

Housing in Africa

Ghana, Malawi, Ethiopia

Claudio Acioly Jr.
Chief Housing Policy
UN-HABITAT

United Nations Human Settlements Programme

Claudio.acioly@unhabitat.org

Malawi Housing Sector Profile

Finance (2)

Front-end finance for providers

- Builders are expected to have capital for front-end costs;
- World Bank, CCDC/UDF, Banks;
- Banks in Malawi are very risk averse.

Finance (3)

End-user finance

- Only fully-formal plots/dwellings are 'bankable';
- V high interest rates (except for bank staff!);
- NBS – 750 loans in 20 years. Now a bank.
- Public Servants' Home Ownership Scheme; MARDEF
- NGOs (FINCA, HfH, CCODE).

Targeting problems

Finance (4)

Microfinance

- Savings Groups (SACCOs);
- Microfinance organisations;
 - MK8.8 billion deposited;
 - MUSSCO and MARDEF are largest lenders
 - 730,000 savers, 450,000 borrowers;
 - Deposit sizes are half loans sizes;
 - Payroll lenders are increasingly important.
 - Mostly for business but impacts housing.

Finance (5)

Mchenga Fund gives housing loans of MK70,000-100,000 to members;

- Microfinance is focused on women.



Finance (6)

- For 20,000 dwellings at MK360,000 need MK7.56 billion investment in housing per annum;
- 2008/09 budget has MK1.9 billion (0.16% of GDP) allocated for housing.
- Proposed National Housing Fund likely to be inappropriate for most households.





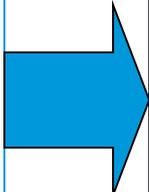


General conclusions (3)

Scale of the task (Demand side)

- **EVERY YEAR**

21,000 dwellings,
costing MK216,000 to build,
on land costing MK114,000,
on 1,000Ha of land,
requiring infrastructure,
requiring MK7.56 billion
investment,
creating 5,000 direct jobs and
10,000 indirect jobs.



**2
Dwellings
per hour**

General conclusions (4)

The supply side (1)

- THAs are one of the most effective housing interventions in Sub-Saharan Africa;
- Key role of THAs, developing at scale;
- Informal sector delivers land efficiently but without infrastructure or important uses (open space, schools, etc.).

General conclusions (4)

The supply side (2)

- Threshold for formal-sector entry is too high;
 - Plots are large
 - Malawian don't live in single rooms;
 - Malawians do not build and occupy incrementally.
- Informal sector compensates with very low costs – virtually no-cost shelter is possible.
- Serviced land is the major bottleneck.

General conclusions (5)

Policy and institutional frameworks

- Fully involve the informal sector in the land allocation and development process;
- Local Assemblies are key institutions to co-ordinate
 - needs assessment,
 - land use planning,
 - land acquisition and allocation, and
 - infrastructure and service provision.
- HfH and CCODE approaches offer lessons but not the only way forward.

Policy implications (5)

Housing Finance

- Major shift of focus from a few mortgages to the rich to a focus on the majority; realistic about affordability and numbers.
- Just for new housing, MK7.2 billion (US\$51.4 million) are needed per annum.
- The banks should reduce their threshold of security and improve recovery procedures to minimise defaults.
- Loans to provide a roof, wall protection, a sanitary latrine, or an extra room better than extending mortgages down the market.
- Housing micro-finance should be marketed. ERSO offers increased capacity in this through partnerships between banks and microfinance institutions.
- Increasing employment opportunities improves affordability.
- Housing construction generates many unskilled and semi-skilled jobs.
- Increase funding for labour-intensive, small construction firms and artisans should be a priority in business loans.

Policy implications (6)

The CCODE approach

- Has potential for scaling up
- The decentralised structure allows groups in to develop housing without reference to the central office.
- Activity should be able to grow exponentially.

