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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

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PROJECT PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

ZAMBIA - Housing Investment Guaranty

AID-DLC/P-2191

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

UNCLASSIFIED
AID-DLC/P-2191
June 24, 1976

MEMORANDUM DOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: ZAMBIA - Housing Investment Guaranty

Attached for your review is the recommendation for authorization of the issuance of guaranties pursuant to Section 221 of the FAA of not to exceed ten million dollars ($10,000,000) in face amount, assuring against losses (of not to exceed one hundred per centrum (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing projects in Zambia.

This guaranty is scheduled for consideration by the Development Loan Staff Committee on Monday, June 28, 1976 at 10:00 a.m., in Room 5951 NS; please note, because of the lateness in the fiscal year, we would appreciate your bringing your vote to the meeting. If you are a voting member, a poll sheet has been enclosed for your response.

Development Loan Committee
Office of Development Program Review
and Evaluation

Attachment:
Summary and Recommendations
Project Analysis
Annexes

HOUSING GUARANTY PROGRAM FOR THE REPUBLIC OF ZAMBIA

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GLOSSARY OF ABBREVIATIONS

AID/W	The U.S. Agency for International Development/Washington
GRZ	Government of the Republic of Zambia
HIG	Housing Investment Guaranty
K	Kwacha Zambia Currency (1K = $1.56)
MLGM	Ministry of Local Government and Housing (Zambia)
MOF	Ministry of Finance (Zambia)
NBS	National Building Society (Zambia)
NDP	National Development Plan of the GRZ
NHA	National Housing Authority (Zambia)
PID	Project Identification Document
PP	Project Paper
SER/H	Office of Housing, AID/W
RHUDO	Regional Housing and Urban Development Office for SER/M
TA	Technical Assistance
TDY	Temporary Duty
USAID	An Overseas Mission or post of AID/W

PART I. SUMMARY AND RECOMMENDATIONS

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE ("X" appropriate box)
[X] Original [ ] Change [ ] Add [ ] Delete

PP

DOCUMENT CODE 3

2. COUNTRY/ENTITY
REPUBLIC OF ZAMBIA

3. DOCUMENT REVISION NUMBER

4. PROJECT NUMBER
HG-001

5. BUREAU
a. Symbol AFR
b. Code

6. ESTIMATED FY OF PROJECT COMPLETION
FY

7. PROJECT TITLE - SHORT (stay within brackets)
[HOUSING GUARANTY PROGRAM]

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
a. INITIAL mo. 6 yr. 76
b. FINAL FY

9. ESTIMATED TOTAL COST ($000 or equivalent, $1 =)

a. FUNDING SOURCE	FIRST YEAR FY____ b. FX	c. L/C	d. Total	ALL YEARS e. FX	f. L/C	g. Total
AID APPROPRIATED TOTAL						
(Grant)	( )	( )	( )	( )	( )	( )
(Loan)	( )	( )	( )	( )	( )	(10,000)
Other U.S. 1.						
Other U.S. 2.						
HOST GOVERNMENT						3,000
OTHER DONOR(S)						
TOTALS						13,000

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS ($000)

a. Appropriation (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FY____ d. Grant	e. Loan	FY____ f. Grant	g. Loan	FY____ h. Grant	i. Loan	ALL YEARS j. Grant	k. Loan
					Non Appropriated Funds					
		TOTALS								
11. ESTIMATED EXPENDITURES										

12. PROJECT PURPOSE(S) (stay within brackets) [X] Check if different from PID/PRP

[To improve GRZ performance in providing housing and financing for lower income households by encouraging implementation of policies and strengthening institutions.]

13. WERE CHANGES MADE IN BLOCKS 12, 13, 14, or 15 OF THE PID FACESHEET? IF YES, ATTACH CHANGED PID FACESHEET.
[X] Yes [ ] No

14. ORIGINATING OFFICE CLEARANCE

Signature
C.R. Zenger

Title
Asst. Director, Operations, SER/H

Date Signed mo. 06 day 17 yr. 76

15. Date Received in AID/W, or For AID/W Documents, Date of Distribution
mo. day yr.

AID 1330-4 (7-75)

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE ("X" appropriate box): [X] Original [ ] Change [ ] Add [ ] Delete

PID — DOCUMENT CODE 1

2. COUNTRY/ENTITY: Government of the Republic of Zambia

3. DOCUMENT REVISION NUMBER:

4. PROJECT NUMBER:

5. BUREAU: a. Symbol: Afr. b. Code:

6. PROPOSED NEXT DOCUMENT: a. [ ] PRP [X] PP b. DATE mo. yr. 0 6 7 6

7. PROJECT TITLE - SHORT (stay within brackets): [Zambia Housing Guaranty Program]

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION: a. INITIAL FY [ ] b. FINAL FY [ ]

9. ESTIMATED COST (life of project) ($000 or equivalent, $1 =)

FUNDING SOURCE	AMOUNT
a. AID APPROPRIATED	
b. OTHER U.S.	10,000
c. HOST GOVERNMENT	
d. OTHER DONOR(S)	
TOTAL	10,000

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS ($000)

a. Appropriation (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FIRST YEAR FY___ d. Grant	e. Loan	ALL YEARS f. Grant	g. Loan
		TOTAL				

11. OTHER U.S. ($000)

a. FUNDING SOURCE	b. FIRST YEAR	c. ALL YEARS
MIG Loan (non appropriated funds)		10,000
TOTAL		

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

13. SPECIAL CONCERNS CODE (maximum six codes of four positions each)

14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (stay within brackets)

[To encourage increased GRZ efforts to provide improved shelter and related amenities for low income urban residents.]

16. PROJECT PURPOSE(S) (stay within brackets)

[To increase housing stock, eligible mortgage funds, and establish a demonstration fund for home expansion and improvement, available to low income households.]

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

Provided by SER/H

18. ORIGINATING OFFICE CLEARANCE

Signature

Title

Date Signed mo. day yr.

19. Date Received in AID/W, or For AID/W Documents, Date of Distribution mo. day yr.

AID 1330-2 (7-76)

AID 1020-28 (1-72)

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number: Zambia Housing Guaranty Program

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: To provide improved shelter and available financing to low income urban residents.	Measures of Goal Achievement: Increase in housing, mortgage funding, and home improvement loans made available to low income urban residents.	Monitoring & reporting by GRZ administration, RHUDO/Nairobi, and technical assistance team members.	Assumptions for achieving goal targets: GRZ committed to providing low income housing.
Project Purpose: To create a greater responsiveness in the GRZ to the shelter needs of lower income groups through revised legislation, policy implementation, and strengthening existing institutions.	Conditions that will indicate purpose has been achieved: End of project status: 1. Increased shelter available to low income groups. 2. Legislation on low income financing enacted. 3. Finance institutions lending to low income groups.	Monitoring & reporting by RHUDO/Nairobi and technical assistance team members.	Assumptions for achieving purpose: 1. Continued demand for low income housing & sufficient level of personal savings exist to afford units provided & to repay loans. 2. Units provided accurately targeted to reach low income families.
Outputs: 1. New low cost housing. 2. Mortgage loans for low income housing units. 3. Demonstration home improvement revolving fund.	Magnitude of Outputs: 1. 2,300 new low cost housing units. 2. 550 mortgages. 3. 1,150 houses improved.	Monitoring and reporting by RHUDO/Nairobi.	Assumptions for providing outputs: 1. Project can be constructed within estimated costs. 2. Loans will be repaid.
Inputs: 1. HG loan of $10 million. 2. AID technical assistance for program development. 3. AID program monitoring including surveillance of fiscal & operational mgmt. 4. GRZ financial management for credit reviews, loan servicing, repayments, and program implementation.	Implementation Target (Type and Quantity): 1. Guaranty & investor agreements. 2. SER/H monitors projects in host country & Wash. Tech. assistance in place. 3. GRZ management organization established and proven.	Monitoring & reporting by RHUDO/Nairobi.	Assumptions for providing inputs: 1. HG loan authorized & investor available. 2. GRZ fullfills its commitment to insure against loss. 3. Feasibility studies accurately reflect GRZ institutional capabilities.

B. Recommendations

On the basis of the conclusions reached during the project review and set forth in this paper, it is recommended that a housing guaranty for a loan not exceeding $10 million be authorized for the GRZ. Loan terms and interest rates will be negotiated between the borrower and the investor and are subject to AID approval.

C. Description of the Project

This program is intended to influence and assist the GRZ in determining and implementing housing policies in order to place more emphasis on low-cost house construction and financing. The achievement of this program will initiate efforts which the GRZ will then continue through revised policies and improved institutions.

Project design and implementation will emphasize the need to increase both housing production and financing availability for lower income household through linkages with the existing GRZ institutional structures.

There are three areas of assistance on which the proposed HG program is intended to impact, all of which are designed to assist the GRZ in implementing stated policies relating to the provision of low income shelter.

1. Housing Construction Program: This component of the proposed program is intended to assist the GRZ in the development of low cost housing programs by addressing constraints in financing, construction standards, and strengthening of the city councils in program administration and implementation.

It is proposed that $7,000,000 of the proposed $10,000,000 HG loan will be utilized for the construction of minimum core type housing to be built on the existing site and service plots in seven communities. At an average cost of K2,000, approximately 2,300 core housing units could be provided. Added to the cost of these core units would be the improved site which brings the total cost to the purchaser to around K2,700. Figuring 2.5 times income, house costs could be as much as K3,000 to be affordable by the median income level. At K2,700, it is anticipated that these core units would be affordable by the 30th to the 50th percentile of the urban income range.

HG funds of $7,000,000 will be disbursed by the MOF to the Minsitry of Local Government and Housing which will distribute monies to the seven participating city and municipal councils for programmed housing construction. These councils will also make and service the mortgages for the 2,300 new housing units.

2. Mortgage Fund: The purpose of this component of the proposed HG program is to assist the NBS in adopting procedures designed to make

mortgage financing available to lower income groups and expand savings for housing. It is a demonstration project which is intended to lower the minimum NBS loan from K5,000 to below K2,500.

It is proposed that a $2,000,000 mortgage fund will be established through the NBS, as capital towards the beginning of a major program to provide mortgages for low cost housing.

3. Home Improvement Revolving Fund: The third HG program component is a proposal to provide $1,000,000 in a revolving fund for home improvement loans to low income households. This will also serve as a demonstration project to show that such a mechanism can be created and function effectively and that there is a strong need to keep this form of financing available in order to preserve and enhance Zambia's housing stock.

The demonstration home improvement revolving fund of $1,000,000 will be centrally administered by the National Housing Authority (a parastatal corporation attached to the Ministry of Local Government and Housing.) Loan applications will be processed and serviced by local councils according to criteria and procedures established by the NHA.

4. Technical Assistance: Both because SEP/H and GRZ have certain concerns about the implications of present policies and because some new approaches to housing lower income households are planned, it is considered appropriate to provide the GRZ with the following technical assistance:

1. A comprehensive financial analysis focusing on Zambia's overall interest rate structure including consideration of its economic and social implications, particularly its impact on availability and cost of capital for financing low cost housing.

2. Consultation to NBS regarding the low cost housing mortgage fund, including the organization structure, staffing, household eligibility criteria, loan applications evaluation, house evaluation and loan processing procedures.

3. Consultation to NHA regarding the home improvement revolving fund, including the organization structure, staffing, revolving fund techniques and procedures, household eligibility criteria, and instructions to city and municipal councils regarding the processing of applications and servicing of loans.

4. Analysis of building materials and construction techniques to identify the potentials and methods for substituting local materials for imports and adapting technology as possible to reduce housing costs. (See project issues no. 3, Section III.).

The technical assistance will be funded by the Office of Housing. It is anticipated that senior level consultants will be made available on a TDY basis, at varying intervals, by the AID Office of Housing.

In summary, a total HG of $10,000,000 is proposed of which $7,000,000 will be used to construct and then mortgage about 2,300 basic core housing units; $2,000,000 will be used to provide mortgages for an estimated 550 new low income houses; and, $1,000,000 will be used to provide approximately 1,150 home improvement and expansion loans through a home improvement revolving fund. Thus, about 4,000 housing units will be assisted by this overall program with adequate technical assistance to establish an institutional capacity for continuing programs implementation.

F. Summary Findings

This is a fundamental summary of the project analyses and implementation arrangements sections of this project paper. Only the most important conclusions for decision-making purposes are highlighted here. For ease of cross-referencing, the summary points are presented in the same order as the topics are discussed in the detailed sections of the paper.

Regarding project analyses, the key conclusions are:

1. Technical Analysis

Since the housing to be constructed will use Zambian design standards, common building materials, and regular contractor and self-help construction techniques, and the housing will be located on preserviced plots in already approved projects, it is concluded that there will not be any unusual or extreme technical problems.

The environmental effects of this housing program will be those typical of standard urban housing developments. The plot sizes are more than adequate (average 324 m2), each plot has sewer and water services, storm drainage systems are in place, each site has been inspected and found not to be in a flood plain or to have any unusual features.

2. Financial Analysis

The most appropriate existing organizations of the GRZ (i.e., MOF, MLGH, NHA, NBS and & local governments) have committed to assume various financial roles. While it may be better if Zambia had something in the way of a multiple-service housing bank, what has been arranged through the existing administrative system is the best possible at this time and involves institutional arrangements with satisfactory experience.

Program inputs and outputs balance satisfactorily for a low-cost housing program; each of the three components of the program should be financially viable with the expected good management. The demonstration home improvement revolving fund is a new program feature for Zambia and may therefore experience the most difficulty.

3. Social Analysis

This program will provide needed housing for the household target group below the 40th percentile. Recently these households are paying too much to live in good housing or they are living in older council housing or in squatter areas. Some are benefitting by sites and services projects.

The housing to be provided is conventional for Zambia in terms of location, plot sizes, services, construction materials and techniques. The new features are that the households will purchase and occupy small core units and subsequently expand them using mortgage and improvement loan mechanisms which do not exist presently. Zambians are familiar with self-help housing in sites and services projects but there has been limited experience with contractor-built core houses. Acceptance of the core housing concept is not expected to be a problem--particularly since the houses will be complete living units located in seven communities.

The provision of suitable financing for low-cost housing mortgages and home improvements will enable households to afford better housing with all that entails in terms of life-style considerations (e.g., pride of ownership, more privacy, more healthy environment, increased community identity).

By initiating housing construction and financing programs for lower income households and improving GRZ institutions, it is expected that the GRZ will continue and expand these efforts beyond AID's involvement, thus enabling this program to have a substantial spread effect.

4. Economic Analysis

This program will result in $10,000,000 of investments in new and improved housing in Zambia. Of this new housing investment, an estimated 24% will be spent on imported building materials unless local products are substituted.

The construction labor cost component of the total investment in housing is likely to be 40% or $4,000,000. At an average wage of $1,800 per worker, a total of 2,200 person-years of employment are being created in housing construction alone.

