8,100,000	9,600,000	
Total cost (billion CFA francs)	2,730	8,505	6,048	17,283
Cost of studies & servicing of sites (million CFA francs)				5,000
Unit cost in US\$	13,131	16,364	19,394	
Total cost in million US\$	5.5	17.2	12.2	34.9
Cost of studies and servicing of sites in million US\$				10.1
Livable unit area (in m ²)	44	64	82	
Plot size (in m ²)	250	300	350	

Source: MEHU and author's calculation

Posted prices for each type of housing unit include significant direct Government subsidies of CFA francs 2 million (or US\$ 4,040) for the F2 types of housing units, and 1.5 million (or US\$3,030) for the F3 and F4 types. Besides these, servicing cost and the market price of the land on the different sites are not accounted for in the price of the different types; thus adding significant subsidies - estimated at 25% to 30% of the price of the housing units. It is expected that home buyers will borrow money from partner commercial banks and the Benin Housing Bank (BHB) over a maximum period of 15 years at a subsidized rate of 8.5% a year.

The table below shows the set up of down payment, subsidies and borrowing for each type of housing unit of the program.

Table 12: Set up of payment for each type of housing unit of the program

	F2 (1-bedroom)	F3 (2-bedroom)	F4 (3-bedroom)
Unit cost (CFA francs)	6,482,585	8,580,306	9,582,458
Direct Government subsidy (CFA francs)	2,000,000	1,500,000	1,500,000
Down payment (CFA francs)	1,482,585	1,580,306	2,082,458
Amount to borrow from banks (CFA francs)	3,000,000	5,500,000	6,000,000
Unit cost in US\$	13,096	16,364	19,394
Direct Government subsidy in US\$	4,040	3,030	3,030
Down payment in US\$	2,995	3,193	4,207
Amount to borrow from banks in US\$	6,061	11,111	12,121

Source: MEHU and author's calculation

⁹ The pricing scheme has changed since 2008, as follows: CFA francs 8.9 million (US\$ 17,980) for an F2; CFA francs 11 million (US\$ 22,222) for an F3 and 12.8 million (US\$ 25,859) for an F4 on all sites, except for one; the ZOPAH (one of the most expensive residential estates in the municipality) site in the municipality of Abomey-Calavi. On the Zopah site, the pricing scheme is as follows: CFA francs 11.5 million (US\$ 23,232) for an F2; CFA francs 13.5 million (US\$ 27,273) for an F3 and CFA francs 15.9 million (US\$ 32,121) for an F4. Consequently, the down payment has been revised up to 25 percent of the cost of the housing unit.

The 10,000 Affordable Housing Unit programme has not reached the expected level of scale, and there have been a number of challenges:

- Delay in making available the promised housing units: all the 2100 units were expected to be delivered in 2009, but to date less than half of the units were ready.
- The units that have already been built have not been officially received by the government, and this has led to additional maintenance costs because of theft and vandalism. It is not yet clear who (whether developers or the Government) should bear these additional costs.
- A number of “developers” do not understand the role they were expected to play. Most of “developers” put themselves in the position of service providers to the government and expected the government to buy the houses from them and then sell them to future home owners. Some of them complain that they built the housing units on their own financial resources. Yet the idea of partnering with developers for the program is to have them pre-invest and then recover their money once the housing units are sold.
- Many “developers” complained about not having a formal contract with the government. The legal collaboration basis for the production of the housing units is not clear.
- Difficulties in the marketing of built units: despite the substantial level of subsidization, the affordability of built units is becoming a problem; indeed from the information available at the AFH, the demand for F2 houses is much lower than anticipated. While this type was targeted at low income households, many of the applicants are still complaining about their high prices.

Housing demand and supply

The supply side of the housing market in Benin is dominated by households, followed by the Government in partnership with the private sector. Despite the significant efforts undertaken by the government in partnership with private developers to supply affordable housing; this formal housing supply has lagged behind the demand.

Supply by households through self-promotion

Housing supply by households themselves (self-build) is known to be the most wide-spread way of supplying housing. However, there is almost no data on how much this represents in terms of the proportion of housing supply in Benin. Most low and middle income households who can afford it, start up in rental housing. Then they save (through tontines¹⁰ and other means) until they can afford to buy a plot of land, usually at the periphery of urban areas. The growing price of land pushes people to buy their land farther from urban centers. This movement creates and in some cases accelerates informal settlements and urban sprawl. Most of the time households build with precarious materials until the municipality decides to conduct a land subdivision in their settlement

¹⁰ A tontine is an informal (group) savings and loan system in which people trusting each other gather to help each other save and sometimes lend money to members of the group. There are actually several types of tontines but the guiding principles underlying each type are the same: mutual trust, group solidarity, random choice of the beneficiary of a loan. The tontine can be in cash or in kind. When the tontine is in cash, an agreed amount of money is gathered at a regular period (whether every month or every two weeks or so, etc.) by all members. The product of all contributions is then lent to a member chosen at random. This continues until every member has received a loan. The tontine can then continue on new bases or stop. Certain tontines are based on in-kind loans: for example at regular periods, members deposit the equivalent of the value of a ton of cement each. The total contribution of all members is allocated to a member chosen at random in the equivalent of cement for the construction of his/her house – so the chosen member does not receive the cash, but rather cement. In these two cases, the principle of group solidarity dominates and no compensation is paid to the tontine initiator. Another type of cash tontine consists in a depositor depositing at regular period of time a certain amount of savings with the *tontinier* (in this case a “professional”) over an agreed period of time. At the end of this period, the saver withdraws all his/her savings, while leaving as compensation for the *tontinier* the equivalent of one regular savings deposit.

area. Once the subdivision operation is completed and that each household has been resettled they start build with concrete (brick by brick) for those who can afford to. After the land subdivision it can take a long time before the area is serviced with basic infrastructure such as water and electricity and telephone. For example, a lot of neighborhoods in the municipality of Abomey-Calavi (a fast-growing city) are not serviced with water and proper electricity lines. Also, because the land subdivision can take a long time before happening, most of the households live in informal settlements for many years, sometimes decades. All this make self-built housing lengthy (on average it takes between 2 and 15 years) and not so efficient housing strategy. However, because of the relatively high cost of housing units in the (small) formal housing market, most households do not have any other choice than to use this strategy.

