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AFRICAN UNION FOR HOUSING FINANCE

The AUHF is an association of twenty-seven mortgage banks, building societies, housing corporations and other entities involved in the mobilization of finances for the development of shelter and housing on the African continent. The AUHF is a non-governmental association and has its presence in some fifteen countries across the continent of Africa. See www.auhf.co.za



A house built by the AUHF Member, Mpumalanga Housing Finance Corporation. For the story, see page 3.

KNOWLEDGE SHARING: A key tool for growth in the Housing Finance Sector

At the Affordable Housing Development Summit 2011, held at the beginning of this month in Johannesburg, South Africa, Norman Cleaver of the National Urban Reconstruction and Housing Agency (NURCHA) argued that one of the ways to increase capacity in the affordable housing industry is through knowledge sharing, and specifically through the sharing of data. Although innovation is driven by competition, collaboration enables early market growth. Knowledge sharing through data could serve as a catalyst to several initiatives including a deeper understanding of the gaps in the industry, benchmarking, and consumer protection.

There are few lessons the mortgage industry could learn from the microfinance sector. There is an evident drive among microlenders across Africa to improve their capacity, efficiency and effectiveness – and they are doing this especially through data. Currently, various microfinance organisations are undertaking what is known as pricing transparency. Pricing transparency provides a deeper level of understanding about the costs of lending of small loans and open communication of the prices charged to cover the costs.

Microfinance Transparency is an NGO implementing this idea of pricing transparency across the world with a presence in 18 countries in Africa. At a special workshop this month, they presented some of the lessons thus far. Firstly, the involvement of the private sector including investment banks in this project, hints at the usefulness of such analysis and information. This practise also provides objective analysis on the state of microfinance organisations in these countries, bringing to the fore the vast opportunities available.

Calculating variables such as the internal rate of return (IRR), average portfolio yield, operating cost ratio and the annual percentage rate (APR) of various organisations accurately, could provide such desired insights into pricing, competitiveness, and critically, market opportunity.

With more information such as loan performance data and analysis of the risk component of pricing, there will surely be a positive shift in the affordability of home loans to the vast population that desperately need them. Knowledge sharing might not be the sole key to the desired development of the industry, but it is a bold step towards the goal.

For more information on pricing transparency, please visit www.mftransparency.org



In the news

This month in African housing finance

Housing delivery

Nigerian government promises delivery on housing programme

The ministry in charge of housing in Nigeria has reiterated its promise for the delivery of a proposed mass housing scheme. The ministry has stated that the goal of the programme is to force down the pricing of houses developed by private developers. The minister also indicated that there is a review of the Land Use Act in order to make land acquisition easier for people.

Source: [234 Next](#) 06/01/2011¹

Clamp down on collusive practices in South Africa's construction industry.

The South African competition commission, an agency that investigates imperfect competition in the country has brought forward a case of anti competitive practice in the construction industry. The commission uncovered various cases of companies holding meetings to allocate tenders and monitoring each other's behavior through a structure referred to as 'The Party'. The commission has given these firms an ultimatum to fully disclose information of such conduct in order for firms to reduce their penalties.

Source: [Iafrica](#) 03/02/2011²

Namibia: No Serviced Land

The city of Windhoek, Namibia, is facing a crisis in the availability of serviced plots to buy, and this is undermining housing initiatives such as the Build Together programme. The land crisis is due to the the lack of adequate financial resources, and bureaucracy in the general land devliery process. Windhoek's City Council has asked the Ministry of Regional and Local Government, Housing and Rural Development to consider subsidising the servicing of land for housing in the City. With only 20-25% of the City's residents able to afford their municipal rates responsibilities, the City's coffers are insufficient to also cover the costs of servicing land. The city is also investigating a pilot public-private partnership project for land servicing.

Source: [allAfrica.com](#) 14/02/11³



Houses built by AUHF member, Mpumalanga Housing Finance Corporation. See page 3.

Housing Markets

Rental Housing takes a hit in Kenya

Investors in Kenya buying homes to rent are reportedly experiencing low rental incomes in the housing market as households are becoming more inclined to ownership of homes. The upsurge of home ownership is due to the increasing access to finance in the country. Rental housing in Kenya has been on a downward trajectory and this trend is predicted to last for another 10 years.

Source: [Business Daily Africa](#) 02/02/2011⁴

Education and Training

Housing finance Academy launched in Ghana

The academy which was launched by HFC bank – a private bank in Ghana that provides housing loans, would be run as an annual five day programme. The management behind the academy stated that a need to enhance the professional competence of housing practitioners was identified as the opportunities for investments in the sector expands. The academy is also supported by the Bank of Ghana.

