



Auditor General

HOUSING GUARANTY LOAN PROJECT 633-HG-001

BROADHURST STAGE 2, GABORONE, BOTSWANA

The Broadhurst Stage 2 project forms a part of a conscious and well conceived national effort on the part of the Government of Botswana and its donor associates to address the shelter needs and aspirations of large numbers of its lower income citizens, in accordance with a basically sound housing policy of self-reliance and non-subsidization. As such, it represents a model effort in addressing lower-income shelter needs--worthy of emulation by other LDCs.

A series of delays and implementational oversights have, to date, however, limited the success of this project in meeting the shelter needs of its intended beneficiaries. More seriously, certain obstacles currently impede the development of an adequate institutional base from which to launch further self-help housing efforts. Finally, a number of unresolved policy issues have also affected the progress of this report. Greater focus on the project's current problems is required on the part of AID and Botswana housing officials in order to ensure its ultimate success.

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BH 2	Broadhurst Stage 2 Project
BML	Building Materials Loan
DS/H	AID Office of Housing
HG	Housing Guaranty
GOB	Government of Botswana
GTC	Gaborone Town Council
RHUDO/E&SA	Regional Housing and Urban Development Office for East and Southern Africa
SHHA	Self-Help Housing Agency
USAID/Botswana	U.S. Agency for International Development Mission to Botswana

Note: The terms "Project Coordinator" and "GOB Urban Development Coordinator" are used interchangeably throughout the report.

EXECUTIVE SUMMARY

Introduction

AID authorized Housing Guaranty loan project 633-HG-001, Broadhurst Stage 2, Gaborone, Botswana, in June 1976. Project agreements were executed in August 1978 covering an AID-guaranteed loan of \$2.4 million from the United States Trust Company of New York to the Republic of Botswana, Ministry of Finance and Development Planning. The project was designed to meet the needs of lower income residents of the capital city of Botswana on a self-help, largely unsubsidized basis. Implementation of the Broadhurst Stage 2 (BH 2) project has been delegated to the Gaborone Town Council's Self-Help Housing Agency (GTC/SHHA). In addition to AID Housing Guaranty (HG) loan funds, contributions to the project were to be supplied by certain Canadian and European donor agencies, and the Government of Botswana (GOB) itself.

Scope

This is the first review of HG activities in Botswana by AID's Office of the Area Auditor General, East Africa. Our purpose in conducting this review was to gauge the progress being made on the AID HG loan assisted project, the extent to which its implementation has complied with legislative and contractual requirements, and the efficiency and effectiveness with which responsible AID and GOB officials have managed its development to date.

We examined such books and records and interviewed such AID and GOB officials as we deemed necessary to the conduct of this review. Extensive site visits were made and interviews of a limited, albeit randomly selected, number of Broadhurst Stage 2 residents were conducted to determine their views on the project's accomplishments and shortcomings. At the conclusion of our field work in Gaborone, we discussed our preliminary findings with GOB and USAID/Botswana officials, and AID grant funded technical assistance personnel concerned with this project. Preliminary audit results were also discussed with representatives of the Regional Housing and Urban Development Office for East and Southern Africa (RHUDO/E&SA) upon our return to Nairobi, Kenya, prior to the preparation of a draft report. RHUDO/E&SA, on its own behalf and on behalf of the AID/W Office of Housing and USAID/Botswana, provided us with extensive comments on this report. Where considered pertinent, these comments have been dispersed throughout the body of the report -- in a typeface differing from that of our narrative.

Findings, Conclusions and Recommendations

Broadhurst Stage 2 forms an integral part of a conscious and well conceived national effort on the part of the GOB and its donor associates to address the shelter needs and aspirations of large numbers of its lower-income citizens, in accordance with a basically sound GOB fiscal policy of non-subsidization. Certain serious obstacles however, currently impede the institutional development of the GTC/SHAA, and a series of delays and implementational flaws have, to date, limited the success of project 633-HG-001.

The project is substantially behind schedule mainly because of a delay in initial donor funding for the water distribution system. This fact, together with certain management deficiencies and a lack of plotholder education, contributed to delayed project implementation and access to shelter by project beneficiaries (pages 4 to 11).

The GOB has not yet lived up to its responsibilities to build the minimum number of community facilities to encourage the development of a viable community in the Broadhurst Stage 2 project. This, in our opinion, contributed to a slowdown in project development (pages 11 to 13).

The GOB has overfunded certain project components and underfunded others. The net effect of this situation creates the impression that more funds than may be needed are available for the project. A serious current shortfall in GOB obligations for the project's building materials loan component should be quickly rectified (pages 13 to 15).

The project Implementation Agreement was amended in December 1979 to direct a substantial estimated HG loan surplus from infrastructure "savings" under Broadhurst Stage 2 to the building materials loans component of a project not currently under AID sponsorship. Our analysis revealed, however, that the surplus resulted from work omissions rather than construction savings. When the value of the omitted work is taken into consideration, the HG loan surplus all but disappears. A real potential for surplus funds does appear to exist from the underutilization of monies available for building materials loans under the Broadhurst Stage 2 project. It will be some time though, before the amount of such surplus, if any, can be determined. In the meantime, the GOB must rectify a fairly serious misallocation of the cost of building materials purchased for the Broadhurst Stage 2 project, but paid for from its own funds instead of being charged to the AID HG loan account (pages 15 to 22).

Plotholder payment delinquencies in Broadhurst Stage 2 appear to be rising, especially among those persons delinquent three months or more. Gaborone Town Council Self-Help Housing Agency staff are generally young,

inexperienced and therefore ill-prepared to deal with this situation. A cumbersome judicial process and a lack of adequate political support for anti-delinquency efforts combine to make addressing this issue doubly difficult. A stall in GTC/SHHA institutional development could result if this state of affairs cannot soon be adequately resolved (pages 22 to 26).

Poor maintenance practices could pose health and flood hazards to Broadhurst Stage 2 residents. The state of public areas in the project is seen as detracting seriously from its overall image (pages 26 to 28).

No signs or other forms of publicity advise the general public of AID's contributions to the project. Project residents also remain unaware of the U.S. Government's participation in this effort to address their shelter needs. Consequently, opportunities to enhance United States - Botswana goodwill and understanding remain unutilized (pages 28 to 31).

The terms and conditions of the project Implementation Agreement and its authorization by AID's Africa Bureau had not been fully complied with (pages 31 to 37).

Greater coordination between AID, the GOB and other donors involved in Botswana shelter sector projects could be enhanced through mutual consultations regarding the work and report of the GOB Presidential Commission on Housing Policy, whose members were appointed to research and make recommendations on housing policy issues. A number of unresolved policy issues which affect the Broadhurst Stage 2 project are described in the body of this report (pages 37 to 40).

USAID/Botswana relies almost exclusively on AID housing officials based in Nairobi, Kenya with the Regional Housing and Urban Development Office for East and Southern Africa (RHUSO/E&SA) to manage the Broadhurst Stage 2 project. This is in accordance with HG Program delegations of authority. RHUSO/E&SA has complied with its project management TDY commitment as to the frequency of staff visits to Botswana. However, the present status of Broadhurst Stage 2 financial affairs and overall physical construction progress indicates that RHUSO TDYs have not focused adequately on project problems or progress. We believe this is due to the overly brief duration of most RHUSO TDY visits to Gaborone, and the fact that not enough attention has been paid to project-specific issues. Finally, the frequency of RHUSO's TDYs in relation to their duration, we feel, results in a highly cost-inefficient use HG Program travel budget resources (pages 40 to 44).

This report contains fourteen recommendations designed to address the specific project deficiencies noted in the report and, in certain instances, to present alternative courses of action that may pre-empt potential deficiencies from occurring. Additionally, we have taken note of the opportunity which now exists to enhance coordination and consultation among donor agencies and the GOB as regards developments in the Botswana shelter sector.

It would be seriously wrong, however, for the reader of this report to take away from it the impression that our review of this project has resulted in only deficiency findings. Quite to the contrary, we have found this to be an extremely well conceived project. Although its implementation has suffered from a lack of attention to financial details and physical progress, this does not detract from the project's unique achievements. Despite the delays and complexities of multi-donor funding, construction has proceeded in an orderly fashion from the tendering and emplacement of generally high quality infrastructure works, built and overseen by competent international contracting firms, to the allocation of self-help plots to eligible lower-income persons responsible for the construction of their own dwellings in accordance with simple, uniform specifications. All of this is being done on a massive scale relative to the country's urban population and resource base, and generally within the framework of a rational GOB policy of non-subsidization of low-cost dwelling units.

Finally, it is our hope that AID housing officials would make every attempt to bring the design, objectives, accomplishments and implementational pitfalls of this innovative low-cost housing approach to the attention of LDC housing officials on a continuing, updated basis at AID-sponsored regional housing conferences and symposia.

BACKGROUND

The Republic of Botswana

Botswana is one of the larger countries on the African continent -- with a land area of almost 232,000 square miles, or nearly the size of Texas. Largely arid or semi-arid, only 5% of the land is considered arable. Botswana is a landlocked country surrounded by the Republic of South Africa, Namibia and the Caprivi Strip, Zambia, and Zimbabwe. Its main sources of foreign exchange income lie with the export of meat and meat products, hides, diamonds, copper, and nickel. Also important in this regard are the remittances of Botswana citizens employed in the mines of South Africa. Botswana, the former British Protectorate of Bechuanaland, became independent in 1966. A 1979 estimate of the country's population reveals that only about 850,000 Botswana (as the people are called) reside in this vast area -- increasingly in the four urban centers on or near the railway from South Africa to Zimbabwe that skirts the country's eastern frontier. (A map of Botswana appears as Exhibit A to this report.)