It is also important to mention that once someone has built his house, it happens very rarely that that person would sell it out, even when that person has to move elsewhere for a professional or other reasons (MEHU/Imoteph/Planurba, 1997.)

Direct supply by the government agencies

Since its independence in 1960 the concern for supplying housing to its citizens has been present in Government policies. This might explain why there has always been a ministry in charge of housing issues in the successive governments. In order to achieve the aim of the government to provide each household with an adequate and affordable housing, housing supply by the Government took two different approaches: supply through government agencies and supply through public private partnerships.

Supply by Government agencies

Historically and probably because of the socialist system in place, the Benin Government created the “Societe Nationale de Gestion Immobiliere – SONAGIM” (National Property Management Company) in 1978 (under the Ministry of Public Works), with the main duty of producing housing lands and providing affordable housing units for low income households. Until the 1990’s, SONAGIM has been at the forefront of the implementation of land use interventions in Benin. SONAGIM and the National Geographic Institute (IGN) have conducted most of the government-led land subdivisions in Benin before the involvement of the private sector in the 1990s.

The most important housing supply project undertaken by SONAGIM was the planned construction of 1,000 housing units in Cite Houeyiho on the north-west side of Cotonou in 1992. While the government provided the entire basic infrastructure needed, however, only 149 units were built before the project was abandoned. The units built as well as the remaining land were sold out mostly to Beninese from the Diaspora.

As it has been the case for many government run companies, mismanagement and other structural problems led to the dismantlement of the SONAGIM in 1998 and its replacement by the Societe de Construction et de Gestion Immobiliere (SOCOGIM). In 1995 another company, the General Immobilier took over the Cité Houeyiho project (phase II) and planned 300 units on the occasion of the organization of the 1995 Francophonie Summit in Cotonou. Unfortunately, the company didn’t deliver more than 82 housing units, all sold out with the remaining land.

In the late 1970s and early 1980s, the Government conducted via the Benin Development Bank (BBD) two important housing supply which led to the creation of the Cite Vie Nouvelle in Akpakpa

(on the south west side of Cotonou) and the Habitat Economique neighborhood in Porto-Novo (the capital city of Benin). In total 388 housing units were built, of which 316 were rented out on simple leases while the remaining 72 units were on hire-purchase leases. In total CFA francs 750 million were invested in the two projects, on a loan from the Caisse Centrale de Cooperation Economique (CCCE), a French Government agency (Ministry in charge of Prospective and Development, 2009).

Another government agency that contributed to the supply of housing unit is the Benin Social Security Office (CNSS, formerly Office Beninoise de Securite Sociale or OBSS). The CNSS has been active in the supply of housing units to affiliated government employees. Thus, housing supply projects have been implemented in almost all the big cities of the country (Cotonou for rental, the “50 villas” neighborhood in Abomey-Calavi, in Lokossa and Natitingou). Unfortunately, housing supply by the CNSS has not been coordinated with other government interventions in the sector. In fact some studies (see for example MEHU/Imoteph/Planurba (1997)) found that housing supply by the CNSS was not profitable to the office. This information has been confirmed in an interview by the office’s Director of Budget and Assets.

Housing supply through public-private partnerships

With the introduction of a market economy the private sector has been substantially involved in supporting the government housing interventions in Benin. Thus, most of the housing supply projects since 1990 have used public-private partnerships. The most important with regard to affordable housing are:

- The 500 middle standing housing units project in Cotonou and Abomey-Calavi, in partnership with the Societe Beninoise de Promotion Immobiliere (SOBEPRIM);
- The 83 housing unit project in Akpakpa-Dodomey neighborhood (Cotonou) in 1999 in partnership with the Gase Immobilier company and with partial financial support from Shelter-Afrique;
- The Arconville project in partnership with Shelter-Afrique for the construction of 10,000 affordable housing units;
- The 300 housing units project at Cite Houeyiho (certainly to correct the failure of the 1,000 units project with SONAGIM) in partnership with Ecobank Benin
- The 1042 affordable housing units program launched in 2001 in Abomey-Calavi in partnership with the Betsaleel Building Group and the support of Shelter-Afrique;
- The 600 housing units program launched in 2001 in partnership with Benin Kasher, a private company;
- The 13,500 affordable housing units program all over the country in partnership with the Servax Group. This project has not started because of financial and logistic difficulties. The required financial resources have been mobilized. Besides, it seems that the local governments that are supposed to play a key role at the implementation phase (among other things, registration of housing demand, identification of residential zones and provision of land for housing) have not really taken ownership of the project. To date there is no clear prospect that the project will ever be implemented.

In addition to these projects, other partnerships have been initiated for the supply of high end residential accommodation. A first type of this kind of project was the Fadoul Villas along the Airport Boulevard in Cotonou. These villas were built in 1994-1995 on the occasion of the 1995 International Francophonie Summit to host distinguished guests. Some of these were sold out after the summit while others are rented. The second type of high end residential project is more recent. Thus, on the occasion of the 2008 Community of Sahel-Saharan States (CEN-SAD) conference in Benin, a 240 villas project has been developed and implemented through a public private partnership in along the

Cotonou beach in the municipality of Cotonou and the neighboring municipality of Sèmè-Kpodji. The villas built were supposed to house distinguished guests during the conference and then sold out. Three years after the conference the villas have not all been built. As for most of the other housing projects, this project used a public private partnership in which the private developers were granted tax exemptions on building materials and a lump sum for the land on all of the project sites.