Source: [The Ghanaian Government Website](#) 23/02/2011⁵

Finance

Private firm partners with EADB to meet housing demands in Kenya

Kenyan firm Housing Finance recently signed a two year partnership agreement with the East African Development Bank. The partnership agreement aims to facilitate several co-financing initiative between the two institutions. The partnership agreement hopes to increase Housing Finance's capacity in the housing sector, as it's barred from lending more than 25% of its core capital base.

Source: [Reuters](#) 22/02/2011⁶

South African Home Loan Guarantee Company receives investment grade rating

Fitch Ratings gave the South African based organisation a positive rating, BBB+, explaining that the decision was based on the company's strong capital position and its sound and active risk management record. The company which also received a stable outlook by the rating agency was also cited for its unique position as a non-profit insurer providing cover to lending organisations to guarantee home loans to the low income households in South Africa.

Source: [Business Live](#) 18/02/2011⁷





AUHF Member Profile: Mpumalanga Housing Finance Corporation

Mpumalanga Housing Finance is a housing development agency in the South African province of Mpumalanga. MHFCo was established as a not-for profit (Section 21) company in 2000 by the provincial government to enable communities' access to housing and housing finance. The company aims to assist households with monthly incomes ranging from R3 500 to R15 000 (about US\$500 – US\$2000).

Today, the organisation's products and services include home loans finance, client education on products, technical support on housing delivery, infrastructure and top structure development, sourcing of loan and equity resources for housing developments, and product marketing.

MHFCO's strategic goals are:

- To ensure capital financing
- To provide property development services
- To provide home loan management services
- To provide technical services
- To ensure internal business excellence

In the past 10 years, MHFCo has assisted assist 1 673 families with their housing needs to the tune of R217-million. In addition, it has initiated housing developments of over R100-million in the last two years in various municipalities in the province. While the interest rate (prime) has decreased from

15% to 10% during the past year, MHFCo's lending rate continued at a fixed rate of 12% per annum. In 2010, the organisation achieved a 97% repayment rate from its borrowers.

MHFCo is currently involved in the following projects:

- Balfour (Dipaliseng Municipality): A total of 200 housing units are in the planning stage, with the township establishment now completed and approved.
- Mashishing (Thaba Chweu Municipality): A total of 471 serviced stands have been completed with a total investment of R48-million. The market value per stand is estimated at a minimum of R280 000 plus VAT.
- The company recently acquired 135 serviced stands in Sabie, Ext 10 with the Thaba Chweu Municipality.



Mr. Gijimane J Dladla, the CEO of the Mpumalanga Housing Finance Corporation, is MHFCo's representative to the AUHF. Mr. Dladla was elected as AUHF 2nd Vice Chairperson at the AGM in September 2010.

In 2009 the Mpumalanga provincial government announced that MHFCo would merge with the Mpumalanga Agricultural Corporation (MADC) and the Mpumalanga Economic Development Agency (MEGA). CEO Johannes Dladla cited that one the benefits of the merger would be increased funding for housing loans in the Mpumalanga Province. The new organisation started operating in April 2010. Presently MFHCo continues to exist; however, it will be transferring its activities to the new MEGA in terms of applicable legislation.

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Book Review: Housing Microfinance – A Guide to Practice. Daphnis, F., & Ferguson, B. (2004). *Housing Microfinance: A Guide to Practice*. Bloomfield, Connecticut: Kumarian Press, Inc..

There are very few books that provide a deep insight into the dynamics of the housing microfinance (HMF) practice. This book is a guide that can be used by both policymakers and practitioners, offering various for strategies in various contexts. The editors, Franck Daphnis of the Development Innovations Group (DIG) and Bruce Ferguson, consultant and formerly of the World Bank, explore various HMF practices from across the world, highlighting lessons and experiences from which practitioners can learn.

The edited collection addresses the specific factors that should be considered before engaging in HMF, how mainstream microfinance organisations can get into the industry, and the benefits that lie in such a move. The book also addresses land and collateral issues, housing support services, and loan product design. The book also examines possible collaboration between the private sector and government, reinforcing the idea by highlighting the successful practises in various countries. The book also draws contributions from housing microfinance experts around the world, resulting in insightful perspectives. Although published in 2004, the book still has relevant information that practitioners could apply today.

There is little focus on the practise in Africa, given the few number of HMF organisations in the continent. However, as an information resource, this book dispels myths about the practise, which would enable potential stakeholders to understand the value of HMF, reiterating the idea that with carefully outlined policies and strategies, the practise could be a success.



Player in focus: Select Africa



Select Africa Limited (Select) is a retail financial services group which has been in existence since 1999, focusing primarily on the extension of retail credit to the 'non- or under-banked' market. Select commenced operations in Swaziland 12 years ago and subsequently expanded into Lesotho (2007), Kenya (2008) and Malawi (2011). Select Africa is a subsidiary of African Alliance, an investment banking group focused on Africa. Select's business initiatives fall directly in line with African Alliance's commitment to develop the capital markets across the African continent. The organization has a strong housing focus: approximately 40% of the organization's loan book is housing linked.

