# GROWING SUSTAINABLE HOUSING MICROFINANCE OPTIONS IN SUB-SAHARAN AFRICA: Enhancing the relevance and scale of housing finance for the poor

# WORKSHOP REPORT

19-23 May 2008, Dar es Salaam, Tanzania

Rooftops Canada
Abri International

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FINMARK TRUST
MAKING FINANCIAL MARKETS WORK FOR THE POOR

# GROWING SUSTAINABLE HOUSING MICROFINANCE OPTIONS IN SUB-SAHARAN AFRICA: Enhancing the relevance and scale of housing finance for the poor

## INTRODUCTION

From 19-23 May 2008, in Dar es Salaam, Tanzania, the FinMark Trust, Rooftops Canada and Habitat for Humanity International co-hosted a workshop on housing microfinance. Supported by a variety of organisations, the workshop hosted 121 participants from over 19 countries, 12 in Africa. Participants included investors, financiers, government officials and donors; experienced intermediaries; and retailers including HMFIs, MFIs and NGOs. Over four days, the workshop addressed topics relating to:

- State of housing finance in sub-Saharan Africa
- Getting housing on the ground
- Scale lending
- Identifying opportunities; and "hot topics"

Site visits and practitioners' meetings took place on the final day.

This report briefly summarises the very rich debate and presents key conclusions of the workshop. For more detail, readers are urged to view the workshop presentations available on FinMark Trust's website: www.finmark.org.za

## CONTENTS



## OVERVIEW

Access to housing and access to housing finance by low income earners is a critical development issue facing most countries around the globe. UN Habitat notes the predominance of "two extreme outcomes of current shelter systems that are being witnessed today: affordable shelter that is inadequate, and adequate shelter that is unaffordable."[1] That report goes on to state that within the next 20 years it is unlikely that conventional sources of finance will be available in many developing countries for investment on the scale needed to meet projected demand for infrastructure and housing. With deficits in public budgets and the persistence of weak financial sectors, the situation seems untenable. In sub-Saharan Africa, this reality is especially dramatic.

The problem is quite simple: throughout sub-Saharan Africa, income levels are such that the majority of households cannot afford to buy the least expensive house, even if mortgage finance were available.

The problem is quite simple: throughout sub-Saharan Africa, income levels are such that the majority of households cannot afford to buy the least expensive house, even if mortgage finance were available. Research commissioned recently by the FinMark Trust (with the support of Habitat for Humanity International and the World Bank) in eight countries has found that at best, 17% of the population in South Africa, Zambia, Botswana, Uganda, Rwanda, Mozambique, Namibia and Kenya might be eligible for mortgage finance – but even here, the cost of housing has meant that such solutions are still unrealistic.

While housing micro lenders offer products that are relevant to the vast majority of sub-Saharan Africa's populations, commercial lenders and big finance have the capital they lack. Is there an opportunity for collaboration, and what might this involve?

It is within this environment that housing micro lenders have emerged as an important source of housing finance for low income earners whose access to more traditional forms of credit is constrained both by their affordability, and the housing circumstances in which they live. Growing either from NGO movements supporting housing delivery for the poor, or micro enterprise lenders seeking to diversify their product range – or any other number of institutional models - "housing microfinance has emerged over the past decade as a crucial component in facilitating housing in slums and for low income groups." (SINA Newsletter, Special Edition, February 2007)

However, large scale capital – institutional investors, commercial banks, and so on - struggles with the concept, as do some governments. Housing microfinance is perceived as being insignificant. The loans are small and the low-income target market is perceived as being inherently risky, demanding more intensive origination and servicing methodologies that are expensive. The housing process that such loans support is seen as overly lengthy and unable to reach the kinds of scale that the housing demand would suggest is necessary. And, its incremental nature is seen to undermine the long term quality objectives that the housing process is expected to realise. This is not the simple, over-the-counter loan approval that commercial lenders and other financial sector players are used to.

What has emerged throughout Africa, therefore, is a dual housing finance sector. On the one hand, there is a small, but energetic cadre of grassroots NGOs and lenders seeking to deliver housing finance solutions for their very low income and disadvantaged target markets. These lenders are still in their relative infancy, many with less than a decade of experience, and they struggle with key issues of technical capacity and the necessary capital to lend to the scale of demand they see. On the other hand, commercial lenders, international capital and others in the established financial sector are seeking to deliver mortgage finance in the emerging African markets. Their work is groundbreaking – in the process of delivering loans they are revising institutional and regulatory structures and stimulating housing production. And yet, this energy notwithstanding, the numbers are not as dramatic as might be expected. In the few countries in which mortgages are offered (and with the exception of South Africa), it appears that less than 1000 loans are delivered nationally, per annum. This is nowhere near the scale required to address the housing shortage in sub-Saharan Africa. A key


[1] UN-HABITAT 2005, Financing Urban Shelter: Global Report on Human Settlements 2005.

point of exploration and development, therefore, must be the alignment of these two housing finance sectors.

The practitioners' workshop on HMF focused on these issues. Presenters from various African countries, from Central and Latin America, from the United States, Canada, and Europe all brought experiences for debate and information.

## STATE OF HOUSING FINANCE IN AFRICA

**MC: Barry Pinsky, Exec Director Rooftops Canada & Tabitha Siwale, Exec Director WAT Human Settlements Trust (Tanzania)**

| Time | Topic | Speaker |
|---|---|---|
| 08:30 – 9:00 | Welcome, introduction, conference overview & objectives | • Tabitha Siwale, WAT (Tanzania)<br>• Barry Pinsky, Rooftops Canada |
| 09:00 – 9:30 | Official welcome address | • Minister for Finance and Economic Affairs, Hon. Mustafa Mkulo, Tanzania |
| 9:30 – 10:00 | Key Note address: Housing Microfinance: Challenges for Africa and Beyond | • Franck Daphnis, President, Development Innovations Group (USA) |
| 10:00 –10:30 | Discussion | • Barry Pinsky and Tabitha Siwale |
| *10:30 –11:00* | *Tea break* | *All* |
| 11:00 –11:30 | The State of Housing Finance in Africa – analysis of housing finance sector studies | • Kecia Rust, Housing Finance Theme Champion, FinMark Trust (South Africa) |
| 11:30 –12:00 | Critical issues facing housing micro lenders – experience of Rooftops Canada, HFHI and African partners | • Stephen Wanjala, HFHI (South Africa)<br>• Jamie Ritchie, Rooftops Canada<br>• Mary Mathenge, NACHU (Kenya) |
| 12:00 –13:00 | Respondent and Discussion | • Jabulani Fakazi, Rural Housing Loan Fund (South Africa) |
| *13:00 –14:00* | *Lunch* | *All* |
| 14:00 –14:30 | Growing from success to significance – the story of the Kuyasa Fund in South Africa | • Olivia van Rooyen, Executive Director, Kuyasa Fund (South Africa) |
| 14:30 –15:00 | Discussion | • Barry Pinsky and Tabitha Siwale |
| 15:00 –17:00 | Break-away: Charting the environment<br>▪ Key issues facing practitioners<br>▪ Key opportunities / challenges | • Jamie Ritchie, Rooftops Canada<br>• Kecia Rust, FinMark Trust<br>• Carl Quieros, HFHI (South Africa) |