This investment will have a multiplier effect in the sense that it is additional money coming into Zambia's economy over a period of two years (to be paid back over 30 years). Treating this investment similar to an export product which brings in money, the multiplier is estimated to be 2.5. That is, the net internal investment of $7,600,000 (after allowing 24% for imported materials) would contribute roughly $19,000,000 in economic value to the Zambia economy--including primary, secondary, and tertiary economic effects regarding employment, income, sales, value added, profits, etc.

This three-part program for providing low-cost housing is considered

to be the most cost-effective in that: (1) it is sensitively structured to fill gaps in existing programs while achieving existing policies and influencing new policies; (2) it leverages lower-income household capabilities to afford housing by making available suitable financing; (3) it enables better utilization of previous investments in existing houses and improved plots; (4) it utilizes contractor construction for the most important elements of the house while enabling the owner-occupant to then expand his needs as capabilities warrant.

5. Administrative Arrangements

As detailed in part IV, established GRZ organizations will be functioning in their usual manner in implementing this program. The exceptions to this are:(1) the NHA has not operated a home improvement revolving fund although it has the legal authority; (2) the NBS has not made mortgages to lower-income households although it has been directed by the GRZ to do so; (3) the localcouncils have not made house mortgages although they do collect rents on council houses, payments on material loans, land rents on plots and utility bills. Moreover, they will be making mortgages as council houses are converted to owner-occupant status. While these exceptions will require special care by both the GRZ and AID in implementation, the intended results justify the efforts.

AID will monitor the program, exercise its approval perogatives, conduct special evaluations, and provide financinal and construction technical assistance to ensure the proper and successful implementation of this program.

6. Implementation Plan

Major activities by each participant for each part of the program have been determined and charted. Milestones also have been worked out jointly with the GRZ and no unusual difficulties which would require changes are anticipated.

A monitoring plan involving GRZ and AID cooperation has been defined generally in accord with established procedures of both participants. It should be satisfactory for this program.

7. Evaluation Plan

Routine evaluation activities have been defined which entail periodic reviews by the GRZ and AID. Special evaluations are planned regarding construction costs, household income distributions, and implementation of technical assistance recommendations, and changes in housing policy.

8. Conditions, Covenants, and Negotiating Status

There are no essential actions to be taken by the GRZ precedent to executing the project agreement nor are there other special covenants and conditions. The enactment of legislation enabling the NBS to make very low-cost mortgages is important to the implementation of the mortgage fund, but if NBS is not able to initiate this fund, the MLGH would do so.

PART II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. Background

Discussions with the Government of the Republic of Zambia and AID concerning a possible HIG program in Zambia have occurred off and on since Congress provided worldwide HIG authority in 1969. GRZ interest culminated in an official request in 1975. A shelter sector survey team was sent to Zambia in February 1976, and the teams findings were submitted in May 1976.

AID development assistance to Zambia consists of grants for self-help projects and a grant to finance a private voluntary organization program. Grants for self-help projects, which were approximately $25,000 in FY 74 and $16,000 in FY 75, have been for such purposes as clinics, schools and cooperatives. In FY 76, AID authorized a grant of approximately $1.3 million to the Opportunities Industrial Center, International (OICI), a non-profit organization based in Philadelphia, for a vocational training program. Under the program OICI will provide five technicians who will train unemployed persons in Lusaka in one or more building trade skills such as carpentry, electricity, masonry, and plumbing.

The OICI project and the proposed HIG program will directly complement each other in that the success of the HIG project will depend on a pool of skilled construction workers which the OICI project is designed to provide.

The population of Zambia (4,695,000 in 1974) is growing very rapidly. Projections call for the Zambian population to grow at 3% per year for at least the next decade and the urban population to grow at 6% per year. With nearly 1.8 million, or 40% of the population now in urban areas, by 1986 this proportion will be 45%. The overall quality of the urban housing stock has been relatively good compared to other developing countries. However, the massive in-migration of rural poor seeking employment in urban areas has greatly exceeded the provision of new housing. Therefore, every urban Council has housing waiting lists many times the possible availability of units; over-crowding of units (average 2.3 persons per room) is worsening; and squatter housing is proliferating -- from 18.7% of total urban housing in 1969 to 49.1% in 1975. Clearly there is a growing housing problem in Zambia which is becoming increasingly beyond the capabilities of the government to cope with, without assistance.

The standard urban housing stock of families increased an average of 7,500 units from 1969 to 1974. The Ministry of Local Government and Housing estimates from 1976 to 1980 there would need to be 38,200 units per year created in order to accommodate growth and compensate for present deficiencies. Such a prospect is highly unlikely considering economic problems, other needs for resources, and previous housing production levels. However, by upgrading existing housing, providing new low-cost houses, and expanding housing finance to lower income households, the potential for meeting this need would be much better than through the provision of new housing units alone.

Housing policies of the GRZ during both the First and Second National Development Plans (1967-71 and 1972-76) have emphasized urban sites and service projects including both new developments and squatter area upgrading -- with increasing emphasis on the latter. Relatively few housing units have been constructed by national and local governments during this period (approximately 71,000 units). Nearly all of this housing has been too expensive for lower income households. Increasingly, government officials have been recognizing that there is a major gap in the housing supply at the low cost level (other than squatter housing).

Besides the National Housing Authority there are many private contractors which also have demonstrated adequate capabilities. Construction management overall is quite good for a developing country, nevertheless, the overall housing delivery capability needs to be strengthened in terms of scheduling and cost control.

The World Bank is participating in a $40 million squatter area upgrading and site & services in Lusaka at several locations. A second World Bank project in the Copperbelt area is in the planning stages.

B. Detailed Description

The program offers improved housing accommodations for approximately 4,000 households with incomes below the 50th percentile of the household income distribution in urban Zambia. Three separate operations will be carried out.

1. Housing Construction Program

U.S. $7,000,000 (K 4,486,300) will be disbursed by the MOF through the Ministry of Local Government and Housing to City and Municipal Councils for the construction of approximately 2,300 basic core houses (average 20 sq. meters) which can be purchased by lower income families for total sales price of $4,212 to $4,080 (K 2,700 to K3,000). The MOF now makes loans to Councils for 30 years @ 6-1/4%. However, this interest rate may increase to 7-1/4% during the implementation of this project. The following Councils will participate in this program:

Councils	Initial Number of Units Allocated
Kitwe	300
Ndola	300
Mufulira	400
Luanshya	400
Livingstone	200
Kabwe	200
Chingola	200
To be allocated based on need and performance	300
	2,300

The above Councils will be responsible for:

a. Design

b. Construction

c. Sale

d. Mortgaging and repayment of these loans according to the following criteria and procedures:

- Design

  Councils will have basic designs of one- and two-room core houses (approximately 15 square meters and 23 square meters respectively) made available to them; however, they will have the opportunity to design their own core units for K1,500 to K2,000 subject to NHA and MLGH approvals.

- Construction

  Construction of the core houses will be completed by Councils or by competitive award to construction contractors through normal tendering procedures of Zambia.

- Sales

  Sales or allocation will be made objectively through a random sample process to those qualified applicants whose family income is below the estimated medium income of K90, have the financial capacity to repay the loan, do not own another home, and such other conditions adopted by the Council and approved by the Ministry of Local Government and Housing.

*Mortgage and Repayment of Loans

(2,300 loans)

Sales Price*					Monthly Payments 30 year term	
AID	GRZ	TOTAL	Down Payment	Mortgage	Q 6¼%	Q 7¼%
(K2070)	(K700)	(K2770)	(K139)	(K2631)	(K16.2)	(K17.95)
$3230	$1092	$4320	$217		$25.28	$28.00
(K2,300)	(K700)	(K3,000)	(K150)	(K2,850)	(K17.72)	(K19.62
$3,588	$1,092	$4,680	$234	$4450	$27.65	$30.60

*Sales price includes 15% contingency factor

2. Mortgage Fund

$2,000,000 (K 1,280,000) will be disbursed by MOF to the parastatal Corporation, the National Building Society (NBS) for mortgages to lower income families for purchase of low-cost housing (average loan of $3,9 00 K 2,350) on scattered plots throughout Zambia. The NBS will make and service these 550 loans for a fee of 5% of collections plus normal closing cost of (approximately $156 = K 100) and will be responsible for repaying the MOF from mortgage payments.

Sales Price	Down Payment 10%	Average Loan	NBS Appraisal Fee, etc.	Mortgage	Monthly Payment 25 years @7-3/4%*
(K2,500)	(K250)	(K2,250)	(K100)	(K2,350)	(K17.39)
$3,900	$390	$3,510	$156	$3,666	$27.13

3. Home Improvement Revolving Fund

$1,000,000 (K 640,000) will be disbursed through Ministry of Local Government and Housing to National Housing Authority (NHA) for a demonstration program for financing the upgrading and expansion of existing housing owned and occupied by lower-income households throughout Zambia. Improvemen Loans (average $780 = K500) will be made and serviced by local Councils to approximately 1,150 below-median-income households. This demonstration program will be operated by the NHA for five years without repayment of principal to the MOF. Proposed minimum loan of ($390 = K250)to maximum($1170 = K750) could provide 1-3 room addition to existin structures.

Average Loan	NHA	Amount of Mortgage	Monthly payment 5 years @7-½%
$780 (K500)	$39 (K25)	$819 (K525)	$17.60 (K11.28)
$390 (K250)	$39 (K25)	$429 (K275)	$ 9.22 (K 5.91)
$1170 (K750)	$39 (K25)	$1209(K775)	$25.98 (K16.65)

PART III. PROJECT ANALYSES

A. Technical Analysis including Environmental Assessment

The three parts of the proposed housing program (i.e., house construction, mortgages, and home improvements) have significantly different technical and environmental characteristics and implications. Accordingly, they will be analyzed separately.

1. New Housing Construction

Based on the best available data, the average median income is approximately $140 (K 90) per month. The estimated range of income distribution varies from $119 (K76) to $175 (K112) for the communities included in the program.

The National Building Society uses the general rule of thumb of 2.5 times annual income or 25% of monthly income as a guide to what households can afford in terms of mortgages. However, for those entitled to a housing allowance, incomes are adjusted to take account of it. (At the median income level for civil servants, this allowance is 40% of monthly income.)

At 2.5 times income, the house cost could be as much as $4,680 (K3,000) for the maximum median income level. Monthly payments would be a maximum of $39 (K25) at 25% of monthly income.

In terms of present cost levels, it is estimated that low cost housing could be provided for approximately K100 per square meter at this time, or roughly K9 ($14) per square foot. (The characteristics of such housing and detailed costs are presented below and in the appendix.) These unit costs estimates exclude the site and servicing costs.

Allowing 20% for site costs would leave a maximum of $3,744 (K2,400) for the house. Thus, the maximum size house which could be built by contractors would be 24 square meters (260 square feet). In order to provide houses for those well below the median income as well as to allow for inflation and other contingencies average size houses will approximate 20 square meters.

This program entails the use of existing sites and services plots already serviced with water borne sewerage and piped water to each plot and improved road. Electricity is not included in these lower-income subdivisions, however it is frequently provided later. The costs of servicing these plots averages $1,560-$1,872 (K1,000-K1,200). The GRZ has a policy of paying 40% of these improvement costs. Moreover, in Zambia, the land itself is not assigned a value, thus the cost of improvements is the total site cost. Deducting the 40% GRZ payment leaves $936-$1,092 (K600-K700) to be paid by the house purchaser, or 20% of the total cost of house and improved site.

By GRZ policy, the minimum size of low cost plots is 200 square meters and the maximum 400 square meters -- the "official standard size" -- is 324 square meters. These sizes are large compared to low cost housing sites in most countries but Zambia has, and prefers to continue to have, relatively low urban densities. These are single-family detached lot sizes. The relatively limited existing attached houses have substantially smaller plot sizes.

A fundamental consideration here is what could be afforded in the way of a physical shelter by lower income households. Based on early 1976 prices and with strict cost control, a 20 square meter house can be provided for $3,120 (K2,000) or $14 per square foot (K100 per square meter), excluding site cost. Such a house would have concrete floors, concrete block walls, an asbestos roof, glazed windows with metal frames, two wooden doors with metal frames, and basic plumbing in the kitchen and toilet. The interior and exterior walls would be unfinished. This would be a small, expandable house, but of standard construction by Zambian standards.

Cost reductions could be achieved by reducing the size, allowing for more self-help contribution, or substituting local building materials for imports (e.g., sun burnt brick for concrete block, domestic wood for imported pine).

It is considered that $14 per square foot construction cost for a basic low cost unit of 220 square feet is reasonable in May 1976, including a 15% contingency. However, housing construction costs have been increasing roughly 1% to 2% per month and there are instances where increased costs of specific housing projects have been much greater. House hold incomes probably will rise also, but perhaps at only one half the rate of new housing costs. Thus for each passing 12 months, the median urban household income in Zambia can afford 6%-12% less physical house.

Since the 2,300 houses are to be built on plots which are serviced and available and most of the seven councils are experienced in building low cost housing, it is expecte that nearly all of the construction activity will occur between 6 and 18 months of the date of the agreement between AID and the GRZ. Assuming that date to be June 30, 1976, construction costs are projected to increase 10% to 30% during that period. Should the median household income increase at one half this 1-1/2% per month rate, relative housing costs will have increased 5% to 15% -- thus necessitating some cost economies or not being able to reach as deeply below the 50th percentile of the income distribution. In any event, both scheduling and cost control are crucial. (Not that the maximum house cost in early 1976 value is set at K2,000 to allow for increas of up to 20% to K2,400 during the construction period while still meeting the affordable limits of the lower income household.

The above discussion pertains to the potential of creating low cost housing which can be afforded by lower income households in Zambia. It is estimated that the housing can be marketed for at least four reasons: 1) There is a great shortage of decent housing affordable by low cost households in nearly all urban places in Zambia; 2) This proposed housing is to be built in seven communities rather than concentrated in one place; 3) It will be built by local councils which should best understand local needs and preferences; and 4) Mortgage financing will be available to eligible households.

The allocation of the estimated 2,300 new housing units is as follows (subject to some reallocation based on detailed analysis and programming):

City or Municipal Council	Number of Units
Kitwe	300
Ndola	300
Mufulira	400
Luanshya	400
Livingstone	200
Kabwe	200
Chingola	200
Reserved*	300
	2,300

* To be allocated to the above communities based on demonstrated need and performance in constructing the above allocation.

2. Mortgaging of AID Assisted Housing

It is assumed that the maximum mortgage would total $4,680 (K3,000) including $3,590 (K2,300) for the house and $1,090 (K700) for the 60% share of the site improvements. The house portion would be financed using the HIG loan which the MOF would allocate to each of the councils as needed (through the Ministry of Local Government and Housing). The MOF will make this mortgage money available to the seven councils at interest rates of 6-1/4% to 7-1/4% (now 6-1/4% but possibly to be increased). The $7,000,000 at $3,120 average cost will fund nearly 2,300 housing units. The site servicing portion of the mortgage would be handled as a direct council mortgage since the monies to finance these improvements have already been spent or are available as loans from the GRZ at 6-1/4%. The owner occupant will make only one combined mortgage payment. As mortgage payments are made, the local councils will repay the loans made to them by the MOF. (See financial analysis.)

