

**Housing and urbanisation in Africa:
developing formal private mass housing**

Paul Collier and Tony Venables

University of Oxford

Housing matters because:

- Well-being
- High share of national assets - private and dispersed
- Direct job creation – structures
- Shaping a productive city

Africa (and other regions):

- Informal settlement/ public housing/ high income housing
- Absence of formal private mass housing
- Why? – and what needs to be done?

How was London built?

- Ducal estates as large developers
- Building standards, building industry.
- Clarity in legal rights: landowners; tenants
- Financial innovation: Building Societies.
- Dense enough for job access (first underground rlwy 186

Why not replicated? – necessary conditions

- Affordability
- Clarity in legal rights
- Financial innovation
- Utilities and infrastructure
- Opportunities for employment

Affordability

- 4-room house @ \$15,000: 2/3mortgage @5% → \$500-\$800 pa
- Building standards
 - Forward looking
 - Too high?
 - Bifurcated supply: regulations ignored → property hard to value & trade.
- Input costs
 - Land
 - Materials
 - Labour skills
- The construction sector
 - Lack of small/ medium firms

Legal rights

Clarity of ownership rights/ property as collateral/ tenancy

- Land rights: privatised by not clarified?
 - Obtained by elite – but often subject to multiple claims
 - Development gains – little property tax
- Property as collateral
 - Need to be able to foreclose fast and efficiently
- Tenancy
 - Highly politicised
 - Rent control / tenant protection undermined the market

Financial innovation

- Aggregate funds plentiful?
 - Savings glut
 - Resource revenues
 - Small savers (M-Pesa)
- Failure of intermediation
 - Commercial Banks unwilling to lend – transactions costs?
 - Need specialised mortgage finance?
 - Inflation:
 - EG: \$15,000 house, 2/3 mortgage, 5% → \$500 - \$800 pa
 - Need indexation of principle and repayments?
 - Policy undermining market:
 - Nigeria: govt offers 6% mortgages when inflation 18%.
- Lending to the construction sector

Supporting infrastructure

- Need for public provision
 - Externalities and increasing returns
 - Need to plan ahead/ build in advance
- Record of under-investment
 - Financing difficulties – failure to capture development gains
 - Antipathy to urbanisation.

Opportunities for income

- Access to (exogenous) work opportunities
- Creation of (endogenous) work opportunities
 - Reciprocal externalities:
 - Residents create local / supply local market
- Density and mixed use
 - Land market rigidities mean that price signals to encourage density are weak?
 - Building planning regulations an obstacle?

Conclusions

- Benefits from growing formal sector private mass housing
- Requires joined up policy
 - Legal/ financial/ housing
 - Central government/ city government
- Weakest link problem → highest level coordination needed