Select Africa's typical client is the working poor; employed yet unable to access personal or housing finance through traditional banking channels due to the banks' aversion to perceived higher risk clients and the inability to mortgage (or attach) properties as security across many countries in Africa. The Company's primary client base tends strongly towards public sector employees, typically being the largest and more stable employed base in markets across Africa. Loan repayments are deducted via payroll (at source), providing for more consistent collections. Select's products also include, credit, insurance products (credit life and funeral plans) and linked unit trust investments.

The front-end or client processes including loan origination, are managed by the individual country operations with the central operational processes managed from Mauritius and South Africa. The final loan approval is performed in Mauritius by a centralised Risk Management team.

Select Africa's housing focus: Aside from the credit supplied for housing, Select focuses on housing support services, including the provision of a set of incremental building plans, which clients have the option of using at no additional cost. This set of plans enables clients to improve and expand their house incrementally, from an initial one-room house to a four-room house through accessing multiple loans aligned to the building requirements. Some of the key characteristics are:

- No deposit required
- Applicants must be employed
- Applicants are assessed on an individual basis for credit worthiness
- Guidance is provided with the building approach taken in the form of:
 - Building advice handbook (covering items such as: a simple contract if using a builder; home orientation; correct mixes for plastering, foundations, mortar etc.)
 - Building technology alternatives
 - Incremental building plans – country specific
 - Supplier agreements

In certain countries Select contracts building experts to provide an enhanced degree of professional building guidance. Housing products in development at the organisation include Select Water (specific loan for a channelled water or water harvesting product) and Select Solar (similar to Select Water, but for certain solar products such as portable batteries or basic installed solar power systems).

Apart from Select's extensive financial services operation, the organization educates its clients on saving and investment principles. Also, as part of their services, they offer debt counselling through their credit approval process to ensure that the loan applicant understands their financial commitment. In this way, the risk of non-payment is reduced. The organization adheres to international MFI standards in order to promote transparency in the organization's product pricing and services.

Select's footprint

Swaziland: *Select* has been operating in Swaziland since 1999 and has grown to become the dominant micro lender in the market, by both brand and market share. *Select* offers a full suite of credit and other retail financial products in Swaziland. The target market is salaried employees earning between US\$260 and \$2,200 per month, although loans may be extended to employees earning more who meet the credit qualification criteria. The organisations offer loans of up to US\$8,600 with various loan repayment terms between 2 and 60 months. Trudi Schwartz - +268 7602 1426, schwartzt@selectafrica.net

Lesotho: *Select* began operating in Lesotho in 2006 with first disbursements in February 2007. *Select's* target market in Lesotho is similar to that of Swaziland with loans granted to salaried employees who meet our stringent loan approval criteria, thereby ensuring a responsible minimum level of take home pay. The maximum loan offered in this market was approximately \$3,900 with repayment terms of up to 36 months. Mpho Manyane - +266 588 81425, monyanem@selectafrica.net

Kenya: *Select* commenced operations in Kenya in late 2008. The business is in a start-up mode with products currently limited to loans with a maximum duration of 24 months and new housing products developed and released in December 2009. *Select's* focus has initially been on the private sector market, but there is a recent interest in the public sector market as there has been an implementation of the centralised deduction facility. Phephile Manyatsi - +254 20 2735229, manyatsip@selectafrica.net

Malawi: *Select* commenced disbursements in the first quarter of 2011. *Select* Malawi entered into a long-term debt financing agreement with the Soros Economic Development Fund, who were keen to support a housing-focused lending business in this economically disadvantaged country. Wayne Faulds - +27 84 588 0564, faulds@selectafrica.net