It is considered technically sound to have the councils service these mortgages because they are close to the applicants, and interest rates can be lower than through the NBS. Also, these councils have had experience with installment collections from residents. Collection problems will need to be monitored and corrective action quickly and decisively taken. (Technical assistance will be provided in this regard.)

3. Mortgage Fund

Presently, lower income households are without means of financing home mortgages. The GRZ has determined that council housing to be converted from rental to owner occupant should be accomplished by council mortgages (i.e., essentially converting rent payments to mortgage payments, without the need for financial institution mortgages). However, there are thousands of serviced plots throughout Zambia without houses on them largely because there are no mortgage funds available to justify construction. Also, while there are not many privately held low-cost houses now (outside of squatter areas) there is a problem in financing turnovers.

The National Building Society (NBS) is a parastatal corporation specializing in construction financing and mortgaging. While it has been instructed by the GRZ to make mortgages for low-cost housing, it has yet to do so. The proposed $2,000,000 Mortgage Fund is to be managed by the NBS through a special division or subsidiary on a service fee basis (not to exceed one percent of the average outstanding balance per year). It is hoped that this fund will be the beginning of a major program by the NBS to provide mortgages for low-cost housing. Technical assistance is planned to help set-up this operation and implement the mortgage fund.

The MOF will distribute the $2,000,000 to the NBS as needed at an interest rate to be determined. The NBS will repay the MOF monthly from mortgage payments less the service fee. (See Financial Analyses section for details.)

It is expected that approximately 550 home mortgages could be made at an average of $3,666 (K2,350). These mortgages would be made to lower-income households for suitable housing on the basis of applicant investigations and house appraisals made by the NBS. Eligibility criteria and procedures would be subject to AID review and approval before the program would commence. Moreover, monitoring of results by AID is planned.

This mortgage fund is an important part of the overall program. It should be technically sound since the NBS has an excellent record of making and servicing mortgages. If anything, the NBS has been too conservative in not making loans to lower-income households.

4. Home Improvements Revolving Fund

Presently it is virtually impossible for lower-income households to finance major improvements or expansion of their houses unless they are within active sites and services or squatter upgrading project areas. However, scattered throughout the urban areas of Zambia there are small but basically sound houses which could better serve Zambia's overall housing needs if a bedroom could be added, plumbing installed, windows put in, a dilapidated roof replaced, etc. Moreover, $7,000,000 of this HIG program will be used to construct core houses with the intention that purchasers would subsequently expand them. For this to happen, there must be a financing mechanism.

Financial institutions presently are not making such loans because:

a. There is an overall capital shortage;

b. Alternative demands for loans are considered more desirable to the lenders;

c. There are legal and policy problems (e.g., the NBS requires clear title and it will not assume a second mortgage position); and

d. As a matter of housing policy, until recently the GRZ did not focus on this need.

The NHA has the statutory power to create a housing revolving fund which could be used for this purchase. The NHA does not, however, service loans at this time nor does it operate in all the major urban areas of Zambia. Therefore, it is planned to have the central administration of the revolving fund be the function of the NHA and the processing and servicing of the loans be the responsibility of city and municipal councils.

This $1,000,000 revolving fund is intended to demonstrate that such a mechanism can be created and function effectively and that there is a strong need to keep this form of financing available in order to preserve and enhance Zambia's housing stock. Clearly the $1,000,000 will not go far -- even though the money will roll over at intervals of one to five years.

It is proposed that this fund be created to make eligible loans from one to five years each for an initial trial period of five years (meaning some of the loans made in the fifth year would extend to the tenth year). At the end of five years, a decision would be made jointly by AID and GRZ either to discontinue making new loans or substantially enlarge the fund with GRZ capital. Should the fund be discontinued, the NHA and local councils would maintain operations on a declining scale commensurate with outstanding loans.

The GRZ would disburse portions of the $1,000,000 to the NHA through the MLGH on periodic basis as needs warrant. Local councils would submit aggregate documented requests for loan funds to the NHA each month. The NHA would disburse the requested funds subject to capital availability and the performance of the specific council in servicing previous loans.

It is planned that the councils would absorb the processing and servicing costs of this fund in order to minimize the cost burden to lower-income households. Moreover, the GRZ will make these funds available to councils at the present 6-1/4% (subject to a possible increase to say 7-1/4%) which is charged for other housing and site servicing loans.

Local Councils would collect payments on the loans monthly and forward the amounts collected to the NHA. The NHA then would have this money available for new loans.

There would be a five year grace period on the principal repayment of this $1,000,000 in order to keep the fund truly revolving. Because this entire amount is costing interest to the GRZ, it is imperative that all of it remain in active loans as much as possible. This will entail careful management and coordination by all the participants.

This revolving fund demonstration project probably has more complications associated with it than either the construction or mortgage parts of the program. Nevertheless, it is considered to be technically sound because (1) there is a strong need for it; (2) this is the most efficient and effective way of meeting this need; (3) the institutions involved are adequate to the task; (4) it will receive AID-sponsored technical assistance in getting it established and functioning; and (5) implementation will be closely monitored by the GRZ and AID.

5. Environmental Assessment

This program will provide approximately 2,300 low-cost housing units in seven large communities in Zambia and will indirectly facilitate the provision of another 550 units by providing mortgage funds. It will foster the upgrading and expansion of approximately 1,150 houses through a revolving fund.

It is expected that all of the new housing to be built will be expandable small core units with approximately 15-25 square meters of floor area, indoor plumbing (toilet and kitchen), concrete slab, concrete block, asbestos concrete roof, and the lot size of 200-400 square meters (a standard low-income single-family plot in Zambia). These houses will be constructed on sites which are pre-serviced with sewer, water, graded road and drainage. These subdivisions have been serviced already or are in the process of being serviced. In any event, regulatory approvals have been completed at local, province and national levels. While all these units will have private water taps and waterborne sewerage, only 50% of urban houses in Zambia had such private sanitary facilities in 1974. These houses and their associated plots meet all Zambian regulations. While the houses are small, they will be of standard materials and conventional Zambian construction technology.

Discussions have been held with local engineers and community development officials in each of the seven cities and municipalities pragrammed to participate in this housing construction. Moreover, each of the sites planned for this housing has been visually inspected. Based on these investigations, there do not seem to be any unusual environmental considerations regarding natural features, the site services, or the housing to be constructed.

Under this housing program, mortgages will be made available for 550 (approximately) low-cost houses to be financed with a mortgage fund administered by the National Building Society. As part of its loan application review procedures, the NBS has a "Surveyor's Report and Valuation" prepared by a qualified surveyor which, among other things, checks on the type and quality of construction, availablity of utilities, drainage, type and condition of road, and plot characteristics. It is not possible to specifically consider the likely environmental effects of making this money available. All that can be done is to endeavor to ensure that the housing to be financed is not environmentally detrimental. Compared to the alternatives for lower-income households of squatter dwellings, the modest houses be financed will be environmentally better.

The home improvement revolving fund will enable lower-income households to add rooms, sanitary facilities, a new roof, etc. to small but adequate structures. Presently, without this type of financing, such houses are not being upgraded or the work is being done with temporary materials and inferior workmanship on an incremental basis. Thus, there are significant blighting effects of present practices which the revolving fund is intended to counteract. There will be specific design criteria which must be met to qualify for this financing. Both local councils and the National Housing Authority will have plan review powers.

In summary, given that this housing program is for lower-income households and that the relatively large single-family plots will be pre-serviced with sewer, water, drainage and graded road, the environmental effects will be largely positive. To the extent that the effects are negative (e.g., water run-off) compared to the alternative available types of low-cost housing (i.e., squatter houses and self-help houses in sites and services projects) the housing proposed will be environmentally superior.

B. Financial Analysis and Plan

This description and analysis pertains to the three-part housing program described above. Because the participating organizations are described in the recent Shelter Sector Study and the details of the proposed program are discussed above and in the Implementation Plan (below), this analysis will attempt to minimize repetition while still providing the requisite background needed to comprehend the financial plan.

Tables on the "Summary Cost Estimate and Financial Plan" and "Costing of Project Inputs/ Outputs" are on the following pages.

Rather than again present the program by functional part (i.e., housing construction, mortgage, home improvement revolving fund), this description will be by principal GRZ participants. Financial data on these organizations are included in the Appendix.

1. Ministry of Finance

The MOF will borrow the $10,000,000 pursuant to AID loan criteria and money market conditions at that time. MOF will assume responsibility for the repayment of the loan principal, interest, AID fees and any other eligible associated costs provided for in either the Project Agreement or the Loan Agreement.

The MOF will disburse monies to participating GRZ agencies for the construction and financing of eligible low-cost housing for households below the median income level. This disbursement will be strictly in accord with Project Agreement stipulations. The MOF will monitor the use of these funds and collect repayments from the participating organizations as loans are repaid to them.

2. Ministry of Local Government and Housing

The financial responsibility of the MLGH is to channel funds between the MOF and either the National Housing Authority or the city and municipal councils. This task is not a time-consuming or difficult one. It is a regular function of MLGH which it performs without a service fee. The MLGH will monitor monthly expenditures and loan collections by the NHA and local councils on a formalized request and reporting basis. This role of MLGH applies to both the Housing Construction Program and the Home Improvement Revolving Fund.

3. National Housing Authority

While the NHA has the legal authority to create the proposed Home Improvement Revolving Fund (under the 1971 Act which created the NHA as a replacement for the National Housing Board), it is not primarily a financial organization. In fact, its functions are to build housing, engage in planning and design, and approve plans and designs of others. However, the GRZ is in the process of turning over certain other funds to the NHA; thus NHA will be taking on more of a financial orientation in any event.

The plan is that the NHA would provide the centralized management required to disburse and collect revolving fund monies. The actual functions of processing loan applications and servicing the loans would be the responsibility of local government councils.

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(US $000)

Project Paper

Source	AID	Host Country	HIG Loan	Total
Use:				
House Construction and Financing	-	$3,000 1/	$7,000	$10,000
Mortgage Fund	-	-	2,000	2,000
Home Improvement Revolving Fund	-	-	1,000	1,000
Inflation Factor	-	Not Applicable, sites already serviced	15% year Included in house cost estimate	
Contingency	-	-	15% included in house cost	
Total	-	$3,000	$10,000	$13,000

1/ Estimated total cost of servicing plots upon which houses will be constructed. The GRZ will provide 25% or more of the mortgage financing in that the total value of the serviced sites represents 25% or more of the principal amount of the mortgages.

COSTING OF PROJECT INPUTS/OUTPUTS
(In $000)

Project Paper

Project # _____ Title Zambia HIG

Project Inputs		Project Outputs		
Source	Amount	Estimated 2,300 Houses Constructed and Mortgages Financed	Estimated 550 New and Existing Houses Mortgaged	Estimated 1,150 Home Improvement Loans Made
AID Appropriated	-	-	-	-
Other U.S. (HIG Loan)	$10,000	$ 7,000 house constructed and related mortgages	$2,000	$1,000
Host Country	$ 3,000	$ 3,000 in serviced sites and mortgages related thereto	-	-
Other Donors	-	-	-	-
Total	$13,000	$10,000	$2,000	$1,000

The MOF will make monies available to the NHA through the MLGH as the aggregate needs of local councils warrant (up to the equivalent of $1,000,000). Actual construction will be arranged by the household.

The MOF will loan these monies at 6-1/4% (or 7-1/4%), the NHA will add a K25 service fee to cover its costs and the local councils will request funds from NHA to make loans to qualified applicants.

At this time, it is expected that the councils will service these loans as part of their general operating budget. Since these councils are experienced in collecting on loans for building materials, housing rents for council houses, and payments for utilities they would not experience any unusual problems collecting monthly payments from residents for the 1-5 years of the home improvement loan.

Because NHA is not presently structured and experienced in managing anything like this revolving fund, it is planned to provide AID technical assistance at the outset as well as close monitoring by the MLGH and the RHUDO/Nairobi.

As the councils make collections of the loans, the monies will be returned to the NHA to become available for additional improvement loans.

The life of this demonstration revolving fund will be initially for five years. At the end of this time, the fund will be discontinued or continued on a more permanent, larger scale with other capitalization -- depending on its demonstrated performance. Should this fund be discontinued, the outstanding loans would be serviced by councils and repayments made to the NHA for the life of these loans.

It is recognized that this kind of home improvement revolving fund is expensive to manage and the risks are significant. Nevertheless, the size of the responsibility is relatively small for each of the participants. Effective loan processing and collection efforts are crucial to the success of the fund. Also, it is essential that all the funds be invested at all times to avoid leakage by having idle monies on which the GRZ must pay interest. The social and economic benefit of this form of housing assistance justify the risk, at least on the nominal demonstration basis proposed here.

4. National Building Society

The plan is that the MOF would provide loans to the NBS to capitalize the $2,000,000 Mortgage Fund as the NBS generates demand for the money. The NBS will provide mortgages for eligible lower-income households at interest rates and other terms to be established by the MOF and NBS with AID approval.

The NBS will operate their Fund on a service fee basis through a separate division or subsidiary. As monthly mortgage payments are made, the NBS will repay the loan from the MOF.

The NBS was selected to manage this part of the program because it is the major mortgage lending institution in Zambia. While it has yet to make mortgage loans to lower-income households (because of alternative demands on its capital), there are minor legislative amendments necessary to permit participation in this program. This legislation has been drafted and is expected to be enacted into law in June or July of this year.

The NBS was established in 1974 through the consolidation of three previously existing private building societies. It is a subsidiary of the State Finance and Development Corporation (FINDECO) under the MOF.

The Society's total assets, as of March 31, 1975, were $140 (K90) million. Outstanding mortgage loans totalled $108 (K69) million at the end of the 1974/75 fiscal year and have been increasing at an average annual rate of 7.5%. In the last fiscal year, mortgaged advances approved totalled nearly $39 (K25) million, of which nearly 60% was allocated to housing.

At this time, the NBS has a reported $1.5 million (approximately) of mortgages in arrears. Put in the perspective of the $108 million in total mortgages outstanding and the difficulties with the Zambia economy, this does not seem to be an alarming situation. In fact, NBS officials believe they will make a significant profit this year. Next year may not be as good because of a recent increase in the costs of funds to the NBS while the interest rates charged by NBS have yet to be increased. (Both interest rates are determined by GRZ policies.)

City and Municipal Councils

There are three cities and five municipalities in Zambia. In addition, there are numerous urban and rural townships. The plan is that two of the cities (Kitwe and Ndola) and the five municipalities (Mufulira, Luanshya, Livingstone, Kabwe, and Chingola) would be loaned funds by the MOF as required to construct 2,300 low-cost housing units. This fund actually would be administered by the MLGH. The local governments would sell the completed houses to eligible lower-income households and make council mortgages available on terms to be established by the MOF, MLGH and the local governments with AID approval (planned now at 6-1/4% for up to 30 years with 5% downpayment).

