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An OPIC-sponsored international investment conference

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Demonstrating to U.S. companies that lucrative investment opportunities await them in Africa's housing sector is the goal of *Housing Africa*, an OPIC investment conference being held in Cape Town, South Africa.

Africa's housing need is evident, given a rate of urbanization that is adding 10 million people to its cities every year. For the year 2001, UN-Habitat estimated that more than 60 percent of Africa's urban population lived in slums, "meaning they lived in overcrowded and congested housing, lacking adequate water supply and sanitation, electricity and adequate shelter with proper tenurial rights."



Yet housing aid accounts for only five percent of external development assistance to Africa.

Consequently, between 80 and 90 percent of annual additions to Africa's housing stock are accounted for by private sector financing - a vast majority of it informal.

And therein lies the opportunity. Reported UN-Habitat last year, "most cities and towns in African countries, as everywhere else, contain substantial fixed capital assets which if properly surveyed, mapped, documented, registered and appropriately fully exploited could substantially finance their infrastructure."

Housing Africa will identify for more than 200 U.S. and African participants ways by which American investors can facilitate the development of a formal housing industry in Africa.



Universal dream: a girl at an Ethiopian refugee camp supported by OPIC insurance illustrates the value of a home. Africa's urban population is expected to grow by 10 million annually until 2020; with little foreign aid going to housing, the sector presents lucrative opportunities for U.S. companies.

Essential to that effort is making mortgage finance more widely available, deepening capital markets, developing housing-related infrastructure, and giving African's title to their property - all subjects on the conference agenda, and of projects successfully undertaken by OPIC in the recent past.

"OPIC has enabled American entrepreneurs to construct housing, develop infrastructure, and extend mortgage financing throughout Africa, so growth of the continent's housing industry is not a matter of if, but when. The aim of *Housing Africa* is to enable more American companies to make this realization," said OPIC President and CEO Robert Mosbacher, Jr. "It is within Africa's power to convert the home from a primary means of shelter to the primary unit of economic development, and America's successful housing industry is the ideal vehicle to make that promise a reality."

MESSAGE FROM THE PRESIDENT

I am pleased to welcome business representatives and government officials from the United States and 20 African countries to *Housing Africa*, an international investment conference devoted to increasing investment in housing sectors throughout Africa, and OPIC's first to focus specifically on the housing industry.

Africa's need to increase its housing stock is clear, especially in and around its cities: the continent's urban population is expected to grow from 224 million in 2002 to 358 million in 2015 - an increase of roughly 10 million people a year. The fact that of the current urban population, more than 60 percent live in slums - largely overcrowded and lacking utilities and property title - means that need is a pressing one, from health, development and security perspectives.

The challenge, therefore, is not simply to build homes - in some ways, the easiest part of the remedy - but to establish

comprehensive housing industries in Africa which both address basic developmental needs *and* serve as platforms for additional economic growth, as they have in the United States.

That means building houses, indeed, but also developing housing-related infrastructure, such as roads, electricity, clean water and sewage systems; giving African's clear title to their property, which will enable them to start more small businesses; and - most importantly - extending mortgage finance to greater numbers of prospective African homeowners.

We at OPIC believe that America's successful housing industry, so crucial as an engine of our country's economic health, is an ideal vehicle to encourage the growth of Africa's housing sectors. *Housing Africa* was designed to identify opportunities for American businesses - construction companies, engineers, banks and suppliers - to invest on the continent,

in partnership with nascent African counterparts in the various segments of the housing industry.

Partnership is the key. Investment in Africa's housing industry, both foreign and domestic, will not relieve the continent's housing need on its own. African governments, international finance institutions, and external development assistance all have a role to play. It is another goal of *Housing Africa* to bring each of these actors together, to inform and synthesize their efforts, so that the growth of Africa's housing industry becomes not a matter of if, but when.

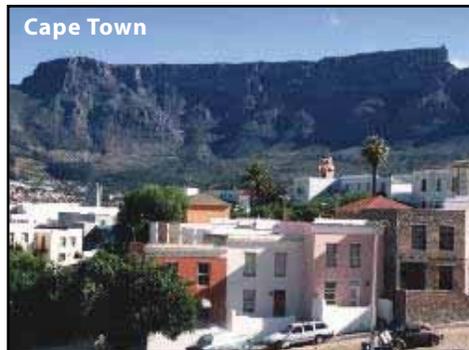
Robert Mosbacher, Jr.
President & CEO
Overseas Private Investment Corporation

Two new OPIC investment funds offer private equity for African companies

Private equity capital is a vital engine of entrepreneurial activity, innovation and economic growth, yet it has been little available in the developing world. OPIC has worked to change that by providing nearly \$3 billion in long-term growth capital for the establishment of more than 30 private equity investment funds over the past 15 years. Those funds have in turn invested \$2.7 billion in more than 390 companies in 53 emerging markets.

Participants in the *Housing Africa* conference will learn about two new Africa-related OPIC funds that are expected to provide up to \$320 million in private equity for investments - and thus significant growth opportunities for African companies.

The Sub-Saharan Africa Fund will invest in high-potential businesses and lever-



aged acquisitions of large regional companies, with an eye toward enhancing their profitability. OPIC selected as fund manager Helios Investment Partners, and will contribute \$50 million to the fund, which has a target capitalization of \$200 million.

The second fund will target southern Africa, with a focus on South African companies with the potential for sub-

stantial operations in the region, and the technology, media and financial services sectors. Called Thesele icapital Africa Fund, it will be managed by Thesele icapital Fund Managers. OPIC is contributing \$40 million to the fund, which has a target capitalization of \$120 million.