Housing Sector Profile Process in Ghana

Local capacity building

The compilation process

Local consultants

Land

Finance

Construction industry/
Materials

Infrastructure

Regulatory framework

International advisor

Secondary sources; literature;
international comparison

UN-Habitat review process
(including international advisor)

Continual review

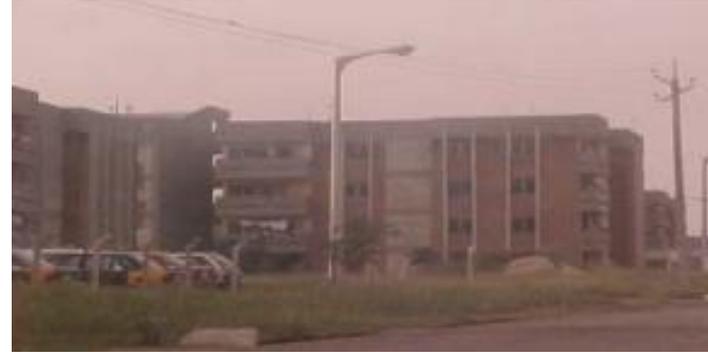
Small household survey

Ghana Housing Sector Profile

Final stakeholders' workshop

Some of the achievements of the 1987 - 2000 period:

- The Sakumono Estates Complex;
- The Tema Community 3 Estates;
- The Adenta Estates; and
- The SSNIT Estates constructed in all Regions.
- The establishment of the **Home Finance Company (HFC)** by the Government of Ghana, SSNIT and the World Bank as an alternative to the proposed National Housing Fund.
- The formation of the Ghana Real Estates Developers Association (**GREDA**).
- Increased use of local building materials, especially bricks and **roofing tiles**.



Finance

- Mortgage lending is limited and priced in US Dollars
- Most households cannot afford any formal housing finance available by a very large margin.
- Only the most expensive housing attracts any subsidy (through concessions to GREDA members).
- Lack of finance reduces the number of households who can own; it both delays and lengthens the building process.
- Lack of front-end finance for contractors is a major constraint on supply of housing.
- Millions of homes must be built so appropriate finance is essential.

How much can households afford?

Housing affordability for renters in 2010

	GAMA	Other urban
Mean household expenditure for renters 2005 (GHC)	2,923	2,302
Indexed expenditure for 2010	5,673	4,468
Affordability of renters using HC:Y of 5 (GHC)	28,368	22,341
US Dollar equivalent	19,570	15,415

Using a high House Cost to Income* ratio of 1:5, affordability at the mean is less than US\$20,000 per household (2010 values).

* Expenditure used as a proxy for income

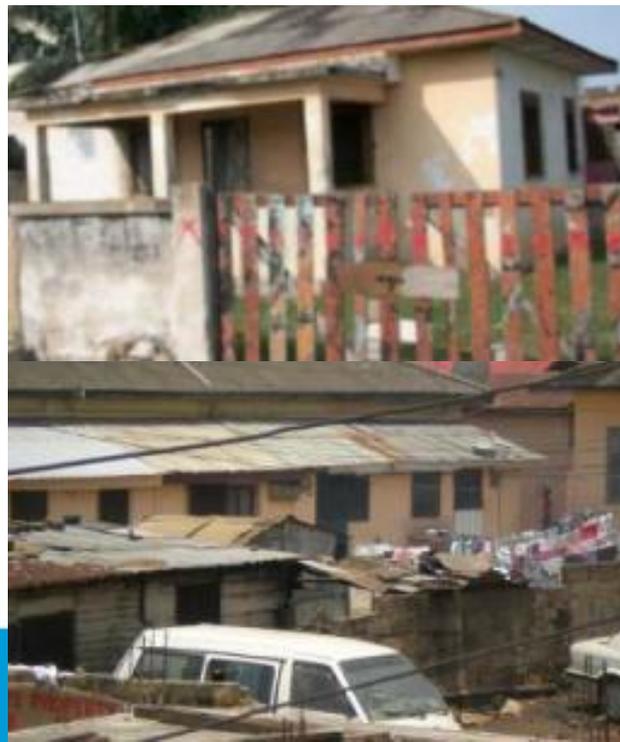
The problem of “Housing units” (1)

- The link between households and housing units used officially in Ghana is nebulous.
- A “dwelling unit” is defined in the Census of 2000 as
“a specific area or space occupied by a particular household ...” (quoted in Bank of Ghana, 2007: 10).
- A house is defined as
“ ... a structurally separate and independent place of abode” (quoted in Bank of Ghana, 2007: 10-11).
- Most recent literature and housing need calculations mix them up.