The houses would be constructed within strict cost limits to ensure that they would be affordable by the target households. In each case, the houses would be built on pre-serviced sites under the Second National Development Plan sites and services program. Therefore, the houses could be built quickly -- thus less expensively -- with the lowest possible site servicing costs passed on to the households. Under the SNDP, the GRZ pays for 40% of the servicing costs. The land itself is not assigned any value in Zambia.

At an average cost of $3,120 (K2,000) per housing unit, the $7,000,000 for housing construction would finance approximately 2,300 housing units. The maximum house cost is estimated to be $3,590 (K2,300), with site cost averaging $1,090 (K700), the maximum mortgage amount to $4,680 (K3,000).

The site servicing loans have been made to local councils at 6-1/4% by the MOF. It is intended that the housing construction monies would be at the same rate or only slightly higher. Also, it is expected that the local governments would absorb the costs of servicing the mortgages out of the annual operating budgets.

The financial capability of the seven councils to handle this housing construction and mortgaging program can be partially assessed by putting this program in the perspective of each council's overall operations as shown on the following table. Note that the number of housing units is only 5-10 percent of present council rental units. Also note that the total value of the HIG loan is small compared to each council's operating budget (i.e., 10%-20%).

These comparisons are not intended to obscure the fact that Zambia local governments -- like those all over the world -- are in financial difficulty. In each community, it is increasingly difficult to balance the budget and still keep up with inflation and growing demands for facilities and services. A particularly acute problem is the Housing Account -- each council now is suffering a deficit (some cumulative over two or more years) because: (1) rents have not kept up with increased costs; and (2) the GRZ has eliminated direct subsidies. The deficits are being compensated for by either surpluses in other accounts or by deferring payments due to the GRZ. While slow in being implemented, the GRZ policies to convert council houses to owner-occupant status and to increase rents to market levels should eventually alleviate the present Housing Account problems. Without minimizing the importance of local government fiscal problems, it would seem that solutions will be found to these problems and, in any event, that the councils' abilities to construct and mortgage the proposed housing will not be substantially impaired.

LOW COST HOUSING EXPERIENCE OF CITIES AND MUNICIPALITIES
1974 - May 1976

Community	SNDP (Sites and Services Plots)	Low-Cost Houses
Kitwe	2,427	124
Ndola	4,500	263
Mufulira	935	120
Luanshya	1,000	80
Livingstone	1,356	80
Kabwe	695	75
Chingola	970	229
Total	11,883	971

Source: MLGH.

RELATIONSHIPS OF PLANNED HOUSING TO COUNCIL FISCAL AND HOUSING OPERATIONS, 1976

(All Kwacha estimates in millions)

	Kitwe	Ndola	Mufulira	Luanshya	Livingstone	Kabwe	Chingola
Population 1/	330,000 2/	260,000	154,000	135,000	65,000	115,000	220,000 3/
Housing Units (6 persons per Housing Unit)	55,000	43,000	26,000	23,000	11,000	19,000	37,000
Council Houses	14,789	17,363	4,893	5,000	5,650	4,117	N.A.
Operating Budget (total)	K 13.8	K 18.8	K 5.5	K 3.7	K 6.0	K 5.5	K 5.3
Housing Account (expenditure)	K 3.1	K 3.7	K 0.7	K 0.7	K 0.8	K 0.7	K 0.8
Squatter Houses 4/	12,000	6,000	6,000	3,000	500	9,000	8,000
A.I.D. Housing Program Allocation							
Units	300	300	400	400	200	200	200
Value	K 0.7	K 0.7	K 0.9	K 0.5	K 0.5	K 0.5	K 0.5

1/ Source: C.S.O. Interim Population Projections 1974-84. Figures are for urban areas inclusive of mine townships.

2/ Includes Kaluluski - 49,000

3/ Includes Chililabombwe - 64,000

4/ Informal estimates by Ministry of Local Government & Housing. Figures include traditional peri-urban settlements within local authority areas.

Source: M, L, G, H,

C. Social Analysis

1. Intended Beneficiaries

This HG program will provide housing financial assistance to approximately 4,000 lower income households in seven urban areas of Zambia. The target group is households below the 50th percentile of the urban income distribution because these households meet the Congressional mandate and they have a strong need for the core housing mortgages and improvement loans.

There are an estimated 300,000 urban households in Zambia so the 50% ultimate target group consists of 150,000 households. Roughly, three fourths of the urban population is located in the seven communities to benefit by this program. Thus, the ultimate target group in these communities includes about 112,000 households. The 4,000 direct beneficiaries of this program are 3.6% of the ultimate target group. It is expected that they will be generally representative of the larger group, with a skew toward the upper part of this income range.

These 4,000 households will begin to benefit directly as houses are completed, mortgages are made, and loans are made for home improvements. Nearly all of this activity will occur within the first two years of the program. They continue to benefit from the occupancy of the housing.

A key part of this program is to encourage the GRZ to establish and implement mechanisms for financing low cost housing directed at the ultimate target group. By initiating council mortgages, the NBS mortgage fund and the home improvement revolving fund, considerable progress will have been made in assuring housing finance for the ultimate target group. Moreover, since low cost core housing is not being built now, if this program is successful, the GRZ will be responsive to the needs for the larger population.

Participation by the target group has come through their elected officials at local and national levels as well as by extensive field investigations to learn what such households now have and what they might prefer. By having local councils design, construct, sell, and finance the new houses and make the improvement loans, the program should be sensitive to the specific needs of the target households in each community.

2. Social Considerations Regarding Implementation

The proposed housing and financing mechanisms are intended to fill gaps in existing programs, but to do this in ways which are fully consistent with Zambian needs, preferences, policies and practices.

Existing institutions will implement the program. The housing to be built will be on existing sites and services plots with which urban Zambians are very familiar and find to be satisfactory. The houses will be sold rather than rented. While this has not been done by councils in the past, it has been GRZ policy intention to do this for four years. Market acceptance of ownership is expected to be very strong given suitable financing. There has been a great amount of favorable publicity regarding lower income home ownership.

While the houses will be small, they will be complete liveable units with highly desired piped water and waterborne sewerage. Construction materials and techniques will be conventional in Zambia (concrete slab floor, concrete block asbestos roof), with clear plans showing expansion potentials. It is not anticipated that beneficiaries will need to change any of their values, social organizations, or motivations.

There are those who believe that all households are entitled to a middle class size and quality of house -- including some public officials in Zambia. The GRZ and local councils will undertake to provide information and rationale to these people explaining why it is not possible to house everyone according to middle class standards and why the core house concept is superior to the alternatives of: (1) doing nothing; (2) upgrading squatter housing; and (3) providing sites and services for the target group.

AID and GRZ will agree upon specific procedures and criteria to be applied in selecting owner occupants for this housing and making improvement loans. Also, the entire program will be monitored by the GRZ and AID to ensure that the program continues to focus on the target group. Were these actions not undertaken, there would be a tendency for somewhat higher income households to try to take advantage of this program since they too have substantial unmet housing needs.

D. Economic Analysis

1. Multiplier Effect

The $10,000,000 HIG loan to finance low-cost housing in Zambia will have a significant positive impact on that economy. It is estimated that the money will be spent as follows:

	Dollars	Percent
Building Materials	$ 6,000,000	60%
Imported	2,400,000	24
Local	3,600,000	36
Labor	4,000,000	40
Total	$10,000,000	100%

Over the first two years of the program the Zambian economy will benefit by $7,600,000 of local economic activities (i.e., exclusive of imports). Considering this external infusion of capital as an addition to Zambia's economic base, it will have a multiplier effect in terms of direct and indirect increases in production, sales, wages, and profits. Applying the long-established multiplier factor of 2.5 yields a rough estimate of overall economic benefit of $19,000,000. Adding back the value of imported building materials of $2,400,000 gives a total economic impact of $21,400,000.

2. Employment Effects

Construction workers in Zambia average roughly $100 per month in wages plus fringe benefits and other labor cost of $50 per month. Workers in the various trades which produce the local building materials are estimated to have wages of $135 per month plus $65 in fringes and other labor costs. An approximate estimate of employment effects of the proposed housing investment is derived as follows:

Construction Labor	$4,000,000
÷ Annual Labor Cost Per Worker ($150 x 12)	1,800
Years of Construction Jobs Created	2,200
Local Building Materials	$3,600,000
÷ Annual Labor Cost Per Worker ($200 x 12)	2,400
= Years of Building Material Jobs Created	1,500
Years of Indirect Jobs (1.3 x basic jobs of 3,700)	4,800

Thus, there are an estimated 3,700 worker-years of construction and building material jobs created by this program and another 4,800 worker-years of indirect jobs created to support and complement the basic jobs -- a total of 8,500 worker years. Note that the multiplier factor of 1.3 is used rather than the total multiplier of 1.5 to allow for non-job economic effects included in the 1.5 factor (i.e., interested earnings).

In addition to the employment effects during housing construction, there will be manpower required to service the house mortgages and home improvement loans. Because these functions will be diffused among seven local councils and three national agencies, this workload probably will not require full-time workers. Rather, it will require part-time efforts by many government and parastatal workers.

3. Income Effects

The 8,500 worker-years of additional employment are estimated to have the following income effects:

	Per Worker Year			Total Wages and Benefits			
	Annual Wages	Other Benefits	Total	Worker Years	Wages	Benefits (000)	Total
Construction Labor	$1,200	$600	$1,800	2,200	$ 2,640	$1,320	$ 3,960
Materials Labor	$1,600	$800	$2,400	1,500	2,400	1,200	3,600
Indirect Labor	$1,600	$800	$2,400	4,800	7,680	3,840	11,520
Total				8,500	$12,720	$6,360	$19,080

1/ This would appear to be overstated by 10%-15% because total labor costs add to $19,000,000 whereas as indicated above that amount is the total economic benefit to the Zambia economy including profits and other income consideration to businesses as well as individuals.

4. Cost Effectiveness

The least costly method of providing housing in Zambia is self-help squatter housing without any investment in utilities and improved roads. Most additions to Zambia's urban housing stock are of this type. Recently, the GRZ and World Bank have initiated squatter-upgrading programs.

Zambia has been very active in the provision of sites and services plots with nominal loans for building materials. This has proven to be an inexpensive method of providing affordable housing for very low-income households. Total costs have averaged $1,500 in the past two years -- of this, the GRZ pays nearly $600 or 40%. The remainder is paid by the household at only $5-$10 per month as land rent. A problem with this type of housing is that the quality of housing built varies greatly with much of it being below local standards. Also, in Zambia many of the houses do not get completed at all for lack of financial resources.

The next level of housing which the GRZ and local councils have been providing are complete housing units on serviced plots for at least $6,000 purchase price. According to available household income data, the most that a household at the median income level (i.e., roughly $1,800 per year) could afford (i.e., price at 2.5 times income) would be $4,500. Therefore, it is apparent that the housing needs of lower-income households are not being adequately met by present programs. The proposed HIG program is directed at gaps in established programs to compensate for existing deficiencies and broaden GRZ low-cost housing efforts.

The program includes the construction of 2,300 units of basic core housing at cost levels which can be afforded by the target group. To achieve this objective entails using established construction methods and standardized materials.

While the units need to be small, they will be solid and expandable. Thus, the basic house will be built by contractors, with self-help finishing and eventual expansion. These units will be designed and constructed by local councils with plan approvals and construction monitoring by the National Housing Authority. Depending on individual council capabilities, they will use council labor or contract the actual construction. These houses will be built on available already-serviced plots in order to take advantage of previous investments at less than current prices and to be able to build the houses quickly. Considerable care has been taken to ensure that this new construction program will be as cost-effective as possible for the target household group.

The house mortgages will be processed and serviced by the local councils for the 2,300 new housing units in order to minimize interests costs to the purchasers as to keep fees and other expenses to a minimum. These councils are considered to have adequate capabilities to perform this task.

The Mortgage Fund of $2,000,000 is intended to provide mortgages for approximately 550 houses on scattered sites throughout Zambia's urban areas. There is a major need for a financing source for low-cost housing other than on a project basis. Because of the diffused nature of this Fund, it is most cost-effective to have it managed by the National Building Society -- the leading mortgage lender in Zambia with offices in larger urban areas.

The Home Improvement Revolving Fund will enable owners of existing low-cost housing to expand or otherwise upgrade their housing to a greater extent than is possible now with no such financing available. As a consequence, better use will be made of existing houses and neighborhoods will benefit by more upgrading of a higher quality than would otherwise be the case. Moreover, this Revolving Fund provides the beginnings of a financing mechanism which will be very important to the eventual expansion of the 2,300 core housing units built as part of this overall program.

In summary, the proposed housing program will have substantial economic benefits for Zambia's economy, the housing industry, participating communities, and household recipients. Furthermore, the three-part proposed program is intended to be the most cost-effective means of providing affordable housing for the targeted lower-income household group.

5. Debt Servicing Capacity

For government debt, the ratio of debt service to export receipts remains very low, compared to the average for developing countries, and is projected to be between 3.2 and 7.4% through 1980.

PART IV. IMPLEMENTATION PLANNING

A. Administrative Arrangements

1. GRZ

The following organization chart identifies participating GRZ organizations and their structural interrelationships. Note that while this chart depicts their regular relationships, there are many agencies and parastatal corporations of the GRZ which are not shown here.