The workshop was opened by the **Tanzanian Minister for Finance and Economic Affairs, the Honorable Mustafa Mkulo**. Thanking the organizers and sponsors, he welcomed participants to Tanzania and expressed his confidence in their capacity to resolve key issues facing housing finance for the poor in sub-Saharan Africa today. Key concerns raised by the Minister included the following:

- The challenge of urbanization and the unchecked growth of people living in slums.
- Challenges in sub-Saharan Africa, relating to limited government financial resources, low savings rates, undeveloped mortgage markets and poor land-use planning.
- The potential of the incremental housing approach and the role of housing microfinance.
- Work by the Tanzanian government in developing policies, legislation and regulatory frameworks, including restructuring the land titling system and formalizing informally owned assets to increase loan accessibility and affordability for low income households.


**Challenges**:
- Poor land-use planning
- Limited State resources
- Developing specialised housing microfinance products
- High interest rates
- Ensuring quality housing

**Franck Daphnis**, world-renowned expert in housing microfinance and President of the US and Lebanon-based Development Innovations Group, gave the keynote address. He argued that sub-Saharan Africa was lagging behind the rest of the world with respect to housing finance for the poor, noting that housing microfinance was not yet mainstreamed in Africa while it was a serious component of housing finance systems in countries like Peru, Bolivia and Bangladesh. This offered African practitioners, however, the opportunity to learn from best practice. Franck posed the following challenges to the meeting:

- The development of a specialized housing microfinance products

- High interest rates – this can be addressed by increasing scale and efficiency
- As an incremental housing product, HMF does not respond quickly in quantitative terms, to housing backlogs.
- Quality issues are also a concern, as without the necessary housing support services, HMF has the potential to contribute towards entrenching housing informality.

In the discussion session, the following issues were raised:

- The current financial crisis is not likely to have much impact on the growth of HMF in Africa where there is available liquidity. Microfinance is also inherently different because the loan is based on borrowers' cash flow and not the value of the collateral asset
- Dewan Housing in India offers micro mortgages – another product worth considering. Dewan has issued 75 000 micro mortgages over 10-15 years at an average value of $5000 each. A very high repayment rate was being achieved (99%+)
- There is a critical need to consider the role of local savings groups and other solidarity mechanisms in the development process so that MFIs don't "privatize" the development initiative to the detriment of the group.

**Areas for exploration**:
- Micro mortgages
- Savings mobilization
- Mobilising social capital through groups

Non-mortgage housing finance demands a new sort of housing delivery process that accepts incremental home construction through step-by-step investment of one micro loan after another.

"By 2030 about 40% of the world's population (3 billion people) will be in need of housing. This equals 96,150 new affordable units every day and 4,000 every hour." UNHabitat

**Kecia Rust**, Housing Finance Coordinator at the FinMark Trust, provided an overview of housing finance in sub-Saharan Africa, based on work undertaken by the FinMark Trust with the support of other organizations. Across all countries studied, effective demand for the traditional forms of housing finance is limited, and other forms of home financing have emerged. In Uganda, where less than 1% of the population has access to mortgage loans from commercial banks, housing microfinance loans from micro lenders and SACCOS address the housing need. Still, 60% of the population in that country has no access to finance. In Namibia, the vast majority of the population, even among high-income earners, finances their housing using savings and inheritance. Kenya has a number of relatively high profile microfinance organizations that provide access to non-mortgage finance – NACHU and Jamii Bora are examples.

Non-mortgage forms of housing finance, however, demand a new sort of housing process which accepts incremental home construction through step-by-step investment of one micro loan after another. This becomes a critical challenge that policy makers must face.

**Stephen Wanjala**, Housing Microfinance Specialist with Habitat for Humanity International highlighted the importance of business planning as well as systems and staff development for MFIs. Product pricing needs to look long term, while remaining viable in the short term. Critically, technical assistance should be linked to the housing loan so that a quality housing outcome is realized.

**Jamie Ritchie**, of Rooftops Canada, and **Mary Mathenge**, CEO of NACHU in Kenya, gave a joint presentation on their work in growing NACHU into a sustainable housing micro lender in Kenya. As a cooperative federation, the financial capacity of savings has been insufficient to cover the demand for loans that the savings process has created among NACHU's membership. As a result, NACHU has developed plans to raise finance elsewhere, which has led to new challenges:

- NACHU is an apex, member-controlled organization, but their growth-oriented business plan will lead them to becoming accountable also to investors.
- How to build organizational capacity in anticipation of scaling up.

**Challenge**: How to be responsive to investor expectations when growing to scale, while remaining true to the membership base.

In the discussion session, the following issues were raised:

- The latent demand for housing microfinance is not sufficient to stimulate the industry to develop the scale lending capacity that is necessary. The scale delivery of housing microfinance also requires housing delivery systems (including access to land and infrastructure, as well as the availability of housing support services) that accommodate this approach.
- Housing microfinance demands different tools of lenders: loans impact upon households and not just individuals.
- Commercial banks are still reluctant to lend. They will need guarantee funds to help them manage the perceived risks.
- How does one address the particular housing demands of urban populations that are highly mobile?

**Olivia van Rooyen**, Executive Director of the Kuyasa Fund in South Africa, described its recent history and current efforts to scale up. Specialising in the very low income market, the Kuyasa Fund has recently taken a decision to diversify its loan book by geographical expansion.

**Case study: The Kuyasa Fund (South Africa)**

The Kuyasa Fund is a non-profit organisation that uses microfinance as a tool to improve housing conditions for poor people in South Africa. Kuyasa supports community groups to save towards housing and grants loans to individuals with secure occupational rights whose low incomes mean that they are generally excluded from formal finance. Working with the poorest of the poor, Kuyasa has demonstrated the credit-worthiness of this target market. In mobilising savings, Kuyasa clients build both their financial and social capital.

The Kuyasa Fund's clients generally earn less than R3500 (about $440) a month – 63% of clients earn less than $200 per month. Women make up the majority (74%) of Kuyasa clients and 64% are between 40 and 60 years old. Kuyasa Fund's collection methodology can accommodate borrowers with non-wage incomes: 40% of Kuyasa clients are either informally employed or pensioners.