The Shelter Sector

Although the number of urban dwellers in Botswana is rising by about 12% annually, the country's urban centers are still relatively small in size. Gaborone, the capital city, had only 5,000 inhabitants at the time of independence, although projections of its population in 1981 place the number of residents at 75,000. However, several traditional settlements in the interior continue to have populations approximately as large as the more modern towns in the east. Many persons have some form of shelter in both places and, possibly, another form of shelter located on a cattle station as well. As Botswana continued to be attracted eastwards by employment opportunities in neighboring South Africa and the expanding towns along the eastern border, shanty towns inevitably sprang up and conditions in them began to cause concern to the Government of Botswana (GOB). Although Botswana's squatter settlement areas may not be considered large or excessively overcrowded relative to conditions in other LDCs, the GOB was nevertheless unable to keep pace with the demand for decent shelter. As a result, the GOB developed during the middle years of the last decade a housing policy which emphasized self-reliance and non-subsidization as the main tenets of its program to assist lower income citizens to address their own shelter needs. This approach has continued to evolve with the establishment of Self-Help Housing Agencies (SHHAs) in each of the country's four major urban centers as integral parts of local government (town council) bodies. The Gaborone Town Council SHHA (GTC/SHHA) was established about half a decade ago, and began work in 1978 to upgrade the capital city's largest and oldest squatter area, known as old Naledi. In fact, certain

residents displaced as a result of those upgrading efforts now reside in the AID Housing Guaranty (HG) loan assisted project known as Broadhurst Stage 2 (see map of Gaborone on page 2 of Exhibit A.)

The Broadhurst Stage 2 (BH2) Project (633-HG-001)

As its name implies, BH 2 is a continuation of GTC/SHHA efforts that will eventually comprise 75% of the Gaborone's housing units. Perhaps as many as 15,000 persons will eventually reside in the project and benefit from the inputs of several donor agencies and the GOB itself. Financing for BH 2 is in accordance with the following summary.

<u>Participant</u>	<u>Amount</u>	<u>Purpose</u>
Government of Botswana	\$ 5,000,000	General development and recurrent costs to GTC/SHHA
AID/HG Loan	\$2,400,000	BH 2 infrastructure, SHHA capital costs, building materials loans, resident advisers
TA Grant	<u>862,000</u>	
	3,262,000	
United Kingdom (ODM) grant	3,000,000	Infrastructure and supervisory costs of BH 1 and 2
Canadian (CIDA) grant	2,500,000	Infrastructure and supervisory costs of "Old Naledi" squatter upgrading and parts of BH 2
European Development Fund (EDF) grant	2,000,000	BH 2 water distribution system
	<u>2,000,000</u>	
TOTAL	<u>\$15,762,000</u>	

AID's loan contribution to the project may be broken down as follows:

<u>Component</u>	<u>Amount</u>
Sanitation (Latrines)	\$ 600,000
Roads and Drains (including supervision)	700,000
Building Materials Loans (BMLs)	900,000
GTC/SHHA Capital Costs	<u>200,000</u>
AID/HG Loan Total	<u>\$2,400,000</u>

AID grant funded technical assistance originally took the form of a \$266,000 Operational Program Grant (OPG) to the Foundation for Cooperative Housing, under which one resident technical adviser was provided to assist in the development of GTC/SHHA as a viable housing development agency. This grant was later enlarged by \$596,000 to provide for three advisers: one to serve on the staff of the Presidential Commission on Housing Policy established in 1979, a replacement for the original adviser to the GTC/SHHA (who in fact was appointed to the housing policy commission), and an adviser for the SHHA of the northeastern town of Selebi-Pikwe. The AID/HG loan was authorized in mid-1976 and the AID/OPG was funded in 1977 and expanded in 1979.

HG loan proceeds financed the construction of infrastructure and latrines in three (B, C, and D) of BH 2's four areas (see map of project, page 3 of Exhibit A), while CIDA funded the work in Sector A. Loan funds also financed GTC/SHHA office and warehouse construction, and vehicle and equipment purchases. Finally, over 1,200 of BH 2's 1855 total self-help plottolders were expected to obtain in-kind building materials loans with values of up to about \$738 each from HG loan proceeds.

Loan Terms

AID has provided as part of its contributions to the BH 2 project a guaranty to the United States Trust Company of New York, covering a loan of \$2,400,000 to the Republic of Botswana, Ministry of Finance. The loan is to be repaid over thirty years with an initial ten-year grace period for repayment of loan principal. The rate of interest on the loan is 9.4% per annum, to which is added AID's guaranty fee of 0.5% on the declining principal balance. Certain commissions, or loan fees, amounting to about 2% of the face amount of the loan, were also borne by the Borrower and deducted from the three disbursement of loan funds made in October 1978, and in May and December 1979. Unless specifically noted otherwise, an average conversion rate for HG loan funds of Botswana Pula 1.00 = U.S. \$1.2297 is used in this report.

Project Objectives

In general, the project 633-HG-001 paper stated:

"The proposed Project will strengthen the Gaborone Town Council and provide serviced land for construction of housing and community facilities. It is designed to build the institutions directly responsible for meeting the shelter needs of lower-income households in Gaborone and to be replicable in other towns."

AID Housing Program Management

The Agency's shelter sector resource transfers are authorized in Foreign Assistance Act sections 221, 222, 223 and 238. These Sections provide

for an AID all-risk (except against investor's fraud) full faith and credit guaranty on behalf of the U.S. Government to eligible U.S. investors on loans made in support of AID approved shelter projects in less developed countries. The program is intended to be financially self-sufficient, supporting itself from fee income associated with authorized loan guaranties. AID's Office of Housing is located within the Development Services Bureau (DS/H), and provides policy guidance and program support to six regional field offices worldwide. AID's regional office of housing with program cognizance for AID housing projects in Eastern & Southern Africa (RHUDO/E&SA) is located in Nairobi, Kenya, and is staffed by three U.S. direct-hire and one foreign service national professionals. A sub-office which will eventually have cognizance over AID/HG Program matters in Southern Africa, is in the process of being established in Salisbury, Zimbabwe.

As regards project monitoring responsibilities, we were advised by officials of USAID/Botswana that they rely almost exclusively on RHUDO/E&SA staff based in Nairobi for implementation of the HG project in Gaborone. This is in accordance with HG Program delegations of authority.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Project Construction Status

Project 633-HG-001, Broadhurst Stage 2, is substantially behind its planned implementation schedule for a variety of reasons, including delayed donor funding. As a result, access to shelter by over 1800 project beneficiaries has been, and continues to be, delayed beyond the expected project completion date.

Long Initial Delay

Project 633-HG-001, Broadhurst Stage 2, was approved for AID Housing Guaranty loan funding in June 1976. It is one in a series of self-help projects undertaken by the Gaborone Town Council's Self-Help Housing Agency (GTC/SHHA) since its inception in 1973. One of the initial construction phases of the project -- the water distribution system -- was to have begun early in 1977 with financing from the European Development Fund (EDF). However, EDF approval for this part of the project was delayed until 1978, and this effectively delayed the entire project for over one year.

Infrastructure Virtually Complete

As of the end of September 1980, only minor detail work remained on the project's two major HG loan funded infrastructure components: Sanitation and Roads and Drains.

Sanitation: This component consists of the excavation of pit latrines and the emplacement of soak-away piping and concrete slab covers at each of the 1855 plots which make up the self-help portion of the project. The plotholder is then responsible for building the superstructure. (Both stages of latrine development may be observed in the photographic exhibit at the end of this report.)

Roads and Drains: This element includes various grades, surfaces and widths of road beds, depending on their location within the project area; and the adjacent drainage ditches and structures designed to handle Gaborone's infrequent but occasionally heavy rainfall. Also included under HG funding for this element is a portion of the cost of supervisory architectural and engineering services in overseeing the principal contractor's work.

SHHA Capital Costs

HG loan funds for this element have financed a variety of items including such physical plant and equipment as: GIC/SHHA offices, warehouses, business machines and furnishings. In a sense, these items should also be considered part of project infrastructure since, without them, project management and implementation would be impossible. All HG loan funds for this component had been either expended or obligated by the GOB at the time of our visit.

Building Material Loans (BML)

BH 2 plotholders are obliged to develop core units consisting of a one-room dwelling and separate outhouse within one year of plot allocation, and in accordance with plans approved by the SHHA. They may use their own resources to develop these core units or they have the option to request an in-kind building materials loan (BML) from the SHHA to construct their dwelling. HG loan funding for this component assumed that about 2/3 of the plotholders would request such a loan. At the end of September 1980, however, only 649 BMLs had been made --- about half the expected number. (A chart of project progress appears at Exhibit B to this report.)

Problem Areas

Latrines: We noted that latrine construction in many instances lagged behind the construction of dwelling units, although plotholders are urged by SHHA construction supervisors to complete their latrines before their houses. Also, complaints were heard regarding the lack of education provided to plotholders regarding the maintenance of their latrines. At the time of our visit, SHHA personnel were involved in rectifying both of these problems, and a recent policy had been instituted requiring completion of latrines prior to construction of the living unit.

