

**DECLARATION OF THE MEMBERS OF THE AFRICAN UNION FOR HOUSING FINANCE (AUHF)
FOLLOWING THE ANNUAL GENERAL MEETING HELD IN ABUJA, NIGERIA ON 16 SEPTEMBER 2016¹**

We, the members of the African Union for Housing Finance, having met with colleagues from the public and private sectors from over twenty countries over the past three days, and having held our 32nd annual general meeting in Abuja, Nigeria, on 16 September 2016, express our **commitment to driving investment in Africa's housing sector so that it contributes substantially to Africa's growth agenda.**

We note:

Affordable housing delivery to meet an ever increasing demand presents a tremendous investment opportunity that can substantially impact on Africa's growth agenda. The construction, management, and occupation of housing is a labour intensive activity with substantial job creation potential, and which stimulates demand for goods and services across the primary, secondary and tertiary sectors of the economy. Calculating these backwards and forwards linkages together with housing backlogs that extend into the tens of millions (26 million units just among nine sub-Saharan African countries and growing annually), the investment opportunity actually runs into the trillions of dollars.

This enormous opportunity, increasingly recognized by both the private and the public sectors, cannot be realised however, in the face of a broken housing delivery value chain. The constraints and inefficiencies that exist at each link in the chain then manifest in growing informal settlements and poor housing conditions which persist notwithstanding a growing middle class and evidence of, albeit limited, housing affordability. This is a problem that requires the active engagement by both the public and private sectors, in setting and implementing policy; and developing appropriate instruments, products and services that meet the needs and capacities of the growing populations in our cities and towns.

The role of affordable and sustainable housing and housing finance, including social habitat production, in economic development, and the contribution of the sector in stimulating productivity in other economic sectors and contributing towards sustainable and inclusive economic transformation at the national, sub-national and local levels is a key commitment (paragraph 46) in the Quito Implementation Plan for the New Urban Agenda. It is towards the realization of this commitment and in the spirit of an explicit role for the private sector in the New Urban Agenda, that we frame our expectations and make our commitments, here, in this Abuja Declaration.

We understand:

Increasing urbanization, growing populations and a growing middle class together contribute towards rising housing demand – we have the choice of meeting this demand effectively, with well-targeted, affordable housing that responds to the capacities of the demand side; or suffering the challenge with ineffective housing delivery systems that lead to growing informal settlements and inadequate housing outcomes. With an urbanisation rate of 3.5% over the past two decades, Africa's cities are the fastest growing in the developing world. Currently, about 40% of the continent's one billion people live in cities and towns; and it is estimated that in the next few years, some African cities will be home to as much as 85% of their country's population. Between 2009 and 2030 it is estimated that the middle class in Sub-Saharan Africa will grow from 32 million people to 107 million. This growth presents a remarkable opportunity to stimulate our economies in the production of affordable housing at scale, transforming our cities into productive spaces

¹ The African Union for Housing Finance held its 32nd Conference and Annual General Meeting in Abuja, Nigeria, from 14-16 September 2016. Hosted by the Nigeria Mortgage Refinance Company, an AUHF member, the meeting attracted 184 delegates from about 126 organisations in the public and private sectors across 23 countries. The conference theme – "Housing and Africa's Growth Agenda" – focused on the opportunities for housing investment to stimulate economic growth and job creation across the African continent. Conference presentations are available on the AUHF website: <http://www.auhf.co.za/conference/housing-and-africas-growth-agenda/>. For more information contact Kecia Rust at kecia@housingfinanceafrica.org or Noluthando Ntshanga at noluthando@housingfinanceafrica.org

that meet the needs of our people. We see an opportunity to turn investor interest towards the large market of middle and lower income housing in urban areas across Africa and to use this to champion both improved housing conditions and economic growth, while also addressing inequality with the asset potential that housing offers.

Housing is infrastructure, fundamental to the functioning of our cities and towns and essential to the ability of our people to operate effectively in our economies. The production and consumption of housing stimulates economic growth and growing property markets support enhanced financial intermediation contributing to the efficient development of national economies. And housing assets, whether geared with finance or not, can act as a financial springboard to micro and medium enterprise and human capital development. Good housing contributes substantially towards good outcomes in health, education, the realization of sustainable livelihoods, and the sustainability of our human settlements. Poor housing has an equal but opposite effect, contributing towards the proliferation of disease and infection, poor access to education, rising inequality and poorly functioning cities. The realization of adequate housing is a matter of international interest and something towards which we must all focus our efforts if we are to be able to achieve any of our individual goals.