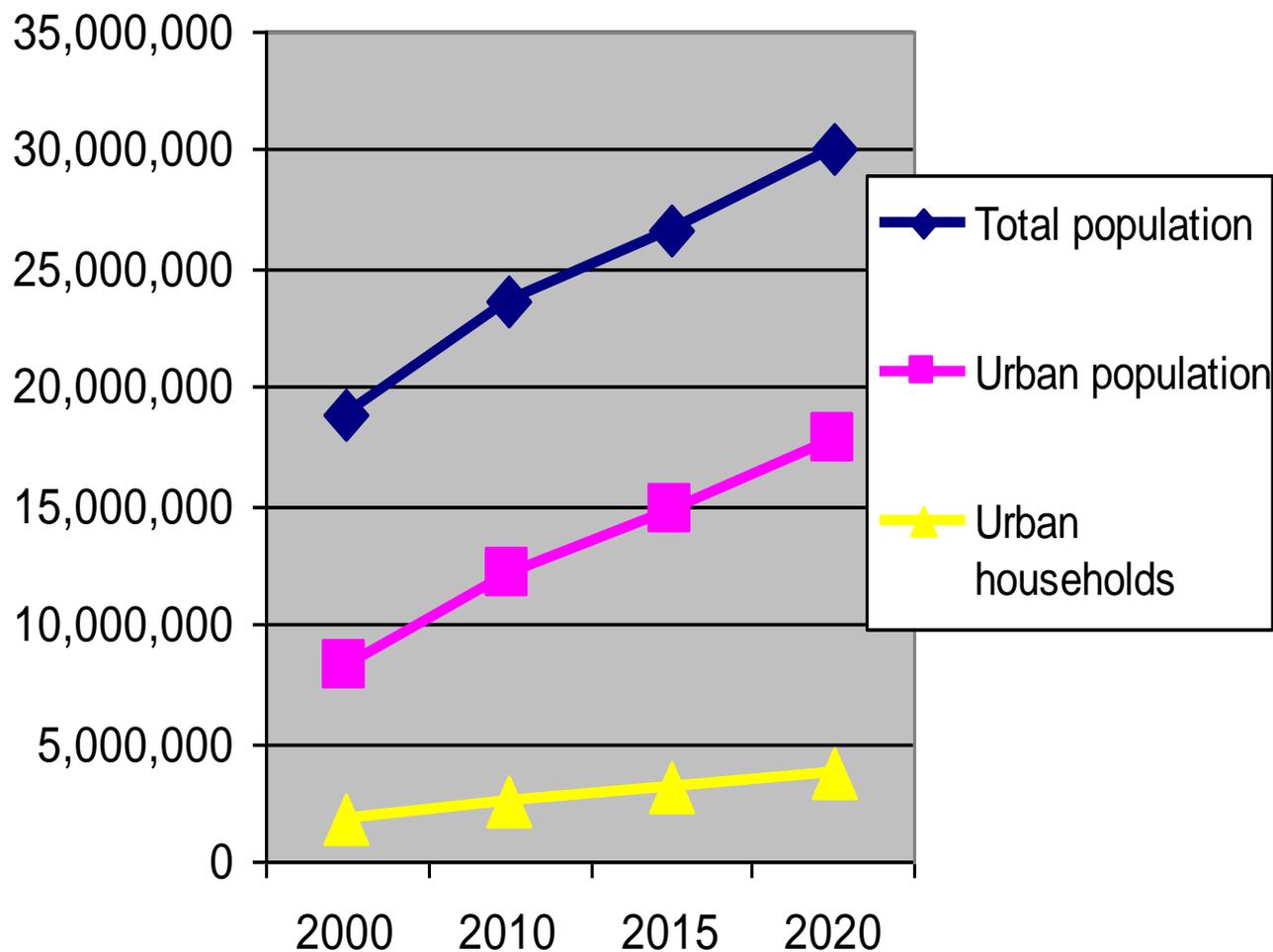
Housing delivery process (I)