Virtually all of Kuyasa's clients are beneficiaries of the government's housing subsidy, which gives them ownership of a 23m$^2$ basic structure. Through the housing investment facilitated with these micro loans, Kuyasa clients have increased the size of their homes substantially – in some cases more than double - and seen their house values improve from about R50 000 to between R150 000 and R250 000.

In its eight years of operation, the Kuyasa Fund has impacted on about 46 000 people, granting R55 million ($6.9 million) in loan finance to over 9 000 clients. Current loan balance outstanding is R16 million ($2 million).

Recently, following a six-month strategic review process, the Kuyasa Fund embarked on a plan to grow towards sustainability and significance. The five year plan involves an aggressive growth strategy in which Kuyasa plans to grow its book to 300 000 clients across six provinces in South Africa by 2013. Over this time, Kuyasa expects its loan book to grow to R1,1 billion (about $137.5 million) and its staff to grow to 1 100 people. To facilitate this, Kuyasa has harnessed technical assistance, expanded its board and increased its management capacity. Leveraging the technological capacity in South Africa, Kuyasa has overhauled its Management Information System and implemented mobile technology for its loan officers. While Kuyasa does rely on subsidised support from its partners, it is seeking to grow towards full sustainability so that it does not become dependent on donors. To this end, it is funding its loan book growth with debt.

In March 2007, Kuyasa opened their first regional office in Port Elizabeth, Eastern Cape Province. With a staff of ten, this branch disbursed over R1 million ($125 000) in loans in its first four months of operations, highlighting the great need for appropriate credit within South Africa's low income population. A second regional office was opened in George in September 2007, and a third was opened in Robertson in March 2008 – both in the Western Cape.

Government subsidised house: 23m$^2$

Subsidy house after Kuyasa loan: 84m$^2$

**Key lessons**:
- Product: constantly evolving, based on experience
- Collections: strong relationship building and fieldwork
- Operations: Information & people management
- Access to capital: critical to support growth
- Scale levers: money, people & systems

## GETTING HOUSING ON THE GROUND


The overall theme of the second day was on the housing output of HMF. This challenge arises as lenders seek to engage in the field of housing microfinance, which they see as a market opportunity. Almost everyone needs some kind of housing improvement! However, once someone takes a loan, how do they actually take it home and use it to improve their housing? In the normal scope of things, this is not an area in which a lender would engage. It is however very important for low income families to make the best use of HMF to improve and expand their housing. It is also possible that focusing on the housing outcome is a good risk management strategy, as on this basis, a household's commitment to their loan obligation would arguably be greater.

Further, as raised by Franck Daphnis on the first day of the workshop, how does one overcome the risk that HMF is used to entrench informality? Is there a way to sustainably and appropriately ensure a quality housing outcome for the borrower? Is this something the lender should consider taking on? Should the lender direct their loan into a housing outcome, and if so, how? Should they do this in-house, or should they rely on NGO's as partners? Is it enough to lend through a building material supplier, or should the lender be more involved in confirming the existence and quality of a housing outcome?

The second day of the workshop explored these issues in depth in plenary and in break-away sessions.

**MC: Ezekiel Esipisu, Regional Operations Coordinator for East Africa, HFHI**

| Time | Topic | Speaker[2] |
|---|---|---|
| 08:30 – 09:00 | Welcome and overview of the day's session / Presentation of key issues emerging from previous day | • Ezekiel Esipisu, Habitat for Humanity International (South Africa) |
| 09:00 – 10:30 | Key Note address: International experience in housing micro lending: examples from Central America and Africa | • Irene Vance, Sida (Nicaragua)<br>• Graham Alder, Matrix (Kenya)<br>• Moderator: Patrick Kelly, Habitat for Humanity International (USA) |
| *10:30 – 11:00* | *Tea* | *All* |
| 11:00 – 12:00 | Maximising and promoting the housing niche: Housing Support Services | • Barbara Kholo: SCC Reg'l Programme (Zimbabwe)<br>• Aaron Hobongwana, Development Action Group (South Africa) |
| *12:00 – 13:00* | *Lunch* | *All* |
| 13:00 – 14:45 | Break-away: Challenges and opportunities arising from practice. | |
| | 1. Beyond pilots: scaling up with co-ops– WAT (Tanzania) / NACHU (Kenya) | • Tabitha Siwale, Executive Director, WAT (Tanzania);<br>• Paul Kunene, NACHU (Kenya) |
| | 2. DIG experience: Defining an effective Housing Microfinance Product | • Franck Daphnis, DIG (USA)<br>• Ashleigh Flesher, Program Officer, DIG |
| | 3. UN Habitat experiences from Ghana, Tanzania | • Luckman Rahim – People's Dialogue (Ghana)<br>• Grace Kisiraga, TAWLAT (Tanzania) |
| *14:45 - 15:15* | *Tea* | *All* |
| 15:15 – 17:00 | Break-away: Challenges and opportunities arising from practice. | |
| | 1. Bottom up or top down? Tanzania & Ghana (CA-AUHF) | • Richard Martin, Sigole Marah Martin Assoc (South Africa) |
| | 2. Successful foundations: Building an HMF Programme into an MFI Portfolio – Uganda and Kenya | • Ezekiel Esipisu, Regional Operations Coordinator for East Africa, HFHI |
| | 3. Experiences from Bolivia | • Mery Solares, Housing Director, ACCION International (Bolivia) |

The day opened with a panel discussion on international experience. **Irene Vance**, a SIDA advisor based in Nicaragua, spoke about experience in housing microfinance in Latin America, while **Graham Alder**, a consultant with Matrix

[2] To access the presentations, please visit www.finmarktrust.org.za/HMF.aspx

Consultants in Kenya, spoke about experience in Africa. The discussion was moderated by **Patrick Kelley**, Director of Housing Finance director at Habitat for Humanity International, based in the United States.

Graham and Irene both said that the notion of best practice could be misleading as housing microfinance was an inherently local exercise, dependent on local contexts. A key theme of their conversation was how to get different role players to cooperate constructively towards making HMF accessible and relevant to the housing processes of the poor. Irene stressed the need for government to create an enabling financial and property development environment, and said that while the private sector had an important role to play, incentives were needed to encourage practitioners to move down-market. Graham worried about the inherently weak political voice of the urban poor, and suggested that they needed representation in this area.

NGOs need to play a dual role of promoting HMF and housing for the poor while also lobbying with government and other stakeholders for an enabling environment. The trick is to get each of the players to put their piece into the puzzle.

Irene explained that all of the institutions with which Sida had worked had started in microfinance with small production loans. Once these lenders were strong and sustainable, they looked to respond to demand from their own clients: demand for housing loans. Once this was their focus, attention to the quality of the housing product, and therefore the provision of technical services, became a concern.

Experience has shown that in Central America, technical advice to ensure a quality housing product can be offered on a sustainable and affordable basis to low income clients.

