

A SHORT STUDY ON COMMUNITY FINANCING MECHANISMS FOR

AFFORDABLE HOUSING PRODUCTION IN AFRICA



CONTEXT

In December 2020, the Centre for Affordable Housing Finance (CAHF), urbaMonde and urbaSEN signed a partnership agreement to conduct a case study on the **collaborative production of affordable housing in Senegal and its financial and legal modeling**.

The organisations collaborate to:

- support **affordable housing solutions** for vulnerable populations **through accessible and innovative financing**;
- drive financial innovation through **R&D and experimentation**;
- influence the implementation of public policies and partnerships that **facilitate the access to affordable housing finance**.

PARTNERS



The **Centre for Affordable Housing Finance in Africa (CAHF)** has been operating as an independent think tank in South Africa since May 2014, pursuing its mission of making Africa's housing finance markets work. CAHF's work extends across the continent, and it is supported by and collaborates with a range of funders and partners. CAHF brings information to the marketplace to enable stakeholders in the public and private sector to make policy and investment decisions in favour of improved access to affordable housing. Our emphasis is on the role that finance plays in realising this, and we champion market intelligence - data, market analytics and research - to stimulate investor interest and to support better policy. We highly networked and engage with stakeholders at the local, national, regional, continental and global levels to support the realisation of investment towards affordable housing in Africa.



Convinced that the inhabitants should be at the center of all processes that create cities, urbaMonde's mission is to support organized communities in carrying out community-led housing projects and implementing the right to the city and to adequate housing. UrbaMonde operates in Switzerland and in France, by offering technical support to public actors in participative urban development projects, as well as to groups of inhabitants implementing community-led housing solutions, while promoting innovation in non-speculative land management and access to affordable housing finance. The association also supports groups of vulnerable inhabitants in their community-led housing projects, through international cooperation projects in Africa and Latin America.



UrbaSEN is a Senegalese NGO founded in 2009 that develops participatory planning and neighborhood improvement projects in the suburbs of Dakar and in the regions of Thiès and Louga. It operates in these areas as the technical support structure for the Fédération Sénégalaise des Habitantes (a grassroots community organisation composed of more than 500 savings groups). Its activities focus on neighborhood upgrading, data collection and land regularization, flood-risk mitigation, housing rehabilitation in deprived urban areas, and the support and empowerment of (female) savings groups to promote participation in the management of public affairs.

The urban problems of the territories in which urbaSEN intervenes are mainly related to flooding and the lack of adequate housing and public services. Consequently, the work carried out on the ground concerns in particular the construction of individual sanitation facilities for families, such as the installation of toilets or the construction of cesspools, as well as the (re)construction of housing. Through its actions, urbaSEN is committed to strengthening the resilience of suburbs and their populations in the face of water and land-related risks and to improve housing and living conditions. In order to do this, urbaSEN promotes participatory planning in collaboration with the municipalities and contributes to the reconstruction of housing for the most vulnerable in order to improve their living environment.

ORGANIZATION AND METHODOLOGY

The partnership aimed to implement a short study or benchmark **on the experiences of community financing mechanisms for the production of affordable housing in Africa.**

The short study - also available in French - documents and disseminates 10 experiences - including the Revolving Fund for Urban Renewal in Senegal - of affordable housing production programs and projects in Africa, focusing in particular on their financial model and design. Using bibliographic research and in-depth interviews, the study analyzes the capacity of projects and partners to fit into the public and private financing chain, and to mobilize so-called «citizen» or «community» finance.

The analysis is not exhaustive and many other experiences could have been presented. The decision was made to select community financing mechanisms that offer a similar or complementary approach to the Senegalese Revolving Fund for Urban Renewal and that stand for innovative partnerships and financial approaches.

A community financing component, combined with additional funding sources (private or public, grants or loans, etc.) is common to all of the experiences selected. A number of experiences were selected through the collaborative database cohabitat.io, run by urba-Monde as part of the CoHabitat Network, and from experiences documented by the CAHF.

The information is sourced through written sources (websites, funding reports, CAHF documentation, etc.) and interviews with project managers that support the financial mechanisms.

Furthermore, it was decided to analyze and present the housing projects, each rooted in a country and a local context, through the lense of their financing mechanism mobilized as a tool for the production of affordable housing.

The benchmark feeds the reflection on the case study on the collaborative production of affordable housing in Senegal and its financial and legal modeling. In addition, an in-depth documentation was conducted on the Senegalese Revolving Fund for Urban Renewal in both French and English.

