

FinMark Trust

Housing Finance in Zambia

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Background

- Brief scoping of Zambian housing finance sector: 2004 & 2006
- Not empirical, not academic: interviews
- Review of current status of housing sector in Zambia for FinMark Trust
- Recommendations for future engagement in Zambia



Zambia Profile

- **Population:** 11-million: 32% urban (1 main centre - Lusaka)
- **Economic Base:** Copper, minerals, tobacco, Agriculture. '2hr 16min'
- **Life Expectancy:** Men = 38yrs, Women = 37 years (negative pop growth)
- **Employment:** 25% no income; 36% (39%) self-employed; 16% (31%) formal employment; 11% (16%) housewives; 12% (19%) Students
- **Incomes:** 24% no income, 56% <K300 000 (+-US\$100)
- **Housing Sector:** 17% own accom 28% live in family accom (census: 78%). "Housing Backlog" = 1-million units. Where are the shacks?



Key Indicators

	1999	2000	2001	2002	2003	2004	2005	2006
Population (Mill)	10.2	10.3	10.5	10.8	11.1	11.1	11.1	<11?
GDP Growth (%)	4.9	3.7	4.9	3.3	5.1	5.4	5.0	5.8
Exch Rate (ZK/US\$)	2388	3111	3608	4307	4743	4772	3509	4122
Inflation Rate (%)	20.6	30.1	18.8	26.7	17.2	17.5	15.9	8.2
Prime Lending (%)	40.3	39.1	45.8	45.3	40.5	30.9	28.2	21.6 (15%?)
91-day T-Bill							15.2	9.5
Dom Credit to Govt (\$m)	290	434	495	405	25	23	52	
Dom Credit to Pvt Sector	292	363	339	218	255	260	472	



Housing Affordability

Mthly Income (ZK)	US\$ Equivalent	% Population	Loan Affordability (15%/20yrs)
No Answer	-	21%	-
None	-	24%	-
< K50 000	\$17	5%	-
K50-K150 000	\$50	15%	< \$1 000 ?
K150-K300 000	\$100	11%	< \$2 000
K300-K450 000	\$150	6%	< \$3 000
K450 000+	>\$150	18%	> \$3 000

Banking Profile: FinScope:

Formal Bank: 15%
 Formal Other: 8%
 Informal Only: 11%
 Excluded: 66%

Housing Need: Very Large
 Effective Demand: Very Small

0.1%: housing loan of any type
 2.4%: housing loan at some stage



HOUSING SUPPLY

- Grand Plans, No Substantial Delivery
 - Very limited delivery by State
 - Very limited formal private sector activity
 - Some private activity
- Key Problems:
 - Economic Fundamentals
 - Land Titling & Transfer
 - Engineering Services (existing & new – NO CAPITAL BUDGETS)
 - Central & Local Government (provision and maintenance)
 - Building Materials Supply, Developer Capacity
 - Nascent Housing Finance Sector
- Way Forward?
 - Groundbreaking developments: Lilayi
 - 'New Community' Development? Mwena New Town
 - Individual Enterprise



Housing Finance Profile

- Areas of Finance Demand:
 - Refinancing
 - Construction Loans
 - New Housing Purchase
 - Secondary Market Transactions
- Housing Finance Providers:
 - Pension / Provident Funds: Ltd but huge potential (550 000 members, US\$600-m, offshore investment limits)
 - Multinational Commercial Banks (13 banks, 165 branches): HNW Bonds – limited, growing mortgage portfolios
 - (Specialist Mechanisms – Lilayi) – expensive takeout finance
 - Building Societies – small, under-capitalised, limited, but potential for growth
 - Microfinance Institutions (Credit Act) – SA Invasion
- Sources of Capital:
 - Govt Bonds / T-Bills – Increasingly Limited
 - Private Bonds – Becoming more common
 - Savings (very limited) – Requires Focus
 - K-based Capital Facilities (Pension/Provident funds)
 - \$-based Capital Facilities (Development Banks)



Zambia's Housing Finance Future

- Diagnosis: Housing Credit Anorexia
 - Emaciated housing sector denied and starved of credit options
 - Credit gluttony & euphoria– force-fed supply & wanton demand: no experience, no caution, no limits
 - Future Purge?: over-indebtedness, affordability, consumerism – SA Model?
 - Prospects for Balanced Rehabilitation
- Prescription:
 - Conventional wisdom: credit is the answer – real needs much deeper
 - Research / analysis: housing sector supply & demand dynamics
 - Balanced Housing Approach: Credit is the 'pinnacle on the pyramid' = Engage Govt on factors for success: FSDP
 - Credit Consumption Planning: Alternative approaches = engage I&APs
 - Counselling / Guidance = engage regulators, suppliers, consumers
 - Diagnostic Monitoring & Review: regular checks and adjustments



Ways Forward

- Data & Diagnostic Tools
- Approaches and Instruments – Reaching the Poor
- Alternative Delivery Systems for Conventional Housing Finance
- Pension / Provident Fund-Backed Housing Finance
- Alternative Housing Tenure Approaches
- Finance Techniques and Capacity Building
- Development Packaging (Supply-Driven Housing Financing)