**Barbra Kohlo**, Director of the Swedish Cooperative Centre's regional housing programme in Eastern and Southern Africa, and **Aaron Hobongwana**, from the Development Action Group (DAG) in South Africa, described how they each provided technical support and housing advice to borrowers.

Barbra made a distinction between services that didn't attract fees (mobilizing communities, popularizing concepts, developing models and training materials, promoting savings, assisting with organizational development for co-operatives, etc.) and those services for which a charge could be levied (land acquisition, infrastructure and planning approvals, house design, project planning and financing, self-help construction options, contract negotiations and construction supervision, etc.). The challenge was how to balance between these two types of services, and add in the provision of HMF.

It is difficult to apply a fee to community mobilization and similar services –this will need to be subsidised.

In South Africa, the government's housing subsidy policy provides qualifying beneficiaries with ownership of a rudimentary top structure on a serviced stand in a registered township. Aaron described how DAG assists households participate in their housing process, from the identification of land, its occupation, servicing and demarcation, through to the construction of top structures using the government subsidy together with housing microfinance. DAG establishes housing support centres which provide local subsidy beneficiaries with training in a number of areas including construction planning, construction management, basic house plan reading, materials procurement, quality control, financial management (in terms of savings and loans) and conflict management.

National and local housing policies need to accommodate an incremental housing approach. Regulatory and policy systems need to be reviewed.

The afternoon involved a series of break-away sessions. Overall, the following key challenges were raised in relation to the theme of getting housing on the ground.

**Land issues**: The relevance of HMF depends on the availability of land, infrastructure, and security of tenure. HMF can best lead to a quality housing outcome if the borrower has serviced land on which he or she can securely build without fear of eviction. This requirement intersects with a similar debate relating to the viability of the mortgage product, however, HMF does not necessarily require as the mortgage does, access to formal, ownership title. The need for

Local and international NGOs and development agencies can play an important role in linking the various parties together.

infrastructure relates not only to engineering services, but also access to economic opportunities. This re-confirms that access to land also has a locational element that enables the household to realize an income so they can afford loan finance.

**Capacity and roles**: The incremental housing process requires land, finance, building materials, and technical construction capacity. The sector involves government agencies, lenders, NGOs, CBOs, the private sector and other organizations. These players tend to operate independently and partly as a result, suffer various capacity constraints. In terms of the lending process, lenders need both to build their loan management capacity and to better understand the broader housing development process to play their role effectively. This requires refining their human resources as well as their operational systems. In terms of the housing development process, a skills shortage and lack of technical construction capacity to deliver housing incrementally also undermines the goal of getting housing on the ground. A basic strategy for a supportive, incremental housing process involving role definition and technical support on a location-specific as well as regional basis is required. Networks and partnerships need to be mobilized to address this. Further, the roles of the respective parties towards realizing a quality housing outcome needed to be clarified so that the respective capacities of the different parties is not undermined. NGOs and international development agencies can play an important coordinating role in this regard.

**Policy and politics**: National and local housing policies must reflect the potential for incremental housing processes supported by HMF, and in this regard must facilitate access to land and services. Much concern was expressed over archaic regulatory systems that do not understand incremental housing and which favour mortgage instruments notwithstanding the affordability limitations of the majority of Africa's population. Concern was also expressed regarding the politicization of housing, and lenders feared the political risk of engaging in housing programmes that become the subject of government interest.

**Technical issues**: The technical capacity of lenders, their borrowers, and/or other organizations involved in the housing process, was highlighted as a critical issue. The cost of building and providing this capacity was seen as an equally important concern. The need for a consistent housing approach was raised, and it was noted that there were very few places with appropriate housing products that fully embraced the incremental housing approach. The rising cost of conventional building materials was highlighted as a constraint. It was also noted that the low margins necessary given affordability constraints meant that private developers were unlikely to participate in this kind of development. This made it all the more important for borrowers to be given access to technical support in order to realize a quality housing outcome. The Sida experience in Central America did highlight that it was viable to provide access to technical housing support on an affordable basis. This is an area for potential exploration.

PRODEL, in Nicaragua, has managed to bring fees for technical services down to 1-3% of the loan. Originally, each housing officer dealt with 7-12 cases per month, but now, each one deals with 35-40 cases per month.

## Scale lending

The third day addressed the question of scale: given the enormity of potential demand for housing microfinance in sub-Saharan Africa, where are the providers? While HMF does exist in many contexts, its application has remained primarily local and very few people actually have access to explicitly targeted HMF services. Even in countries with relatively long histories in HMF, the scale achieved has been very limited in comparison with the potential demand. Two challenges arise

**Challenge:** Which comes first: capacity for scale to attract capital, or capital to build capacity for scale?

in this respect.

On the one hand, housing micro lenders, NGOs and other operators serving the low income sector need to access additional capital in order to grow their books and reach more of the expected demand. Increasingly, investors are expressing interest in this segment of the market and the potential of a niche housing focus. On the other hand, housing micro lenders will not be able to attract this capital without improving their operational systems and processes so that they can manage the investment prudently – efficiently and effectively. The question of scale lending has to do with the operational capacity of lenders to operate at a greater scale than currently, and the financial capacity of lenders to offer loans to a larger client base. As highlighted by Jamie Ritchie and Mary Mathenge on the first day, this creates a chicken-and-egg scenario. Without the capital to lend, the pressure to enhance capacity to manage increased scale is diminished; but without improved operational capacity, it is unlikely that lenders will be able to attract the capital they need in order to scale up.