Table 13 below summarizes affordable housing supply efforts by the Benin government and their actual achievements.

Table 13: Housing supply projects (after 1990) and their achievements

Date started	Project / Program	Number of housing units planned	Number of housing units built	Rate of delivery
1992	The SOBEPRIM middle standing housing project	500	78	16%
1992	The Initial Cité Houéyiho housing project	1000	149	15%
1995	The Cité Houéyiho housing project (Phase II)	300	82	27%
1999	The Gase Immobilier housing project	80	23	29%
2001	The Betsaleel Building Group affordable housing program	1042	253	24%
2001	The Benin Kasher housing program	600	16	3%
2001	The Arconville project	10,000	210	
2006	The Servax-Group affordable housing program	13,500	NA	NA
2008	The 10,000 affordable housing units program (1 st Phase)	2100	930 expected in August 2011	44%

Source: Ministry of Environment, Housing and Urban Development (MEHU) and author's calculations

Except for the 10,000 affordable housing unit program, all the other projects or programs have been abandoned. The Servax-Group program never started for lack of funding.

In total, excluding the housing units supplied by the CNSS and the "10,000 affordable housing units" program, the Benin Government has provided a total of 1,253 housing units for a total of 4,168 units planned (MEHU) or a rate of delivery of only 30 percent. These figures show how inefficient the Government has been in supplying housing units. This will be further discussed in subsequent sections.

Housing demand in Benin

When one asks government officials for housing demand figures, the recurrent response obtained is that the demand is known to be high; but no precise figures are provided. Indeed, there are no serious studies available on the housing demand in Benin, and so, it is not possible to estimate annual backlogs. There are scattered figures on demand for land for housing in (Mattingly, 2004) and (MEHU/Imoteph/Planurba, 1997). The Ministry of Environment, Housing and Urban Development (MEHU) commissioned a study in 1997 on urban housing strategy. Figures from the study on housing demand are in the table below and represent today the only indication of housing demand in Benin – however these are not reliable.

Table 14: Housing demand estimate by the MEHU in 1997 in Urban areas

	Cotonou	Porto-Novo	Parakou	Abomey-Bohicon	All cities
Type of housing	Number of units	Number of units	Number of units	Number of units	Number of units
Basic (20%)	20,566	6,457	3,228	6,119	76,695
Middle standing (75%)	77,123	24,215	12,107	22,948	214,746
High end (5%)	5,142	1,614	807	1,53	15,339
Total	102,831	32,282	16,142	30,597	306,78

Source: MEHU/Imoteph/Planurba (1997)

The problem with these figures is not only that they are dated, but that they are also based on a fixed proportion hypotheses for each type of housing. Besides that, cities such as Abomey-Calavi at the periphery (north side) of Cotonou, which is growing very fast and is becoming today the most important “dormitory city” in the country is not specifically taken into account in the estimates, but was rather included as an average in “all cities.”

The most important source of information on the housing demand remains the general population and habitat census which is conducted every 10 years. The next general census is planned for 2012. More accurate estimates but also clear characterization of the demand will not only inform government housing interventions, but also the private sector on the opportunities that exist.

In urban areas overcrowding is clearly evident. While the average size of households is about 6 persons, more than 75 percent of houses in Benin have only one or two “rooms” (room here includes the living room.) The reason for this is related to the high price of rental housing, especially in urban areas. It is not rare to see a household of five (two parents and 3 children) living in a one-bedroom apartment. Parents sleep at night in the bed room while the living room is transformed into a bed room for children. In Cotonou, overcrowding is more severe in populous neighborhoods of Zongo (city center) and Akpakpa (north east) and Agla (north west) of the city.

Table 15: Distribution of households by the number of rooms

Number of rooms	Urban (%)	Rural (%)	Benin (%)
1 room	36,3	34,1	34,8
2 rooms	38,0	41,7	40,4
3 rooms	14,5	14,3	14,4
4 rooms	6,3	6,0	6,1
5 rooms	2,3	1,7	1,9
6 rooms and +	2,6	2,3	2,4

Source: INSAE – EMICOV (2010)

Overcrowding in households in Benin is also due to the cultural background that does not allow people to leave relatives homeless. For that reason, homelessness is almost inexistent in Benin.

To avoid the prohibitive cost of housing in urbanized areas, households prefer to settle in peri-urban, generally poorly serviced (if at all) areas on the periphery of urbanized areas where land for housing is in general cheaper. Indeed, over the past 20 years, land prices have sky-rocketed, driven mostly by an increasing number of intermediaries, but also by speculation. The impact of speculation on land is more perceptible in cities such as Abomey-Calavi (on the northern side of Cotonou). Because of the proximity of this city to Cotonou, demand for land in Abomey-Calavi is growing very quickly. A 500 square meter plot of land in a serviced area in Abomey-Calavi cost today, between CFA francs 7 million (USD 14,144) and CFA francs 10 million (USD 20,202).

To avoid these high land prices informal settlements develop at the edge of most of Benin cities with sometimes dramatic consequences for a whole city. In Cotonou for example, the most important cause of the cyclical floods is informal settlements especially on the east and west side of the city. Settlement in non-serviced peripheries is the main cause of urban sprawl, especially in fast growing cities such as Abomey-Calavi.

The question of affordability

For the housing supply to meet housing demand the issue of affordability becomes central. To assess this, we refer to the distribution of incomes as resulting from the latest survey on the living conditions of Benin households (the EMICOV survey 2010).

The table below shows the distribution of income, according to the EMICOV 2010 data.