For this reason, effective housing markets depend on the active participation and cooperation of both the public and the private sectors. **Effectively structured public private partnerships are critical** and we seek to enter into these in our respective local contexts. The role of government is to set an appropriate and enabling legal and regulatory framework, and to lead in the provision of serviced land for housing. Government can also provide legislative innovation and budgetary support for specific development objectives in the housing sector, such as VAT relief on newly constructed units sold to target market households. Full subsidisation is not required, however, as financial institutions have the capacity and appetite to provide development capital, risk mitigation products and end user finance. Development Finance Institutions can provide additional capital, technical assistance and targeted risk sharing mechanisms. With the legal and financial framework in hand, developers can then drive the initiative with their development expertise, also taking part of the risk. Lastly, households themselves, have a variety of capacities to contribute towards the realisation of their housing needs, whether financially or with their labour. Public private partnerships are risk-sharing arrangements in which parties bring together their resources, using these collectively to realise the objectives of the project.

A key economic indicator in the developed world, the housing economy is not well-tracked in African countries. Property and construction data, captured as part of the national GDP statistics, conflates activity in the commercial, retail and industrial sectors with residential data; lenders do not differentiate in their monitoring and reporting between loan products; and indeed, in many contexts land rights are not captured on an electronic registry. When data is collected, it is for the high-end market – a very small minority of the overall potential for growth, and of the activity that actually comprises local housing markets. And then, of course, the majority of housing across the continent is owner-built, incrementally, without formal finance. This makes it very difficult to quantify the impact that housing has on the economy, and to then motivate for increased policy attention to address market constraints.

We urge national governments to address the following five critical challenges at the national level:

1. **Macro-economic and monetary policy that is supportive of investment in housing markets:** the growth of the housing sector in Africa demands greater financial innovation that increases the capital available, whether for lenders, developers, or households themselves. Our capital markets are shallow and secondary markets are ineffective. Notwithstanding substantial financial capacity in our pension industries we are overly reliant on foreign capital for investment, and this places us at risk of currency fluctuation and other global economic factors. Policy must explicitly enable long term funding and increased investment of local capital, especially pension funds, into affordable housing. The role of the central bank and monetary policy is fundamental in this regard. Key areas for policy attention include interest rates, inflation, tax policy, currency risk, capital requirements, legislation governing the pensions industry, and other macro-economic issues that impact on housing.
2. **Consistent national housing policy and regulatory framework and the inclusion of affordable housing in national development plans.** The long term nature of housing investments makes the current situation of policy uncertainty critically important. Unpredictable regulatory changes, complex legal frameworks and volatile local currencies all limited investment timeframes and challenge exit strategies, encouraging investors to look elsewhere, or upmarket, where the capacity to absorb costs is greater. Government policy and focused national plans can have a significant impact on investor interest and market participation, simply by being reliable and timely. At the same time, good

policy can improve the reach of good investment – extending the benefits of investor interest to a wider array of people, and critically, down market.

3. **Transparent and realistic land management systems:** the investment of capital in housing markets depends on legal frameworks that confirm and support ownership or tenancy rights as they exist, and allow property to be used as collateral for access to credit. The legal infrastructure necessary to support formal title might not be immediately possible in all jurisdictions so mechanisms that recognize and secure tenancy rights in a practical manner are necessary. Sound planning frameworks that promote the growth of sustainable human settlements are a critical part of the enabling environment on which investment depends. Governments across Africa should streamline and prioritise their land legal frameworks, establishing and improving appropriate and sustainable titling systems, ensuring security of tenure, allowing for efficient foreclosure processes, and clarifying and upholding rights of occupation and use, all in favour of effective housing markets.
4. **Transparent dissemination of key data relevant to the functioning of the housing sector.** A fundamental precondition for investment is the availability of data and market intelligence that quantifies the demand, supply and activity of housing markets and enables investors to assess market risk and opportunity with precision. When this is not possible, investors either shift their attention to more easily quantified investments in other sectors, or they set their return expectations higher to compensate for poorly understood markets and risk, compromising affordability. By their nature, governments control access to considerable data in the housing delivery, land and property market, and credit market sectors. Governments should adopt “Open Data” policies, and should actively track and report on housing market performance broadly, to enable and encourage investor participation.
5. The promotion of a **national housing finance framework that addresses the breadth of housing finance needs of households, from mortgage to non-mortgage finance**, with specific attention to how such financing products intersect with the housing delivery value chain. There are very positive examples of inclusive housing finance systems across the continent, but these are not yet operating at the scale required. Governments can assist in promoting non-mortgage housing finance systems through the active and regulatory promotion of developmental credit, effective and appropriate credit regulatory systems, and the establishment of land use management systems that provide for and facilitate incremental housing delivery approaches.