Roads and Drains: Originally included in the contract work under this project component was the provision of plot access slabs for those plottolders whose 400-meter-square parcel of land fronts on large drainage ditches. These ditches make it difficult to gain access to many plots without some form of ramp or bridge. After the roads and drains contract was signed, the GOB apparently came to the conclusion that it would be less expensive if plot access structures were to become part of the self-help component of the project. Consequently, the first contract "Variation Order" removed funding for this item from the contractor's budget. During the more than two years which have elapsed since this was done, however, no steps have been taken to provide plottolders with the materials needed for plot access, nor have any policy decisions been made as to the nature and specifications of the access structures. Plottolders we spoke with complained that the lack of plot access was most troublesome to them in bringing building materials onto their plots.

Contractor's Claim: The roads and drains contractor recently filed a claim, approved by the supervisory architectural and engineering firm, for costs incurred and profits foregone as a result of elimination of contractor-built plot access slabs from this contract work. We were unable to find evidence that AID had been consulted on this matter before the access slabs were eliminated. The amount of the contractor's claim exceeds \$29,000.

Street Lighting: Another area of plottolder complaint, related to infrastructure but not a part of the roads and drains component funded by the HG loan, concerned the absence of street lights in BH 2. The GOB's responsibility to provide street lighting is mentioned in the HG Implementation Agreement. We were advised by the GTC Treasurer that his capital budget for BH 2 includes the equivalent of almost \$1/4 million for this item. However, the provision of street lighting is apparently another undecided policy issue involving a switchover from conventional lighting elements to more modern, energy-efficient equipment.

SHHA Capital Costs: Although we did observe a number of buildings and items of equipment listed by the project coordinator as purchased with HG loan funds, GTC was unable to provide us with inventory records for these purchases. We were consequently unable to verify the location and ultimate use of many of these items. Section 4.01 of the 633-HG-001 Implementation Agreement requires that the "Borrower (GOB) shall maintain such books and records as will disclose at all times the complete status of the Project, including . . . SHHA expenses."

BMLs: We also heard complaints from plottolders that recently they had found it difficult to obtain materials from SHHA warehouses. These reports were confirmed by a GOB official in the Ministry of Local Government and Lands with overall responsibility for the GOB low-cost housing efforts. He told us that the SHHA warehouse had been explicably closed during normal

working hours during a recent visit he made to the BH 2 project. He stated further that he was in the process of bringing this matter to the attention of GTC/SHHA management.

Effect of Deficiencies

The combined effect of these delays and management deficiencies has been to delay access to shelter by persons allocated plots in BH 2 for considerable periods of time. Public health concerns have been expressed about the lack of plotholder education regarding the use and prompt completion of latrines. Core unit construction has been delayed and made somewhat difficult for many plotholders due to the lack of plot access structures across drainage ditches. The absence of street lighting has caused concern about residential security on the part of many plotholders. All of these conditions probably contributed to the high level of plotholder payment arrearages (described in a subsequent section of this report), although this is clearly unquantifiable.

Conclusion

Project 633-HG-001 is substantially behind schedule mainly because of a delay of EDF funding for the water distribution system. Certain management deficiencies on the part of the GTC/SHHA and a lack of plotholder education are also contributing to delayed project implementation and access to shelter by those allocated plots in Broadhurst Stage 2.

Recommendation No. 1

RHUDO/E&SA, in conjunction with USAID/Botswana, advise the GOB that they consider plot access and street lighting to be integral parts of the Broadhurst Stage 2 project, and request the GOB to expedite action to provide these facilities to project residents.

In response to our draft report, RHUDO/E&SA commented:

"Plot Access. The relevant section of the Implementation Agreement (Annex 5, page 3, Roads and Drainage, 2. Design and Construction) reads as follows:

'The GOB shall construct roads, drainage and river flood works in accordance with the plans and specifications prepared by its consultant and which insure adequate access and drainage for all particularly self-help AREAS (emphasis added).'

In point of fact, therefore, the IA does not require access to individual plots. The GOB (along with RHUDO/Nairobi and USAID/Gaborone) has indicated their wish to facilitate plot access and to devise appropriate, cost effective ways for the plottolders to carry out this work. In spite of the specific IA language, RHUDO/Nairobi will contact the Urban Development Coordinator and suggest that focus be redirected on this issue. The final audit report should note that the GOB has never refused to supply a certain amount of access; the only question is one of timing. RHUDO/Nairobi will suggest that this timing now be confirmed.

Street Lighting. GOB fully intends to provide street lighting as called for in the IA. As the auditor is aware the only reason for the present delay has been the need for the GOB to test a number of competing systems to find the most cost and energy effective system. The only outstanding issue is the choice and confirmation of timing of systems installation. RHUDO/Nairobi will contact the UDC and request him to expedite final handling of this matter."

It would appear from the foregoing comment that, in accordance with RHUDO/E&SA's interpretation of the word "areas", residents of the Broadhurst Stage 2 project who live on plots located in these "areas" (as opposed to middle-income housing areas developed by the Botswana Housing Corporation with contractor-built access slabs) do not require access to their plots. We are unable to explain why RHUDO/E&SA seeks to avoid the funding responsibility for plot access, when the GOB Urban Development Coordinator freely acknowledges this responsibility and his intention to charge the HG loan fund account for its proportional share of this self-help work. Hence, we cannot agree that access to individual plots is not required. Simply because the access work was eliminated from the infrastructure contract does not mean that plot access, as such, was removed from the project. The GOB Urban Development Coordinator showed us correspondence by his predecessor which explained that substantial savings could be achieved by elimination of this work from the contract and shifting it to the self-help components of the BH 2 project. The GOB Urban Development Coordinator then ratified this understanding to us in a signed affidavit (see copy at Exhibit E). Our report does not suggest that the GOB has refused to provide plot access. What it does point out is that about one-third of the expected number of residents already inhabit the project site, that they have experienced and continue to encounter difficulties of access to certain plots, and that, in the more than two years since plot access work was eliminated from the infrastructure contract, the GOB has remained undecided as to the nature and specifications plot access work will assume under a self-help format. We have, consequently, retained our recommendation on this subject.

From the foregoing comments we also conclude that our recommendation has been accepted as regards street lighting. We would only add to this point that funds for this purpose were earmarked in the GIC Treasurer's BH 2 capital budget allotments in mid-1978; however, the issue still remains unresolved.

Recommendation No. 2

RHUDO/E&SA, in conjunction with USAID/Botswana, advise the GOB that, in the event the GOB approves the claim made by the roads and drains contractor for costs incurred and profits foregone as a result of elimination of contractor-built plot access slabs, AID would not agree to charging HG loan funds for any such claim, which should be borne by the GOB.

In response to our draft report, RHUDO/E&SA commented:

"The draft report does not state the date for the construction contract variation order...The signing date (June 1978) is significant because it conclusively demonstrates that the variation order was signed prior to the IA (August 1978). In other words, the Broadhurst "project" which the IA accepted in August already contained the access variation. By the very act of signing the IA, AID accepted the project which contained the amended construction contract as it then stood. Since this is an inappropriate recommendation, it should be stricken from the final report."

To clarify this situation for the reader, note that work began on this project component in anticipation of AID's loan contribution. The 1978 variation order was unknown to AID management officials; it was brought to their attention as the result of audit work. Thus, AID was not consulted about this significant change in the project's infrastructure component. The amount of this variation order was Botswana Pula 158,870 (over \$195,000) for which the contractor has filed claim for 15% as compensation. When compared to AID's total contribution to this project component of \$700,000, the amount of the variation order becomes significant (27%). It is our opinion that AID should have been notified about such a large variation order, regardless of the fact that the Implementation Agreement had not yet been executed. However, since the GOB took this action unilaterally, we feel the GOB should deal with the contractor's claim in the same fashion, and have consequently retained our recommendation.

Recommendation No. 3

RHUDO-E&SA, in conjunction with USAID/Botswana, request the GOB, under Section 4.02 of the project 633-HG-001 Implementation Agreement, to provide them with an inventory record of items purchased under HG loan budget line item "SHHA Capital Costs" indicating the location and end use of such items.

In response to our draft report, RHUDO/E&SA commented:

"Neither the auditor, nor RHUDO/Nairobi, nor USAID/Gaborone, nor the OPG field personnel, nor any other part (sic) have ever made any allegation of improper handling, use, or disposal of any SHHA property purchased with HG proceeds. Since the Town Council of Gaborone does maintain a complete list of all capital purchases of the SHHA (which fact we are informed was communicated to the auditor but dismissed as too time consuming for him to verify) which has never been disputed and since such separate "inventories" of USAID financed capital costs are not a normal part of the GTC procedures, we totally reject this recommendation.

The best of RHUDO/Nairobi's knowledge, Section 4.02 of the IA ("Borrower will also provide such other reports and information as AID may reasonably require") has never before been used to require an inventory. Also, where no allegation of wrongful purchase, use, or disposal is made, requiring an inventory record at this time would be an improper use of Section 4.02...Therefore, this recommendation should be stricken from the final report."