Housing delivery process (II)

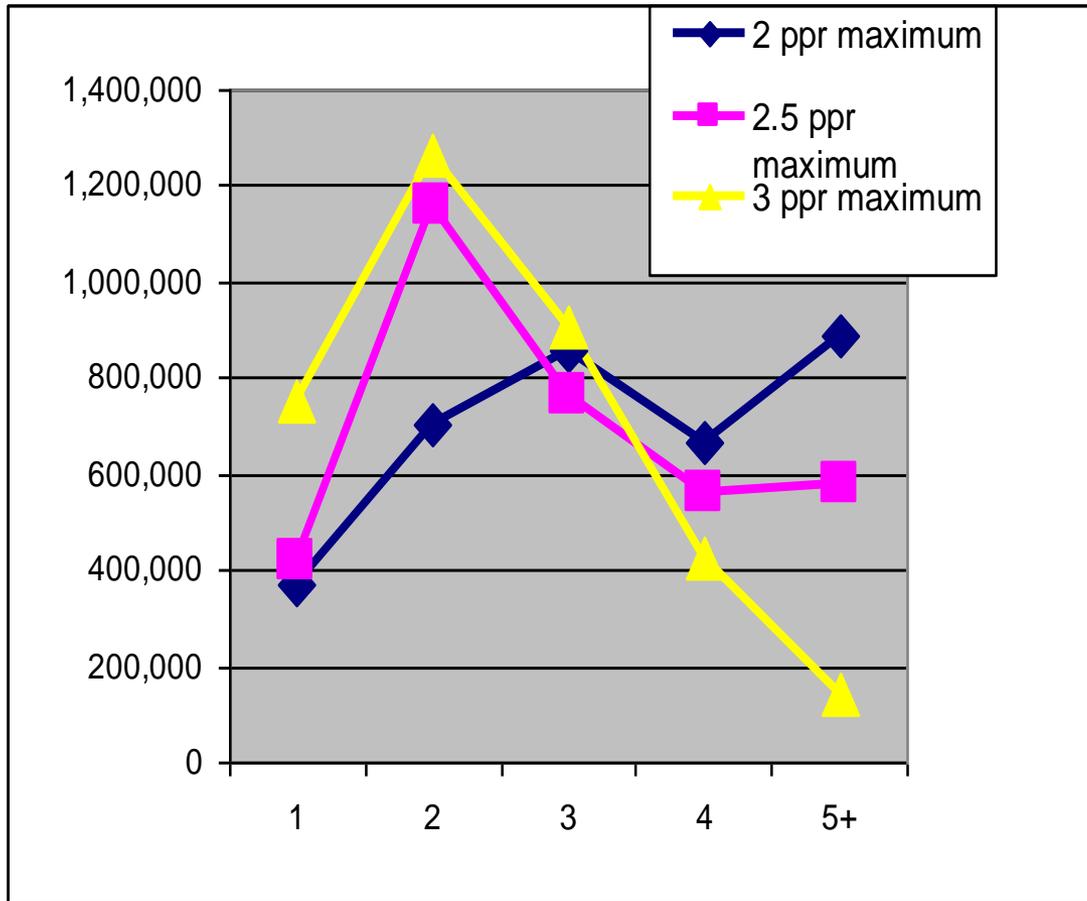


Population and household growth

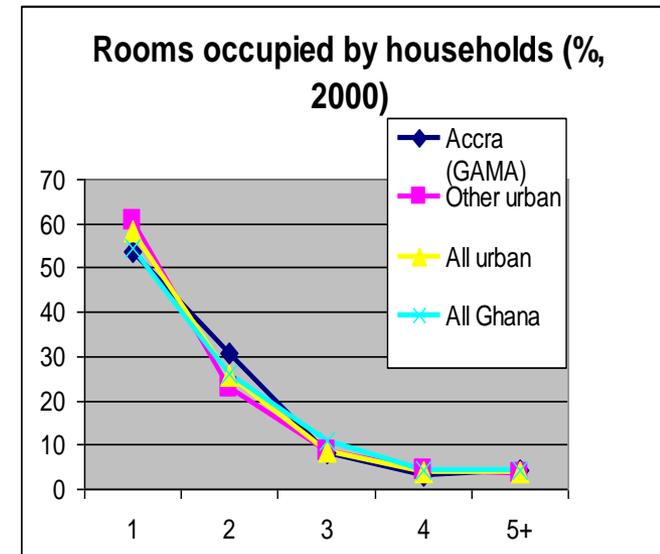


As national population grows, urban households are set to grow from 1.7 million in 2000 to 3.7 million in 2020

Number of rooms needed at different maximum occupancy rate thresholds (2000)



Recall the swooping graph of rooms occupied.



The graph for rooms needed is a very different shape

What urban households need most is another room

How much land would the new housing consume

- The area required to accommodate the new rooms in 2020, at the different maximum occupancy rates, varies greatly according to the predominant house type adopted.
- Our calculations are based on current plot sizes around 75 x 100 feet or 25 x 30m. Significant changes in average plot sizes would raise or lower the amount of land needed.
- We assume that either bungalows or compounds (or their modern multi-occupied equivalents) would be built.

Rate of development required

- The need for new rooms from 2000 to 2020 is between 4.2 million and 7.2 million.
- They will all need the services for 'adequate shelter'.
- This means that between 170 and 300 new rooms must be built every hour of the working day between now and 2020.

Integrated Housing Development



as Instrument to Alleviate Urban Poverty the Case of Addis Ababa

ADDIS ABABA

125 years old

- **Biggest city in the country (primate city)**
- **Population size = 3 million**
- **Accommodate 25% the urban population of the country**
- **Area = 54,000 square km**
- **The 4th city after New York, Washington, and London to have the largest collection of diplomatic missions in the world**

NEW ADMINISTRATION, NEW VISION, NEW HOPE

Urban Development policy was introduced

- **Integrated housing development**
- **Infrastructure development**
 - Road, water, electricity, telephone and the like
- **Municipal services development**
 - Waste management, greenery and parks, market place, etc...