At the city level, we urge further attention to the following three local challenges:

1. The establishment of **effective PPPs (public private partnerships)** that appropriately allocate roles and responsibilities between the public and private sector, while also drawing in the participation of local population (people as a fourth “P”) in support of specific affordable housing projects at the local level. PPPs enable each party to offer their specific capacity to a project – land, services and municipal approvals from government; financial and construction capacity from the private sector; savings, planning and labour from the community.
2. **Clear, efficient statutory approval processes for affordable housing delivery, and transparent and realistic land management systems:** the cost of housing is substantially impacted by the time it takes to deliver. Much of the housing delivery process is framed by the approvals that developers have to secure from local government regarding land availability, bulk services connections, environmental assessments, building plan approvals, and so on. Delays in the achievement of these impacts on the overall time it takes to deliver the housing, and therefore the length of time that investment capital sits without return. This increases the peak funding required, which in turn increases costs, lowers profitability and discourages investment. Governments can entice developers and investors into affordable housing by ensuring efficient processing and approval times. Not only will this reduce costs and contribute towards affordability, it will also encourage investor interest in the affordable housing market.
3. **Investment in infrastructure and serviced land for housing:** a key constraint facing housing developers in the delivery of housing at scale is access to serviced land for housing. Government can facilitate increased construction by making land available through its regulatory and other levers, and investing in bulk infrastructure to support this. As cities develop, the establishment of effective rating and collections systems can also build municipal capacity to further meet the need on an ongoing basis, while also establishing critical contracts for local citizenship.

We commit ourselves:

We, the members of the AUHF, confirm our commitment to the growth and development of affordable housing across our continent. As individual housing sector practitioners, and collectively as members of the African Union for Housing Finance, we are committed to:

- Constructive and accountable participation in PPPs that effectively leverage both public and private resources for the benefit of better market targeting and increased scale of delivery of affordable housing across Africa.
- The development of appropriate housing and housing finance products, services and underwriting standards, that are affordable to our populations, that respond appropriately to the reality of informality, and that contribute effectively towards adequate housing for all, across our nations.
- The mobilisation of local capital resources of sufficient tenor, debt and equity, with the appropriate risk underpins and supportive frameworks to encourage the participation of a diverse range of investors across the range of housing solutions, and to enable developers to grow their capacity to operate at scale.
- Investment in housing that is both for rent and for ownership, that supports the increasing diversity of our cities and contributes towards sustainable human settlements.
- Ongoing professional development to support the establishment, and consolidation, of sustainable and robust institutions throughout the housing supply chain, and the provision of capacity support, technical assistance and professional development.
- Data transparency and information sharing. We will support the collection, analysis and dissemination of evidence based information on effective housing finance practice and the performance of the housing market. In this, we are committed to sharing best practice and building track records that can be monitored on an ongoing basis, setting benchmarks for our peers and one another, in support of more effective housing markets across the continent.
- Increased dialogue and engagement between the public and private sectors, at a local, national, regional, continental and international level.
- Working in collaboration with each other, and other stakeholders, whether in the public or private sectors, to promote the realisation of sustainable human settlements across Africa.

The AUHF is keen to engage with respective governments at the national and local level on both macro and micro economic issues, including interest rates, tax and monetary policy, and housing and land policy as it influences the growth and performance of housing markets. The AUHF and its members look forward to working with governments and other stakeholders, in their respective cities, countries, and across the continent, in driving investment in Africa's housing sector so that it contributes substantially to Africa's growth agenda.

16 September 2016

AUHF Board of Directors: Oscar Mgaya (Chairman), Charles Inyangete (Vice Chairman), Cas Coovadia (Treasurer), Omar Sarr (Secretary), Femi Adewole, Ruth Odera, Reginald Motswoiso, Joseph Chikolwa

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