We do not believe that our brief statements regarding property accountability can or should be interpreted in the manner set forth in the first paragraph above -- we have not alleged that any improprieties existed. What happened was that one of the auditors assigned to this review made arrangements to visit the GTC Central Stores location. He was accompanied in this exercise by the GOB Urban Development Coordinator. He verified that HG loan funded equipment was not inventoried by source of financing (nor was this required). He next attempted to verify the quantity, location and end-use of a number of randomly selected items from the list of purchases provided to us by the Urban Development Coordinator. However, the GTC Central Stores Clerk charged with maintaining property accountability records was unable, at the time of our visit, to locate any property records for construction trailers or cameras, both provided under HG-loan financing (see photographic Exhibit,

page D-2, for a picture of one of these trailers which cost more than \$3,000 each; six were provided). In view of these findings, we advised the Urban Project Coordinator that, inasmuch as all HG-loan funds had, at the time, been expended under this project component, we felt it well that an inventory of the items be taken to ensure their delivery, accountability, and end-use. This is not considered an unusual requirement, and was readily agreed to by the Urban Development Coordinator when we suggested it to him. Whatever prior utility may have been derived from IA Section 4.02 in other HG projects is considered irrelevant to this situation. Consequently, we have retained the recommendation.

Community Facilities

Community facilities in Broadhurst Stage 2 are virtually non-existent. This lack of education, health, shopping and transport facilities is viewed as a contributing factor in the slow overall development of the project.

GOB Responsibilities

Annex A to the project 633-HG-001 Implementation Agreement, entitled "Project Description", requires the following of the GOB as regards Broadhurst Stage 2 community facilities.

"The GOB shall insure that shopping facilities needed to adequately serve the project stage 2 population are constructed or permitted to be constructed in a timely fashion to encourage the establishment of a viable community. In addition, the GOB shall insure that primary schools, health centers and town council facilities needed to serve the community are constructed in a timely fashion."

Current Status

The only shopping facility now available in the BH 2 project areas was constructed with a grant of over \$9,000 from a U.S. private voluntary organization -- the Foundation for Cooperative Housing. The facility consists of covered market stalls, a paved parking area and an enclosed washroom. This market area has been ready for some time, but has never been used due to certain objections raised by elected GTC officials as to its appropriateness. A major shopping mall is in the preliminary stages of construction as part of the infrastructure component of Broadhurst Stage 3 in a location adjacent to BH 2.

There is only one school available to BH 2 residents: a seven-classroom primary facility located in Broadhurst Stage 1, whose distance from BH 2 varies from 1/2 kilometer at the closest point to several kilometers at the farthest end of the BH 2 complex. Access to the school is obtained

by crossing country's main artery, the Gaborone-Francistown Road, which is quite heavily travelled. The GOB has plans for a fourteen-classroom school in that section of BH 2 settled by persons displaced from an older squatter settlement in Gaborone which CIDA is helping the GOB to upgrade.

A small GOB health clinic is currently under construction in BH 2.

We were advised by a GTC Planning Officer that in excess of \$1.3 million is currently required for BH 2 community facilities, but that funds are not presently available from the GOB.

BH 2 Population

Population estimates for BH 2, when completed, range to around 15,000 persons -- about 1/3 of whom are currently estimated to inhabit BH 2 plots. There is no public transportation available between the project site and the center of Gaborone several kilometers away. Consequently, a number of plotters were seen to have erected small stalls on their plots from which certain basic necessities were being offered for sale. Although a few vehicles were noted in the project, most travel between the project and places of employment and shopping was by bicycle or on foot.

Conclusion

The lack of community facilities in BH 2 and the unavailability of GOB funding to begin construction of such facilities contravenes the terms of the project Implementation Agreement as regards the GOB's funding responsibilities. The absence of community facilities has, in our opinion, also contributed to a slower-than-expected pace of project development to date.

Recommendation No. 4

RHUDO/E&SA, in conjunction with USAID/Botswana, request the GOB to take prompt action to allocate funds for the development of community facilities in Broadhurst Stage 2 in accordance with the terms of the project Implementation Agreement.

In response to our draft report, RHUDO/E&SA commented:

"The IA notes that the GOB shall insure that community facilities are constructed in "timely fashion". This is still the intention of the GOB and RHUDO/Nairobi does not believe the GOB has "contravened" the IA in this respect. RHUDO/Nairobi shares the AAG's concern that the Broadhurst estate requires community facilities at an early date. Recent discussions with the Botswana Ministry of Finance

In November 1980, indicated that funds are being identified for the purpose and will be forthcoming in the near future (the Ministry representatives agreed that this fact was probably unknown to the Gaborone Planning Officer who has spoken to both the AAG's representative and RHUDO/Nairobi). RHUDO/Nairobi will indicate its concern over the construction of community facilities in its forthcoming evaluation report which will be transmitted to the GOB, including the Ministry of Finance."

It would appear from the foregoing comments that our recommendation has been accepted. In passing, we would only remind our readers that AID HG loan authorization for the BH 2 project occurred in mid-1976. At the time of our visit more than four years later, the GOB had not yet earmarked funds for most of the project's proposed community facilities. We respectfully submit that our interpretation of the word "timely" may differ from that of RHUDO/E&SA.

Allocation of Housing Guaranty Loan Funds

The GOB's allocation of funds for the four Broadhurst Stage 2 project components, being financed under the HG loan, does not coincide with the amounts established for the same components in the project Implementation Agreement.

GOB Project Obligations

According to the project 633-HG-001 Implementation Agreement, the Borrower of HG loan funds is the GOB Ministry of Finance. However, responsibility for implementing the project lies with the Ministry of Local Government and Lands. An official of that Ministry, the Urban Development Coordinator for Gaborone and Lobatse, is named in the Implementation Agreement as the Broadhurst Stage 2 Project Coordinator. A Botswana citizen of British origin, this official is physically located in the GIC/SHHA headquarters office at the Gaborone Town Council compound. One of this official's principal functions is to review the progress of the BH 2 project, including contractor billings, which he approves for payment by the GOB. The Urban Development Coordinator maintains a project ledger in which he records GOB project funding obligations, as well as amounts approved for payment to the various parties involved in project implementation. A comparison of amounts established in the HG Implementation Agreement budget for project components, and GOB obligations for the same line items, as of 30 September 1980, revealed the following differences:

<u>Component</u>	<u>HG Budget</u>	<u>GOB Obligations</u>	<u>Differences</u>
Sanitation (Latrines)	\$ 600,000	\$ 567,432	\$ (32,568)
Roads and Drains	700,000	958,546	258,546
Building Material Loans	900,000	785,084	(114,916)
SHHA Capital Costs	<u>200,000</u>	<u>205,024</u>	<u>5,024</u>
Totals	<u>\$2,400,000</u>	<u>\$2,516,086</u>	<u>\$116,086</u>

As may be seen in the foregoing table, certain components have been underfunded by the GOB while others appear to have been overfunded -- net overfunding of \$116,086. This situation creates an impression that more funds than may be required are available to fund the HG budgeted components. From previous report sections, however, the reader will recall that a number of items originally planned to be part of this project (plot access, street lighting and community facilities) have not been provided to date by the GOB. A detailed analysis of this apparent surplus appears in the following section of this report captioned Potential HG Loan Surplus. We were advised by the GOB Project Coordinator that he does not expect any further allocations of funds for this project.

Project Coordinator Unaware of Discrepancies

Although we found the BH 2 project coordinator to be conscientiously carrying out his duties under the project as he understood them, a discussion of the foregoing funding discrepancies revealed that he neither possessed a copy of, nor was he familiar with, the HG Implementation Agreement. We were further unable to ascertain the reason for these discrepancies with the GOB Ministry of Finance because cognizant officials were out of the country at the time of our visit.

Conclusion

The net effect of GOB project funding obligations creates the impression that more funds than may be needed have been made available for the BH 2 project. While the cost of infrastructure work is expected to fall far short of both HG and GOB budgeted amounts, this is mainly due to the omission of work planned as part of the project. Because it is too early to predict whether or not the full amount of HG funds allocated for the building material loans component will be adequate, we believe that GOB funding shortfalls in the building material loan component of the project should be rectified. Only then can the issue of surplus funds availability be addressed.

Recommendation No. 5

RHUDO/E&SA, in conjunction with USAID/Botswana, request the GOB Ministry of Finance to ensure that sufficient funds are made available to match the HG funded building material loan component of the Broadhurst Stage 2 project as planned.

In response to our draft report, RHUDO/E&SA commented:

"The situation, as we understand it, is not one of availability of funds...but rather a GOB delay in recording the appropriate interfund transfers between project sub-programs. If the AAG can re-phrase the recommendation accordingly, RHUDO/Nairobi would be glad to offer this suggestion to GOB..."

AAG/EAFR has modified the recommendation which appeared in our draft report.

Potential Housing Guaranty Loan Surplus

Shortly before the final drawdown under loan 633-HG-001, RHUDO/E&SA and the GOB executed an amendment to the project Implementation Agreement that would direct expected "savings" in the cost of Broadhurst Stage 2 infrastructure work to be used for building material loans in a subsequent stage of the project. Our analysis of this situation reveals that the expected loan surplus resulted from omission of infrastructure work which is considered an integral part of the project, and whose cost will probably offset any surplus expected from this part of the project. A real potential for HG loan surplus does exist if the average amount of building material loans continues to remain below expected use levels, as is now the case.

