

AFFORDABLE HOUSING IN BEIRA: EVERY STEP IS A MILESTONE – Partners for Water

Building to make houses more resistant to flooding and storms is more topical than ever in the city of Beira in Mozambique, after cyclones Idai and Eloise ravaged the area in 2019 and 2021. The solution is not just a matter of building, because such a project must first and foremost be financially viable and affordable for the residents of Beira. Exactly that is the ambition of the assignment of advisory firm FOUNT supported by Partners for Water: to show that flood-proof construction can be interesting for real estate developers and financiers. Because only then projects will be scalable and replicable.



[FOUNT](#) is an advisory firm that aims to increase social and environmental impact in emerging markets, along with reasonable financial returns through viable and scalable business models. For the assignment in Beira, financed by Partners for Water, FOUNT supports the de Desenvolvimento Urbano da Beira (SDUB, the municipal organization for area development) in drawing up a realistic plan for the development of the 3 ha mini-pilot area and a larger area of 50 hectares in the new Maraza residential area to be developed, which is co-financed by Partners for Water and the Dutch Embassy in Mozambique. The first step is to realize five to ten houses.

Bathtub of Beira

The Maraza residential area is one of the components of the Beira Masterplan 2035, which was realized partly thanks to Dutch expertise and financing. The Masterplan aims to make Beira and its inhabitants more resilient to climate change. Maraza covers a total of 450 hectares and is still regularly flooded; the area is known as the bathtub of Beira. In addition, new residents often settle in those areas that are most vulnerable to these floods and that lack good access to safe drinking water and sanitation. The intention is to raise the land by two meters (to protect against flooding) and to provide it with drainage, sewage and drinking water connections. The houses themselves - especially the roofs - must be made more storm-resistant. This principle of 'building back better' is an important aspect of the master plan.



Financing is a big puzzle

Gerard Vos and Christiaan Lensvelt of FOUNT indicate that this is quite a puzzle: 'The first financing phase is the land development, for the pilot area of 3 hectares this was partly made possible by Dutch financing. The second phase is the financing of the project development. The investor/builder's money is locked up in the bricks and will not be returned right away. And that is directly related to the third phase: the potential residents. How do you make sure they can afford the house? The matter is further complicated at each stage by the interest rate, which is 15 to 20 percent.'

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600 mortgages

The houses will cost USD 10,000 and higher. If people cannot afford this, they have to borrow; and a bank has to be willing to offer a mortgage. "For such a purchase price, an income of roughly USD 5,500 per year and higher is required, which most people in Beira do not have, at least not formally. Many people also have an (additional) informal income and we are looking for ways to take that into account when offering financing. One of the banks seems willing to do so. Cross-subsidization may also be possible. Then buyers of more expensive houses pay a little more, as a result of which they subsidize cheaper houses.'

Mortgages are by no means common in Mozambique: so far, only about 600 mortgages have been issued in the entire country, with a population of 30 million. Moreover, Mozambique has little or no experience with urban spatial planning and official social housing is virtually absent. The demand is certainly there, people want to live safely and there is still migration to the city. And the formal housing market is only very modest.

First mortgage provided

'We wanted to make it concrete for financiers: these are the houses, tell us under which conditions you want to provide a mortgage. For this purpose we also work together with Casa Real, a developer of affordable housing that has already built about fifty houses on a higher plot of land, a few kilometers away. That worked, a bank has provided the first mortgage with the necessary ifs and buts. For us that

is a small, but important step towards a business model that will convince developers, and that makes homes really accessible to families in Beira who currently have no access to the housing market.”

Showing that it works

Financial parties and developers perceive high risks and therefore ask for guarantees; they must be convinced of a realistic return. “We play the role of the financial architect that wants to bring all wishes, possibilities and limitations together, we want to solve the puzzle. We aim to show in short cycles that the project works, both towards investors and developers and towards the people who can live there.

Already enough beautiful paper plans exist. Therefore our first priority is to make sure to demonstrate the project with a handful of houses, whereby we aim for 2021. And then more and more houses will be constructed, showing to potential buyers that the project is realistic, that they can register for the next phase and that they are eligible for a mortgage. If that is also successful, the project will enter the phase where the scale is interesting enough for, for example, development banks such as the Dutch FMO.

And ultimately, in the longer term, the goal is of course to build the entire 450 hectare area with affordable and safe housing. You need millions to find billions, every step is a milestone.”

Note: this English text is a translation of the original Dutch article, see

<https://www.partnersvoorwater.nl/story/betaalbaar-wonen-in-beira-elk-stapje-is-een-mijlpaal/>