

**DECLARATION OF THE MEMBERS OF THE AFRICAN UNION FOR HOUSING FINANCE (AUHF)
FOLLOWING THE ANNUAL GENERAL MEETING
HELD IN KAMPALA, UGANDA ON 19 OCTOBER 2017¹**

We, the members of the African Union for Housing Finance, having met with colleagues from the public and private sectors from twenty-four countries over the past three days, and having held our 33rd annual general meeting in Kampala, Uganda on 19 October 2017, express our **commitment to promote and finance the accelerated delivery of affordable housing across Africa, engaging the housing value chain for growth in each of our countries.**

We note:

1. Africa's cities face a critical and growing **need for affordable housing**. With an urbanisation rate of 3.5% over the past two decades, Africa's cities are among 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. By 2030 it is estimated that the middle class in Sub-Saharan Africa will more than triple, to an estimated 107 million people. Housing delivery rates across the continent, however, are insufficient to meet this growing demand, and the housing that is delivered is unaffordable to the vast majority. As a result, the majority of Africa's urban population continues to live in inadequate housing.
2. In contrast to the obvious need, and the interests of investors in our economies, we see **limited investment in affordable housing**. In East Africa, core deposits in the commercial banking sector cover only three percent of the potential mortgage funding need of US\$42,2 billion, and as a result, less than one percent of individuals in formal employment in the region have an outstanding mortgage. With the exception of Kenya, where the Nairobi stock exchange holds over US\$500 million in housing investments the stock exchanges in Uganda, Tanzania and Rwanda together hold only US\$63 million in housing investments. Over the period 2000 to 2017, only 10% of the total asset portfolio of investors (US\$4 billion) was allocated to investments that have a direct impact on the housing and housing finance sector.
3. This notwithstanding, **housing is embedded in the economy**. A critical growth multiplier, the production of housing can transform our cities into productive spaces that meet the needs of all residents, including low income earners. Backward and forward linkages grow our manufacturing and services sectors and contribute towards job creation, creating an economic stimulant and opportunities for revenue generation. For most households, housing is their primary expenditure item and most significant asset. The multiplier effects of housing thus extend benefits to our countries far beyond the provision of housing, creating significant opportunities for stakeholders in both the public and private sectors.
4. Our governments have recently committed themselves to a **New Urban Agenda (NUA)**, agreed at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), held in Quito Ecuador, in October 2016. The NUA envisions cities that are accessible in all ways to all residents, and in which the public and private sectors work together to achieve this goal. To this end, the NUA includes a vision for cities and human settlements that *"meet the challenges and opportunities of present and future sustained, inclusive and sustainable economic growth, leveraging urbanization for structural transformation, high productivity, value-added activities and resource efficiency, harnessing local economies and taking note of the contribution of the informal economy while supporting a sustainable transition to the formal economy."*

¹ The African Union for Housing Finance held its 33rd Conference and Annual General Meeting in Kampala, Uganda, from 17-19 October 2017. Hosted by Housing Finance Bank Uganda Limited, an AUHF member, the meeting attracted 250 delegates from 47 organisations in the public and private sectors across 19 countries. The conference theme, "Engaging the Housing Value Chain for Growth", focused on the key issues along the value chain that support the affordable housing finance sector. Conference presentations are available on the AUHF website <http://www.auhf.co.za/conference/33rd-african-union-housing-finance-auhf-conference-agm-2017/> For more information contact AUHF Coordinator Noluthando Ntshanga at nolu@housingfinanceafrica.org

We understand:

1. The delivery of affordable housing is highly dependent on the smooth functioning of the **housing value chain**. From land assembly and acquisition, to the provision of secure tenure and title, the installation of bulk infrastructure and the construction of housing, to the sales, transfer and occupation of the unit, and so on, significant challenges exist:
 - a. **Land assembly / acquisition:** In many cities, well located land is expensive and difficult to secure for residential development purposes, comprising upwards of 25% of the purchase price of a standard, entry-level house.
 - b. **Title / tenure:** Land registry systems are still in their infancy in many cities, and in other cases not yet digitised. This undermines the use of land as collateral for housing finance, and stifles the development of our mortgage markets. In some jurisdictions, poor legal enforcement of mortgage rights over property acts as a disincentive for lenders and undermines access to housing finance.
 - c. **Bulk infrastructure:** The lack of bulk infrastructure is a serious constraint to the delivery of affordable housing. In many cities, municipal governments are unable to provide bulk services, and the developer bears this as part of the overall development. This cost is passed on to the buyer in the calculation of the purchase price. In some cities, the cost of infrastructure can comprise up to 40 percent of the final purchase price.
 - d. **Housing construction:** The residential construction sector across the continent is thin, with few developers having sufficient capacity to operate at the scale required, given current backlog and growth figures. While there have been developments in new building technologies, these are poorly accommodated in the building standards that regulate the industry. Weak regulations then further undermine the quality of the delivery output.
 - e. **Sales and transfer:** High transaction costs and slow administrative processes undermine the sales and transfer of housing, and add risk to the system. In some jurisdictions, sales taxes comprise a significant component of the overall purchase price – as much as 17% of a standard, entry-level house.
 - f. **Maintenance and ongoing improvements:** much of Africa's existing housing stock is in poor condition and in need of investment, in part as a result of over-crowding or the pressures of urbanisation. This is especially true for rental housing, which comprises more than a third of most urban housing stock across the continent. Further maintenance requirements relate to the quality of urban infrastructure and its ability to accommodate the increasing densities that are becoming the norm in our cities.
 - g. **Social and economic infrastructure**, critical to the sustainability of our urban spaces, is often overlooked. To include this in the development of the housing project adds to the cost of individual units and undermines housing affordability.
2. Compounded by the issues encountered along the value chain, Africa's housing sector faces significant market challenges, including the following:
 - a. Housing affordability is limited: Low wages, high unemployment, and low economic growth, undermines the housing affordability of the majority of Africa's residents. At the same time, formal, residential construction favours the higher end of the market. Poor targeting creates a new risk, where as well as high construction and land cost, puts formal, developer-driven housing out of reach of majority. Developers focus on the high end segments where the margins are larger. However this has created a glut of properties affecting the asset quality of mortgages for lenders.
 - b. Long term capital to support housing investment is insufficient and expensive, contributing to the high cost of mortgage lending and compromising the development of effective mortgage markets which themselves would support the scale delivery of affordable housing. Double-digit government, risk-free securities make it difficult for private entities to issue at competitive rates, undermining investment interest in housing finance.
 - c. Lack of data to support housing investment and policy making.
3. These challenges will only be overcome with a concerted effort on behalf of the public and the private sectors, working independently and together in specific initiatives at the local level, while supporting the development of appropriate, affordability-targeted housing products, services, policies and regulations at the national level.

We urge governments at the national, state or provincial, and local sphere to actively support the vision for adequate and affordable housing for all across our continent, by undertaking to do the following:

1. To **prioritise and mainstream the delivery of affordable housing by the private sector** in all ways that government plans for and regulates the built environment, from the development of affordable housing-focused land, housing and financial sector policies, through to the issuing of land availability agreements and building plan approvals, to the delivery and installation of bulk services, the delivery of social and economic infrastructure, and to ongoing local governance. Governments can effect such a prioritization through
 - a. development of specific **policies that explicitly focus on affordable housing**, and outline government's role in its support,
 - b. ensuring **access to land, secure title**, and security and trust in our land markets
 - c. ensuring a **diversity of housing finance approaches**, not limited to secured finance, supported by macro-economic, trade and finance policies
 - d. the **expedited delivery** of regulatory approvals all along the housing value chain, ensuring improved efficiencies in terms of time and cost, for the regularization and titling of land, and the development of affordable housing
 - e. the development and implementation of **taxation regimes** that incentivise investment in affordable housing, whether through the provision of tax relief for specific market segments, or other measures
 - f. enhancing **access to long term finance** through measures that crowd in private investment for affordable housing. This might involve pension reform, or macroeconomic interventions reduce government reliance on corporate bonds and bills issuance as a revenue source, thereby improving the investment attractiveness of housing
 - g. enabling **incremental housing delivery processes** for which municipal planning approvals are readily available and finance is easily accessed
 - h. a sector wide approach to **subsidisation**, that engages with the full housing ecosystem and identifies where the public and private sectors should best target their efforts. Careful attention must be given to the potential for unintended consequences.
 - i. promoting affordable rental as a viable housing strategy to be delivered by a diversity of suppliers, including both large scale developers and landlords, as well as households themselves.
 - j. **transparent access to information** relating to the housing delivery and property market
2. To implement measures that support the **delivery of housing at scale**, whether through large scale greenfields projects where appropriate, or multiple smaller scale urban upgrading initiatives. Such support includes the development of measures to participate effectively as partners in projects with the private sector, providing confidence in a pipeline of activity, while prioritizing local capacity. Government attention specifically on the delivery of infrastructure can have a profound impact on both scale and affordability.
3. **Address risk and uncertainty in the housing delivery value chain.** These are key factors contributing to the high cost of housing and the reticence of investors to fully commit to this segment of the economy. Governments at all spheres of operation can impact significantly on both of these factors by formally adopting policy and promulgating clear legislation for the housing sector, while also developing and implementing protocols that establish clear timeframes for the delivery of administrative approvals or the implementation of other regulations. Focused attention to the time it takes to deliver and achieve approvals, and the trust necessary for the system to work, is a key contribution that government can make to engaging the housing value chain for growth.

