World Bank Group Support for Housing Finance

An IEG Housing Finance Report
Maria-Elena Pinglo, November 30, 2016
Rahees Housing Dream Became True
But housing finance solutions remain limited, poorly targeted and underfunded in developing countries
In Africa for example ..... 

- On average, interest rate is 15% for a housing loan.
- Only 3% of the population has income level to qualify for mortgage.
- What happens to the other 97% consisting of people with very different income levels. (Middle, Low and Economically weak population)?
Inadequate Conditions

Growing Demand
What IEG learned........
WBG is focusing on countries with most need

A large share of WBG projects target countries with lowest and low housing Finance penetration rates

- Lowest: 28%
- Low: 60%
- Medium: 9%
- High: 2%

Level of Housing Penetration (Quartiles)
Still, gap is wide

A large share of countries do not have WBG support

Level of Housing Penetration (Quartiles)

- Lowest: 59%
- Low: 30%
- Medium: 5%
- High: 40%
But WBG is devoting limited resources..

- Resources below pre-crisis levels
- A portfolio of $5.2 billion vs. housing gap between $9-11 trillion
This means that the World Bank Group has to apply resources strategically and be catalytic to make a real impact in the sector.
Lessons from Experience
Know the Market

VIETNAM
Some preconditions must be in place
Timing and Sequencing are key
Work with committed partners
Primary Market Interventions

• Support Non-Banking financial institutions only when banks are unable (India) or unwilling (Mexico) to lend.

• NBFI have advantages

• But, they are vulnerable and need to diversify or convert into a bank in order to survive. (Mexico vs. India).
Affordable Housing Interventions

- Develop Solutions (Target) According to Income Level is crucial (West Bank and Gaza)
- Build sustainable communities with spatial considerations - well connected to jobs, access to services (Mexico)
Going forward
Going forward - Challenges ahead

If nothing is done the housing landscape will get worse

Inadequate housing will worsen

The access to housing for all will unlikely be achieved by 2030.

Housing gap will widen.
What Works

- Know the market, target appropriately
- Binding preconditions go first
- Understand compensating factors, timing, sequencing matters
- Work with partners, find champions
Thank you!