**MC: Mark Napier, CEO FinMark Trust**

| Time | Topic | Proposed speaker |
|---|---|---|
| 9:00 – 9:30 | Welcome and overview of the day's session | • Mark Napier, FinMark Trust (South Africa) |
| 09:30 – 11:00 | Panel discussion: Accessing Capital. Different forms of capital, different sources, and experiences to date, challenges and opportunities. | • Will Jimerson, Musa Capital (SA)<br>• Neremiah Mchechu, CBA (Tanzania)<br>• Yves Boily, DID (Tanzania)<br>• Moderator: Larry English, Exec Dir, Homeless International (UK) |
| *11:00-11:30* | *Tea* | *All* |
| 11:30 – 12:00 | Building Microfinance in the Commercial Bank: Possibilities for Scale Lending | • Edgar Bucaro, Manager, Microfinance Unit, G y T Continental Bank (Guatemala) |
| 12:00 – 12:30 | The Do's and Don'ts of Slum Upgrading Finance | • Angela Mwai, Project Finance Adviser, UN Habitat Slum Upgrading Facility (Kenya) |
| 12:30 – 13:00 | Benchmarks: investor expectations of HMFI performance | • Ingrid Stokstad, MicroFinanza Rating (Kenya) |
| 13:00 = 13:30 | Respondent and discussion | • Stephen Wanjala, Habitat for Humanity International (SA) |
| *13:30 – 14:30* | *Lunch* | *All* |
| 14:30 – 16:00 | Break-away: Accessing capital and achieving scale | |
| | 1. Building Capacity for Scale and Accessing Capital: PRODEL experience | • Raul Lacayo, President of the Board, PRODEL (Nicaragua) |
| | 2. The Mobile Front-Office as a tool to enable scale growth | • Gunther Berger, SEG (South Africa) |
| | 3. How to invest in a HMFI: experiences of an investor in South Africa | • Will Jimerson, Musa Capital & Pakie Mphahlele, Mafori Finance(South Africa) |
| *16:00 – 16:15* | *Tea* | *All* |
| 16:15 – 17:30 | Break away: Accessing capital and achieving scale | |
| | 1. Data tools: FinScope in Tanzania | • Annette Altvater, FinScope FSDT (Tanzania) |
| | 2. Linking commercial banks & slum dwellers to scale up HMF in Morocco | • Anne Baverel, Senior Consultant ShoreBank International LTD (France) |
| | 3. Putting the housing into housing finance: Housing Construction Services | • Irene Vance, Sida (Nicaragua) |
| *19:00 – 22:00* | *Conference dinner: at the hotel* | *All* |

The day opened with a panel discussion on accessing capital. Facilitated by **Larry English**, the Executive Director of Homeless International, an international NGO based in the UK. The panel included **Will Jimerson** from MUSA Capital, an investor based in Johannesburg; **Neremiah Mchechu**, the CEO and MD of Commercial Bank of Africa Tanzania Ltd.; and **Yves Boily**, of Développement International Dejardins, the international development arm of the savings and credit cooperative movement in Quebec, Canada.

Investors, both foreign and local, are looking for high returns on their investments. HMF is a desirable market sector with great potential for scalability.

All three speakers agreed that there was plenty of capital – the challenge is getting access to it:

- Investors, both foreign and local, are looking for high returns on their investments, especially given the high risk nature of unsecured lending. Shareholder commitments mean that some are looking for an ability to exit from an investment at a return of 30% or higher, either through leverage, an IPO or cash flow. The focus of the investment decision is on the lender's business plan, its management team, the market sector in which it operates, and the potential for scalability. Housing microfinance is a desirable market sector with great potential for scalability, given the extent of urbanization in sub-Saharan Africa and the absence of key ingredients for the mortgage arrangement to work specifically land title and affordability. Investors are looking for HMF operators that can respond to their expectations on this basis.

- Investment in Treasury Bills indicates the availability of surplus money – however, when interest rates on T-Bills remains high, this becomes the favoured, low-risk investment choice for investors. Governments can do a lot for the investment environment by making T-Bills less attractive. This would encourage banks to become more creative in seeking better returns.
- As illustrated by Paul Collier in his book "The Bottom Billion", twice as much private capital as public capital is at work in Asia, whereas in Africa it is the other way around. Policy to encourage private investment and lending in development is necessary to shift the balance of investment in Africa.
- Credit enhancements to overcome the perceived constraints relating to unsecured lending would alleviate risk and therefore the cost of lending and borrowing in the short- to medium-term. Life insurance, payment insurance and tenure security insurance, are all among the mechanisms worth exploring.
- Investors need accurate and relevant data to support their decision-making. To this end, HMFIs should be monitoring and collecting data on their performance at a detailed level.

Credit enhancements need to be developed to reduce risk levels in this new market, and therefore lower the cost of borrowing.

Data collection strategies need to be developed to demonstrate MFI performance to investors.

Where housing lending normally relies upon the quality of the underlying asset. Housing microfinance relies on cash flow and the ability of the lender to tap into the borrower's cash flow to ensure that their loan is repaid: cash is king. Especially in the absence of a functioning land titles system, wholesale lenders and investors will look at the HMFI's performance, especially its ability to collect.

A presentation by **Edgar Bucaro**, Manager of the Microfinance Unit of G y T Continental Bank in Guatemala, provided an interesting and encouraging example of a commercial bank broadening its focus to include microfinance for housing.

**Case study: Microfinance Unit, G y T Continental Bank (Guatemala)**

Increasingly commercial banks are recognizing opportunities to move down market by offering financial services to under-serviced populations, and that this can be achieved both profitably and at scale. To date the experiences of going down market have largely been in SME lending, with a few notable exceptions. G & T Continental Bank, established in 1963, is the third largest commercial bank in Guatemala, with a long tradition in mortgage finance. With 1.6 million clients and over 4000 employees, they have over 222 agencies and points of service located throughout Guatemala. Recently the Bank has created a microfinance unit into the Bank's platform, providing various housing microfinance products with technical assistance for construction services.

The Microfinance Unit was established in February 2006, and started operations as a pilot programme in four Agencies of the Bank. By April 2008, the Unit has grown to a staff of 270 people, functioning in 74 Agencies of the Bank with 17 570 clients and an active portfolio of US$85.7 million. The Unit provides a range of products and services including housing as one area of focus. Microfinance comprises 5% of the bank's total portfolio – the five year goal for the programme is 15%. Housing microfinance comprises 5% of the overall microfinance portfolio, and 9.08% of the active microfinance.

GyT Continental Bank's Microfinance Unit has a minimal portfolio at risk, with 0.56% over 90 days, 1.11% over 30 days and 2.83% from one day.

The housing programme began in October 2006, with support from Sida. In 2007, the active housing portfolio was US$3,5m; by April 2008, this had grown to US$4,3m, across 1 595 active clients. The maximum loan size is US$21 000, repayable over a period of between one and fifteen years. The interest rate is between 16-18%, and a 1% banking fee. Payment is monthly. The loan is "secured" by the range of housing support services offered: advisory and technical diagnosis, budgets, plans, construction supervision, technical advice for the improvement of roofs, walls, floors and basic services, savings and insurance. The Bank has established a Technical Unit of the Microfinance Housing Programme, which can provide technical construction advice and in situ supervision; evaluate the developers, builders or housing project; and, can provide training to the housing credit officials.

The key to the initiative's success has been Board approval and commitment to growing the microfinance business of the Bank. Microfinance Management was incorporated into the overall organizational structure of the bank.

**Key Lessons**

- Promote the concept: highlight Microfinance as a reliable & profitable business.
- Commitment, specialization, simplicity. Execution is key, but everything must be simple for clients and staff.
- Continuous training & monitoring for microfinance personnel, high levels of coordination and communication with other areas and staff of the Bank.
- Communicate the results periodically to achieve consolidation, acceptance & more support from all Bank areas.
- Branch offices are the platform of the Microfinance business.
- Remain focused in the target group.
- Cross selling is a major profit driver.
- Diversify risk into sub-segments, activities and geographical zones.
- Consolidate the business with good assets, sustainable growth and show high profitability.