Implementation Agreement Amended

Several days prior to the final drawdown (December 27, 1979) of project 633-HG-001 loan funds from the U.S. investor, AID, represented by RHUDO/E&SA, and the GOB executed a letter amendment to the project Implementation Agreement. A section of the Implementation Agreement was amended, in part, as follows:

"1. Amend Section 3.02 F to read in its entirety as follows:

F. Further Uses of the Funds

Loan funds may be disbursed up to an amount of \$190,000 to cover the costs of an increase in the amount of building material loans as provided in D above, or may be applied in

another low cost housing project of the Borrower similar in purpose to Broadhurst 2, under a plan in form and substance acceptable to AID and subject to all the terms and conditions set forth in this Agreement."

The \$190,000 amount referred to in the above amendment is described elsewhere in the letter as "savings on the cost of constructing the project accomplished by the Borrower." This information was provided by RHUDO/E&SA by the then Project Coordinator and, apparently, verified by a RHUDO staff member who traveled to Botswana shortly before the drawdown took place. These "savings" arose from underexpenditure on two infrastructure components:

<u>Component</u>	<u>HG Budget</u>	<u>GOB Expenditures</u> ^{1/}	<u>Differences</u>
Sanitation (Latrines)	\$ 600,000	\$ 567,432	\$ 32,568
Roads and Drains	<u>700,000</u>	<u>544,550</u>	<u>155,450</u>
Totals	<u>\$1,300,000</u>	<u>\$1,111,982</u>	<u>\$188,018</u>

1/ Including accruals to completion of work in each component.

Use of Surplus Funds

We were advised by GOB housing officials that there is no plan at present to raise the maximum amount of building material loans. We were advised by RHUDO staff that it was their intention to use the above surplus to fund building material loans in Broadhurst Stage 3 which is similar in all respects to the HG funded BH 2 project.

Effect of Work Omitted

Not taken into account by either RHUDO or the GOB at the time the above amendment was executed was the effect of temporarily omitting certain infrastructure work from the project.

Plot Access Ramps: As noted in a previous report section, in June 1978 the originally planned plot access to be supplied by the contractor under the project's roads and drains component in the form of concrete slabs was eliminated from the contract. According to the Project Coordinator, this work will now be done on a self-help basis, in accordance with GOB policy, and will result in considerable savings. The estimate provided us by the Project Coordinator foresees a need for 640 access ramps for an estimated total cost of about \$39,000.

Street Lighting: Also noted earlier, this work is mentioned in the project Implementation Agreement as a GOB funding responsibility and is contained in the CTC Treasurer's capital budget estimates for the BH 2 project at about \$246,000.

Effect of Work Omitted

The reader will recall from the previous section that the GOB had apparently overobligated (but not overspent) funds for the BH 2 project by \$116,086. An analysis of funds available vs. expenses incurred and anticipated, however, could all but eliminate this surplus:

Total GOB Obligations		\$2,516,086
<u>Less:</u>		
<u>Expenditures & Accruals</u>		
Sanitation	\$567,432	
Roads and Drains	544,550	
SHHA Capital Costs	205,024	
Building Material Loans ^{1/}	<u>900,000</u>	
Sub-Total		\$2,217,006
<u>Omitted Infrastructure Work</u>		
Plot Access Ramps	\$ 39,000	
Street Lighting	<u>246,000</u>	
Sub-Total		<u>\$ 285,000^{2/}</u>
Total Expenditures Anticipated		<u>\$2,502,006</u>
GOB Funds Available		<u>\$ 14,080</u>

1/ HG budget amount used as a contingency figure

2/ Neither of these figures has been updated for inflation. GOB policy on the nature and specifications of these items has not yet been decided.

Potential BML Surplus

The \$900,000 item mentioned above as the HG budget provision for building material loans in BH 2 apparently resulted from a calculation of expected use of this option by 2/3 of BH 2 plottolders. Thus, if one divides this \$900,000 amount by 1237 plots (1855 total plots x 2/3), a figure roughly equal to the maximum local currency building material loan limit (at the 1978 rate of exchange) results --- \$728. Experience to date demonstrates that the average loan amount for the 649 BMLs made through September 30, 1980 was only about \$635.^{3/} Using the average exchange rate for consistency,

^{3/} This is due to the fact that, at AID's advice, the GOB adopted a policy of loans in amounts calculated to be affordable by plottolders.

the difference between the average loan amount and the maximum loan amount is about \$102. If this difference holds true until the end of the project, a potential surplus of about \$126,000 could become available. However, the exact amount of this surplus will not be known until RHUDO and the GOB place a time limit for HG funding of BH 2 BMLs. It will obviously depend on the number and total value of building material loans made at that time.

Warehouse Issuances

A factor which is currently distorting charges to the HG budget line item for building material loans is the issuance of materials to BH 2 plottolders from a newly constructed and stocked warehouse located in Broadhurst Stage 3. Because this facility lies closer to certain areas of the HG project, it was decided to facilitate BH 2 plottolder access to materials through this warehouse. However, the warehouse was stocked with materials bought from GOB domestic development funds and, as a result, the HG loan account has not been charged for these issuances.

Conclusions

The surplus which was estimated to result from "savings" in BH 2 infrastructure work was actually based on the elimination of project infrastructure work. When the value of these currently omitted integral parts of the project is added back into the cost of infrastructure work, the projected surplus all but disappears. A real potential for surplus HG funds becoming available lies with the possible underutilization of loan funds for BH 2 building material loans. However, the amount of these savings will probably not be known for about one year. Prior to that time, the value of building materials issued to BH 2 plottolders from the BH 3 warehouse stocked with purchases made from GOB domestic funds will have to be accurately computed and charged to the HG loan account.

Recommendation No. 6

RHUDO/E&SA, in conjunction with USAID/Botswana, notify the GOB Borrower that it wishes to defer action on the use of Broadhurst Stage 2 HG loan surplus per the December 21, 1979 letter amendment to the project 633-HG-001 Implementation Agreement until further notice.

In response to our draft report, RHUDO/E&SA commented:

"In this recommendation we again note erroneous conclusions and imprecise language with a resulting faulty recommendation. The following sentence appears on page 24 'The surplus which was estimated to result from "savings" in

the Broadhurst 2 infrastructure work was actually based on the elimination of project infrastructure work'. There was no, repeat no, elimination of any infrastructure work from any AID funded component of Broadhurst 2. There cannot be, therefore, any savings that have resulted from 'elimination of infrastructure work' that is AID funded. The auditor's recommendation is based on this erroneous conclusion.

The recommendation asks that we delay a letter of amendment to the IA allowing ultimate expansion of the BML program which has not yet gone into effect. In its continuing negotiations with the GOB, AID will make some mutual decisions regarding the most appropriate use of 'surplus' AID funds. These decisions will be made in the light of more final cost figures for the various program sub-projects, the availability of capital funds from the GOB and a planned follow-on HG project. The SHHA is aware of these discussions and will not unilaterally extend the BML program. While AID may "clarify" the use of surplus monies in the future, it is not deemed appropriate to withdraw the present letter at the existing time. Further, the AAG is reaching far into the realm of operational program control with a recommendation of this sort and on this basis as well as the major error of fact, it must be rejected and stricken."

As regards the first paragraph, we are forced to reiterate that we have a signed affidavit from the GOB Urban Development Coordinator to the effect that the "savings" from work under the project's infrastructure component resulted from elimination of plot access work from the contract for overall infrastructure work (see Exhibit E). Thus, we continue to believe we have not arrived at any erroneous conclusions.

The reader will note further that our recommendation does not request RHUDO/E&SA to "delay" or "withdraw" but rather to "notify the GOB Borrower that it wishes to defer action on the use of Broadhurst Stage 2 loan surplus...." We further believe that included among RHUDO's lengthy comments on this point, we are able to discern acceptance of our recommendation as stated, which we have retained.

Recommendation No. 7

RHUDO/E&SA, in conjunction with USAID/Botswana, request the GOB to accurately compute the value of building materials purchased with GOB domestic development funds but issued to Broadhurst Stage 2 plotters, and transfer charges for this amount to the HG loan fund account.

In response to our draft report, RHUDO/E&SA commented:

"In this multi-donor project it has been routine for materials to be supplied out of the most convenient warehouse supply regardless of which funds have been used to stock that supply. A balancing entry has then routinely been made at the end of the month to produce the correct financial standings under the various programs. The GTC has successfully done this for the last two years (without any other donor complaint), and there is no reason to suspect that they would not also have processed the correct balancing entry in this case. It does appear that the new SHHA resident advisor has taken more time than was customary to process this transfer. There is no indication, however, that the transfer would not have been made. RHUDO/Nairobi will examine GTC records and take appropriate action."

In noting RHUDO's acceptance of the recommendation, we would also point out that it is not donor agency, but rather GOB domestic development funds, which are affected. Further, since the warehouse in question could not serve any but BH 2 residents (because plot allocations in the follow-on stage had not yet begun), the issued materials should not have been purchased from domestic funds in the first place. Given the fact that the local currency equivalent of about \$185,000 was involved, and that these scarce domestic funds might find utility elsewhere (e.g., on BH 2 community facilities) we felt, and continue to believe, the situation should be quickly addressed.

