

Speech

By

***Mr. David G. Opiokello
Board Chairman, Housing Finance Bank Uganda Ltd.***

At the

African Union for Housing Finance Conference 2017

17th October, 2017

Your Excellency

Hon. Ministers

Hon. Members of Parliament

Distinguished guests,

Ladies and Gentlemen.

You are all most welcome to the 33rd African Union for Housing Finance Conference.

Your Excellency, I thank you for accepting the invitation to be the Chief Guest and Keynote Speaker at this conference. Indeed housing is an important facet of the economy and your commitment to the sector has been demonstrated by the priority and profile it has been given on the national agenda.

Allow me to thank you in a special way for the commitment of Government to recapitalize Housing Finance Bank as outlined in your Manifesto. This capitalisation will enable the Bank to increase access to mortgage finance to the population and will put the Bank in a strong position in light of the review of capital requirements in the banking sector.

Your Excellency, Socio-economic transformation entails access to decent shelter by the population in both rural and urban settings and is essential for the well-being of Ugandans as it has been outlined in the Uganda Vision 2040. The structure and condition of a house is important in improving the sanitation status of a household and is also a proxy indicator of the welfare status of a household. Therefore, access to housing finance is a key component in the equation of providing decent shelter in any economy.

Despite these improvements, the development of the housing sector is still constrained by numerous factors.

1. Lack of access to and the high cost of finance constrain the sector. The requirements for accessing long-term mortgage finance are stringent, and therefore, unaffordable by a large section of potential borrowers. The problem of high interest rates on housing loans (currently above 15 per cent) further limits the growth in the housing sector.
2. Shortage of skilled manpower in the areas of architecture, quantity surveying and structural engineering reduces the capacity to develop housing units that meet the minimum building standards nationwide because the few professionals in these fields are confined in Kampala and major towns.
3. Inadequate legal and land tenure systems that are a hindrance to security of tenure especially for low income households which make up a big mass of Uganda's population.
4. The high cost of building materials (cement, steel, timber, iron sheets) limits the sector's growth. The cost comparison for a 50 Kg bag of cement is USD10 in Uganda and USD4 in the Middle East. The situation is worsened by slow adoption of a range of low cost technologies in construction.

Your Excellency, I would like to thank you because Government has taken steps to create a conducive environment that enables the people of Uganda to develop affordable and decent shelter over the years. As a result of these efforts, the proportion of iron roofed houses increased by 8 percent from 61 percent in 2005/2006 to 69 percent in 2013/2014, while the grass thatched houses reduced by 10 percent from 38 percent in 2005/2006 to 28 percent in 2013/2014.

In addition, Government implemented land reforms and operationalized the constitutional provisions of land ownership through the Land Amendment Act of 2010 which strengthened the protection of tenants from evictions by land grabbers. This was

augmented by putting land units in the Police and the Office of the President to support and expedite the handling of land issues.

Your Excellency, in addition to these efforts, we cannot underscore the work that Government has done to decentralize the Land Registries and the potential benefits that will accrue to the Housing Sector as a result of the ongoing digitization of the Land Registry. This will significantly reduce the time it takes to execute mortgage transactions and stamp out the issue of duplication of land titles and other title related issues that have plagued the sector in the past.

Your Excellency, as financiers in the housing value chain, we are still plagued by a number of issues which are pertinent to the growth of the sector. The issue of case backlog in the judiciary process and the length of time it takes to dispose of cases is a key challenge. This situation has constrained the deepening of mortgage lending due to the complex legalities that are involved in the process and the length of time it takes to resolve cases. Your Excellency, we thank Government for the various efforts that have been made in this area and it is our request that this matter be expedited in order to unlock these issues that are a bottleneck to mortgage growth.

Furthermore, given the long term nature of mortgages which average between 10 to 15 years and the short term nature of deposits, the sector is faced with significant funding mismatches due to the shortage of wholesale long term financing in local currency. Whereas financing is available in foreign currency through credit lines from various development finance institutions, this comes with significant currency exchange risks which are costly to hedge against and result in higher interest rates for the borrowers. I call upon the Development Finance Institutions which are represented here, in conjunction with Government to consider credit facilities that would enable mortgage lenders to access long term funds in local currency. This will go a long way in addressing the issue of high interest rates on mortgages.

Your Excellency, in order to further augment the efforts of Government, I am delighted to note that the Bank in conjunction with the Line Ministries of Finance, Lands and Housing and other stakeholders have come together to host this conference which is a dialogue between stakeholders in the housing value chain across the African Continent. It is envisaged that over the three days of the conference, stakeholders will share experiences and practical solutions that we can adopt in order to chart a way for the betterment of the Housing Industry and Housing Finance sector in Uganda.

I thank all the delegates that have journeyed across the continent to attend this conference, and I pray that you will find some time off your busy schedules to enjoy the beauty of our beloved country.

Your Excellency, with those few remarks, it is my pleasure to invite the Governor, Bank of Uganda to address this conference.

I thank You.

17th October 2017

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Kampala Serena Hotel.