**Angela Mwai**, Project Finance Advisor for the Slum Upgrading Facility in the Human Settlements Financing Division of UN Habitat, presented fourteen Do's and Don'ts of Slum Upgrading Finance. **Ingrid Stokstad**, of MicroFinanza Rating, based in Kenya, then presented on investor expectations of HMFI performance. Ratings are relatively new in the microfinance area – and virtually undeveloped in the housing microfinance arena. To this end, rating agencies would need to consider both the market and social performance assessments. Data from providers will help agencies develop more accurate ratings.

The Microfinance Rating and Assessment Fund provides information on the rating industry. Go to: [www.ratingfund.org](http://www.ratingfund.org)

The afternoon involved a series of break-away sessions. Overall, the following key challenges were raised in relation to the theme of getting housing on the ground.

**Capital**: Scale lending depends on the availability of capital – affordable wholesale finance for on-lending. A challenge, therefore, was prioritizing housing microfinance as a target for investors and other funders (including donors), as well as the public sector. The potential for partnerships between public and private sector institutions in the provision of capital and its targeting towards housing should be explored.

**Institutional capacity**: The question of institutional capacity relates both to the capacity to manage more capital (and the consequent demands of investors and other funders on the organization), and the capacity to grow the loan book, engaging with a wider client base while maintaining the approach that made the organization successful in the first place. In this regard, best practices and experiences in operations, technical assistance and technology systems should be shared – currently, there are few regional success stories" on housing microfinance that other providers might emulate. Capacity needs fell in the following categories:

- Origination and collections
- Portfolio quality and risk management

The following categories were identified for documenting best (or good) practice into the future:

- Affordability and sustainability of housing microfinance
- Client expectations and housing success stories
- Feasible models for sustainability
- The incremental housing process & how it works

- Fund management
- Human resources, staffing, training, and related infrastructure
- Technical assistance for housing
- Technology

Further, it was agreed that there was a need to adopt common benchmarks so that investors could come to better understand the HMF approach.

**Effective demand**: Scale lending also depends on generating effective demand with the target market. This means that lenders must understand their market and develop their products to suit its needs. Further, it involves developing appropriate end user education. Distribution channels should start with scale in mind.

**Overall environment**: An enabling environment for lenders to grow to scale and meet the growing demand should be developed. Appropriate policy and regulatory frameworks need to be advocated so that an adequate supply of affordable housing, using a variety of delivery methods, can be realized. A key issue with housing microfinance is the availability of serviced land on a secure tenure basis. To this end, housing delivery systems must be reconfigured to accommodate the incremental housing approach that housing microfinance facilitates. There is a very real role for NGOs, donors and even financial institutions to play in advocating such a paradigm shift, while demonstrating the viability of housing microfinance initiatives.

## IDENTIFYING OPPORTUNITIES & CHARTING FUTURE GROWTH

A critical issue facing housing microfinance practitioners and advocates throughout Sub-Saharan Africa is networking. The attendance at the workshop demonstrated a widespread interest and commitment to growing HMF to scale in the region – pulling these diverse capacities together becomes the first key step in addressing the range of opportunities and challenges identified. This was the focus of the fourth day of the workshop: drawing on the lessons learned of the previous three days, participants deliberated the question "what now".

**MC: Barry Pinsky, Rooftops Canada**

| Time | Topic | Speaker |
|---|---|---|
| 8:00 – 8:30 | Welcome and overview of the day's session | • Barry Pinsky, Rooftops Canada |
| 8:30 – 10:00 | Building capacity: Challenges, Opportunities, Moving Forward | • Patrick Kelly, Director for Housing Finance, HFHI<br>• Tim Ndezi, Director, Centre for Community Initiatives (Tanzania)<br>• Priscilla Serruka, Stromme Foundation (Uganda)<br>• Moderator: Jamie Ritchie, Rooftops Canada |
| *10:00-10:30* | *Tea* | *All* |
| 10:30 – 11:00 | Leveraging domestic finance for low-income housing, upgrading, and related infrastructure: UN Habitat's ERSO. | Christian Schlosser, UN Habitat, Human Settlements Financing Division |
| 11:00 – 12:30 | Show us the money! Linking HMFIs with Capital: Lessons learned, moving forward | • Samuel Maimbo, Sr Finance Specialist for Africa, World Bank<br>• Olivia van Rooyen, CEO Kuyasa Fund (South Africa)<br>• Bonnie Hewson, NewLine Capital (USA)<br>• Moderator: Jamie Ritchie, Rooftops Canada |
| 12:30 – 13:00 | Closure and thank you. | Matthew Maury, Habitat for Humanity International |
| *13:00 – 14:00* | *Lunch* | *All* |
| 14:30 – 16:00 | Break-away sessions | |
| | 1. Housing Microfinance in Post-Conflict Situations. | • Allan Cain, Development Works (Angola) |
| | 2. Capital structure, product profitability and reducing costs to borrowers | • Bonnie Hewson, Newline Capital |
| | 3. Lending for incremental housing: credit analysis for housing finance vs. SME lending | • Edgar Bucaro, Manager, Microfinance Unit, GyT Continental Bank<br>• Raul Lacayo, President of the Board, PRODEL<br>• Irene Vance, Sida |

The day began with a panel discussion around the question of building capacity, moderated by Jamie Ritchie of Rooftops Canada.

**Patrick Kelly**, the Director for Housing Finance at Habitat for Humanity International identified four challenges facing the growth of HMF in Sub-Saharan Africa.

- First, he argued that HMF providers needed to get past the mono-product mentality. Citing the growth of the microfinance industry and SME lending within that, he argued that lending for housing is simply a methodology and that MFIs should be able to implement housing products as yet another of their suite of products. He said that workshops, peer learning and information exchange were critical tools in this regard.
- Secondly, he echoed Franck Daphnis' challenge of mainstreaming HMF within the broader microfinance sector. Further innovation was required in the areas of product development, origination and collection methodologies, credit scoring for housing loans, client retention, and business expansion.
- Third, he acknowledged the limitations of existing systems and the challenge of mainstreaming housing within an existing MFI framework in terms of: changing risk profiles, liquidity management systems, MIS and the need to separate product lines in terms of operational costs.
- Finally, he raised the question of turning money into house: what are the housing support services required to support a quality housing process facilitated by access to HMF? New business models were required which accommodated this aspect, particular to the housing loan product.

Less than 20% of African households have access to finance. World Bank

**Tim Ndezi**, the Director of the Centre for Community Initiatives in Tanzania described the daily savings and credit schemes that his organization assists in Tanzania. He explained that savings and credit schemes are an important bridge to assist urban dwellers access financial services. The process of participating in these informal schemes builds collective confidence while providing accountability and transparency. As accountability increases, so does the trust among members, and as more groups (or federations) get involved, their collective savings add up to an impressive amount, which allows them to demonstrate their creditworthiness with formal providers.