Table 16: Distribution of monthly income by classes of revenue

CFA francs	US\$	Urban (%)	Rural (%)	Benin (%)
Less than 15,000	Less than 30.30	19,1	27,5	24,7
15,000 - 27,500	30.30 - 55.56	23,3	33,8	30,3
27,500 - 44,000	55.55 - 88.89	27,0	25,8	26,2
44,000 - 88,000	88.89 - 177.78	21,1	10,9	14,3
88,000 - 176,000	177.78 - 355.56	7,3	1,8	3,6
More than CFA francs 176,000	More than 355.56	2,2	0,2	0,9

Source: INSAE, EMICOV (2010)

Taking into account the international poverty line of 2 dollars a day; more than 55 percent of the population in Benin lives below the poverty line. Besides according to the revenue distribution in table 16, less than 1% of the population earns more than 176,000 or US\$356. Using the loan simulator of the Benin Habitat Bank, one can analyze affordability of different level of loans according to the 10,000 Affordable Housing Unit program (see table 12). The program requires that interest rate for home buyers in the program be set to 8.5% and the duration of the loan to 15 years. Using these parameters and the basic information on the housing units in the program the table below is generated.

Table 17: Simulation of monthly pay on loans contracted to buy a house in the program

	F2 (1-bedroom)	F3 (2-bedroom)	F4 (3-bedroom)
Amount to borrow from banks (CFA francs)	3,000,000	5,500,000	6,000,000
Monthly payment in (CFA francs)	29,542	54,161	59,084
Required level of salary to support the loan burden (CFA francs)	87,726	162,483	177,252
Amount to borrow from banks in US\$	6,061	11,111	12,121
Monthly payment in US\$	59.1	109.4	119.4
Required level of salary to support the loan burden in US\$	177.2	328.2	358.1

Source: Author's calculation using the BHB loan simulator

Comparing revenue levels from the EMICOV data to revenue requirements to afford a housing unit from the Government 10,000 Affordable Housing Units program, the first issue of affordability is

related to the down payment required (see table12.) Even when the down payment issue is solved, it will be very difficult for households to afford any of the housing unit types. Indeed, the income requirements to qualify for a loan for any of the different housing types obviously exclude at least 81.2 percent of households (who earn less than US\$ 177 a month) from the scheme.

In these conditions, the set up and the affordability of the program can be questioned despite the massive amount of subsidies that the Government provided. It might be interesting to revise the setting up of the subsidies between the different categories of housing to meet the needs of the many that are at the lower level of the revenue ladder.

Housing finance

The situation until 1990

Historically, housing finance initiatives started after 1972, when the country started to experience some political stability. Due to the Marxist-Leninist political and economic system in place in Benin, housing finance has been dominated by the Government through its agencies and banks.

The most important public bank involved in housing finance until 1986 was the Benin Development Bank (Banque Beninoise pour le Developpement – BBD). In total BBD invested more than 9 billion CFA francs in housing loans to more than 6,700 borrowers between 1975 and 1986. To finance those loans, BBD relied on long credit lines provided by multilateral donors such as the International Development Agency, OPEC, the European Economic Community, the West African Development Bank, and the African Development Bank; but also on long term deposits from public corporations such as the National Insurance Corporation, the National Lottery Company, the Port Autonome de Cotonou, etc.; as well as refinancing from the Central Bank (Banque Centrale des Etats de l’Afrique de l’Ouest – BCEAO). BBD housing finance products targeted employees from the public and the private sectors. Loan conditions were fixed by the West African Monetary Union (WAMU) but were basically a 10-year term loan at a maximum of 12% interest rate and with a deposit of 10 to 30 percent from the loan applicant. Besides this contribution, different guarantees were required from the borrowers such as a mortgage on land titles, pledge taking on land titles, delegation of pay, or a surety. BBD managed to keep defaults on its housing loans to 10 percent before its liquidation in 1989 (MEHU/Imoteph/Planurba, 1997.)

A number of other public agencies contributed directly to the housing finance by supplying housing units. This has been and is still the case of the Benin Social Security Fund (CNSS). CNSS directly funded the construction of housing units throughout the country that it rented or sold. Besides the CNSS, almost all of the important public corporations were required by the government to provide some housing finance via direct supply. In total 149 housing units (villas) were supplied on equity by those corporations, especially on the Cite Houeyiho project led by the Societe Nationale de Gestion Immobiliere (SONAGIM.)

The National Housing Fund (Fond National de l’Habitat – FNH) was created by Decree n°85-155 of 10th May 1985, with the aim of supporting financially all initiatives or projects that promoted urban development and affordable housing. It was expected that the FNH would receive funding from the state budget and provide direct or indirect funding to the projects or initiatives it supported. In addition to funding from the state budget, FNH could also receive subsidies, or specific loans, revenues from financial investments, and revenue from an annual “Special Housing” raffle. Up until

today, the Fund has never been operational. With the set up of the 10,000 Affordable Housing Units Program in 2008, the interest for the FNH rose again. The Fund is now foreseen as the privileged instrument of the program, and its goal has been extended to include financial intermediation and the search of concessional resources from financial partners such as the International Financial Corporation (IFC), the African Development Bank, Overseas Private Corporation, etc.

The current situation

In more recent years, the private sector has begun to offer housing finance, and a number of private actors, mostly commercial banks, and one or two microfinance institutions now operate. Some donors (mostly multilateral) have shown interest in housing finance.

The banking sector is dominated by the Bank of Africa group, which was the first private bank in Benin. Until 1997 only 5 banks were operating in the country. The banking sector began to flourish at the end of the 1990s and the beginning of the 2000s. It currently comprises 12 commercial banks and the African Investment Bank, a 'development bank'. The Benin Housing Bank (BHB), of the Bank of Africa group, currently dominates the housing finance market.

Regarding housing finance, there is no such a clear category in the banking activity statistics gathered at the Central Bank. However, by analyzing the different products offered by most of the commercial banks, there are good indications that products such as "consumption loans" (2-year maximum term) or "equipment loans" (5-year maximum term) are actually used as housing finance. Some of this is used for housing enhancement or the purchase of building materials or housing lands. In fact, most banks have awarded a few loans that were used for housing purposes.