- **SME development**
- **Environment and Sanitation development**
- **Investment development**
- **Capacity building**
 - Institution, HRD, equipment, finance

NEW ADMINISTRATION, NEW VISION, NEW HOPE

Housing development project with integrated action:

- **Provide decent housing,**
- **Regulate the housing cost,**
- **Create job opportunities,**
- **Recognize and support the informal sector,**
- **Improve/ reduce slum areas,**
- **Provide basic infrastructure facilities,**
- **Promote affordable payment modality,**

Reducing urban poverty through housing dev. (Continued)

- Avoid forced eviction,
- Promote saving culture among the residents,
- Facilitate easy access to loan,
- Promote targeted subsidy,
- Promote economic usage of the scarce urban land,
- Promote new construction techniques that can reduce cost, wastage and time.

ACHIEVEMENTS

- **Supplied near to 100,000 apartments**



ACHIEVEMENTS











NAPPS
Blue Saloon
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- **Created job opportunities for more than 3,000 Small & Medium scale Enterprises and over 200,000 citizens**
- **The informal sector started to play crucial role for the city development and gradually converted to contractors**
- **Increased residents saving and investment on housing**

ACHIEVEMENTS (cont.)

- **Improved/reduced slum areas**
- **Efficient use of urban land**
- **Efficient use of construction material**
- **Improved provision of urban facilities**
- **Improved road, drainage, sanitation and water supply conditions**
- **High level of residents' satisfaction**

PROBLEMS ENCOUNTERED

- **Did not include those who can not pay the first payment (the poorest of the poor)**
- **Limited capacity & experience of local authorities**
- **Resistance to live on floors**
- **Land use conflict with the city plan**
- **Management of common-use facilities**
- **Complaint on compensation payment to private owners**
- **Temporary relocation**
- **Growing role of speculators**