

Systems: Promoting Systems for Dynamic Interactions between Organizations in the Housing Sector in West Bank/Gaza

Initiative: *Mortgage Market Development Program (MMDP)*, West Bank/Gaza (WB/G), ESAF 294-A-00-08-00222-00, Project Number 3569-010, 18 months, \$1.1 mil., CHF International was a sub-grantee to AED under the USAID-funded *Expanded and Sustained Access to Financial Services Program*. The goal of the program was to spur economic development and community stability within WB/G by expanding the capacity of the local actors in the housing mortgage sector. This was achieved by addressing local capacity issues in key areas of the housing sector which remain underdeveloped, namely, education for consumers (homeowners), bank capacity in mortgage underwriting, professionalization and standardization of residential property appraisals and condominium sustainability through self-governance.

Key Objectives and Components: These were: (1) develop a broader capacity of regulators, lenders, as well as borrowers through the use of cross-sectoral approaches and increased interaction, and (2) allow the nascent capacity of each participating institution to enhance through dialogue, joint development of standards, problem solving and pilot implementation of activities.

Snapshot of the WB/G Housing Market

50-60% of investments are in the housing sector
 11% of labor force is employed in the housing sector
 14% - construction sector's contribution to WB/G's GDP
 47,000 new housing units are needed per year
 323,000 housing units will be needed in the next 10 years

Challenges: Given the multiple levels of intervention and multiple institutional partners involved in the housing mortgage market, the greatest challenge faced by MMDP was to develop systems which would encourage these diverse stakeholders to (1) work together and learn from each other; (2) consider each other's needs and points of view as inputs into the program's strategy for capacity building; (3) jointly search for solutions that would facilitate buy-in and more effective application, once adopted. Ensuring accuracy of information based on the legal framework became another major challenge and required extensive research with many local actors to overcome it. Since many housing market participants "don't know what they don't know," consumer protection, providing accurate and reliable information, and promoting the use of best international practices in the industry also became a challenge.

Impact: The impact of MMDP as a pilot capacity building program can be seen at every level of intervention. At the regulatory level, the Palestine Monetary Authority (PMA) and Palestine Capital Markets Authority (PCMA) now recognize the need for continuous buyer education programs and are currently involved in discussions to formalize a mandatory participation requirement. Among local financial institutions, 7 out of 14 banks took part in the program, with 328 local staff trained to properly underwrite and market long-term mortgage loans required to finance the purchase of the new affordable housing units. The need for continuous expansion of this capacity has been recognized by the International Finance Corporation (IFC) which recently agreed to provide funding for nation-wide formalized training.

For the appraisal industry, PCMA is in the process of approving the standardized form jointly developed through MMDP to be used industry-wide by appraisers and banks, facilitating the underwriting and lending process. Among homeowners, over 200 individuals and 77 members of 13 homeowner and condominium associations participated in buyer education and condominium governance sessions. Since women in Palestine are most often home makers (but not necessarily home owners), the program significantly increased the level of their understanding and involvement in matters relating to home ownership, including negotiations of mortgage conditions and property /condominium management.

Documentation and Evaluation: Documentation of systems development proceeded alongside preparation of all final materials which were made available through web sites and/or through partner institutions. On-going evaluation of MMDP was ensured through the use of questionnaires, surveys and feedback mechanisms which provided validation of the approaches used every step of the way. Newly developed standards and practices incorporated these inputs. The value of this enhanced capacity to the development of the housing sector was recently recognized by the United Kingdom Department for International Development (DfID) which agreed to fund a two-year nation-wide expansion of the program, while another donor agreed to fund additional capacity training for bank staff.

Elements of Success: Capacity building took place at all relevant industry levels and in a manner which ensured that each level learned from the other. Elements that contributed to success included:

(1) A value-chain approach to the housing mortgage which addressed issues from all relevant points of view and involved all stakeholders -- consumers, appraisers, banks, regulators -- using a comprehensive cross-sectoral approach to partnership. This approach was recognized by stakeholders as more effective in solving complex challenges;

(2) A unifying overall objective with which all stakeholders were able to identify -- to promote economic growth in WB/G by strengthening financial and housing-related sectors. Related objectives included: promote affordable housing finance, support the expansion of mortgage financing options, educate a broad range of consumers to meet the challenges facing the mortgage lending, property management and appraisal industry;

(3) Introduction of international best practices with concrete suggestions on how to incorporate them in the current nascent WB/G market.

Mortgage Market Development Program Achievements

- 165 staff from 6 partner banks trained in mortgage marketing and 163 staff from 7 partner banks trained in mortgage underwriting
- Market-based, comparison sales methods introduced to 50+ appraisers
- 77 participants from 13 buildings trained in good governance practices for homeowner associations
- 200+ consumers participated in homebuyer education sessions (first ever in the Arab world)

Scalability and Sustainability: At each level, MMDP put in place mechanisms to ensure sustainability. MMDP staff provided institutional participants and trainees with feedback at every step and these inputs were incorporated into each tool and the educational materials prepared under MMDP. All materials were produced and edited locally in Arabic to meet the needs of the local market. The best practices, standards and standardized forms developed collaboratively are now being adopted and used by local market actors and their professional associations. For example, standardized loan officers' training modules will be used by the banks, model by-laws and home owner association training materials by the Palestinian Land Authority and local private developers, and appraiser licensing standards and qualification criteria by the PCMA. Project round-table events started the practice of broader consulting of local actors in order to ensure that jointly developed solutions are accepted and followed.

The scalability of CHF's pilot approach has been validated by DfID which is funding roll-out of the initiative nation-wide. By working in partnership with multiple housing market actors and involving them throughout the process, MMDP improved their capacity to collaboratively deal with issues, and increased their willingness to adopt and apply the resulting rules and procedures developed by the program, which maximized the impact of the technical assistance and training provided.