Ecoank Benin was the first private bank in Benin to fund a housing project (with the Generale Immobiliere, see above) and to develop a specific housing finance product, the so-called "Housing savings plan" ("Plan Epargne Logement" – PEL) in 1993. The applicant to this plan opens a savings account that he or she regularly provisions for a minimum of two years. Then the saver can apply for a long-term loan over a maximum period of 10 years at 12% interest rate (this lending rate is now around 10%). Guarantees required from the lender are among others a pay delegation, a first order mortgage or a pledge of lease rights and the purchase of a life or disability insurance. The size of the loan depends on the individual revenue of the borrower, taking into account that the proportion of the salary that is attachable is one third. The repayment provisions for the loan could begin with a grace period of 6 months. Obviously, qualified applicants are mostly employees from the public or the private sector.

The other commercial bank that has recently shown interest in housing finance is the Atlantique Bank. Atlantique Bank has been involved in the 10,000 Affordable Housing Units Program and provided a CFA francs 2 billion contribution to the financial set up of the program.

Other than these specific cases of housing finance, it is important to note that almost all of the commercial banks operating in Benin provide some housing finance under two forms (MEHU/Imoteph/Planurba, 1997):

- The first form consists of medium term construction materials loans over a three to five years period to individuals at an interest rate varying between 10.5% and 13% a year. This allows beneficiaries to buy land for housing, or construction materials. Most of the time guarantees accepted for these kinds of loan are not very strict. A pay delegation or a guarantor is enough to backup the loan.

- The second form consists of a group lending over a period of up to five years. Most of the time, this kind of loan is awarded to the finance department of a private corporation or a public agency which then distributes the funds among qualified staff. The corporation or agency is responsible for the repayment of the loan. In general there are no guarantees requested for this type of group lending.

At the end of 2009, the 12 operating banks provided a total of 125 branches. Deposits were estimated to some CFA francs 1,043 billion (US\$ 2.1 billion) in 2009, most of which were held by four banks. Of the deposits, about half were short term deposits. Credit was at an equivalent level to the deposits and was mostly targeted to wholesale and retail (38%) and insurance and real estate (32%) in 2009 activities.

Table 18: Banking sector activities as registered by the Central Bank at the end at 31/12/2010

Sub-sector	Amount in million CFA francs	Amount in million USD	Percentage
Wholesale, retail and restaurants	309 672	626	36,6%
Services to the Community	256 473	518	30,3%
Transports, warehousing and communications	104 941	212	12,4%
Manufacturing	59 337	120	7,0%
Construction and public works	57 176	116	6,8%
Insurance, real estate	30 326	61	3,6%
Electricity, gas and water	16 281	33	1,9%
Agriculture, forestry and fishing	8 645	17	1,0%
Extractives industries	3 552	7	0,4%
TOTAL	846 403	1 710	100,0%

Source: Central Bank – BCEAO (2011)

Banking sector activities are mostly concentrated on short-term credit, which accounts for around 70 percent of their portfolio. Lending rates are between 12% and 14% (as low as 10% for long term loans) and includes a financial activity tax (FAT) of 10%. At the end of 2009, according to bank professionals, the insufficiency of long term resources was the main explanation for the concentration of their activities on short-term loans. However, high interest rates also undermine access for a population that is in majority very poor.

Table 19: Composition of the banking sector's portfolio according to the term of the loans at end 2010

	Amount in million CFA francs at 31/12/2010	Amount in million USD at 31/12/2010	Percentage
Short term	556 668	1 125	65,8%
Medium term	260 250	526	30,7%
Long term	29 485	60	3,5%
Total	846 403	1 710	100,0%

Source: Central Bank – BCEAO (2011)

As shown in the table above, merely 3% of the portfolios of the banking sector were made of long term loans in 2009. It is important to note that not all long term loans are mortgages for housing; the category also includes business loans.

In general, commercial banks in Benin are reluctant to offer housing finance products for a number of reasons. First, shareholders appear to be more interested in short term, high return operations

such as international trade credits, crop credits, etc. Second, returns on long term loans such as housing finance loans are lower when accounting for their administration cost than short term loans. Third, the uncertainty and the irregularity of the revenues of applicant households offer little guarantee for repayment and thus higher risks to the banker. Adding to that risk is the uncertainty of collateral due to weak property rights. Finally the insufficiency of long term resources is an important hindrance to the ability of commercial banks to offer long term loans such as mortgages.

The specific case of the Benin Housing Bank

The BHB was born in 2004 from the Government's intention to provide practical solutions to the question of housing finance in Benin. To date BHB is the only bank dedicated to housing finance in Benin. BHB was created from a public private partnership agreement between the Government of Benin and the Bank of Africa group; with a social capital of CFA francs 2.25 billion, 10 percent of which is held by the Benin Government, 51 percent held by the Bank of Africa group and the remaining 39 percent held by other partners. The goal of the agreement is “the creation of an organized system of production of subsidized housing, and plots at preferential cost, and the development of reliable funding mechanisms.” According to the agreement with the Government, BHB will provide low-interest loans to low-income housing loan applicants. In exchange, the Government has agreed to provide tax benefits, and subsidies to the bank (CFA francs 1 billion the first year, followed by 10 installments of CFA francs 500 million from the second year.) BHB was also expected to provide 50 percent of its loans to affordable housing projects, at a subsidized interest rate (the interest rate should not be more than 1 point of percentage above the base rate.

The agreement between the government and BHB provides a definition of the target market for these special loans through two criteria:

- the borrower's net monthly income is no higher than CFA francs 250,000 (US\$ 505);
- the maximum value of the housing unit (whether being purchased or improved) is not higher than CFA francs 150,000 per square meter, within an upper limit of CFA francs 12 million (US\$ 24,242).

Those two criteria are also used to determine whether a loan applicant should benefit or not from the subsidised interest rate.