The Centre for Community Initiatives in Tanzania assists local communities form daily savings and credit schemes. CCI has supported 30 groups who have savings of Tshs 60m ($60 000) and credit of Tshs 15m ($15 000).

**Priscilla Serruka**, Chairperson of Stromme Microfinance East Africa Ltd and Regional Director of the Stromme Foundation in Uganda suggested that capacity building is needed at different periods of the HMF process:

- Product development and product delivery: market analysis, making of baselines, identifying stakeholders in the sector
- Pre-disbursement: training for loan originators, lobbying and advocacy with stakeholders in support of an incremental housing process, savings enhancement with borrowers.
- Post-disbursement: Technical Assistance, monitoring
- Monitoring and evaluation: mechanisms to evaluate whether the original objectives were met and Technical Assistance in implementing lessons learned

**Christian Schlosser**, of the UN Habitat's Human Settlements Financing Division, presented on the Experimental Reimbursable Seeding Operations and other Innovative Financial Mechanisms (ERSO). ERSO is a programme providing technical assistance and credit enhancements to facilitate private sector investment in local banks and microfinance institutions providing financial products targeted at low income households (mortgages and HMF), housing cooperatives, landlords, private developers of low-cost housing, and municipalities (infrastructure investment and upgrading). ERSO plans to have two or three operations in Africa, to which it will contribute an estimated $1.5 million each, and leveraging at least that much again or more of private, domestic capital. It is estimated that between 200 to 500 households will be served, per operation. There are currently five proposals for Africa, focusing on East Africa, Kenya, Tanzania and Uganda. Implementation will start in the fourth quarter of 2008.

The session entitled "Show us the Money!" provided fodder for lively debate, with diverse perspectives presented and discussed. The panel comprised an international development NGO (**Jamie Ritchie** of Rooftops Canada was the moderator), an international DFI (**Samuel Maimbo**, Senior Financial Sector Specialist for the World Bank, based in Mozambique), a local HMFI (**Olivia van Rooyen**, CEO of the Kuyasa Fund, an HMFI based in South Africa) and an HMF investor (**Bonnie Hewson** of NewLine Capital, based in New York, USA).

Olivia described the different types of capital available to an HMFI and argued that the nature and conditions tied to each funding type should be carefully considered by the HMFI when developing its funding strategy.

| | Targets / type | Comment |
|---|---|---|
| Grants | • Research<br>• Market development<br>• Organisational learning | • Usually project specific – ring fenced to donor expectations<br>• Management intensive<br>• Can limit capacity to grow to scale |
| Debt | • Developmental sources<br>• Bank / commercial (backed by guarantees)<br>• Socially responsible investors<br>• Market, long term (no guarantees) | MFI becomes subject to creditor's risk management systems, including:<br>• Penalty clauses: non-draw downs, early settlement, late payments, reporting<br>• Loan terms: interest rates, capital and interest payment – cash flow implications<br>• Relationship management: facilitating creditor's access to operations, field visits, etc.<br>• Guarantees: fees, limited sources, risk sharing<br>• Board of Director participation: can impact on Board composition Number of creditors: managing creditors' profile<br>• Negotiation time: can impact on cash flow |
| Equity | | Key consideration: should the MFI take on an equity investment early on, or when the model is proven (i.e. at least 75% financial sustainability?) |

True scale, however, would never by funded by grants, Olivia argued. For this reason, HMFIs seeking to grow to scale would in all likelihood face the prospect of institutional conversion from an NGO to a private company, and taking an equity investment. A growth path funded entirely by debt would lead to high debt to equity ratios and creditors would become as powerful as equity holders. HMFIs should also guard against becoming dependent on a limited number of financing sources. When considering conversion to a private company, HMFIs should consider:

- The nature of their equity partners, including mission alignment and financial capacity
- The status of the non-profit / donor funded portion
- The management of existing stakeholders and their expectations of the HMFI given their initial investment in it as an NGO

- The role of creditors (providing mezzanine finance?) and their conversion into equity holders
- Timing of conversion, given the needs and expectations of all stakeholders to achieve maximum buy-in and commitment.

Samuel described the role of the World Bank in financial sector development, and the specific potential for attention to housing microfinance initiatives. He argued that housing finance is a priority for many African policy makers and that the time is ripe for both policy and regulatory interventions in support of HMF. Insurance market development and pension reforms will be crucial to manage risks and direct institutional capital in support of the sector's growth, however.

Bonnie's input described the thought process that her organization, NewLine Capital, has gone through in identifying housing microfinance in Africa as a target for investment. She described the due diligence process as follows: (1) a preliminary review of the institution's business plan and portfolio data; (2) a review of the institution's market positioning, product design and profitability, origination process, credit enhancement, loan administration, data and data analytics, capital structure and ancillary product offerings; and (3) a review of the institution's portfolio, accounting and cash process, including historic loan level data, management's risk exposure analysis, detailed data on the treatment and outcome of defaulted or delinquent loans, accounting and loan administration system reconciliations, and cash flow process tracking. She argued that HMFIs should revise their approach to the expectations and needs of their target: to donors, the HMFI advertises their ability to provide housing finance for the poor; to financing sources the HMFI advertises opportunities for investment.

The presentations generated lively debate, in which a few key issues were given emphasis:

- Exchange rate risk becomes significant when an investor works across countries. It is also a risk for the HMFI receiving investments from multiple sources across currencies. There is a need to develop appropriate insurance products to address this, while also seeking to maximize local sources of foreign currencies (from both individuals and institutions).
- The data requirements to facilitate an investment are substantial and may be beyond the capacity of many HMFIs. This is an important area in which support organizations – donors and NGOs – could offer assistance. While financial literacy programmes normally focus on the borrower, attention to the financial literacy of suppliers is also needed.

**Opportunity**: Remittance flows to Africa are increasing (total in 2006: US$24.5 million – of this, $9.6m in Sub-Saharan Africa). Remittances provide an entry point to the financial system, and can be linked to housing.

**Key factors for debt and mezzanine investors**:

1. Stability factors: consumer outlook, political outlook, macroeconomic and monetary factors at country and regional levels, inflation risk, currency risk, etc.
2. Rates and margin projections for the portfolio to be financed.
3. Payment profile and prepayment projections
4. Default levels: risk profile, current and anticipated
5. Servicing capability
6. Risk management

The workshop was closed by **Matthew Maury**, director of the Africa Middle East office for Habitat for Humanity International. Matthew thanked all the participants, remarking on how the broad mix of people present had made this workshop particularly unique and productive. He expressed the hope of all participants, that this would be the beginning of further dialogue, partnerships and interaction towards addressing the need for housing finance among low income households in Africa.