The GRZ organizations which will have principal roles in this housing program were analyzed as part of the Shelter Sector Study completed in April 1976. On the basis of that analysis, discussions with representatives of these organizations in the course of preparing the Project Identification Document, and subsequent negotiations, the overall program and the specific role of each organization have been determined. Since these organizations are described in the Shelter Sector Study, only the more germane of considerations will be presented here.

a. Ministry of Finance

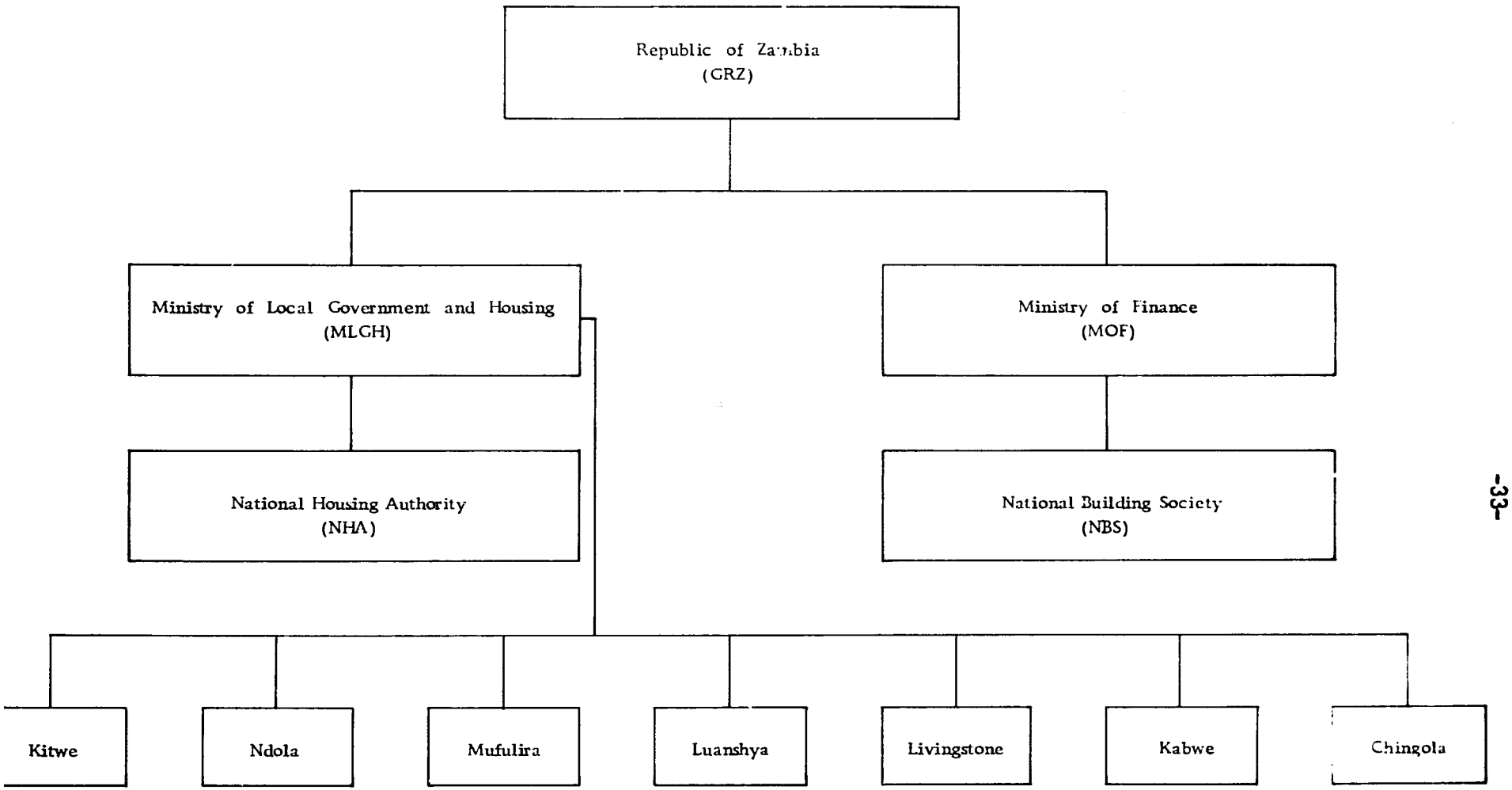
This organization is one of the most administratively powerful and politically influential in all of the GRZ. Its fiscal policy determinations directly affect all government agencies (at all levels) as well as the numerous parastatal corporations which dominate the Zambian economy. All governmental operating and capital budgets are subject to its detailed control.

The Ministry of Finance has on its staff approximately 50 of the 72 economists in Zambia. The Minister of Finance has changed frequently, over the years, but former Ministers have stayed in powerful governmental and political roles for the most part and their successors have come into office from other influential positions.

Most other financial institutions in Zambia are associated with and subordinate to the Ministry of Finance (including the National Building Society).

Overall, the MOF is well organized, efficiently managed and the focal point of fiscal policy and budgetary operation and control. MOF undoubtedly has some weaknesses, but there is no other organization of the GRZ who has the legal status, political stature and technical capability to act as the principal agent for the GRZ regarding the Housing Investment Guaranty Program of AID.

It would seem, nevertheless, that the MOF could benefit by an objective, comprehensive analysis of the housing investment implications of its present interest rate policies and practices -- and this is proposed as one of several forms of technical assistance.


Republic of Zambia
(GRZ)
Ministry of Local Government and Housing
(MLGH)
Ministry of Finance
(MOF)
National Housing Authority
(NHA)
National Building Society
(NBS)
Kitwe
Ndola
Mufulira
Luanshya
Livingstone
Kabwe
Chingola

b. Ministry of Local Government and Housing

All funds which are disbursed from the GRZ to local government pass from the MOF through the MLGH. This Ministry has a very influential role in determining national housing policy, allocating resources among investment alternatives and approving local government plans and progress.

The MLGH has leadership which appears to be technically able and politically influential. The organization structure is good. While the MLGH role in this housing program is central, it is mainly in terms of policy and expediting functions than management of mortgage funds or construction of housing. There is no reason to expect anything but efficient and effective performance of the roles the MLGH is to play in this housing program.

c. National Housing Authority

As a parastatal corporation attached to the MLGH, the NHA has responsibilities for directly constructing houses in its own behalf, constructing houses for local councils and others on a contract basis, approving subdivision and building plans, and providing consultation services on a fee basis (as well as other less important functions insofar as this AID housing program is concerned).

While NHA's primary function is to build housing, it has been determined that its present capability in this regard is not sufficient to have it be the organization primarily responsible for constructing the housing under this program. NHA will have the power to approve the plans of local councils. Moreover, it is reasonable to anticipate that NHA might well construct some of the housing on a contract basis for one or more of the seven city and municipal councils.

There is another key role envisioned for the NHA in this housing program. That is to be the central manager of the Home Improvement Revolving Fund. NHA has the legal authority and willingness to create and operate such a revolving fund, but it lacks the loan servicing organization and experience to do so. Accordingly, the program calls for the NHA to disburse and collect funds from participating local councils which would process applications and serve the loans.

While this decision effectively entrusts NHA with a responsibility for a difficult function for which it is unproven, it is felt that this fund: (1) must have centralized management; (2) should grow into a very important activity; (3) would be legally difficult and expensive for the National Building Society to manage (the other most likely candidate); and (4) would foster the expansion of NHA's housing role vis-a-vis local governments, thus building not only this revolving fund capacity but also its other housing functions.

Because this revolving fund would be new to the NHA, AID technical assistance is proposed to help in devising the organization structure, staffing, funding criteria, and loan processing procedures and techniques.

d. National Building Society

The NBS is the principal mortgage lending institution in Zambia, with $108 million (K69 million) in outstanding mortgages as of March 31, 1975. The NBS is a parastatal corporation held by the State Finance and Development Corporation (FINDECO) which itself is attached to Ministry of Finance.

The NBS operates with a relatively conservative lending philosophy which, among other things, has kept it from making loans to lower-income households. It is proposed to have the NBS manage a mortgage fund for low-cost housing both because there is an immediate need for such loans and because NBS apparently needs some incentive to begin making such loans. While NBS has managed its existing assets and loan portfolio adequately and at reasonable servicing costs (less than one percent), policies as to interest rates which NBS must pay and charge are established at the Ministry of Finance level. Therefore, NBS must operate within financial parameters which it does not control. NBS is restricted by present law from making loans to very low-income households, but this law is expected to be amended by Parliament in June or July.

NBS proposes to set up a separate division or subsidiary for purposes of managing this mortgage fund. It will be imperative that the organization and staffing of this group be the best available. Moreover, AID will need to ensure that the lending criteria and procedures are consistent with HIG program objectives and restrictions. Albeit that there may be difficulties with the implementation of this mortgage fund, the fact remains that the NBS is clearly the most qualified organization in Zambia to perform this function.

While NBS has substantial experience in mortgage lending, because these mortgages will be to a lower-income group than NBS has loaned to before, and because a new group will be formed to manage this fund, it is proposed that AID technical assistance be provided to ensure the most effective implementation of this program.

B. Implementation Plan

1. GRZ

The principal GRZ organization participants and their functional interrelationships are described under section IV-A above. Three network charts are attached hereto -- one for each part of the housing program -- in order to show relationships and time phasing of all significant actions critical to project completion.

Because there are seven city and municipal councils involved in designing and constructing the new low-cost housing, relatively wide time frames for achieving various milestones are shown on the charts. Each council will be instructed to meet the earliest dates possible, but for AID's purposes these wide ranges are appropriate.

The monitoring plan will include involvement of AID housing officers (Washington and Nairobi) as described in IV-A. Also, the Ministry of Local Government and Housing (MLGH) will closely monitor the progress of the seven councils in designing, constructing, selling, and mortgage servicing of the low-cost housing. This Ministry will also monitor the activities of its parastatal associate, the National Housing Authority, regarding this management of the Home Improvement Revolving Fund. Since the National Building Society is attached to the Ministry of Finance, it is appropriate to have the MOF monitor NBS regarding the management of the Mortgage Fund.

The MLGH and MOF will be able to closely monitor all parts of this housing program because disbursements are made by them according to documented requests from the implementing organizations and loan collections are passed upward to them (with appropriate reporting) on a monthly basis.

The Project Agreement will stipulate that either AID or the GRZ can request joint consideration of project redesign or modification in the event that corrective measures are warranted. Changes will be made only on the basis of formal agreement between AID and GRZ.

The cost of this monitoring plan will be funded by AID loan guarantee fees for housing officer and contractor activities. The GRZ plans to absorb its costs of monitoring as part of its regular operating budget activities.

In addition to the regular monitoring of this housing program, there will be specific evaluations as described under section IV-C below.

It has been determined that the most effective means of having project beneficiaries participate in the low-cost housing construction process is by having these houses built by local councils who should best understand the needs, preferences and capabilities of their lower-income constituents. With the Mortgage Fund and Revolving Fund, each household has the option of using this method of financing or electing some alternative. By monitoring household actions and attitudes in the early stages of the program, it may be possible to adapt future stages to more closely fit household preferences and needs.

KEY ROLES OF GRZ ORGANIZATIONS IN AID HOUSING PROGRAM

Organization	New Housing	Mortgage Fund	Revolving Fund
Ministry of Finance	(Primary agent of GRZ. Borrower and Guarantor)		
	* Disburses funds to MLGH	* Establishes guidelines * Disburses funds to NBS	* Disburses funds to MLGH
Ministry of Local Government & Housing	* Allocates and disburses funds to councils * Establishes guidelines * Monitors construction and sales	* No direct role	* Disburses funds to NHA * Establishes policies and monitors implementation
National Housing Authority	* Reviews housing plans of councils * Potentially acts as contractor on tender basis	* No direct role	* Central management of Fund * Approves and disburses funds to councils * Review and final approval of improvement plans
National Building Society (through division or subsidiary)	* No direct role	* Management of Fund; processes applications, ensures criteria are met, services loans	* No direct role
City and Municipal Councils	* Designs and constructs housing on pre-serviced council sites * Processes applications, ensures criteria are met, services mortgages.	* No direct role	* Review of improvement plans * Processes applications, ensures criteria are met, services loans

2. AID

It is contemplated that AID will not need to undertake any extraordinary steps to ensure that the proposed housing program will be implemented properly. There will be AID approvals, monitoring and technical assistance activities as described below:

a. AID Approvals

1. Loan Agreement between GRZ and U.S. financial institution.

2. Drawdown of funds by GRZ from loan account.

3. Design and construction schedules.

4. House designs and cost estimates.

5. Procedures for awards of major contracts.

6. NBS organization structure, loan criteria, and procedures re: mortgage fund.

7. NHA organization structure, loan criteria, and procedures re: home improvement revolving fund.

8. Implementation, host Government guaranty agreements between AID and GRZ.

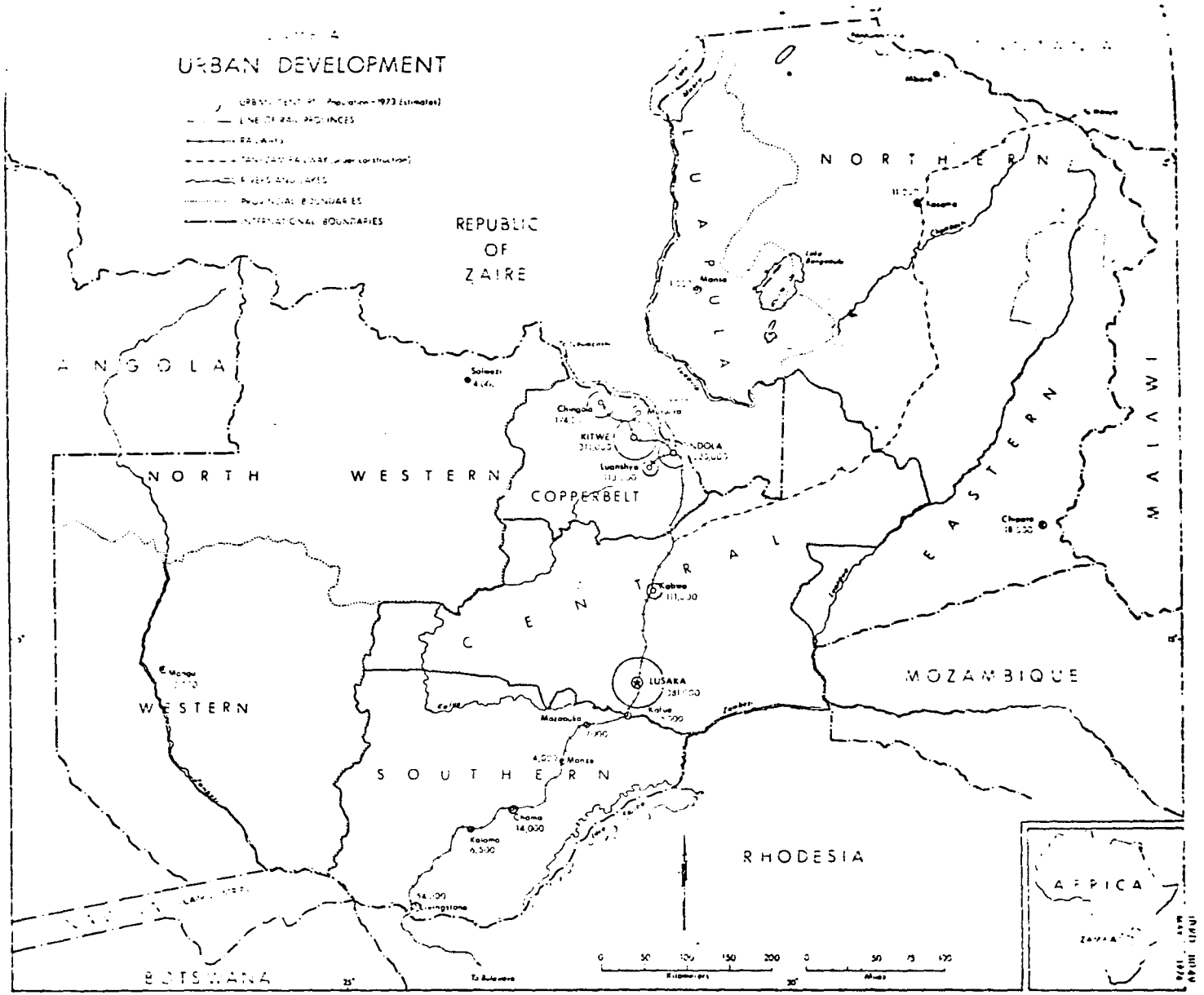
These approvals will be handled by AID in Washington and Nairobi according to established criteria and procedures of the Office of Housing.

b. AID Monitoring

Housing officers in Washington and Nairobi will generally monitor each of the three parts of this housing program from the outset through completion of AID's involvement. No need is anticipated for anyone to be based in Zambia to perform this function. The GRZ will be reporting regularly to the RHUDO/Nairobi.

c. Technical Assistance

The Office of Housing will provide appropriate technical assistance to conduct a comprehensive housing financial analysis for the GRZ. Following this analysis, the Office of Housing will provide the necessary and appropriate technical assistance to City Councils, NBS, NHA, or other institutions, as may be determined by the findings and recommendations of the analysis



SOURCE: World Bank

(1) A comprehensive financing analysis focusing on the following:

- Analysis of Zambia's overall interest rate structure including consideration of its economic and social implications, particularly its impact on the availability and cost of capital for financing housing for lower-income households.