To stay in line with its mandate, BHB developed two housing finance products:

- the housing savings account (“compte epargne logement” – CEL). The CEL allows obtaining a mortgage
- the housing savings plan (“plan epargne logement” – PEL). Compared to the CEL plan, the PEL plan allow obtaining a mortgage at subsidized rates. Besides, the PEL does not allow cash withdrawal from the account before a minimum of 24 months or the agreed period of time. In other words, the PEL works like a blocked account.

The table below describes in detail each of these products.

Table 20: The two main housing finance products of the BHB

	Target group	Duration	Interest rate	Guarantees
CEL	Any individual with a regular income and saving at least CFA francs 10,000 every months	Up to 15 years	Low-interest: 8% per year Regular rate: 10% + financial activity tax (FAT)	- first order mortgage - purchase of a life and fire insurance - pay delegation - block in an account an amount equal to 6 monthly payments for customers in the informal sector and non-resident clients

PEL	Any individual justifying a regular income and saving at least CFA francs 10,000 every months. Entitles the applicant to subsidized rates mortgage	Up to 15 years	Depends on the period of savings before loan application was submitted a. After 24 months savings - Subsidized interest rate: 7.5% net - regular rate: 9.5 + FAT b. After 48 months savings - low-interest: 7% net - regular rate: 9 + FAT c. After 72 months savings - low-interest: 6.5% net - regular rate: 8.5 + FAT	- first order mortgage - purchase of a life and fire insurance - pay delegation - block in an account an amount equal to 6 monthly payments for customers in the informal sector and non-resident clients
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Source: BHB

In 2009, an evaluation of the agreement between BHB and the Government was undertaken which revealed certain issues. Among other things, it appeared that only the first installment of CFA francs 1 billion of the Government subsidies was received by BHB. The other installments were never paid. On the other side, it appeared that BHB didn't comply with the requirement of 50 percent of its housing finance portfolio made of loans to low-income individuals through subsidized interest rate loans. Besides, only a small share of the loans was low-interest loans. From the Government side, only two out of the 10 promised CFA francs 500 million subsidies installment has been actually disbursed.

However, it is estimated that BHB is currently the originator of about 50 percent of housing loans in Benin. At end of December 2010 the total amount of housing loans issued by the BHB was 398. The total amount of outstanding housing loans was estimated to CFA francs 7.134 billion (US\$ 14.4 million.) Of this about 50 percent was made of short term housing loans to developers. In terms of number of loans, loans to households represent more than 80 percent of the total loans, while in terms of amount loans to developers is the most important.

Microfinance and microfinance housing

One thing that is culturally well rooted in Benin culture is saving. No matter how poor people are, they are always able to save. These savings form the basis for a growing microfinance sector that has become a serious competitor of the formal banking sector. The expansion of microfinance in Benin is also due to the simplicity of registration and account opening procedures. Besides, microfinance institutions are known to be closer to end users.

The microfinance market in Benin is dominated by 21 networked institutions (credit unions and savings and credit cooperatives) of which the "Fédération des Caisses d'Épargne et de Crédit Agricole Mutuel" (FECECAM) is the biggest. FECECAM gathers more than 80 percent of households deposits. At the end of 2009 the total number of members of FECECAM was estimated to be more than 600,000 – two thirds of the total of 912,000 members across the 21 credit unions and cooperatives in the sector.

At the end of 2009 the total amount of deposits in all the 21 credit unions and savings and credit cooperatives was estimated to some CFA francs 41 billion (of which CFA francs 35.5 billion were held by FECECAM) for a total amount of outstanding loans of CFA francs 33.6 billion (of which CFA francs 20 billion for FECECAM). The default rate for the 21 credit unions and savings cooperatives is relatively low (less than 3%. This figure went up to 5.2% in 2010)

Table 21: Selected indicators of the microfinance sector in Benin at the end of 2010

Number of clients	Total amount of deposits	Gross outstanding credits	Outstanding debts	Nonperforming loans rate
1,439,096	57,677,707,689	82,936,508,762	4,325,943,125	5.2%
	US\$ 116,520,622	US\$ 167,548,503	US\$ 8,739,279	

Source: Decentralised financial Systems Surveillance Unit / Ministry of Finance and Economy

Despite the financial potential of the microfinance sector it is clear that it is still too modest compared to the banking sector. The gross outstanding credits in the microfinance sector represent less than 10% (9.8%) of that of commercial banks. Only a very small number of the existing microfinance institutions offer housing finance loans. Indeed, of a total of the 21 credit unions and savings and credit cooperatives that composes the microfinance sector in Benin only two (2ADPR YANAVO and PADME) offer specific housing finance products. Credit conditions offered by these institutions on housing finance are summarized in the table below.

Table 22: Housing microfinance conditions in Benin

	Amount (CFA francs)	Duration	Interest rate	Guarantee
2ADPR YANAVO	1 to 15 million (US\$ 2,020 to US\$30,303)	12 to 24 months	Monthly decreasing interest rate of 2%	20% of the amount of the loan
PADME	Up to 10 million (US\$ 20,020)	Up to 60 months	Monthly decreasing interest rate of 1.5 to 2%	Pay delegation or the land on which the house is planned to be built

Source: 2ADPR YANAVO and PADME

The table above calls for a few clarifications. While PADME housing loans target individuals who already hold an account with the institution or employees from the public or private sector, 2ADPR YANAVO targets everybody. While each of the three institutions draw their resources from deposits, PADME also benefits from refinancing from multilateral donors such as the International Development Association (IDA). Housing loans are relatively recent product for all of the three institutions. For example the first housing loans by PADME were issued 2004, while 2ADPR YANAVO issued their first housing loans in 2007.

A critical challenge facing these institutions is the limited amount of resources available to manage the longer term, larger size housing loans.