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African housing in focus:

OPIC projects address diverse needs: home construction, infrastructure delivery, land tenure, mortgage finance

OPIC's housing portfolio in Africa - \$367 million in financing for nine projects across the continent, with another nine projects under review - supports four pillars of the industry, each vital to the development of viable housing sectors: housing construction, housing-related infrastructure, property tenure, and mortgage finance.

Housing construction

It is estimated that two million households are added in Africa annually, requiring a ten percent addition to housing stock in each country. OPIC has since 2003 concluded housing construction deals in Kenya, Democratic Republic of Congo (DRC), and South Africa. The last is a \$15 million OPIC guaranty for the construction of 90,000 homes in cooperation with South Africa's National

Urban Reconstruction and Housing Agency.

Infrastructure

Successful housing development requires delivery of critical infrastructure systems: electricity and water, modern communications, sewage and roads. Recent OPIC projects have supported the digging of hundreds of potable water wells in Kenya and Ghana, which will reduce incidence of illness and free up valuable labor time; and the construction of roads and power distribution systems related to a 300-unit housing development in the DRC.

Land tenure

Up to half of Africa's urban population lives in informal settlements with without legal recognition, and these settlements continue to grow as the urban population increases. An OPIC-supported project has begun to modernize the land registry system in Kenya, where an \$840,000 OPIC loan will help improve tax collection and other public services in the growing tourist hub of Malindi - with wider application likely throughout the country.



Alexandra township in South Africa has witnessed a housing boom in recent years. A \$15 million OPIC guaranty is supporting a National Urban Reconstruction and Housing Agency initiative to build 90,000 homes throughout the country.

Mortgage finance

Mortgage securitization - pooling mortgages to form a security, selling shares to investors and passing on to them cash flows received from the collateral - has enabled the U.S. to develop secondary mortgage markets. In developing countries, however, 70 percent of housing investment takes place through incremental building, which is not acceptable to conventional mortgage financing institutions. Last year OPIC provided \$46 million in financing for a project in Zambia that will not only build homes and related infrastructure near the capital of Lusaka, but extend mortgage financing to 5000 prospective homeowners.



Different countries, different needs: South Africa, above, has begun to develop secondary mortgage markets while still building its primary market. An OPIC project in Zambia, center, involves both the construction of new homes near Lusaka and financing for 5000 mortgages. Algiers, right, like many North African cities, faces rapid urbanization.



OPIC projects provide potable water in Kenya, housing construction materials in Angola

Two new OPIC projects are supporting efforts to develop infrastructure related in Africa's housing sectors, improving living standards and entrepreneurial independence.

In the first, Living Water International (LWI), a Texas-based nonprofit organization, is using a \$500,000 OPIC loan to drill potable water wells in rural areas of Kenya, providing scores of communities access to clean water. The loan will be used to purchase equipment that will enable LWI to drill 70 more wells annually and reduce a backlog of 500 requests. As each borehole is drilled, LWI crews will provide



OPIC is providing a second loan to Texas nonprofit organization Living Water International (LWI) for the drilling of potable water wells in Kenya. A 2001 OPIC loan enabled LWI to drill more than 200 wells in Ghana, above.

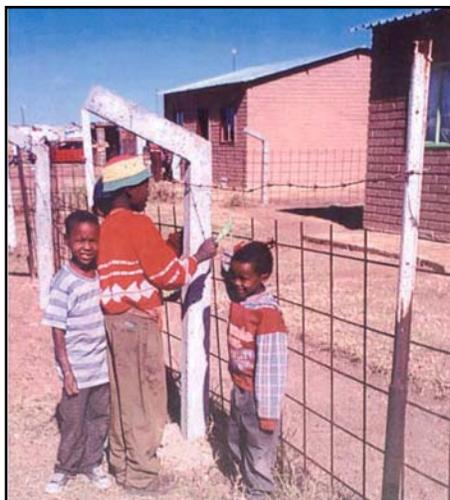
local stakeholders with instruction on water hygiene; after drilling is completed, LWI will train stakeholders in well operation and maintenance.

For the second project, OPIC is providing \$5.7 million in political risk insurance for a combined construction materials factory and construction services company, Afritrak Angola, which operates a manufacturing facility near the capital, Luanda. The primary activity of the company is the manufacture of concrete blocks used for the construction of low-cost homes. The facilities are capable of producing 50,000 cement blocks per day.

HIV-positive housing project in South Africa moves forward

A groundbreaking OPIC project to provide funding for treatment of HIV-positive homeowners in South Africa - enabling them to keep their homes by guaranteeing banks against the risk of defaulted mortgage payments - has reached the delivery stage. It stands to help 350,000 South Africans obtain mortgages.

OPIC provided a \$250 million loan to Housing for HIV Inc., a joint venture between U.S.-based Shared Interest, Inc. and South Africa's Home Loan Guaranty Company (HLGC). Housing for HIV Inc. raised an additional \$50 million from junior investors to form a \$300 million pool of funds.



OPIC's U.S. partner in the project is Shared Interest, a nonprofit organization which serves as an investment fund designed to enhance low-income South Africans' access to credit.

JPMorgan assisted OPIC and HLGC in structuring the transaction, and in sourcing and placing the senior and junior investments

Net proceeds from the investments will be used to purchase medication for HIV-positive homeowners who hold mortgages from banks that are guaranteed by HLGC. Treatment will be provided through agreements with South African clinics.

Should a homeowner miss a mortgage payment and be found to be HIV-positive, the treatment program will be initiated for the affected individual and monitored closely.