GRAPHIC ANALYSIS AND LEGEND

Each experience is illustrated with a graphic analysis:



Individual savings
(beneficiaries)



Collective savings
(savings group,
cooperatives)



Participatory Budgeting
(local governments)



Donations
(foundations, NGOs, private
persons, associations)



Microcredit
(microfinance)



Subsidized loan
(international donors or
private sector)



Bank loan
(private banks)



Subsidies
(national and local govern-
ments, public actors, inter-
national donors)



Private sector



Mortgage loan
(mortgage)



Materials
(in-kind contributions)

CASE STUDIES



Photo: Damien Epiney



Click on the country name to open the corresponding case study:

Cameroon



Mozambique



Gambia



Namibia



Kenya 1



Senegal



Kenya 2



South Africa



Mauritania



Zimbabwe



Summary table

NAME	COUNTRY	MAIN PARTNERS	FINANCIAL MECHANISM
Alternative Program for Social Housing	Cameroon	ASSOAL	<ul style="list-style-type: none"> • Membership • Shares • Collective savings • Subsidies • Donations
Cement Block Banking	Gambia	Amiscus Horizon	<ul style="list-style-type: none"> • Individual savings • Microcredits • Mortgages
Akiba Mashinani Trust	Kenya	Muongano Alliance (Kenyan Federation of the urban poor, SDI Kenya, Akiba Mashinani Trust)	<ul style="list-style-type: none"> • Collective savings • Subsidies • Bank Loans
Nyumba Smart Microloans	Kenya	Kenya Women Finance Trust (microfinance institution)	<ul style="list-style-type: none"> • Microcredits • Seed capital
Twize	Mauritania	GRET	<ul style="list-style-type: none"> • Subsidies • Microcredits • Individual savings
Inhamizua	Mozambique	Casa Real, Reall, Absa Bank	<ul style="list-style-type: none"> • Individual savings • Subsidies • Mortgages • Seed capital
Twahangana Fund	Namibia	Poor People's Fund, Shack Dwellers Federation in Namibia	<ul style="list-style-type: none"> • Subsidies • Collective savings • Donations
Revolving Fund for Urban Renewal	Senegal	Senegalese Federation of Inhabitants, urbaSEN	<ul style="list-style-type: none"> • Individual + collective savings • Subsidies in the form of Seed capital • Donations • Loans
Khayelitsha People's Housing Process	South Africa	Housing Support Centres, Development Action Group	<ul style="list-style-type: none"> • Subsidies • Donations
Gungano Fund	Zimbabwe	Dialogue on Shelter for the Homeless in Zimbabwe Trust	<ul style="list-style-type: none"> • Subsidies • Collective savings • Individual savings

CONCLUSIONS



The experiences contribute to the reflections presented by the CAHF, urbaMonde and urbaSEN on existing financing mechanisms for housing and the conditions for achieving affordability.

The short study highlights several experiences and lessons learnt, which can be used by affordable housing actors on the African continent and adapted to local contexts. Some characteristics and lessons learnt:

THE IMPORTANCE OF TECHNICAL ASSISTANCE IN THE MANAGEMENT OF FUNDS AND THE ESTABLISHMENT OF A RELATIONSHIP OF TRUST BETWEEN PARTNERS AND BENEFICIARIES

- » The establishment of **support structures (accompaniment and management by an external party) and strategic partnerships** to support local communities in the implementation of their housing projects is necessary. **The strengthening of local communities** is a mean to empower inhabitants to increase their negotiation capacity with public and financial institutions (South Africa, Cameroon).
- » **Although social, technical and financial support** must be subsidized, it is clear that **subsidies are not enough to implement these systems and that additional funding is needed** (South Africa, Mauritania).
- » The strategy for increasing sustainability is to **address the entire housing market** (supply and demand; private, public and community actors). Habitat for Humanity and its partners focus on behavior change through counseling and information sharing to **facilitate housing decisions at the household level** (e.g., through SMS services). They also support the consolidation of a legal, institutional, and financial framework that encourages investment in housing (by commercial and national banks) (Kenya).
- » The integration of Fount (consultant) and Reall (investor) in their project has allowed Casa Real to mobilize the **necessary technical and financial expertise to engage in dialogue at a higher level** and to position Casa Real as a credible player with public and sectoral actors. In order to involve the various stakeholders, Casa Real also took care to adapt its language (Mozambique).
- » **Transparency** seems to be one of the main principles of the Twahangana Fund. **The fund is managed by the communities themselves.** With NHAG and SDFN, these communities have demonstrated their ability to directly manage donor and government funding, thanks to several years of experience and strong monitoring systems (Namibia).

THE IMPORTANCE OF PARTNERSHIPS BETWEEN RESIDENTS AND LOCAL OR NATIONAL GOVERNMENTS AND THE USEFULNESS OF PARTNERSHIPS WITH INTERNATIONAL AND PRIVATE ACTORS

- » The importance of establishing and maintaining **public-private-inhabitant partnerships to improve the quality of life of vulnerable populations**. Together, local and territorial authorities and communities establish municipal funds as a means to carry out city-wide improvement projects. DAG has consolidated a well-established strategic partnership with the Western Cape government and has built new partnerships with many local stakeholders and entrepreneurs. The search for partnerships also helps to **subsidize some of the local community's expenses** that would otherwise be unaffordable for members to repay (South Africa, Cameroon, Zimbabwe).
- » **Lack of time and resources among residents** is an obstacle to overcoming mistrust of Participatory Budgeting (PB). It takes time and effort to achieve promising results. One of these results is that the PB is taken into account in the local government code and has become a legal obligation. 95 municipalities are implementing PB with the support of RNHC members. This aspect is very important for the sustainability of the financing mechanism (Cameroon).

