



IFC Scaling Housing Finance in Africa

Africa has the highest rate of urbanization growth but also the least developed housing finance in the world. Rapid urbanization, growing demography, sub-standard construction, and lack of housing finance create one of the biggest challenges on the continent. In Sub-Saharan Africa (SSA), urbanization is not accompanied by the level of per-capita economic growth or housing investment that is observed elsewhere in the world.

With the region's population growing at 4.1 percent per annum (compared to a global rate of 2 percent), the situation is expected to worsen if nothing is done. Over the next 30 years, 1.2 billion people will be added to the number of urban dwellers in Africa. This daunting challenge is emerging in a context of already widespread inequality in cities, where almost 200 million people are living in slums without adequate basic services. Better housing finance systems are needed to meet the growing demand for housing that African countries are facing.

For more than 30 years, IFC has supported the expansion of residential mortgage lending and affordable housing working in countries as diverse as Mexico, India, Romania, Tanzania, Namibia, Kenya, South Africa, Uganda, Senegal, Côte d'Ivoire, and other countries of the West African Economic and Monetary Union (WAEMU) region.

About IFC in Africa

IFC has established a leading position promoting private sector investment in Africa. Over six decades, IFC has invested more than \$60 billion in long-term finance in African businesses and financial institutions, of which more than \$40 billion is from IFC's own account. We are a leading provider of advice to promote a sustainable private sector and mobilize capital from other investors who invest alongside IFC in critical sectors for Africa's future. IFC's work is increasing access to finance for small businesses, supporting innovative startups, bridging the power gap, enabling sustainable manufacturing, bolstering resilient health systems and expanding regional trade. We are also deploying fast-track funding and advisory support to help African businesses recover from the COVID-19 pandemic.

Overview of IFC's work in housing

IFC is the number-one international investor in housing finance and has committed US\$7 billion to the sector since 2000 with an aggregated portfolio of US\$2.8 billion across 77 projects as of March 2022.

To catalyze the development of sound and widely accessible housing finance markets, IFC:

- Invests in financial institutions and mobilizes capital across the globe, serving as a reliable source of long-term funding.
- Works with funds to support construction of green residential buildings.
- Provides advisory to strengthen financial institutions' capacity in housing finance.
- Works with regulatory agencies to improve the enabling environment.

IFC's approach to Housing Finance in Africa is to engage at market level through various initiatives including:

- Supporting Mortgage Refinancing Companies (MRCs) as vehicles for capital markets refinancing while having a channel to policy makers to fast-track reforms, the banking sector, and housing developers. Given the high interest rates prevailing in most emerging countries, MRCs enable primary mortgage lenders to access long-term funding thereby increasing housing affordability by lengthening maturities.
- Developing Rent-to-Own models to scale up affordable housing.
- Promoting initiatives to tackle the supply issue and deliver cheaper affordable homes including green certified residential buildings.

Examples of IFC's Work

Catalyzing the mortgage sector in the West African Economic and Monetary Union (WAEMU)

In January 2017, IFC invested the equivalent of US\$2 million in equity shares in **Caisse Régionale de Refinancement Hypothécaire de l'UEMOA** (CRRH), a regional mortgage refinancing player and key engine to support affordable housing in the WAEMU zone. Subsequently, IFC invested in two CRRH bond issuances on the regional debt capital markets: US\$9 million equivalent in local currency in a 12-year bond issued by CRRH in December 2017 and US\$9 million equivalent in local currency in a 15-year bond issued in December 2018.

IFC played a key role in the successful placement of these long-dated bonds, attracting the participation of institutional investors, and thus supporting deepening of the regional bond market and the extension of the XOF yield curve, with the end objective to make housing finance more affordable in the region.

Catalyzing the green buildings market in South Africa

South Africa's housing deficit continues to grow, is estimated at 2.8 million and requires delivery of 138,000 units per annum to close the gap. IFC has invested US\$21 million in the **International Housing Solutions Fund** (IHS) to support the development of green affordable housing units. IHS was IFC's first client in Africa to adopt the Excellence in Design for Greater Efficiencies (EDGE) tool, using the tool to minimize the incremental construction costs for achieving green housing. To date over 23,000 homes are EDGE certified in South Africa.

On partnerships: IFC provided technical training and education to the Green Building Council of South Africa and EDGE advisory services to financial institutions and the government.

Developing the mortgage market in Kenya

Kenya has an estimated housing deficit of over six million units, with nearly 61 percent of urban households living in slums. This housing deficit continues to rise due to fundamental constraints on both the demand and supply side and is exacerbated by an urbanization rate of 4.4 percent — equivalent to 500,000 new city dwellers every year. Less than 12 percent of Kenyan urban households can afford even the cheapest, newly-built house at US\$30,000.

To help address the need, in 2021, IFC provided the **Kenya Mortgage Refinancing Company** (KMRC) with an equity investment of US\$1 million. In 2022, IFC committed to act as an anchor investor in KMRC's first medium-term note program, which was supported with transaction advisory by the Joint Capital Market Initiative Program (J-CAP). A first tranche of KSh1.4 billion (~US\$12 million) was issued in March 2022, which was oversubscribed 4.8 times.

Complementing efforts to develop the mortgage market, the World Bank Group is also providing advisory support to strengthen KMRC's business model and beneficiary financial institutions. The entrance of KMRC in the market will provide an avenue for Primary Market Lenders to access local capital markets through medium- to long-term bond issuances and will gradually extend the tenor of mortgage financing in the market from the current average of three years to 15 years.

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