The Regional Mortgage Refinance Fund – CRRH of the West African Economic and Monetary Union

Until recently, there was no real mortgage market, neither in Benin, nor even in the West African Economic and Monetary Union. It was only in July 2010 that a regional organization, the Regional Mortgage Refinance Fund (Caisse Regionale de Refinancement Hypothecaire – CRRH) was created and hosted at the West African Development Bank (BOAD). With an initial capital of CFA francs 3.426 billion, the CRRH is created from a partnership between 31 banks of the WAEMU (among which the Benin Housing Bank), including the BOAD which is its principal shareholder. The objective of the CRRH is to provide to WAEMU partner banks with long term resources that can allow them to develop housing finance and mortgage products at competitive lending rates. Thus partner banks will receive support from the CRRH to offer the populations of the Union more housing loans and other long term loans. For the first two years (until 2012) the CRRH will be hosted by the BOAD. Financial contribution from the BOAD to the CRRH is expected to increase to CFA francs 55 billion in the future.

Unfortunately, as the CRRH is a new organization, populations in the WAEMU will have to wait a few more years before benefitting from its services. But undoubtedly the creation of the CRRH will have a positive and significant impact on housing finance in the WAEMU. Besides, it is not yet well known by local developers in Benin.

Financing by bilateral and multilateral donors

A number of bilateral and multilateral donors have shown an interest in funding housing projects in Benin. In the past, the International Development Association (IDA), the Organization of Petroleum Exporting Countries (OPEC), the European Economic Community (EEC), the West African Development Bank (BOAD), the African Development Bank (AfDB), the Japanese Government, and others have provided funding to support housing finance in Benin. Strategies used were different from one donor to the other. For example, while the Japanese Government funded the direct construction of about 40 housing units throughout the country, other donors provided credit lines to public banks or agencies. Thus, the Benin Development Bank (BBD) managed long term credit lines on behalf of those organizations (OPEC, IDA, BOAD, AfDB, etc.) to provide housing loans to lenders. BBD has also benefited from refinancing from the Central Bank (BCEAO).

Recently, the UNDP has shown interest in housing finance in Benin, especially in rural housing. It thus set up a new program with the Ministry of Environment, Housing and Urban Development (the so-called Government Pilot Program for the Improvement of Rural Housing and Living Conditions of the Poorest, and the Development of Traditional Housing in Benin.) The program is currently at its pilot phase, and is expected to be scaled-up over time. However, a funding shortage is impeding its smooth implementation, making it uncertain whether a scaling-up phase will ever take place.

Beside the UNDP, the Government is in negotiations with the Islamic Development Bank to set up a new housing project that will become the biggest housing project ever in the country with the goal of delivering some 20,000 affordable housing units all over the country. However, there is currently no clear indication on when the negotiations will be completed and when the project will get started.

Other means of housing finance: in-kind tontines

This research unveiled an interesting housing finance strategy through in-kind tontines. A tontine is a special investment scheme for raising capital, that in this case is set up to help its members to access construction materials to build their own houses. Members of the tontine gather to put together money to buy mostly cement. The beneficiary of each round of the tontine is randomly chosen. Each member benefits only once and the tontine runs until all members have benefited. A critical challenge faced by tontines, however, is the changing price of construction materials. The current research was not able to determine how wide spread this kind of tontine is in the country. This could be the subject of a new research project.

Future challenges for access to housing finance in Benin

Despite significant improvements and a clear political will in the housing sector, many challenges remain for achieving the vision and goals of housing policy and creating conditions for the smooth functioning of a housing finance market in Benin.

Land security is still weak, calling for significant legislative and regulatory work and enforcement

First, regulatory and policy barriers exist. It has been clearly stated that the adoption and the implementation of Benin housing policy should call for the enactment of important regulatory, planning and programming instruments. However, since the adoption of the policy in 2005, only one or two new laws have been passed, neither of which deal with land security.

Currently the production of land titles is very low, calling for strong action. Only 3.2% of households had a land title in 2010 and the total number of land titles in 2006 was 22,820. The backlog of land titles applications is estimated to be about 2000 a year on average. The high cost combined with a lengthy and cumbersome procedures make the land title inaccessible to most of Benin households. Besides this, the government (both at the central and local level) does not have the required structures and equipment to satisfy the actual demand. The interventions of the Millennium Challenge Account program have contributed to solve this issue, but a lot of work lies ahead.

The formal housing finance sector excludes most of the poorest

Even though a housing bank has been created and is functioning since 2004, its activities and products have not yet reached the poorest. The target market adopted in the agreement between the BHB and the Government excludes an important share of Benin households. Another challenge relates to gross domestic savings, which have significantly gone down over the past years in Benin thus reducing the capital available to provide loans to households in need. This calls for new resources to be found to fund the housing finance market. The Regional Mortgage Refinancing Fund which was created in 2010 will help this; but it will take some time before it is fully operational. At the same time even though microfinance institutions are renowned to be closer to the poorest, the level of resources available in this sector is too low to satisfy the needs of households planning to finance their housing projects. This creates an opportunity for investment in this much needed sub-sector, and the development of products explicitly targeted at low income earners.

Public-private partnership as a policy instrument is currently lack enforcement and seems poorly set up

Public private partnerships contracted by the Government over the past 20 years have shown their limits. All of them have failed so far and the biggest cost is being paid by the public sector. If it is clear that the public sector alone cannot reasonably be able to face the housing finance costs, there is also a clear need for developing more effective public private partnerships. To that end the capacities of Ministries of Environment, Housing and Urban Development and Economy and Finance should be strengthened to enable them to negotiate and set up well-rounded and more effective PPP contracts in the future. Enforcement of PPP contracts will also be an important challenge to overcome. Previous PPP experiences show that poor enforcement of contracts let developers take advantage of Government incentives (tax exemptions, serviced lands, etc.) without fulfilling their counterpart duties and delivering results.