THE DIVERSITY OF FUNDING SOURCES

- » **The combination of public subsidies, personal contributions (prior savings) and loans paid by households** - requires securing public funds dedicated to social housing and establishing a balance between the nature of the service offered, the target groups and the remaining costs for the families. This method of financing may be viable provided that the public authorities commit to investing into housing on the long term (Mauritania).
- » **Patient capital investment**: capital investment is essential for any affordable housing venture, especially during the early stages of work when the risk of insolvency is high. Casa Real would not have been able to advocate and complete construction for its projects without consistent investment and capacity building from Reall (Mozambique).
- » **Savings are critical**. The work of the Alliance and Trust demonstrates the impact of financial services to low-income groups. They allow for the accumulation of resources, demonstrate that communities are able to repay loans and leverage other resources such as government funds, and build social capital. It facilitates the building of strong relationships within communities (but can also be a risk, therefore solid financial management structures must be in place, and roles and responsibilities must be clarified) (Kenya).

- » **Compromise and common ground are essential.** Casa Real found a commercial banking partner to refinance its investment and release funds after the housing construction phase, freeing up capital that can turn around more quickly and be reinvested in new housing developments. Casa Real adopted a mixed-income approach to engage with Absa Bank Mozambique and meet the financing capabilities of Reall's target audience (bottom 40% of the income pyramid) (Mozambique).
- » **Since loans and savings alone cannot finance all projects,** they are also used to facilitate policy advocacy. Communities engage with local authorities and discuss their housing needs together, which often leads to public funding. Public capital and grants are needed (Kenya).
- » **Combined with a revolving fund endowed with residents' savings,** the Participatory Budget can contribute to urban social transformation. It plays a central role because part of the budget of the municipalities is targeted at financing housing. **It is a programming and budget management tool, which gives citizens the opportunity to collaborate with local governments** (Cameroon).
- » **Innovation:** the «Cement Block Saving Scheme» allows clients to **make affordable monthly contributions to build a house,** while protecting themselves against inflation, through the purchase of building materials (Gambia).

THE INVOLVEMENT OF INHABITANTS: A KEY CRITERIA IN THE PRODUCTION OF AFFORDABLE HOUSING

- » The affordability of the project is due to the human approach, **with community members doing some of the work (mapping, planning, building houses and improving services, etc).** Instead of using the funds to carry out additional activities, the funding was used to reach more beneficiaries and expand the impact of the resources available (Zimbabwe).
- » **The monitoring of the revolving fund and the loan repayments is under the responsibility of the members of the cooperative, which helps reducing costs.** This collective approach also allows for improved monitoring and reduces default risks. On the other hand, it is sometimes important to separate financial management (technical organization or even financial organization) from social management (CBO) to guarantee the independence and integrity of the social organization, minimize the risk of embezzlement, clientelism, etc. (Cameroon).
- » The engagement of savings groups through community-driven processes is an asset. It allows the Trust to **cover a large part of its operational costs,** and to continue to provide loans at affordable rates and become more financially independent from donors (Kenya).

HOUSING AS A PROCESS: EXPERIMENTING WITH INNOVATIVE CONSTRUCTION TECHNIQUES TO ENABLE COST REDUCTION

- » **The need to view housing as a process and to consider the entire housing value chain** (not only access to finance, but also access to labor, affordable and sustainable building materials, public services, and capacity building). A systems approach is essential to building institutional capacity on the supply side of affordable housing and to scale up existing solutions through market facilitation (Kenya).
- » **A physical proof of concept:** Casa Real has demonstrated its credibility by building quality homes on time and at an affordable cost. In addition, rigorous market research has revealed the demand for housing and the profiles of future buyers, which has reinforced the confidence of lender-investors. In addition, organizations such as Reall are essential to incorporating actors who can carry projects and **take the initial risks to carrying out proof of concept** (Mozambique).
- » Several approaches have been adopted to reduce construction costs: the production of **grouped housing** (less costly) and the establishment of **production units for local materials** (using artisans' associations and housing cooperatives), **the design of semi-detached houses or shared walls, and the gradual improvement of public or municipal services** have all contributed to making projects affordable, with households sharing the various costs (Zimbabwe, Cameroon, Namibia).
- » Alternative models of social housing are being tested with an **ecological approach** such as wood construction (Cameroon).

LAND: A KEY FACTOR IN ACHIEVING AFFORDABILITY

- » **Partnerships with local/public authorities facilitate access to land** (land leases, acquisition at preferential prices, provision, etc.) and reduce the costs of housing (Mozambique, Kenya, Zimbabwe).

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