



African Union for Housing Finance - AUHF 37th CONFERENCE, KIGALI

NEW PRIORITIES: Championing Affordable Housing in Cities as a Key Economic Growth Strategy

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The Sustainable Urban Development Action Plan (SUDAP)

The SUDAP will guide Bank's interventions - sovereign and non-sovereign investments, and other developmental work - in Regional Member Countries with particular focus on improved governance, urban planning, and infrastructure development and service delivery;

The SUDAP Thematic Areas:

- housing and shelter
 - urban governance,
 - essential services,
 - transport and urban mobility,
 - sub-national credit and municipal finance, and
 - resilience, environment and climate change.
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Urbanization Trends in Africa

- Africa is urbanizing very fast; from 43% of the population living in urban areas today, it is projected that by 2040 more than half of the continent's population will live in cities. This translates into roughly 700 million people (twice as many people living in European Cities today).
 - At an urbanization rate of about 3.2% or greater, there are cities whose population will double in 10 or 20 years.
 - The number of megacities is growing – e.g., Lagos adds 77 persons each day, about 350,000 / year.
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Cities and Affordable Housing: The Challenges

Significant infrastructure and service deficits

Lack “adequate and affordable housing at the scale required (rental & purchase).

80% of urban population have no access to formal housing while more than half live in slums

$\frac{3}{4}$ of the jobs are created in the informal economy

The Covid 19 Pandemic: adequacy of affordable housing has become more urgent

- Insufficient living spaces, toilets (sanitation), sewage systems, waste disposal, services and management;
 - The ***Way Forward Coalition***: aimed at **elevating housing as a COVID-19 recovery strategy and development priority** by taking action to strengthen housing's contribution to economic growth and improved health and wellbeing.
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Opportunities for Cities

Can maximize access to affordable housing by building closer to employment and transport networks

Link housing strategies to the broader macroeconomic policy to have the greatest impact

Investments in housing will boost productivity in cities and at the national level

Housing construction creates jobs, boosts economic activity in communities, and GDP (although housing contribution to GDP is generally underestimated (in developed countries, housing construction is a substantial contributor to GDP))

Opportunities for Cities

Develop & maintain housing data banks for better estimates of housing demand and supply (disaggregated by SES, geography, type of housing).

Develop and maintain land banks with information on available parcels/plots of land for housing development & purchase land in advance of housing investment projects, where available.

Strong government backing (e.g., bulk infrastructure, land) and greater engagement with the private sector in the housing market will boost the supply of affordable housing.

Financing Affordable Housing

- The African Development Bank is no stranger to affordable housing finance. Support to affordable housing is in line with Corporate priorities – the High-5s, SDG 11, and Agenda 2063.
- Recognizes that **Africa's financial systems, and capital markets have a key role to play in funding the continent's housing through:**
 - mobilizing long-term financing from institutional investors (e.g., pension funds, insurance & sovereign funds).
 - promoting access to affordable mortgage finance products.
 - stimulating economic growth, innovative solutions, and supporting job creation

The Bank uses a wide range of instruments to support affordable housing including through:

**supporting
access to long-
term local
currency
funding**

**Promoting
access to
capital
markets**

**equity
investments
in regional
DFIs and
Mortgage
refinancing
Funds**

Strengthening Capacity of Cities for Improved Urban Development and Delivery of Affordable Housing

The Urban and Municipal Development Fund (UMDF): Focus - urban planning, project preparation, municipal governance and finance, integrated urban development

New Guidelines for Sub-national Finance: allows lending to sub-national entities such as cities, supports cities to strengthen creditworthiness in order to effectively access capital markets

PPP Strategic Framework (2021-2031): PPPs offer complementary sources of finance for infrastructure development; can deliver higher quality and efficiency in public assets and services

Analytical work and advisory services to facilitate knowledge sharing with national governments, cities and various partners and technical assistance to cities.

- Ex.: The Affordable Housing Toolkit – a joint ESW with Shelter Afrique (SHAF) aimed at improving dialogue with cities, identify business opportunities, strengthen governance (including training of municipal staff, revenue generation schemes), etc.
 - Ex.: Participation in the ***Way Forward Coalition***: aimed at **elevating housing as a COVID-19 recovery strategy and development priority** by taking action to strengthen housing's contribution to economic growth and improved health and wellbeing.
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CONCLUSION AND THE WAY FORWARD

Developing Partnerships (e.g., with national governments, regional development banks, other DFIs, and SMEs - private sector) to:

- Provide support to de-risk lenders willing to provide much smaller housing loans (\$10,000 or less)
 - Stimulate housing supply through support to micro-builders
 - Strengthen capacity of developers for affordable housing
 - Support to connect the value chain of housing,
 - Support increased market participation of non-traditional players, e.g., women, and youth, and reduce barriers to entry into the housing market.
 - Support countries to leverage technology to resolve land rights security and titling initiatives (Rwanda is a trailblazer)
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