The afternoon involved a series of break-away sessions.

## WAY FORWARD

There was no doubt for the workshop participants that given the non-affordability of housing for the overwhelming majority people in sub-Saharan Africa incremental housing processes, financed with smaller scale loans, are appropriate. The growth of the housing microfinance sector is caught in a vicious circle however: unless the environment becomes more friendly to an incremental housing process, housing microfinance will not be made available as a distinct product, together with housing support services and access to land, both of which are critical. Without an explicit focus on *housing* microfinance, the facilitative mechanisms to ensure a sound housing process to occur will not be put in place, which means that households will be left to their own devices to meet their housing needs. On this basis, their success in realizing adequate housing outcomes will be constrained, contributing to the negative perceptions regarding the incremental housing process, and the environment will remain unfriendly to this housing approach.

The following table summarises the challenges highlighted over the course of the workshop.

**Overall environment**
- Inappropriate government policies
- Political & regulatory barriers
- Lack of replicable, scalable models
- Poor understanding of HMF

**Land**
- Inability of the poor to access serviced land
- In situ land servicing
- Security of tenure
- Bulk and connector infrastructure

**Affordability**
- Rising cost of building materials

**Finance**
- Wholesale level
  - Lack of affordable capital
  - Bridge between big money and the poor
  - Need for appropriate guarantee mechanisms: to extend access, deal with currency risk, facilitate wholesale lending, etc.
- Retail level
  - High interest rates: need to find ways to reduce these
  - Insufficient providers: limited availability of end user credit especially for the very poor

**HMFI Capacity**
- Technical assistance required in wide array of areas
  - Development and cost of appropriate, effective technology
  - Data collection, management and analysis mechanisms, MIS systems
  - Organisational architecture
  - How to articulate and support the finance / housing link
- Chicken-and-egg challenge of scale: operational systems, capital, human resources
- Need to develop partnerships and networks

**Borrowers**
- Borrower education and consumer / Investor financial literacy
- Instability of incomes (erratic, seasonal, weekly, etc.) requires tailored collection methodologies
- Limited affordability and lack of collateral
- Informal nature of clients (tenure, income, experience)
- Segmentation and customer approach
- Need housing support services to promote sound housing development

Given the overall profile of demand, in which the vast majority of urban (and rural) dwellers in Africa earn far too little to afford a mortgage for the least expensive, newly built house; and given the curiosity and interest of investors seeking new investment terrains, **the time is ripe for housing microfinance at scale**. The pressure placed on governments by Goal 7, Target 11 of the Millennium Development Goals (significant improvement in the lives of 100 million slum dwellers by 2020) is also constructive in that it forces policy makers to develop appropriate policies and products that respond to the reality of poverty and slum living in their countries.

Investor appetite would benefit enormously from support from the NGO and donor sector, in the form of increased and better quality information & case studies, networking, pilot structuring and also credit enhancements.

A variety of opportunities exist within the **financial landscape**: donors, wholesale lenders and investors are all interested in investing in housing for the poor and exploring models for a commercial response to the challenges. The microfinance sector is growing and a number of micro lenders are exploring the development of explicit housing microfinance loan products. The potential in pension fund assets is also being considered in some countries. This movement would benefit enormously from support from the NGO and donor sector, in the form of increased and better quality information, networking, the structuring of pilot programmes to test innovation, and also credit enhancements. A better understanding of local, in-country contexts insofar as they help, hinder or overlook the potential for growth in HMF lending, is also required.

The development of a regional network of HMF practitioners would facilitate peer learning and the sustainable growth of the sector.

The **capacity building** challenge is enormous. The first challenge is timing: when to grow capacity to manage impending scale –not too soon to undermine the sustainability of the organization, not too late to miss the opportunity for growth. This is a challenge that the Kuyasa Fund in South Africa has been dealing with in its efforts to grow "from success to significance". Sister-relationships and exchange visits between like institutions to facilitate information sharing and peer learning are also important tools. Lenders and investors would benefit from a greater dissemination of experience and practice – good and bad – which speaks to the challenge of growth and scale. Partnerships between technical support organizations (whether local or international) and HMFIs can also lead to local level successes whose stories can be disseminated widely.

A critical area for attention by banks, lenders, policy makers and support organizations is that of **savings**: how to viably create savings opportunities that lead towards longer term housing investment.

The workshop participants together deliberated on the plan of action, which follows. The workshop organizers agreed to promote this plan of action in their own work, and to encourage other participating organizations to do the same through the distribution of this report. It will also be widely disseminated to other groups that are likely to be interested in housing micro-finance in sub-Saharan Africa. Readers are encouraged to contact the workshop organizers and other participants to identify further opportunities for working together.

| | Vision | Programme of action | Players |
|---|---|---|---|
| **Short term (1-2 years)** | **Acceptance**: HMF accepted in policy & practice as a viable and appropriate approach to housing. | • Promote the concept<br>  o Emphasise regional stability to facilitate investment & development<br>  o Implement pilots and monitor<br>  o Increased, targeted research, information, data: country scoping studies, best practice, and experience.<br>• Build regional HMFI networks: identify & develop strategic partnerships<br>• Build capacity: Technical assistance and capacity building<br>• Enabling environment: Lobby governments to make tenure secure and invest in infrastructure, and to develop appropriate policy | • Facilitators: Donors, NGOs, DFIs, HMFI advocates, policy think tanks, researchers, academics<br>• Investors: banks, private equity firms, investment houses, etc.<br>• Lenders: HMFIs, MFIs, SACCOs, banks, other financial institutions<br>• Housing construction practitioners<br>• Housing consumers (as savers, borrowers, home builders, investors, landlords, tenants)<br>• Regulators and policy makers at national, provincial and local levels<br>• Regional bodies |
| **Medium term (2-5 years)** | **Growth**: Grow scale dramatically and move formal sector down-market | • Practice<br>  o More pilots and ongoing monitoring<br>  o Develop industry standards and benchmarks<br>  o Grow operational skills<br>  o Increased standardization of approach to facilitate investment, reduce costs, enhance viability<br>• Advocacy<br>  o appropriate policy relating to incremental housing<br>  o access to serviced land<br>  o suitable regulatory framework for HMFI operations<br>• Research: Analysis of effective demand; sector-wide MIS system towards long term credit bureau involvement<br>• Regional programme to develop HMF sector and organizations | |
| **Long term (5-10 yrs)** | **Access for all** | • Evolve HMF clients to micro-mortgages, and later still, to mortgages<br>• Link all micro lenders via a credit bureau<br>• Promote competition towards enhanced service and declining interest rates | |

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Comments, questions, and expressions of interest to engage further, are invited.

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