- Analysis and formulation of an action strategy for implementing GRZ policies of moving to market rents and converting council housing from rental to owner-occupied status.

- Consultation to NBS regarding the low cost housing mortgage fund, including the organization structure, staffing, household eligibility criteria, loan application evaluation, house evaluation and loan processing procedures.

- Consultation to NHA regarding the home improvement revolving fund, including the organization structure, staffing, revolving fund techniques and procedures, household eligibility criteria, and instructions to city and municipal councils regarding the processing of applications and servicing of loans.

(2) Analysis of building materials and construction techniques to identify the potentials and methods for substituting local materials for imports and adapting technology as possible to reduce housing costs.

The technical assistance will be funded from the HIG fees of the Office of Housing. It is anticipated that senior level consultants will be made available on a TDY basis, at varying intervals, by the AID Office of Housing. At least 5 technicians for a 16-week period is estimated for a total TA component cost of around $60,000.

C. Evaluation Plan

The monthly progress reports and updated schedules by each of the GRZ implementation agencies (i.e., NHA, NBS and local councils) will provide the bases for periodic evaluation of attainments, problems, shortfalls and anticipated experience for the following month. These reports will be evaluated by the MOF and the MLGH. Major difficulties will be brought to the attention of the RHUDO/Nairobi.

There will be quarterly review meetings in Lusaka -- and to various other communities as necessary -- involving the RHUDO/Nairobi and key participants of the GRZ.

Special evaluations will include at least the following:

1. Analysis of building construction costs in Zambia at the outset of the program to provide pertinent current data to use as a basis for evaluating GRZ cost estimates and actual contractor bids. (This analysis may need to be updated quarterly for as much as two years depending on actual construction schedules.)

2. Updating and refinement of household income distribution estimates -- including making estimates for communities where there are none now -- early in the program to ensure that the program target population, i.e., lower-income households, will actually be able to afford the housing to be provided. (Adjustments in house plans and/or financing may thus be warranted if incomes become substantially different from estimated present levels.)

3. Evaluation of GRZ and local government actions in response to technical assistance findings and recommendations.

As the program passes the stages of housing construction and the demonstration period for the revolving fund, the need for frequent, intensive GRZ-AID evaluations will diminish. Subsequently, quarterly progress reports should suffice since the only activity will be the servicing of loans over as many as 30 years. Should problems develop, however, the GRZ and AID would work together to resolve them.

D. Conditions, Covenants, and Negotiating Status

There are no issues which need to be indicated here as conditions or covenants prior to the initiation of this program. The project proposals have been negotiated as described herein and as verified by the GRZ letter applying for assistance, included as an annex to this paper. However, a condition to this loan will be that during the first year of program implementation, A.I.D. and the GRZ will conduct a review of the overall housing program operations and progress to determine that GRZ housing standards are appropriate and necessary to meet the shelter needs of lower income groups.

APPENDIX

A. Map
B. Urban Household Income Distribution
C. Household Financial Implications
D. Institutional Financial Data
E. Networking Charts
F. Designated Sites
G. Prototype Core House (Layout and Cost Estimates)
H. Letter of Request

B. URBAN HOUSEHOLD INCOME DISTRIBUTIONS

The most recent and most comprehensive estimate of household incomes in Zambia is that of the GRZ Central Statistical Office which is a product of the 1974-1975 Household Budget Survey. These survey data are now an average of 18 months old and need to be updated in order to be directly applicable to the HIG program.

Two summary household income tables from this survey are included on the following pages. Note that the combined median-income weighted by population size of the three cities in the survey was K80 ($125) per month. Since then, the cost of living has increased 15% per year (i.e., a total of 23%). Also, wages by income level for government and selected parastatal workers (less than one-third of total workers) increased 28% for workers previously earning K80-K250 per month. Thus it would seem that for gainfully employed households the median income level is close to K100 ($156) per month.

However, growth in the total urban household income median has been restrained by the continuing in-migration of the rural poor to the cities. Therefore, the median is significantly less than K100 ($156) per month, say conservatively K90 ($140).

There is a significant difference in the median incomes of two of the communities for which housing is planned, i.e., Kitwe and Ndola with K85 ($133) and K69 ($108) respectively. While current data are not available for the other communities, three of them were included in the 1966-68 survey.

By comparing relative differences some approximations can be made as follows:

ESTIMATED MONTHLY HOUSEHOLD MEDIAN INCOMES

Community	1974-1975 K	1966-1968 K	1966-1968 Percent of Kitwe	May 1976 3/ K
Kitwe	85 1/	70	100%	94
Ndola	69 1/	58	81%	76
Mufulira	N.A.	N.A.		N.A.
Luanshya	102 3/	84	120%	112
Livingstone	86 2/	71	101%	95
Kabwe	86 2/	71	101%	9[illegible]
Chingola	N.A.	N.A.		N.A.

Note: K1.00 = $1.56.

1/ Household Budget Survey, 1974-1975.

2/ Estimated based on 1966-1968 relationship with Kitwe median.

3/ 110% of 1974-1975 estimates to adjust for growth in wages reduced by in-migration of poor households.

Sources: 1974-1975 and 1966-1968 survey data from GRZ Central Statistical Office; 1976 estimates by Real Estate Research Corporation.

HOUSEHOLD BUDGET SURVEY 1974 75
DISTRIBUTION OF INCOMES FOR HOUSEHOLDS
LIVING IN LUSAKA, NDOLA, KITWE

Income Group (Kwacha per month)		Squatter Weight = 0.3662		Low-Cost 0.4707		High-Cost 0.1631		Combined	
		Percent	Cum. Percent	Percent	Cum. Percent	Percent	Cum. Percent	Percent	Cum. Percent
0	10	2.5	2.5	0.2	0.2	-	-	1.0	1.0
10	20	2.5	5.0	0.4	0.6	-	-	1.1	2.1
20	30	5.5	10.5	3.7	3.3	-	-	3.8	5.9
30	40	12.2	22.7	8.0	12.3	-	-	3.2	14.1
40	50	17.6	40.3	10.7	23.0	-	-	11.5	25.6
50	60	8.9	49.2	10.2	33.2	-	-	8.1	33.7
60	70	12.1	61.3	10.5	43.7	-	-	9.4	43.1
70	80	8.7	70.0	8.8	52.5	-	-	7.3	50.4
80	90	7.1	77.1	7.6	60.1	-	-	6.2	56.6
90	100	6.1	83.2	7.5	67.6	-	-	5.8	62.4
100	110	4.2	87.4	6.6	74.2	1.3	1.3	4.9	67.3
110	120	1.8	89.2	2.9	77.1	2.1	3.4	2.4	69.7
120	130	2.2	91.4	3.7	80.8	0.4	3.8	2.6	72.3
130	140	1.2	92.6	3.4	84.2	-	3.8	2.0	74.8
140	150	0.5	93.1	2.8	87.0	2.4	6.2	1.9	76.2
150	160	0.5	93.6	1.9	88.9	3.7	9.9	1.7	77.9
160	170	1.2	94.8	1.4	90.9	2.1	12.0	1.4	79.3
170	180	0.5	95.3	1.0	91.3	0.4	12.4	0.7	80.0
180	190	2.0	97.3	0.3	91.6	0.4	12.8	0.9	80.9
190	200	0.5	97.8	0.8	92.4	0.8	13.6	0.7	1.6
200	220	1.2	99.0	1.8	94.2	2.0	15.6	1.6	83.2
220	240	-	99.0	1.5	95.7	2.1	17.7	1.0	84.2
240	260	-	99.0	1.1	96.8	5.4	23.1	1.4	85.6
260	280	0.5	99.5	0.5	97.3	5.4	28.5	1.3	86.9
280	300	-	99.5	0.5	97.8	2.1	30.6	0.6	87.5
300	320	-	99.5	0.2	98.0	3.0	33.6	0.6	88.1
320	340	-	99.5	-	98.0	1.7	35.3	0.3	88.4
340	360	-	99.5	0.4	98.4	3.3	38.6	0.7	89.1
360	380	0.5	100.0	0.2	98.6	1.6	40.2	0.5	89.6
380		-	100.0	0.3	98.9	1.7	41.9	0.4	90.0
400	500	-	100.0	-	98.9	12.8	54.7	2.1	92.1
500	600	-	100.0	0.5	99.4	9.8	63.9	1.7	93.8
600	700	-	100.0	0.3	99.7	11.8	78.7	2.6	96.4
700	800	-	100.0	0.2	99.9	9.4	88.1	1.6	98.0
800	900	-	100.0	0.1	100.0	6.9	95.0	1.2	99.2
900	1000	-	100.0	-	100.0	9.8	98.8	0.6	99.8
1000	+	-	100.0	-	100.0	1.2	100.0	0.2	100.0

Source: Central Statistical Office, 1974/75 Household Budget Survey

HOUSEHOLD BUDGET SURVEY 1974 75
DISTRIBUTION OF INCOMES FOR HOUSEHOLDS
LIVING IN LUSAKA, NDOLA AND KITWE

Income Group (Kwacha per month)		Lusaka Weight = 0.4426		Ndola C.2973		Kitwe C.2601		Combined	
		Percent	Cum. Percent	Percent	Cum. Percent	Percent	Cum. Percent	Percent	Cum. Percent
0	10	1.9	1.9	0.5%	0.5%	0.1%	0.1%	1.0%	1.0%
10	20	1.1%	3.0	1.2%	1.7%	0.8%	0.9%	1.1%	2.1%
20	30	3.8	6.8	4.8%	6.5%	2.5%	3.4%	3.8%	5.9%
30	40	3.7%	15.5	10.1%	16.6%	5.4%	8.8%	8.2%	16.1%
40	50	10.5%	25.5	15.5%	32.1%	9.4%	19.2%	11.5%	25.6%
50	60	8.3%	33.8	8.0%	10.1%	7.7%	25.9%	3.1%	33.7%
60	70	8.3%	42.1%	10.6%	50.7%	9.8%	35.7%	9.1%	43.1%
70	80	6.8	48.9%	5.6%	56.3%	10.1%	45.7%	7.3%	50.4%
80	90	5.9%	54.8	4.1%	60.1%	9.0%	54.7%	6.2%	56.6%
90	100	7.1%	61.9%	2.5%	62.9%	7.3%	62.0%	5.8%	62.4%
100	110	5.7%	67.6%	2.8%	65.7%	5.9%	67.9%	4.9%	67.8%
110	120	2.8%	70.4%	1.6%	67.3%	2.7%	70.6%	2.4%	69.7%
120	130	2.1%	72.5%	2.7%	70.0%	3.4%	74.0%	2.6%	72.3%
130	140	2.1%	74.6%	1.0%	71.0%	3.1%	77.1%	2.0%	74.8%
140	150	1.4%	76.0%	1.7%	72.7%	3.0%	80.1%	1.9%	76.2%
150	160	1.5%	77.5%	2.3%	75.0%	1.8%	81.4%	1.7%	77.9%
160	170	1.9%	79.4%	0.7%	75.7%	1.6%	83.0%	1.4%	79.3%
170	180	0.4%	79.8%	0.3%	76.0%	1.7	84.7%	0.7%	30.0%
180	190	1.7%	81.5%	0.5%	76.5%	0.3%	85.0%	0.9%	80.9%
190	200	1.0	82.5%	0.6%	77.1%	0.2%	85.2%	0.7%	81.6%
200	220	1.5%	84.0%	1.8%	78.9%	1.7%	86.9%	1.6%	33.2%
220	240	0.6%	84.6%	1.0%	79.9%	1.9%	88.8%	1.0%	84.2%
240	260	1.8	86.3%	1.9%	81.8%	0.5%	89.3%	1.4%	35.6%
260	280	0.7%	87.0%	2.0%	83.8%	1.4%	90.7%	1.3%	86.9%
280	300	0.6%	87.6%	0.4%	84.2%	0.8%	91.5%	0.6%	87.5%
300	320	0.8%	87.9%	0.6%	84.8%	1.0%	92.5%	0.6%	88.1%
320	340	0.3%	88.2%	0.4%	85.2%	-	92.5%	0.3%	88.4%
340	360	0.7%	88.9%	1.3%	86 5%	-	92.5%	0.7%	89.1%
360	380	0.4%	89.3%	0.4%	86.9%	0.9%	98.4%	0.5%	89.6%
380	400	0.6%	89.9%	-	86.9%	0.7%	94.1%	0.4%	30.0%
400	500	2.0%	91.9%	3.1%	90.0%	0.8%	95.1%	2.1%	92.1%
500	600	2.7%	94.6%	1.0%	91.0%	0.8%	95.9%	1.7%	98.9%
600	700	2.2%	96.8%	1.6%	95.6%	0.8%	96.7%	2.6%	96.4%
700	800	1.9%	98.7%	1.8%	97.4%	1.0%	97.7%	1.6%	98.0%
800	900	1.8%	100.0%	0.9%	98.3%	1.2%	98.9%	1.2%	99.2%
900	1000	-	100.0%	1.3%	99.6%	0.8%	99.7%	0.6%	99.8%
1000		-	100.0%	0.4%	100.0%	0.3%	100.0%	0.2%	100.0%

Source: Central Statistical Office, 1974/75 Household Budget Survey

C. HOUSEHOLD FINANCIAL IMPLICATIONS

The following table shows the effects of mortgage interest rates of 6-1/4% and 7-1/4% at different income levels. The two income levels of K80 ($125) and K100 ($156) per month represent what is likely to be the minimum and maximum median household income levels in the major urban areas of Zambia where this program will be applicable. The current precise income distributions for the various communities are not known, but the overall urban median income is estimated to be approximately K90 ($140) per month.