As to the auditees' statements regarding the routine nature of this situation, we cite the following excerpt from a communication prepared by a GOB Ministry of Local Government and Lands official to GTC/SHHA, a copy of which we have retained among our workpapers:

"Regarding the USAID audit, I believe you are aware that you are not meeting the terms of the agreement in that you have not made loans on schedule. Furthermore, I was shocked to learn that you were using DDF (Domestic Development Funds) to make loans in the USAID loan area because of confusion among your senior staff." (emphasis added)

These statements, in our opinion, add urgency and import to our recommendation.

Recommendation No. 8

RHUDO/E&SA, in conjunction with USAID/Botswana, (a) consider utilizing any surplus HG loan funds that become available under the Broadhurst Stage 2 project to fund community facilities in that project, and (b) if HG loan funds are used to fund BH 2 community facilities, seek to amend the Project Paper and Implementation Agreement accordingly.

In response to our draft report, RHUDO/E&SA commented:

"As the files indicate, RHUDO/Nairobi and USAID/Gaborone have considered and will continue to consider the use of any surplus loan funds for a variety of things, including community facilities. Since the agencies have "considered" these things for some time, this recommendation should be deleted as unnecessary and closed."

Inasmuch as the HG Project Paper and Implementation Agreement both indicate that the provision of community facilities constitutes an obligation and responsibility of the GOB, then, in accordance with our understanding of AID procedures, it will be necessary to amend both documents before HG loan funds can be used to fund BH 2 community facilities. When this has been done, or when RHUDO/E&SA officially notifies us that they do not plan to use project loan funds for purposes other than those originally authorized by AID, we shall close the recommendation. The recommendation in our draft report has been modified to include part (b).

At this point our draft report also contained a recommendation that RHUDO/E&SA negotiate an agreement with the GOB as to the final date for execution of HG loan funded BMLs in order to be able to compute the adequacy of HG loan funding for this component, and the amount of surplus, if any, produced as a result of underutilization of the funds available.

In response, RHUDO/E&SA advised us as follows:

"Eligibility for BMLs is based on plot allocation and the signing of the Certificate of Rights (COR). At the present time while all plots have been allocated, all but 350 of the 1,850 plot allottees have signed their CORs.

The COR requires the plotholder to complete his house to the level of the toilet and one room...within twelve months. The program allows the plotholder to apply for a BML within this twelve-month period. The terminal date before a final accounting for BMLs can be made is, therefore, twelve months after the last COR is signed.

RHUDO/Nairobi and USAID/Gaborone will use this method as a legitimate starting point to assist in giving an order of magnitude of the surplus in the BML program. The recommendation thus accepted should be deleted and closed."

Since RHUDO/E&SA has clearly defined the course of action they plan to take in this regard, we have deleted our draft recommendation from the final report.

Cost Recovery

About 40% of Broadhurst Stage 2 plotholders are more than one month overdue in meeting their monthly payment obligations to SHHA. About 14% are more than three months overdue in making their payments, and the trend of those seriously in arrears appears to be rising. Furthermore, circumstances surrounding SHHA's anti-delinquency efforts would not appear to favor improvement of this situation at the present time.

Plotholder Payment Obligations

Persons allocated self-help housing plots in urban areas of Botswana execute a document known as a Certificate of Rights at the time of plot allocation. This document sets forth the rights and obligations of plotholders. Inasmuch as residents of self-help housing areas do not pay property taxes (land title remains with the GOB), they are assessed instead a service charge known as a plot levy which helps to defray the cost of project maintenance and trash collection by local authorities. The obligation to begin making levy payments starts on the first day of the month following plot allocation and continues indefinitely. The amount of this levy currently stands at the equivalent of about \$5.50 per month.

Plotholders who opt to make use of building material loans from the Self-Help Housing Agency to help develop their plots contract a second monthly payment obligation. The amount of these building material loans varies with the ability of plotholders to pay back their loans. The size of the monthly payment varies with the amount of the loan, whose terms include repayment over 15 years at 9% annual interest. BML payments become due on the first of the month following the execution of the loan agreement, whether or not building materials have been issued. This is done to

encourage plottolders to develop their units as quickly as possible. The maximum monthly payment possible under present lending limits is equivalent to about \$7.50.

Affordability

In order to qualify for a self-help plot, family income should not exceed the local currency equivalent of about \$150 per month. In all cases surveyed, we noted that these limits had been observed. Given a maximum combined monthly payment obligation of about \$13, we believe that unit affordability should not generally constitute a problem under this program.

Plotholder Delinquency

For the foregoing reasons, we were surprised at the relatively high rate of payments in arrears in BH 2. At the end of September 1980, GTC/SHHA statistical reports showed that about four plotholders in ten were 30 days or more overdue in both levy and BML payments. About one plotholder in seven was more than 90 days delinquent. At Exhibit C the reader may examine a graph of delinquency trends over the past year in the project. It shows that the trend of those seriously in arrears has been rising since April 1980.

Causes of Delinquency

A number of factors contribute to this delinquency situation. Plotholders' complaints about the lack of plot access and street lighting were noted in earlier sections of this report. Difficulties experienced at times in obtaining building materials from SHHA warehouses have also been mentioned. Other complaints heard from plotholders bear on inadequate trash collection and insufficient numbers of trash barrels. In this regard, GTC collection trucks are supposed to collect trash twice weekly. Because of frequent breakdowns and inadequate performance, however, this reportedly occurs only about once a week on average. Consequently, trash barrels distributed throughout the project in a ratio of one to five plots prove inadequate. Finally, many complaints were heard about the lack of schools in the project area. Although these conditions do not excuse plotholders from meeting their monthly payment obligations, there can be little doubt that the complaints are, on the whole, legitimate; and have an effect on payment delinquencies.

SHHA Staff

SHHA's ability to effectively combat delinquency is severely hampered by the nature of its staff. As an integral part of Gaborone local government, SHHA positions are classified and filled by the GOB Unified Local Government Services, a central personnel function for all town councils in Botswana. Thus, SHHA staff recruited to fill its Group Worker positions (roughly analogous to social case workers) are usually inexperienced teenagers

because the personnel service has classed these jobs low in the local government salary scale. In the traditional inter-personal respect system of Botswana, personal esteem and respect are still very much functions of age. Consequently, older plottolders do not receive with favor approaches made to them by youthful Group Workers on matters as embarrassing as overdue debts.

Certificate of Rights (COR)

The original form of this document was appended to the project 633-HG-001 Implementation Agreement as Annex B. It contained provisions which permitted administrative repossession of plots in cases of serious levy payment delinquency. Elected officials, however, viewed this remedy as too drastic and never made recourse to it. Subsequent to the drafting of the Implementation Agreement, opposition party candidates for election in Botswana made the repossession clauses in the COR a campaign issue of such magnitude that the GOB took action to modify this document. This was done without consulting AID. At the present time, delinquent plot-holders must be taken through a cumbersome judicial process which may lead first to the confiscation and sale of personal property and then, in extreme cases, to plot repossession. While this procedure is acceptable in theory, only token recourse to such a judicial proceeding is deemed administratively feasible due to the number of seriously delinquent plottolders and the lack of adequate legal staff to handle these cases. We were advised that GTC/SHHA is currently planning to select a number of notorious delinquent plottolders, reportedly including elected members of the Gaborone Town Council, and take them to court in the hope that others will take heed and become more current in their payments.

Political Support

Most serious, perhaps, is a report that elected officials in Botswana have been reluctant to provide support for anti-delinquency campaigns. Elected officials have allegedly advised plottolders not to execute their Certificates of Rights or to make plot levy payments. A Member of Parliament is even alleged to have promised a meeting of constituents that a substantial rebate in plot levy payments would be forthcoming.

Effects of Arrears

It is axiomatic that a delay in cost recovery directly affects the development of additional self-help housing projects. In the case of the Gaborone Town Council, we were advised by the Treasurer that the capital city is the only urban government in the country which does not receive central government grant funds to cover operating deficits. However, because of losses being sustained and projected in SHHA operations, he predicted that the GTC would be running "in the red" within two years.

Conclusions

GTC/SHHA's staff of young, inexperienced employees faces serious resistance in combatting the organization's delinquency problem. GTC/SHHA is also confronted now with an administratively burdensome process of delinquency pursuit through the Botswana courts which, in our view, permits only token prosecution of the most serious cases. Finally, the generally passive attitude of elected officials, aggravated by certain instances of active undermining of SHHA anti-delinquency efforts, constitutes a major stumbling block to the objective of cost recovery.

Unless ways and means can be found to align the goals and objectives of GTC/SHHA professional housing staff with the political will and direction of elected officials, then a stall in SHHA's institutional development and effectiveness in meeting the shelter needs of Gaborone appears inevitable. It seems clear that neither the beneficiaries of the GOB's self-help housing policy nor many of the country's elected officials fully comprehend that program replicability directly depends on the efficient recovery of prior investments in self-help projects.

Recommendation No. 9

RHUDO/E&SA, in conjunction with USAID/Botswana, consult with other donor agencies in the Botswana shelter sector in making representations to the GOB regarding the lack of political support for SHHA anti-delinquency efforts and the low classification of SHHA positions by the United Local Government Service.