Overcoming the disconnection between central government housing policies and strategies and local government land management practices

The Decentralization laws have devolved significant powers to local authorities in planning and housing. Yet, currently no local governments have taken initiative to develop the housing sector at the local level. It is only in a few communal development plans that the land security questions have been raised. The city of Cotonou (the biggest municipality in Benin) has identified land security as a development priority, but has no clear housing policy. The most active municipalities in the housing sector are just providing some sort of support to Central Government interventions (Abomey-Calavi, Seme-Kpodji, Porto-Novo, Parakou, Lokossa, Natitingou) with completely different if not conflicting strategies. For example, the municipality of Abomey-Calavi has sold housing lands to the Government's 10,000 Affordable Housing Units Project; while the municipality of Lokossa has donated these lands.

Almost all the municipalities and local governments in Benin have launched land subdivisions projects without a clear urban development framework (such as a master plan or a land use plan). These operations are thus scattered and fragmented leading in the long run to inefficient land use. This calls for more synergy and complementarities between the central government and local governments.

Finally, local governments lack real capacities to properly process building permit applications. This is creating more problems than providing solutions to housing challenges at local level.

Rampant land speculation, which further reduces the chances for the poorest to access decent housing

Land prices have increased dramatically over the past two decades, especially after the devaluation of the CFA. To be able to access housing, poor and even middle income households are pushed outside of the inner ring of big cities such as Cotonou, Porto-Novo and Abomey-Calavi, etc. These low and middle income households settle in areas lacking the minimum infrastructure for a decent house. Most of them also spend a significant share of their revenues on transportation to go to work. Relevant regulatory instruments should be enacted and enforced to reduce and stop land speculation. Without this housing affordability will continue to be a major challenge.

Conclusions and Recommendations

Conclusions

Benin's economy has grown a lot over the recent years. The country is back on the path of economic growth. Economic growth has been strong since the second half of the 1990s, but is vulnerable to external economic shocks, especially relating to raw materials and oil prices. At the same time, the country is becoming more and more dependent on re-exportation to Nigeria and the hinterland countries. Even though it has been positive, averaging 4 percent over the past 15 years, economic growth has been insufficient to significantly reduce poverty. Thus revenues are still very low and precarious, most of Benin households are dependent on the informal sector for their economic activities. In these conditions, it is difficult for households to access the formal financial market, especially in a context where property rights and land tenure security is still a big issue. At the same time resources available in microfinance institutions, known to be closer to poor households, are insufficient to meet their needs.

In these conditions, access to an affordable and decent housing for the majority as envisioned by the national housing policy is out of reach, despite a clear political will and a growing financial sector.

The demand side is the big unknown. While there are clear indications that housing demand is high, the characteristics of this demand are not known, making it difficult to expect any success from current housing interventions. Other important challenges are to be overcome, of which land tenure security is one of the most important. Improving the synergy between central government housing policies and local government practices is another important challenge.

With the prospect of an emerging regional mortgage market with the creation of the regional mortgage refinance fund, there is hope for a better future for house finance in Benin.

Recommendations for improving access to housing and housing finance in Benin

The need to improve knowledge on the housing demand in Benin

Currently, there is no specific study on the housing demand in Benin. Most of housing demand estimates that exist are based on statistics from the general census on the number and size of households. Yet, to be able to draft a sound strategy and for an accurate planning of housing supply, reliable statistics on the demand for housing, its composition according to different revenue segments of the society, and so on, are critically needed. Conducting such a study will provide the basis the government officials, the financial sector actors, and other stakeholders need to plan for service supply in the housing finance sector. Such a study should be conducted by the Government (Ministry of Environment, Housing and Urban Planning) with the support of National Institute of Statistics and Economic Analysis.

The need to conduct a series of surveys on the share of housing through rental in the housing supply in the main urban agglomerations

Housing supply through rental is an important component of the housing supply in Benin. However, there are currently no studies to understand how the rental market functions in big agglomerations where the demand for rental housing is very high, such as Cotonou, Abomey-Calavi and Porto-Novo. Better knowledge of the rental segment of the housing market will allow for better planning of housing supply. It may also unveil financing opportunities for developers to undertake new projects in that sector.

The need to assess former public-private partnerships in which the government has been involved in the past to provide affordable housing

Stakeholders of the housing finance in Benin agree on the fact that the successive failures in setting up and implementing affordable housing units has a lot to do with the set up of the public private partnerships. In most of the partnerships, there were no solid contracts between the Government and the private operators. Even in the cases where there was a contract, it has not been or was poorly enforced. Learning from how those partnerships have functioned in the past will help the Government better negotiate future partnerships. Again the Government and especially the Ministries of Environment, Housing and Urban Planning should take the lead of this study, in partnership with the Ministry of Finance.

The need to accelerate land reforms

It is well known that one of the biggest issues in the housing finance sector in Benin is the land tenure question. The Millennium Challenge Account has done a lot in solving this issue, especially in rural areas. However, there are still a lot to do in provide a legal framework that secures investments in housing. The land policy white book, drafted in 2010, is still to be voted by the Parliament and enacted by the Government.

The need for additional capital finance for the housing sector

The present report showed that one of the limits to housing finance in the lack of long-term resource for banks. Since the Regional Mortgage Refinancing Fund is quite new, it will take some

time before it is fully operational. This makes it more a medium to long term solution. In the short term other solutions are needed. So far the only bank dedicated to housing finance is the Benin Housing Bank. However its capital is much lower than planned in the first place, making it difficult for the bank to satisfy the demand for housing loans. It could be interesting that the BHB finds additional credit lines from Benin development partners to that end. Capital is also needed to support the growth of the housing microfinance sector, which could enable lower income households to finance their housing needs incrementally.

The need to strengthen land management capacities in local government

Given the important role local governments have to play in the implementation of land policy on the ground and especially in land security, it is very important to develop material and human capacities in local governments. Along this line, actions undertaken by the Millennium Challenge Account program should be extended to all municipalities in Benin.



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Interviews

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