



IFC

**International
Finance Corporation**
WORLD BANK GROUP



IFC Scaling Housing Finance in Africa

Africa has the highest rate of urbanization growth but also the least developed housing finance in the world. Growing demography and rapid urbanization (expected to reach 60% by 2030), sub-standard construction, and lack of housing finance create one of the biggest challenges on the continent.

According to the McKinsey Global Institute, the affordable housing gap is estimated at \$650 billion p.a. and is expected to impact 1.6 billion people by 2025, particularly in urban areas. Today 54 million Africans live in urban slums, and the continent faces a shortfall of at least 51 million housing units, with a total financing gap of \$1.4 trillion. The housing deficit varies by country, with the largest deficit in Nigeria, Egypt, the Democratic Republic of Congo, and Tanzania. By 2030, Africa's housing deficit is expected to reach 130 million housing units.

IFC has also been working to deliver green, resilient, and sustainable housing aimed at reducing use of unsustainable materials while benefitting from energy and water savings to ultimately reduce GHG emissions (the building sector contributes approximately 39% of GHG emissions, of which housing represents 3/4).

IFC has developed tools such as the EDGE certification, a streamlined way to certify green developer-built projects, and the Building Resilience Index, which helps developers, investors, and governments assess, improve, and disclose resilience to climate and geo-seismic shocks. Additionally, the Market Accelerator for Green Construction program (MAGC) has been established to help scale up the green construction market by incentivizing financial intermediaries to develop and introduce new green construction finance products.

Overview of IFC's work in housing

IFC is the number one international investor in housing finance and has committed over \$12 billion to the sector since 2000 with an aggregated portfolio of \$4 billion across 83 projects as of end June 2024. In Africa, IFC plays a pivotal role in collaborating with private sector actors to scale up housing finance. It recently achieved a milestone of an exposure of half a billion dollars from its own account as of end June 2024.

For more than 30 years, IFC has supported the expansion of residential mortgage lending and affordable housing across more than 20 countries, including Chile, Colombia, Mexico, Peru, India, Pakistan, Vietnam, Romania, Turkey, Kenya, Namibia, South Africa, Tanzania, Uganda, and the West African Economic and Monetary Union (WAEMU) region.

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.

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.

Examples of IFC's Work

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

The WAEMU region is facing a housing deficit of approximately 3.5 million units. An additional 250,000 houses would have to be built each year to address the combined impact of rapid urbanization and population growth in the subregion.

In January 2017, IFC invested the equivalent of \$2 million in equity shares in the Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH), a regional mortgage refinancing company and key engine for supporting affordable housing in the WAEMU region. Subsequently, IFC invested in three CRRH bond issuances on the regional debt capital markets: \$9 million equivalent in local currency in a 12-year bond issued in 2017; \$9 million equivalent in local currency in a 15-year bond issued in 2018, and \$9 million in a 15-year bond issued in 2023 to enable CRRH to increase its capacity to refinance mortgages. Furthermore, IFC invested in a rights issue with an additional \$1.5 million in CRRH equity in 2024.

IFC played a key role in the successful placement of these long-dated bonds, attracting institutional investors and supporting the deepening of the regional capital markets.

This also facilitated the extension of the XOF yield curve, with the goal of improving access to affordable housing finance in the region.

Catalyzing the green buildings market in South Africa

South Africa's housing deficit continues to grow. It is estimated at 2.8 million units and requires the delivery of 138,000 units per annum to close the gap. To address this, the market is evolving to bring green and resilient commercial and residential developments to scale. IFC is complementing the efforts in the market and has supported the "South Africa Big Four Banks" to scale up the delivery of green buildings, including affordable housing. For example, in June 2023 IFC provided an investment of up to \$236 million to Absa Bank. The use proceeds are dedicated to financing EDGE-certified (or equivalent green certification acceptable to IFC), with at least 50 percent of the IFC investment earmarked for the affordable housing segment.

IFC's financial institution clients and developers are using the Excellence in Design for Greater Efficiencies (EDGE) tool, to minimize the incremental construction costs for green housing. To date, over 23,000 homes have been EDGE certified in South Africa. On partnerships IFC continues to provide technical training and education to the Green Building Council of South Africa and to offer EDGE advisory services to financial institutions, developers, and the government.

IFC is deploying Pillar housing assessment tools to support its partners.

Pillar is a global housing advisory platform that supports the continuous improvement of developers' business proficiency and helps them design affordable and socially sustainable communities rooted in an understanding of local conditions. Pillar helps financial institutions identify and build bankable projects through two advisory tools:

- **Business Assessment:** Assesses developers' overall proficiency by analyzing four key dimensions: Financial Management, Business Management, Project Operations, and Organization Management
- **Pillar Social Sustainability Assessment:** Assesses a project's social sustainability across the four phases of development: Project Definition, Planning and Design, Construction, and Operations.

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