


**WORLD BANK GROUP**

 THE WORLD BANK  
 IBRD • IDA

**IFC** International  
 Finance Corporation

**MIGA** Multilateral Investment  
 Guarantee Agency

MAXIMIZING FINANCE FOR DEVELOPMENT STORIES

# WEST AFRICAN ECONOMIC & MONETARY UNION

## Taking Care of Housing Needs

In the eight francophone countries that make up the West African Economic and Monetary Union (WAEMU), housing is scarce, demand is skyrocketing, and costs are high. The World Bank Group supported interventions to expand access to housing finance for lower-income groups in WAEMU in collaboration with Caisse Régionale de Refinancement Hypothécaire (CRRH), the regional mortgage financing company.

### Development Challenge

Over the next two decades, WAEMU's population will nearly double, mostly in urban areas. This trend is aggravating a large housing deficit, which mostly affects lower-income groups in a region of widespread poverty. Some 800,000 new housing units are needed every year to address the housing shortage, yet WAEMU banks only issue about 15,000 new mortgages each year. WAEMU countries, together with the World Bank Group and donors, are working to address the chronic housing shortage that has been made worse by mortgages that are usually unaffordable for many households.

### The MFD Approach

CRRH issues long-term bonds in capital markets and lends these funds to financial institutions that in turn provide long-term housing loans to consumers. Its members include 54 commercial banks that are also shareholders. Its largest shareholder is the West African Development Bank (BOAD), which has the ability to spearhead regional housing supply reforms. The International Development Agency (IDA) and International Finance Corporation (IFC) are providing additional support to CRRH to expand housing finance in the region through investments, IDA technical assistance, and IFC advisory services.

### Highlights of World Bank Group Support

IFC's \$2 million equity investment in CRRH, securing a board seat, is helping to raise its corporate governance and lending standards.

IDA's \$130 million credit to CRRH, a regional mortgage financing company, through its main sponsor, BOAD, is helping to expand mortgage financing to lower-income households. Another \$25 million grant will support housing policy reform and expand housing supply.

With the support of IDA's Private Sector Window (PSW), IFC, through its Local Currency Facility, invested in CRRH's local currency 12-year bond in 2017, and has plans to participate in more long-term bonds.

## Building up a regional mortgage financing company

WAEMU countries have been working with the International Bank for Reconstruction and Development (IBRD) on housing finance since 2004. One of the major results was the creation of CRRH, which issued its first bond in 2012. In December 2016, IFC made a \$2 million equity investment in CRRH to strengthen its capital base. It also has plans to provide advisory services to CRRH member institutions to improve mortgage lending processes and underwriting standards, including for informally employed households, starting with a capacity building workshop organized in Abidjan, Côte d'Ivoire, in February 2018.

IFC's equity investment and presence on CRRH's board provided assurance to IDA and other donors that it would have good corporate governance and could effectively serve as the implementing agency for strengthening housing policies. IDA is planning technical assistance to help WAEMU countries accelerate the pace of housing production, address key constraints for private developers in accessing secured and serviced land, and build affordable homes.

Complementing the ongoing efforts and investments, Agence française de développement provided a €1.5 million (\$1.8 million) grant to the Center for Affordable Housing Finance in Africa to support the collection of housing data to design policies for affordable housing.

## Raising capital markets funds and crowding in private investment

In 2017, through a 12-year local currency bond issue totaling CFAF 25 billion (\$45 million), CRRH was able to lengthen the term of its loans to financial institutions, which in turn lengthened the maturity of mortgages and significantly improved affordability to low-income households. With the support of the IDA 18 Private Sector Window's Local Currency Facility, IFC participated in the 12-year bond with CFAF 5 billion (\$9 million) and has plans to anchor a 15-year bond in 2018, with the objective to support CRRH's efforts to progressively extend its bond maturity terms to 20 years by 2020. This enabled IFC to access the local currency at competitive rates and amounts by covering the risk of devaluation as well as the risks of currency conversion and transfer.

IDA is providing a scale-up credit of \$130 million to BOAD, which will transfer the credit to CRRH, marking the first use of IDA's Scale-up Facility credit to a regional organization. The credit will enable CRRH to refinance mortgage loans below \$26,000 and allow banks to obtain long-term funding at below-market rates, providing incentive to develop risk management and underwriting systems that serve the low-income segment. An additional \$25 million IDA grant will go toward supply-side reforms to strengthen CRRH's capacity to serve low-income households.

IDA's assistance is also enabling CRRH to refinance small housing loans (less than \$17,000) issued by micro finance institutions. Previously, these institutions served informally employed households yet did not have access to CRRH funding. Through IDA's intervention, households will be able to borrow for five or more years to either purchase or improve a home. IDA will further provide technical assistance to assess the feasibility and setup of a guarantee fund to address the credit risks associated with lending to informal income borrowers.

Other development agencies share the Bank Group's goal of expanding affordable housing finance in WAEMU. For example, the German development bank, KfW, signed a €40 million (\$48 million) credit line with BOAD in 2016 for CRRH to refinance loans below CFAF 25 million (\$42,250) for a maximum maturity of 10 years.

## Improving housing affordability

This program dramatically increases the affordability of housing for many households. As of January 2018, CRRH has issued seven local currency bonds of 10- or 12-year maturity in regional capital markets and refinanced about 8,000 bank mortgages since inception. A model shows that extending housing loan tenors from the current 8 to 15 years reduces monthly mortgage payments by 46 percent; a 20-year loan tenor reduces payments by 72 percent.

Overall, the World Bank Group's investments and support toward strengthening CRRH are expected to crowd in \$5 of private financing through the bond market for every \$1 it invests, directly addressing the financial needs of the sector. As a result, 50,000 businesses and families are expected to obtain new mortgage loans; 200,000 people will get better shelter; and about 250,000 housing-sector jobs will be created.

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### WHAT IS MFD?

Achieving the Sustainable Development Goals to end extreme poverty by 2030 will require about \$4.5 trillion annually, far more than multilateral development banks or donors can provide by themselves. To face this challenge, the WBG adopted the MFD approach, which entails working with governments to crowd in the private sector while optimizing the use of scarce public resources. This approach is guided by the [Hamburg Principles](#) adopted by the G20 in 2017 and builds on the substantial experience across the institution.