



AUHF : The challenges and opportunities

AUHF role?

GABORONE SUN – BOTSWANA

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Economic Outlook – Sub Saharan Africa

	2004	2005	2006	2007	2008	2009	Proj 2010
GDP growth (average)	5.1	5.7	6.1	5.9	4.9	1.2	3.8
Inflation (average)	4.2	6.2	6.8	7.8	12.2	10.3	6.5

Source: IMF's Regional Economic Outlook – Sub Saharan Africa report for 2010

Economic Outlook – Sub Saharan Africa

- Sub – Saharan Africa: financial systems' resilience to financial crisis;
 - Limited integration with global financial markets;
 - Minimal exposure to complex financial instruments;
 - High liquidity;
 - Limited reliance on foreign funding.
- Depressed demand for primary commodities.

Selected country statistics: 2009 budgetary allocations



Country	Pop. (m)	Per capita GDP \$	Military spend (% GDP)	Health spend (% GDP)	Educ. spend (% GDP)	Housing spend (% GDP)	% Risk prem. on lending
Botswana	1.9	7,053	3.4	5.7	8.1	0.9	1.5
Zimbabwe	12.5	416	3.8	8.9	*	0.5	330.2
S Africa	48.7	5,676	1.4	8.6	5.1	0.6	4.3
Zambia	12.6	1,135	1.8	6.2	1.4	0.9	5.6
Nigeria	151.2	1,370	*	6.6	*	0.0	7.3
Ghana	23.4	714	0.7	8.3	5.4	*	*
Uganda	31.7	480	2.3	6.3	3.8	*	11.9
Canada	33.3	45,084	1.3	10.1	4.9	*	2.3

Notes:

- Source: World Bank and national budget speeches.
- Risk premium for Zimbabwe is for 2007, the latest available on World Bank site.
- * Data not available.



Size of informal sector – percentage of GDP



	Percentage of GDP	Percentage of total employment
North Africa	22.6%	-
Sub – Saharan Africa	25.9%	19.7
Asia	27.7%	33.6

Source: Centre for Economics and Ethics for Environment and Development – University of Versailles.





Housing Finance: Analysis of challenges through the PESTEL model





Political

- Politicians - office tenure;
- Government institutions: a barrier to private sector growth and sustainability;
- Financial markets liberalization;
- Public policy re - taxes and duties.





Economic

- Volatile interest and inflation rates;
- Subsistent and informal sector economic activity predomination:
 - Not recognized by formal financial services sector;
 - Collateral in question;
 - Savings commitment lacking;
 - Lack of steady income › credit risk.





Economic (cont...)

- Repeated housing demand due to labour mobility and migration at the lower strata.
- Lack of access to financial markets due to lack of financial history
- Under – developed capital markets – affect the availability of long term capital.





Social

- Large families – income only sufficient to pay for groceries;
- Rural-to-urban migration – leads to development of slums;
- A move from communal housing: more family units to house;
- Cultural dread of indebtedness – tends to scare some people away from mortgages;
- Concept of high-density housing.





Technology

- High building standards imposed by authorities – makes housing finance expensive;
- Modern standardized building materials not responsive to local conditions;
- Due to advances in technology, what passed as a house not too long ago no longer qualifies to be called a house;
- New technologies suspect to financiers and insurers increase the risk premium.





Technology

- A lot of consumers are resistant to embracing new technology.





Environment

- Changing climatic conditions leading to high risk premium;
- Local and traditional housing materials challenged by unstable environmental conditions;
- Expensive imported building materials.





Legal

- Security of tenure hampers development;
- Biased contracts drafted by financiers discourage borrowers;
- Bureaucratic foreclosure laws discourage lending;
- Inefficiencies in registering mortgage and title transfers create bottlenecks.





Opportunities for HFI

- Despite global recession there is growth in economies, especially in property markets;
- Abundance of primary raw materials;
- Political stability, with the exception of a few pockets;
- Liberalization of financial markets.





Opportunities (cont...)

- Rapid urbanization › demand for housing;
- Relatively younger population;
- Generally house values appreciate in Sub-Saharan Africa – a strong security for future borrowing and advances;
- Opportunity for securitization
- Get political leadership to understand that housing contributes to economic development, rather than treating it as a social good.





Recommendations

- AUHF should educate and lobby governments to recognize housing finance as an economic empowerment/activity rather than a social engagement;
- Lobby governments to make more budgetary allocations to housing as a springboard to other social promotions such as education, health etc

Recommendations (cont...)



- Government should have a stratified approach to housing finance:
 - Play facilitation role to the bankable and give space to private sector participation;
 - Identify, prioritise and give targeted subsidies to lower the credit risk to the second tier households;
 - Give conditional grants to the lower end of the market.
- Lobby housing finance institutions to consider incremental lending to housing development.



AUHF

Recommendations (cont...)



- Advise governments on appropriate subsidies for specific geographical/environmental domains;
- Working along with NGO's, AUHF could advocate for labour-intensive microfinance projects, and;
- Educate borrowers on the workings of a mortgage.



END