In response to our draft report, RHUDO/E&SA commented:

"ULGS Classification System: RHUDO/Nairobi and USAID/Gaborone and the OPG field personnel consult with other donor agencies as often as possible about problems of mutual interest, including the low classification and frequent transfer of personnel by the ULGS. Both the Interim Evaluation and Final Regular Annual Evaluation (to be issued) point out the many problems caused by the ULGS actions. RHUDO/Nairobi, USAID/Gaborone and the OPG field advisors (as the files show) have and will continue to "consult" with other donors about this problem; this recommendation should be deleted and closed.

Lack of GOB Political Commitment to Anti-Delinquency Measures: Regarding lack of political support, we would recommend that the auditor familiarize himself

with the recent unanimous vote by Parliament to amend the State Land Act to require payment of levies and to strengthen the ability of local governments to collect these levies. This portion of the recommendation should be stricken."

Our review of RHUDO/E&SA files did not disclose any documentation indicating recent consultations with other donors on this matter. If (or when) RHUSO/E&SA can provide us with such documentation to support its claim that consultations with donors and consequent representations to the GOB have been made over the past year on the foregoing matters, we shall close this recommendation.

As to the parliamentary action noted by RHUDO/E&SA, the reader should realize that when the Certificate of Rights was unilaterally modified by the GOB to eliminate the possibility of administrative repossession of plots, there was no legal basis upon which to proceed against delinquent plotholders. Thus, the parliamentary vote was a necessary legislative move taken to fill a void left by the removal of original COR provisions. This is not considered a strong show of support, rather one act of expediency designed to rectify the impact of another.

Project Maintenance & Physical Appearance

Although individual plots in Broadhurst Stage 2 are well kept, public areas and storm drains adjacent to roadways are littered with trash and rubble. These conditions detract substantially from the project's overall image.

GTC Maintenance Inadequate

As has been noted in previous sections of this report, both BH 2 residents and SHHA personnel made complaints to us regarding the deficient nature of trash collection practices in the project area. This apparently results from frequent breakdowns of trash collection vehicles and desultory performance by GTC employees responsible for trash collection. The result of these conditions, according to project residents, cuts trash collection rounds to half of what they should be -- from twice to once weekly.

Trash Barrels Insufficient

Trash barrels have been allocated to the BH 2 project in accordance with SHHA policy of one receptacle to each five plots. Because of the inadequate maintenance practices described above, barrels tend to fill up and spill over before their contents are collected. A GOB housing official stated that it would be too expensive to place more barrels around the project as this would imply additional purchases and collection stops by trash vehicles.

Image Affected

In view of the adverse health conditions uncollected trash may pose, we do not believe that the reasons for limiting the number of trash barrels are sufficient. Additionally, as the reader may appreciate from the scenes in photographic Exhibit D, the project's image is seriously affected by uncollected trash which lines drainage ditches and was found strewn about Broadhurst Stage 2 public areas.

Another area of concern, also alluded to earlier herein, lies with the blockage of drainage ditches by dirt and rubble ramps constructed by plottolders in order to gain access to their plots. Inevitably, rainwater will back up behind these spontaneous ramps and begin to flood and erode adjacent plots and unpaved roadways. Eventually, the runoff will find its way to major intersections, and drainage structures there will become clogged and cause further flooding.

Conclusion

Poor GTC maintenance of BH 2 public areas poses health and flood hazards to project residents. Additionally, the overall image of the project is seen to suffer substantially from the presence of trash and rubble in drainage ditches and green areas.

Recommendation No. 10

RHUDO/E&SA, in conjunction with USAID/Botswana, urge the GOB take prompt action to strengthen maintenance practices and improve the appearance of public areas in Broadhurst Stage 2.

In response to our draft report, RHUDO/E&SA commented:

"While in principle all parties (RHUDO/Nairobi, USAID/Gaborone and OPG field personnel) support a program of constantly improving estate management practices and to that extent will always support recommendations to "strengthen" maintenance practices, we must make distinctions between actions which improve health standards and those which adhere to our western aesthetic of "neatness". One of the basic premises of this shelter program is affordability. If recommendations adversely offset the concept of affordability - as would be the case if the ratio of plots to rubbish barrels were changed, a fact the auditor was reminded of repeatedly both in his exit conferences in Nairobi and Botswana - there must be

compelling reasons given. It is possible that whereas the existence of conditions dangerous to health might necessitate modification of the concept of "affordability", those that merely offend an aesthetic sense of neatness would not warrant such treatment.

Based on this observation, RHUDO will suggest to the SHHA that some amount of community education be devoted to discussing the proper disposal of waste paper techniques. Far more important, however, is educating the public to dispose of building rubble in a manner that does not clog the drains.

Nevertheless, RHUDO/Nairobi suggests that "waste paper" recommendations border on the trivial when compared with the overwhelmingly difficult implementation problems faced in a complex HG project. After successful building, allocation, institutional strengthening and improved collections, to be criticized for littering seems hardly the point. The recommendation should be modified and then closed accordingly."

In noting that RHUDO/E&SA shares our concern for the project's maintenance and physical appearance, we would also point out that the term "waste paper" appears neither in our narrative of the draft nor final report. Both reports referred to "uncollected trash and rubble." We further understand from COB officials interviewed that the deficiency has nothing to do with cultural prediliction or indigenous custom. As we have pointed out, residents uniformly maintain their plots in remarkably neat and orderly condition. The deficiency seems to lie with inefficient GTC management and control over maintenance and trash collection services. For example, the conditions depicted in some of the photographs at Exhibit D could easily be corrected by one pass-through by a collection truck and pick-up crew. Based on our understanding of the cause of this condition, we have directed our recommendation in such a way that it can be easily corrected. For this reason we have retained the recommendation.

Compliance With Legislative Requirement

No signs at the project site, now or in the past, announce U.S. Government contributions to the Broadhurst Stage 2 project. Project residents were unaware of AID's participation in this effort to address their shelter needs.

FAA Requirement

Section 641 of the Foreign Assistance Act, in pertinent part, states:

"Programs under this Act shall be identified appropriately overseas as 'American Aid'."

AID's Housing Investment Guaranty Program is authorized under Title III of the Foreign Assistance Act of the United States.

Publicity Absent

Project publicity to date has taken the form of several newspaper articles and radio programs which cited AID participation. However, in touring the BH 2 project site, we noted no signs announcing AID's participation in the project. Both the Urban Development Coordinator and the supervising architect confirmed that no signs advising the public at large of AID's contribution to the project had been requested or erected at any time during the period of the project's implementation.

We were advised by the Urban Development Coordinator and officials of the GIC/SHHA that residents were unaware of U.S. Government assistance in responding to their shelter needs. This condition was later verified when we visited a random sample of twenty BH 2 residents, none of whom were aware of AID's participation in the project.

GOB Policy

GOB officials advised us it was government policy not to erect signs acknowledging donor assistance at project sites. Nevertheless, we noted several signs in and around Gaborone announcing the participation of other donors in shelter sector projects.

At a meeting called to discuss our preliminary findings with GOB and AID officials in Gaborone, we learned that U.S. officials in Gaborone had become aware of this deficiency and were searching for ways to comply with both FAA requirements and GOB policy. A project inauguration ceremony with appropriate media coverage appeared the most feasible alternative at the time of our conversation.

HG Program System Deficiency

A similar review of this situation with RHUDO/E&SA officials based in Nairobi, Kenya drew in response an observation that publicity was not required under the project 633-HG-001 Implementation Agreement. It was further pointed out that no HG Implementation Agreements within recent memory contained such a requirement.

In view of the cited provision of the FAA, it would be our contention that publicity requirements should be contained in these agreements. Consequently, we have brought this matter to the attention of the Area Auditor General, AID/Washington as an HG Program policy matter to be pursued with AID's Office of Housing (DS/H).

Conclusion

The image of the U.S. Government generally, and AID's image in particular, have not benefitted from association with the BH 2 project. Consequently, opportunities to enhance United States - Botswana goodwill and understanding remain unutilized.

Recommendation No. 11

RHUDO/E&SA, in conjunction with USAID/Botswana, take such steps as they deem appropriate to comply with the requirements of FAA Sec. 641 as they apply to project 633-HG-001, Broadhurst Stage 2.

In response to our draft report, RHUDO/E&SA commented:

"A reading of the draft audit report would seem to indicate that Section 641 of the FAA mandates the use of "signs" whereas in fact the particular section says merely 'program under this act shall be identified appropriately overseas as "American Aid". In fact, there are many effective ways (especially in a society with significant illiteracy) to identify a project as benefitting from American aid other than signs. During the last two years numerous radio and television programs, newspaper reports, printed handouts, booklets (the auditor himself even remarked on the excellence of "Mansions in the Sky", a 36-page booklet describing the project which mentions AID prominently on the first page of the text), and other journals and newsletters have all covered AID's successes with the Botswana Housing Guaranty Project. These stories, materials and programs have acknowledged the role that AID has played in assisting the project.

These materials have indeed satisfied both the substance and spirit of publicity embodied in FAA Sec. 641. However, RHUDO will look to the Mission for direction and will assist in whatever additional publicity it deems appropriate within GOB's overall policy governing publicity, signs, etc. Therefore, based on the above we feel that this recommendation should be deleted."

