

# 5-point plan set for governments to address African housing finance shortage

Following the conclusion of its 35th annual conference earlier this month, the 35 active members of the African Union for Housing Finance (AUHF) together agreed on a Cape Town Declaration on Housing Finance.



African Union for Housing Finance (AUHF) members sign Cape Town Declaration for governments to address housing finance shortage.

The most critical issue facing housing markets worldwide, whether in established or emerging markets, is housing affordability. Housing affordability challenges are especially acute in African countries, exacerbated by unfavourable macro-economic conditions, challenging labour market dynamics, municipal capacity constraints, as well as the pressures of urbanisation and climate change. Government capacity to address the challenge on its own is limited.

## Catalytic role of government

Higher government debt and lower revenue, as a result of economic downturns being experienced in most African countries, have limited the budgetary room of policy-makers. At the same time, governments have a catalytic role to play in supporting the development of an enabling macro-economic framework and the growth and appropriate targeting of housing finance markets, while also developing policies conducive to affordable housing development.

Nevertheless, there is significant activity and innovation among a growing sector of housing practitioners increasingly interested in addressing the housing affordability challenge. Their efforts are evident in initiatives underway in all links of the housing delivery value chain. Together, they are building a track record that can be scaled.

### The declaration urges African governments to pursue five key recommendations:

- To set and pursue explicit targets for reducing the time and cost of key statutory and administrative processes on which housing delivery depends, such as development and zoning approvals, occupation inspections, land titling, infrastructure connections, and services clearances.
- To strengthen property and collateral registration, maintenance and foreclosure mechanisms, improving transaction timeframes, and to ensure the transparency of the collateral registry through free access to record-level data. We recommend the automation of deeds registries.
- To pursue macro-economic policy and financial regulation and taxation conducive to long-term, local housing

investment, focusing explicitly on interest rates and inflation targets, as well as other measures that lower maturity premiums and credit risk premiums, and leverage the utilisation of collateral value. These measures, as well as explicit attention to local long-term capital (pension funds, institutional investors), will further stimulate investment and the availability of affordable housing finance.

- To support the affordable housing delivery process through enabling or otherwise incentivising the supply of well-located land and bulk infrastructure.
- To support the Data Agenda for Africa, agreeing on mortgage lending and other housing-related reporting standards to enable cross-country comparability, supporting the development of an effective and comprehensive credit reference system that efficiently covers all financially active consumers and stimulates market transparency, and explicitly supporting principles of data transparency and regular reporting.

## **New blended financing models**

It further urges international development finance institutions and other development agencies to invest in testing and establishing new blended financing models focused on the particularities of affordable housing, as well as early stage, venture capital investments that support innovation. The declaration gives explicit emphasis to the need for an affordable green standard that addresses local climate-related and urbanisation pressures in relation to affordable housing. Noting the breadth and diversity of housing sectors across the continent, the declaration also highlights the need for a diversity of housing financing mechanisms. Lastly, the declaration urges the DFI sector to invest in the development of the information infrastructure necessary for investment in affordable housing.

The declaration commits the AUHF to carry on with its mandate, in terms of lobbying and advocacy, information dissemination, capacity building and training, member profiling, and supporting networking and deal-making. The individual signatories have committed themselves to respond to the breadth and diversity of demand, giving special attention to lower income earners, and prioritising affordability. To address this, signatories noted that they need to think more carefully about risk and how they price for it.

Reiterating the commitment to the Data Agenda for Africa, they agreed to track their commitments with clearly defined key performance indicators.

The next meeting is scheduled for late 2020 in Kigali, Rwanda.