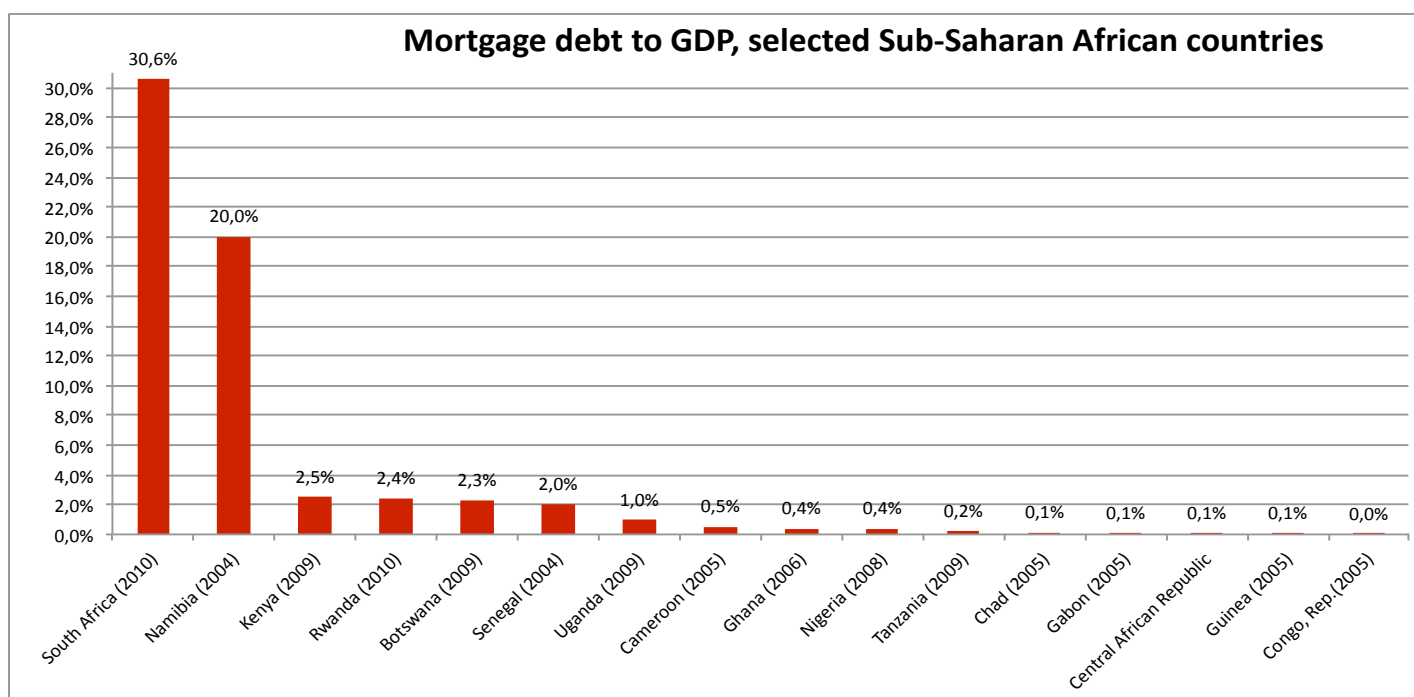
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Graph of the month

In the following graph, the percentage of mortgage debt to GDP of various countries in Sub-Saharan Africa is displayed. The data is limited to the countries for which data is available – for some countries, the most recent data is from 2005. The mortgage debt to GDP ratio is one of the indicators used to assess the level of development of a country's mortgage industry and its health. A low mortgage debt to GDP ratio indicates a relatively under-developed mortgage industry – and the potential for growth. Growth potential also depends, of course, on the affordability of the population for mortgage finance. South Africa's ratio is 30.6% is the highest in SSA, but lower than Malaysia (36%), Singapore (51.1%) and the United States (72.7%). Denmark has the highest ratio, at 118.9%. The DRC's ratio is the lowest of all countries for which the World Bank has data, at 0% - suggesting that that country has virtually no mortgages. Please contact us if you would like to offer insights regarding the data below.

Mortgage debt to GDP, selected Sub-Saharan African countries



Source: World Bank Global Mortgage Database

UPCOMING EVENTS

TRAINING / COURSES

Certificate Programme in Microfinance Management (CPMM) 7 - 26 March 2011, University of Pretoria, South Africa. For more information: Katherine.blaine@up.ac.za

Housing Finance Workshop in Sub Saharan Africa: International Experience and Lessons Learned. Sponsored by: World Bank, IFC, Wharton School (UPenn), FinMark Trust and AUHF. 11-16 April 2011, Nairobi, Kenya. For more information: www.worldbank.org/housingfinance

Housing Finance in a Changing Environment. 6-16 June 2011 Organised by: International Housing Finance Program, Wharton School of Business, University of Pennsylvania, Philadelphia, USA For more information: www.ihfp.wharton.upenn.edu

CONFERENCES / WORKSHOPS

Mauritius EcoBuilding Conference and Expo 2011 17-18 March 2011. For more information: www.ecobuilding.mu

Africa Microfinance Repositioning Summit 21st– 25th March 2011. Indaba Hotel & Conference Centre, Johannesburg, South Africa. For more information: + 27(0)11 024 7774 / +27 (0) 11 84562 3935 or grace@mwangaza.co.za

FinScope Workshop, "From data to action", with special session on housing finance. 29-31 March 2011, Johannesburg, South Africa. For more information: kecia@iafrica.com

Mauritius EcoBuilding Conference and Expo 2011. 17-18 March 2011. For more information: www.ecobuilding.mu