	Median Household Income	
	Low	High
Monthly Income	K 80	K 100
Annual Income	K 960	K1,200
Maximum House Value (2.5 x Annual Income)	K2,400	K3,000
Monthly Mortgage Payment (30 years, 100% Mortgage)		
25% Monthly Income	K 20	K 25
6-1/4% Interest Rate	K14.92	K18.65
7-1/4% Interest Rate	K16.52	K20.66
Percent of Monthly Income		
at 6-1/4%	18.6%	18.6%
at 7-1/4%	20.6%	20.6%

D. INSTITUTIONAL FINANCIAL DATA

CAPITAL FUND ALLOCATIONS OF MINISTRY OF LOCAL GOVERNMENT AND HOUSING, 1974-1976

Service	Allocation 1974	1975	1976	Totals
	K'000	K'000	K'000	K'000
1. Low Cost Housing	500	6,083	800	7,383
2. Serviced Plots	5,725	10,519	6,230	22,474
3. Building Material Loans to Participants in Site and Service Schemes	400	500	280	1,180
4. Improvement of Squatter Areas	953	500	80	1,533
5. General Services	5,255	3,721	2,100	11,076
6. New Local Authorities			220	220
Others				
7. National Housing Authority	500	500	-	1,000
8. Chalimbana Local Authority Training Institute	87	36	25	148
9. Civil Service Housing	2,075	1,400	840	4,315
10. Hostels Board of Management	-	100	25	125
11. National Housing Authority: Old Kabwata Redevelopment and Woodlands Housing Schemes	-	3,450	1,000	4,450
	15,495	26,809	11,600	53,904

Source: Ministry of Local Government and Housing.

STATEMENT SHOWING BUDGET GRANTS FOR RECURRENT DEPARTMENTAL EXPENDITURE IN THE MINISTRY OF LOCAL GOVERNMENT AND HOUSING, 1973-1976

Heads	1973	1974	1975	1976
Salaries	872,110	967,580	904,533	1,163,230
Recurrent Departmental Expenditure	619,630	555,280	546,810	1,386,230
Grants and Subsidies	6,384,350	2,947,000	8,508,870	5,550,000
Special Expenditures, e.g., Furniture, Equipment, etc.	12,000	20,000	20,650	15,100
Grand Total	7,888,090	4,489,860	9,980,863	8,114,560

Source: Ministry of Local Government and Housing.

NATIONAL HOUSING AUTHORITY - FINANCIAL SUMMARY

Income Expenditure	1973 1/	1974 1/ (K 000)	1975 2/
Recurrent Expenditure			
Staff Salaries and Expenses	429	467	622
Other Expenses	174	269	281
Total	603	736	903
Recurrent Income			
Interest on Loans	59	66	56
Professional Fees (Management Fees from direct Building Operation)	459	567	125
Surplus on Development Operation	-	-	100
Rent	125	179	170
Total	643	910 3/	903
Surplus (Deficit)	40 4/	174 4/	

Notes: 1/ Audited by Coopers and Lybrand, Public Accounts.

2/ Not audited, NHA estimate.

3/ Includes K63 profit on sale of developed properties.

4/ NHA Contracting Account had excess of expenditure over income of K266,000 in 1974 and K34,000 in 1973; a slight profit was expected for 1975.

ZAMBIA NATIONAL BUILDING SOCIETY - FINANCIAL SUMMARY

	1972-1973	1973-1974 1/ (K 000)	1974-1975
Income and Expenditure and Appropriation Account			
Total Income	6,319	4,992	7,272
Total Expenditure	2,642	2,047	3,255
Surplus of Income over Expenditure	3,677	2,946	4,016
Interest to Shareholders	2,823	2,347	3,129
Surplus Retained	854	599	888

1/ 1973-1974 is for only 9 months because of change in fiscal year.

Balance Sheet			
Assets			
Mortgages advances outstanding	59,682	62,949	68,896
Investments	14,862	19,595	14,336
Fixed Assets	4,341	4,336	5,937
Current Assets	731	972	1,174
Total	79,616	87,853	90,342
Financed By			
Shares	54,529	55,368	53,418
Reserves	4,997	5,596	6,484
Shareholders' Funds	59,526	60,964	59,902
Deposits and Loans	20,088	26,700	30,205
Current Liabilities	-	188	235
Total	79,616	87,853	90,342

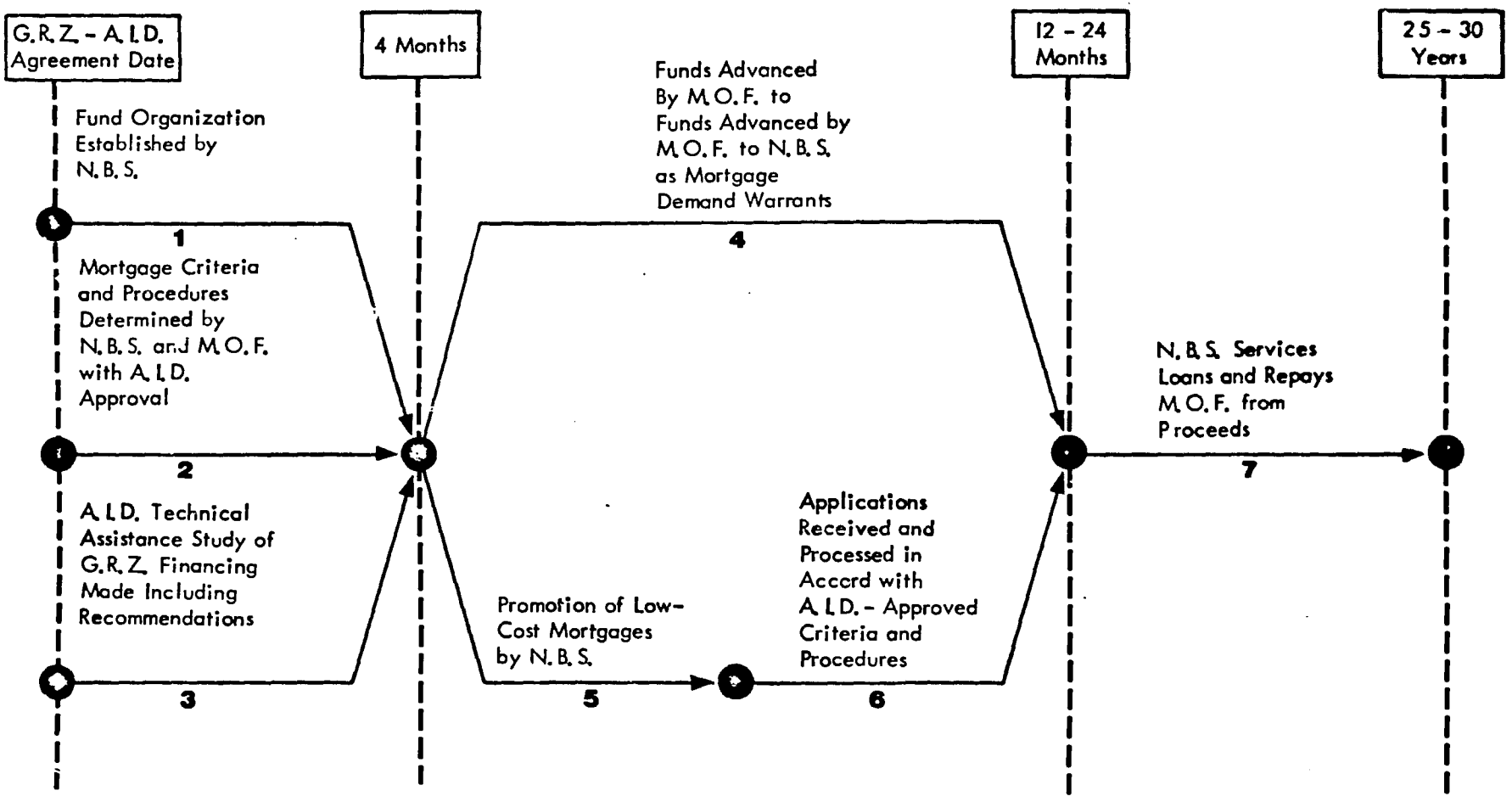
INCOME AND EXPENDITURES OF PARTICIPATING CITY AND MUNICIPAL COUNCILS, 1974-1976

	Income			Expenditures		
	1974		1976	1974	1975	1976
Kitwe						
General	4,404	5,127	5,534	4,508	5,133	5,410
Water	1,327	1,730	1,925	1,488	1,704	1,906
Liquor	2,656	2,720	3,000	2,679	2,733	2,947
Housing	1,7	1,748	1,748	2,981	3,382	3,584
Livingstown						
General	3,327	3,535	-	3,465	3,638	-
Water	322	392	-	359	338	-
Liquor	1,040	1,204	-	1,038	1,133	-
Housing	572	572	-	798	899	-
Chingola						
General	1,802	1,935	2,876	1,988	1,933	2,839
Water	404	374	402	443	437	563
Liquor	1,069	1,110	1,114	978	1,039	1,100
Housing	710	710	710	879	934	907
Ndola						
General	6,056	6,064	6,807	8,933	8,841	9,835
Water	1,624	1,761	2,184	1,500	1,712	2,106
Liquor	2,454	2,769	2,825	2,322	2,617	2,758
Housing	2,895	2,813	3,324	3,988	3,816	4,175
Mufulira						
General	1,169	1,273	2,217	1,234	1,273	2,135
Water	325	339	400	363	392	511
Liquor	1,568	1,769	1,953	1,534	1,705	1,885
Housing	836	837	891	834	846	1,018
Kabwe						
General	1,070	-	-	1,070	-	-
Water	452	-	-	341	-	-
Liquor	932	-	-	956	-	-
Housing	986	-	-	1,114	-	-
Luanshya						
General	955	1,356	1,576	1,134	1,188	1,431
Water	217	233	348	209	254	321
Liquor	732	813	1,025	706	799	986
Housing	659	736	736	717	864	1,008

Source: Ministry of Local Government and Housing.