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 reiterate our commitment to the clauses contained in the New Urban Agenda, specifically:

46. We commit ourselves to promoting the role of affordable and sustainable housing and housing finance, including social habitat production, in economic development, and the contribution of the sector to stimulating productivity in other economic sectors, recognizing that housing enhances capital formation, income, employment generation and savings and can contribute to driving sustainable and inclusive economic transformation at the national, subnational and local levels.

140. We will support the development of appropriate and affordable housing finance products and encourage the participation of a diverse range of multilateral financial institutions, regional development banks and development finance institutions, cooperation agencies, private-sector lenders and investors, cooperatives, moneylenders and micro finance banks to invest in affordable and incremental housing in all its forms

We are further committed to:

1. The **financing and delivery of affordable, adequate housing** for all residents of our cities across the countries in which we work. In this, we will work towards
 - a. Better targeting: As banks and pension funds, to think more carefully about risk and we price for this in the mortgage sector, engaging in our pricing and underwriting mechanisms with the particular characteristics of low income households, how they earn their income and how they manage their housing investments.
 - b. Products that address the reality of affordability, not limited to mortgage finance and developer-driven housing, promoting and engaging effectively with the savings of the poor.
 - c. More appropriate underwriting standards that engage with the with the informal sector. We will continue to explore mechanisms to qualify informal incomes for housing lending
 - d. Leveraging the power of technology and innovation platforms to improve affordability and our ability to deliver at scale
 - e. Promotion of local businesses , awarding contracts locally. This is critical to mobilising the housing investment multiplier locally Use of local building materials and supports housing affordability
 - f. Showcasing good practice
2. Shifting the **focus of our investments towards affordable housing** in particular, making the capital markets relevant to the real economy enabling longer tenor loans.
3. **Ethical business practice**, that champions sustainable impact together with financial return. In the delivery of products and services to our clients we are committed to sound and effective consumer education to support their sustainable entry into the property market.
4. Working effectively in the development of **strategic partnerships** with each other, our governments, and the wider housing sector in our cities, countries and regions.
5. **Tracking these commitments** with clearly defined key performance indicators, to which we will each contribute, and will report back on these at our next AGM, to be held in the fourth quarter of 2018.

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.

15 November 2017

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

Active Members of the AUHF

- | | |
|--|---|
| 1. Botswana Housing Corporation | 25. Nigeria Mortgage Refinance Company |
| 2. Botswana Building Society | 26. NMB Bank, Zimbabwe |
| 3. CRDB Bank PLC, Tanzania | 27. People's Own Savings Bank, Zimbabwe |
| 4. CBZ Bank, Zimbabwe | 28. Development Bank of Rwanda |
| 5. Central Africa Building Society – CABS, Zimbabwe | 29. Shelter Afrique |
| 6. First National Bank - International Home Loans | 30. Select Advisors Limited |
| 7. FBC Building Society, Zimbabwe | 31. Social Security & Housing Finance Corporation, the Gambia |
| 8. Ghana Home Loans | 32. Swaziland Building Society |
| 9. Haggai Mortgage Bank, Nigeria | 33. Swaziland National Housing Board |
| 10. Habitat for Humanity International | 34. Tanzania Mortgage Refinance Company Ltd |
| 11. HFC Bank (Ghana) Ltd | 35. The Banking Association South Africa |
| 12. HF GROUP, Kenya | 36. TUHF (Pty) Ltd, South Africa |
| 13. Home Finance Company of the Gambia Ltd | 37. Watumishi Housing Company, Tanzania |
| 14. Home Finance Guarantors Africa Reinsurance | 38. Zambian Home Loans |
| 15. Housing Finance Bank Uganda Ltd | 39. Zambia National Building Society |
| 16. International Finance Corporation | 40. ZB Bank Limited, Zimbabwe |
| 17. First Housing Finance Limited, Tanzania | |
| 18. Gauteng Partnership Fund, South Africa | |
| 19. Madison Capital Limited, Zambia | |
| 20. National Building Society, Zimbabwe | |
| 21. National Housing Corporation Kenya | |
| 22. National Housing Corporation Tanzania | |
| 23. National Housing Finance Corporation, South Africa | |
| 24. NMB Bank Plc Tanzania | |