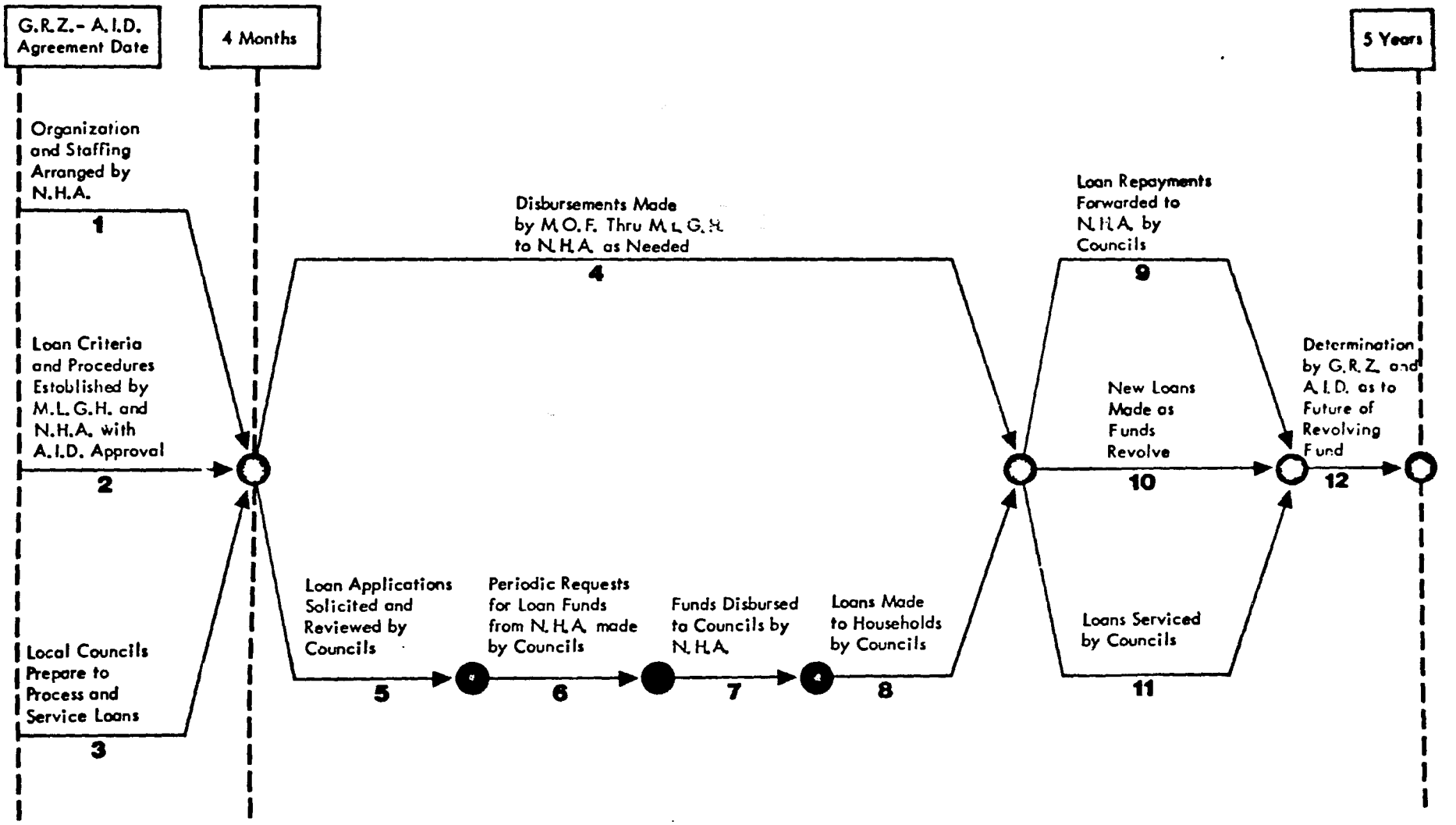
PLANNED PERFORMANCE NETWORK CHART

FOR MORTGAGE FUND



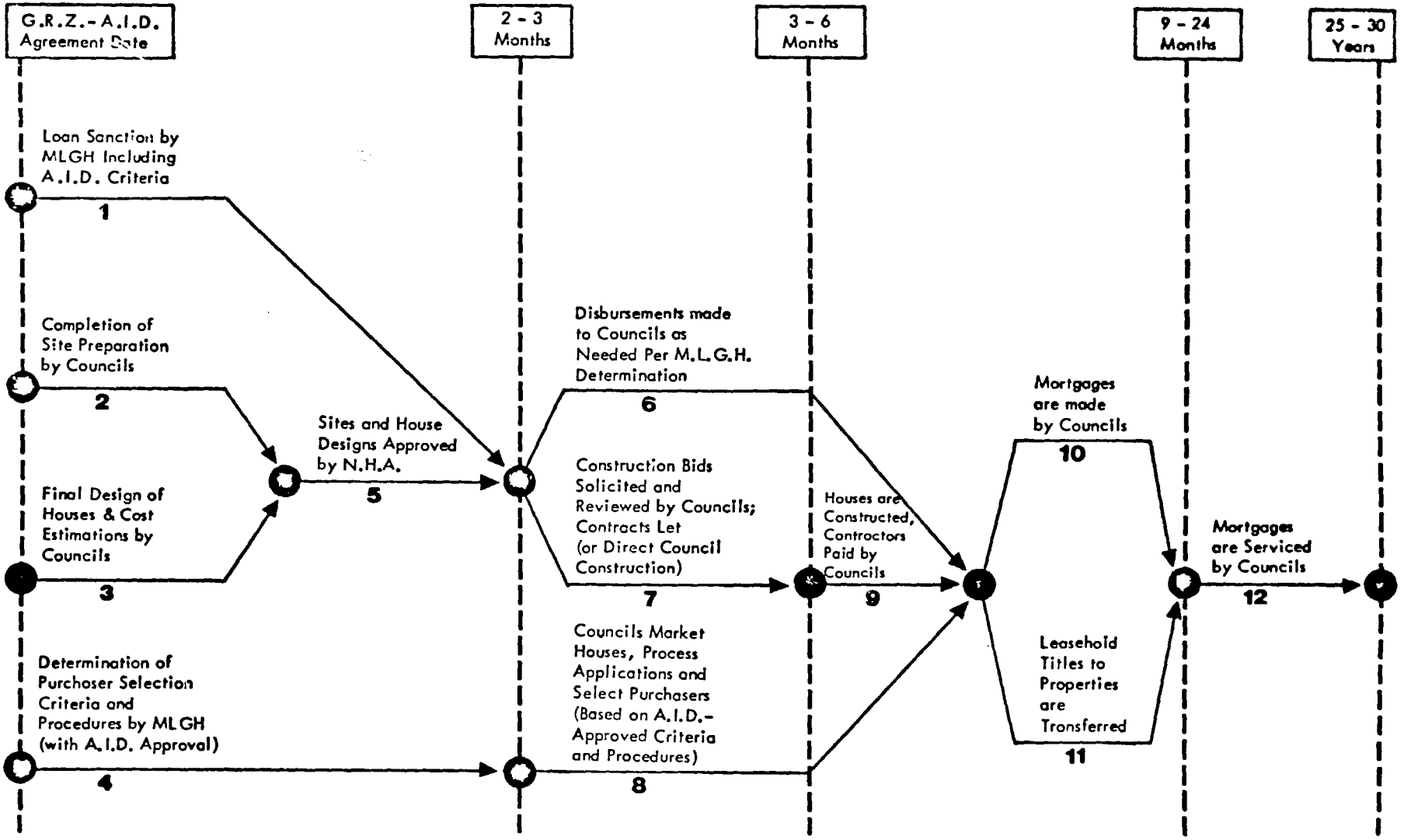
PLANNED PERFORMANCE NETWORK CHART

FOR HOME IMPROVEMENT REVOLVING FUND



PLANNED PERFORMANCE NETWORK CHART

FOR HOUSING CONSTRUCTION PROGRAM



DESIGNATED SITES FOR HOUSING CONSTRUCTION

It is planned that the houses will be constructed on pre-serviced plots which have been developed under Phase I of the Second National Development Plan sites and services scheme. Financing for these projects has been provided by the MOF to local governments at 6-1/4% interest rates. The decision to use such ties for the core houses was made to expedite construction, take advantage of committed investments in infrastructure, and provide a different type of housing on an integrated basis with the self-help housing (an explicit GRZ policy).

Each of the seven cities and municipalities has an adequate number of suitable plots which they are willing and able to commit to this program based on tentative allocations made by the MLGH. These housing allocations and the designated projects where they would be built are summarized below. All these sites will be ready for housing construction by October 1976 at the latest according to town engineer estimates. They are all well located and designed according to NHA criteria. Lots average 324 M^2. Plots have piped water, waterborne sewerage and graded roads.

SUMMARY OF DESIGNATED SITES FOR NEW HOUSES

City or Municipality	Sites and Services Project	Plots Available	Tentative Allocation of Housing by MLGH
Kitwe	Riverside	600	300
Ndola	Mushili	1,500	300
Mufulira	Kalukanya Square	400	400
Luanshya	SNDP-Phase I	800	400
Livingstone	SNDP-Phase I	800	200
Kabwe	Lukanga	545	200
Chingola	SNDP-Phase I	970	200
			2,000*

* Additional 300 houses to be built under this program will be allocated based on demonstrated need and capability to produce the units allocated above within established criteria.

G. Prototype Core House -- Layout and Cost Estimates

The NHA has designed and constructed a low cost house which is indicative of the house that a household could eventually have by starting with a core and expanding it in stages to the final size of 49 square meters. (The plan for the house is on the following page.)

The NHA, on May 12, 1976, prepared a detailed cost estimate for 25 square meters of this house which includes the kitchen, one bedroom, and bath. A summary of this cost estimate follows. By eliminating electricity and painting, the K2,944 cost estimate would be reduced to K2,416 ($3,769) which is just affordable at the 50th percentile of the estimated household income distribution.

By reducing the size of both the kitchen and bath, a core house of 20 square meters could be provided for approximately K2,000 ($3,120). The smallest core unit which is planned would be one all purpose room plus small bathroom in an enclosed area of 15 square meters. This would cost approximately K1,600 ($2,496).

These prototypes will be provided to local councils as plans which can be used. Each council will have an opportunity to design their own house as long as it meets the requirements at least as well as the NHA plans do.

SUMMARY OF CORE HOUSE COST ESTIMATES

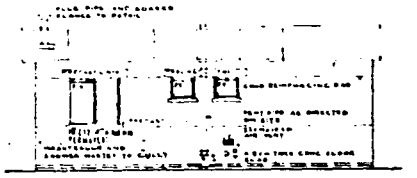
	K	$
Substructure	356	555
Concrete Work	139	217
Blockwork	348	543
Roofing	197	307
Joinery	370	577
Metalwork	298	465
Plumbing	408	636
Pavior and Plasterer	243	379
Glazing	55	86
Painting	178	278
Electricity	350	546
Total	2,944	4,593

(Includes 15% contingency as well as all material and labor costs.)

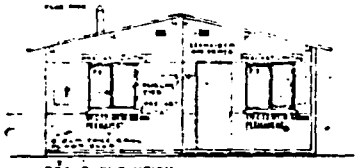
Note: This house is 25 square meters including kitchen, bedroom, and bathroom.

Source: National Housing Authority, May 12, 1976.

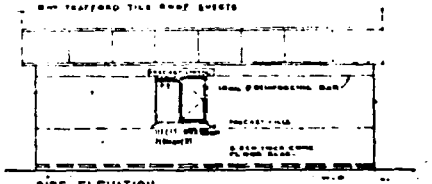
REAR ELEVATION



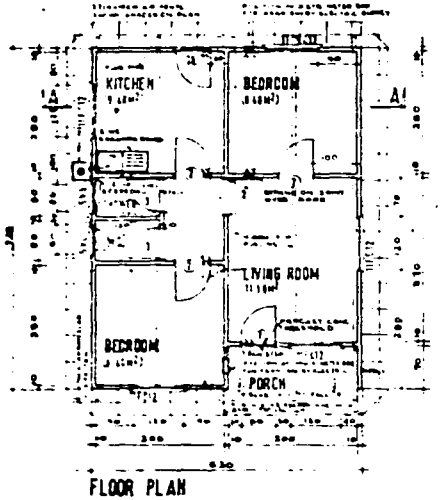
SIDE ELEVATION



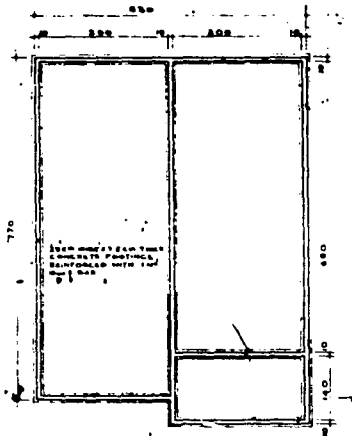
FRONT ELEVATION



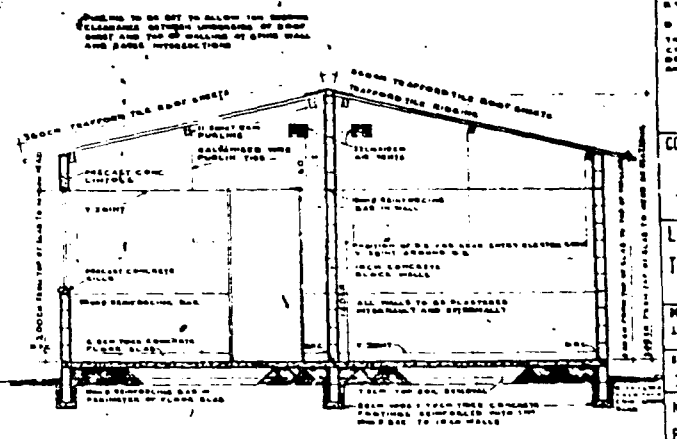
SIDE ELEVATION



FLOOR PLAN



FOUNDATION PLAN



SECTION A-A

REVISIONS

NOTES

CONTRACT

LOW COST HOUSE
TYPE 2B/4B 51

DRAWN BY: J.K.SAMBO
DESIGNED
C.A.
C.CLERK

DATE: 3. 11 1971
SCALE: 1:50 & 1:25

NATIONAL HOUSING AUTHORITY
P.O BOX RW 74, LUSAKA.
PHONE 50333

DRG NO
0126

#8

12th May, 1976.

Her Excellency Miss Jean Mary Wilkowski,
Ambassador of the United States,
United States Embassy,
Lusaka.

Your Excellency,

USAID GUARANTEED LOAN FOR LOW COST HOUSING

Pursuant to discussions with Mr W.N. Goodson, RHUDO, Nairobi, and AID Consultant, Mr R.S. Devoy, the Republic of Zambia hereby applies for assistance under the US Housing Investment Guarantee Programme.

Acting on behalf of the Republic of Zambia (GRZ), the Ministry of Finance (MOF) is willing and able to act as borrower of a loan from a US financial institution under a Housing Investment Guarantee (HIG) Programme Agreement between the GRZ and AID for the provision of low cost housing for lower income households.

A loan of $10,000,000 will be negotiated by the GRZ with a US investor subject to the criteria and approval of AID. This loan will be managed by the Ministry of Finance according to provisions of the AID-GRZ Agreement (to be negotiated).

The MOF will disburse monies to appropriate GRZ organisations for the following programme purposes :-

HOUSING CONSTRUCTION PROGRAMME
(approximately $7,000,000)

Funds will be disbursed through the Ministry of Local Government and Housing (MLGH) to City and Municipal Councils for the construction of basic core houses (an estimated 2,000 units) which can be afforded by lower income households.

The MOF will make these monies available for up to thirty years. The Councils will be responsible for the construction, sale, mortgaging and repayment of these loans according to AID approved critetia and procedures.

/.....

MORTGAGE FUND
(approximately $2,000,000)

The MOF will disburse designated monies to the Parastatal Corporation, the Zambia National Building Society (ZNBS) with which the ZNBS will make mortgages to lower income households for eligible existing or new housing, on scattered plots throughout Zambia. The ZNBS will make mortgages and will be responsible for repaying the MOF from mortgage payments. This is subject to the passing of the necessary amendment to the appropriate Act of Parliament.

HOME IMPROVEMENT REVOLVING FUND
(approximately $1,000,000)

The MOF will disburse designated monies through the MLGH to the Parastatal Corporation the National Housing Authority (NHA) for purposes of implementing a demonstration programme for financing the upgrading and expansion of existing housing owned and occupied by lower income households throughout Zambia. Loans to applicants would be made and services by local Councils according to NHA criteria and procedures approved by AID. This demonstration programme would be operated by the MLGH for five years without repayment of principal to the MOF. At the end of five years, the MOF and AID would jointly determine the future of this programme.

The MOF appreciates this opportunity to cooperate with AID. We look forward to expeditiously and cooperatively working out the details of the Agreement with AID within the framework described herein or as mutually defined.

Very truly yours,

J.M. Mwanakatwe
MINISTER OF FINANCE

STATUTORY CHECKLIST

Section 221:

The total face amount of guaranties issued, outstanding at any one time, shall not exceed $430,000,000.

The proposed guaranty will finance self-liquidating housing projects suitable for conditions in Zambia.

Section 222(b):

The proposed guaranty qualifies under the criteria of one or more of the following subsections of Section 222(b) in that it assures against loss of loan investment in:

> 222(b)(1): Private housing projects of types similar to those insured by the Department of Housing and Urban Development and suitable for conditions in Zambia;
>
> 222(b)(5): Housing projects in Africa, 25 per centum or more of the aggregate of the mortgage financing for which is made available from sources within Africa and is not derived from sources outside Africa which projects shall, to the maximum extent practicable, have a unit cost of not more than $8,500.

Section 223(a):

The AID guaranty fee has been determined by AID in accordance with the authority delegated by the President.

Section 223(f):

The maximum rate of interest allowable to the eligible U.S. investor to be prescribed will not be more than one percent above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development.

Section 223(h):

No payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

Section 223(j):

The proposed guaranty qualifies under Subsections 223(j) (1), (2) and (3) in that Zambia is currently receiving development assistance under Chapter 1 of Part I of the FAA, and the proposed housing projects are and will be coordinated with and complementary to such assistance and are specifically designed to demonstrate the feasibility and suitability of core housing, low income home improvement loans, low income mortgage financing, and new institutional arrangements in Zambia.

The project is designed and planned by AID so that at least ninety percent (90%) of the face value of the proposed guaranty will be issued for housing suitable for families with incomes below the median income (below the urban median income for the housing in urban areas) in Zambia.

The $10 million housing guaranty will be authorized in the fiscal year in which this project is approved. The face value of guaranties issued (i.e. authorized) with respect to housing in Zambia shall not exceed $25 million in any fiscal year. It is planned that the average face value of all housing guaranties issued (i.e. authorized) in any fiscal year shall not exceed $15 million.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

GUARANTY AUTHORIZATION

Provided from: Housing Investment Guaranty

ZAMBIA: The Republic of Zambia

Pursuant to the authority vested in the Assistant Administrator, Bureau for Africa, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 221 of the FAA of not to exceed ten million dollars ($10,000,000) in face amount, assuring against losses (of not to exceed one hundred per centum (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing projects in Zambia.

This Guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loan shall extend for a period of up to thirty years (30) from the date of disbursement of the first installment of the loan including a grace period on the repayment of principal not to exceed ten (10) years. The guaranty of the loan shall extend for a period beginning with the first disbursement of the loan and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loan.

2. Interest Rate: The rate of interest payable to the Investor pursuant to the loan shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans.

3. Republic of Zambia Guaranty: The Republic of Zambia shall provide a full faith and credit guaranty to

A.I.D. in United States dollars assuring against any and all losses to A.I.D. by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half of one per centum (1/2%) per annum of the outstanding guarantied amount of the loan plus the fixed amount of $100,000 to be paid as A.I.D. may determine upon disbursement of the loan.

5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

_____
Assistant Administrator
Bureau for Africa

_____
Date