Despite occasional television and radio programs, printed handouts and booklets, the fact is that project beneficiaries, and the general public in Gaborone of whom those beneficiaries are a part, remain unaware of AID's contribution to their shelter needs. We continue to be concerned at AID housing officials' resistance in this regard and at the non-inclusion of publicity requirements in IG project implementation

Agreements. In spite of this attitude, AID and Embassy officials in Gaborone have expressed their desire for project publicity. We believe that such publicity is important in all AID projects, but especially for "high-profile" housing projects which directly and palpably affect and improve the lives of their beneficiaries. We have consequently retained our recommendation.

Compliance with Project Agreements

The Broadhurst Stage 2 Implementation Agreement has not been complied with in certain areas critical to the overall success of the project. We believe these instances of non-compliance should be formally brought to the attention of the HG loan Borrower, the GOB Ministry of Finance.

Abrogations of Project Agreement

In a previous report section we noted that the GOB had, for reasons of political expediency, modified the self-help land tenancy document known as the Certificate of Rights. We found no indication in the files that AID was consulted regarding the nature or effect of modifying this document, which is an integral part of the project 633-HG-001 Implementation Agreement.

Among the conditions precedent to the first drawdown of HG loan funds, the GOB was to have entered into an agreement with the Gaborone Town Council regarding the transfer of HG loan funds from the GOB to GTC/SIHA for project implementation. In this regard, the Implementation Agreement states:

"Section 2.02 - Gaborone Agreement. Prior to the first disbursement, Borrower and the Gaborone Town Council (GTC) will enter into an agreement (GOB/GTC Agreement) to implement the provisions of this Agreement and to maintain the Self-Help Housing Agency (SIHA). The GOB/GTC Agreement shall be in a form and substance satisfactory to AID."

The GOB/GTC Agreement was drawn up and executed prior to the first drawdown of HG loan funds in October 1978. It spelled out the terms and conditions under which HG loan funds would be passed on to the GTC/SIHA, and contained amortization tables for debt repayment by the GTC to the GOB.

During our stay in Gaborone, however, we discovered that the Project Coordinator was unfamiliar with this document and the GTC Treasurer (a British expatriate) at first could not recall having ever seen it, despite the fact his signature appears as a witness to the agreement. According to the Treasurer, prior to his assumption of office with the GTC in mid-1978, the GOB radically changed its funding procedures with local authorities because local government audit reports had disclosed instances of misappropriation of funds advanced to local authorities by the central government.

As a result of this change, funds were no longer advanced to local authorities; rather, local authorities were reimbursed for legitimate expenses incurred with prior central government approval. This change took place at least several months before the GOB/GTC Agreement and the HG project Implementation Agreement was signed. We are consequently at a loss to understand why the GOB/GTC Agreement was entered into because it could never have been implemented in its present form, and, in fact, never was.

GOB Contributions to the BH 2 Project

As noted in prior sections of this report, the GOB has not provided plot access ramps or street lighting which, in our opinion, are integral parts of the BH 2 project. The GOB is also obliged to provide such community facilities as are necessary to "encourage the establishment of a viable community." Not only has this largely not been done, but it appears that the GOB has not yet identified funding for these facilities, much less appropriated funds. The Project Coordinator and USAID/Botswana had not become fully aware of these conditions as neither party possessed a copy of the project Implementation Agreement.

Project Status Distorted

As a result of these areas of non-compliance on the part of the GOB, certain confusion has arisen as to the status of the project, and the existence or potential for surplus HG funds becoming available, as has been described in earlier sections of this report.

Conclusions

In a number of areas critical to the overall success of the Broadhurst Stage 2 project, the GOB has not lived up to the terms and conditions of the Implementation Agreement. As a result, a certain amount of confusion has been created as to the project's physical completion and funding status.

Recommendation No. 12

RHUDO/E&SA distribute copies of the project 633-HG-001 Implementation Agreement to the Urban Development Coordinator, GOB Ministry of Local Government and Lands, and to USAID/Botswana.

In response to our draft report, RHUDO/E&SA commented:

"A little over two years after the IA was signed and after the departures of the original technical advisors, the auditor has discovered that their replacements do not have copies of the IA and that the Mission could not immediately locate a copy. The auditor knew through discussions with the original SHHA advisor that all parties had had copies of the IA. Lest the reader misunderstand the final report should state that these are 'replacement' copies of the IA to be furnished; RHUDO/Nairobi is in the process of providing these replacement copies.

Finally, although we agree that replacement advisors ought to have copies of the IA - and RHUDO/Nairobi will be glad to furnish them - to elevate this type of situation to the status of a formal recommendation trivializes these proceedings. This recommendation and the wording of the recommendation itself should be changed and then closed."

Apparently RHUDO/E&SA sees no relationship between the project coordinator's being able to refer to the project Implementation Agreement and the somewhat confused state of project finances described in this report. RHUDO is also apparently unaware of an auditor's responsibility to verify deficiency conditions. In doing this, we were unable to locate in RHUDO/E&SA's files any copies of transmittals of these agreements to interested parties. We note that RHUDO staff have traveled to Gaborone since this deficiency was made known to them, during which visit they could have supplied "replacement" copies of this agreement, but apparently did not. This would have enabled us to eliminate the recommendation from the report. When we receive copies of such transmittals, or other evidence of delivery, we will be in a position to close the recommendation.

Recommendation No. 13

RHUDO/E&SA, in conjunction with USAID/Botswana, bring to the attention of appropriate GOB officials those instances where the project Implementation Agreement has been abrogated by the GOB and, under Section 4.02 of said agreement, request the GOB Ministry of Finance (Borrower) provide them with a report explaining the reasons for non-compliance and actions the GOB plans to take to rectify these conditions.

We believe this recommendation to be particularly relevant due to the fact that AID housing officials and the local AID Mission to Botswana are contemplating further use of HG resources in that country. Thus, it is significant at this time to bring to the attention of the GOB the importance which AID attaches to compliance with the terms and conditions of its project agreements.

In response to our draft report, RHUDO/E&SA commented:

"The report indicates that some of the situations described in the text preceding the recommendation resulted in GOB's 'abrogation' of the IA. This section of the report seems the most imprecise, and yet the language used, i.e. abrogation, is the most severe.

The report states that 'certain areas critical to the overall success of the project' have not been complied with. The first situation described (the GOB/GTC agreement) was a covenant to the IA.

Extensive discussions between AID and GOB on covenants and conditions precedent (including the GOB/GTC agreement) to the first disbursement took place over a substantial period of time prior to signing of the IA. However, the late GOB change in funding procedures for local authorities never came up in AID/GOB discussions. It is our assumption that since the IA had been discussed in such detail, and given the late GOB change in funding policy, GOB did not want to delay disbursement and, therefore, as an act of expediency, signed the GOB/GTC agreement so as to satisfy all of AID's conditions precedent. This, we believe, does not constitute an abrogation of the Project Agreement, but we will mention this issue to GOB officials. However, because any requirement imposed on the GOB to submit an official report at this point would be pretty much after-the-fact and non-productive to pursue, we feel this portion of the recommendation should be restated accordingly.

Today the Office of Housing recommends two types of procedures for modifying an IA: one formal procedure to be used when modifying the body of the IA, and another less formal procedure for changing an annex to an IA. The Botswana IA spells out an informal procedure for modifying annex A but is silent for the rest. (COR is annex B). GC/H has agreed in future IAs to extend the less formal procedure to all annexes. If a procedural fault is found with the foregoing activities, it is one that can easily be corrected through a "housekeeping" action. This remedy, though needed, is certainly not critical to project success.

As to the substance of the change, the report implies that it is negative. All other parties - USAID/Gaborone, OPG field personnel and RHUDO/Nairobi - are convinced that the change represents the GOB's full and final commitment to the cause of effective collection procedures. The earlier version of the COR had such harsh penalty provisions that the document was universally regarded as unenforceable. Local authorities very rarely ever brought delinquent plotters to court for nonpayment of levy charges. Through the intervention of many parties (including the AID supported OPG staff), and after a great deal of Parliamentary review, a new enforceable document was framed and passed into law. On the basis of the new COR, the Gaborone SHHA is presently proceeding to lodge eviction actions against chronic offenders at Broadhurst. We agree that this change has been critical to the success of the project; we believe that the change has ensured that success.

This change clearly did not involve GOB abrogation of their duties under the IA, nor did it imperil the success of the program. The recommendation should be more precisely worded and that portion pertaining to COR changed accordingly."

Despite the length of RHUDO's response on this point, it appears they have accepted the recommendation as drafted, which we have retained.

The difference of opinion here appears to lie with RHUDO's view that disregard for international agreements as "an act of expediency" is acceptable in the conduct of U.S. foreign assistance activities. While we are interested to learn what the Office of Housing and the Assistant General Counsel for Housing plan to do in the future to lessen the requirements for amending IIG project agreements, we are unable to see the relevance of these plans to the subject of this deficiency.

As to the change in the Certificate of Rights -- another "act of expediency" on the part of the GOB -- we would note that recent parliamentary action, of which we were made fully aware during our field work, was needed because, when the old form of COR was changed, the new form lacked a legal basis from which to proceed against delinquent plotters. We continue to regret that the old form of COR, which permitted administrative rather than time-consuming judicial action, was not used judiciously in the same fashion that the new powers are intended to be implemented; i.e., against cases of flagrant delinquency only. We find no justification in all this, however, for the GOB's not consulting with AID, or at a minimum, not notifying AID in advance that it intended to unilaterally modify a part of the project Implementation Agreement.

Compliance With HG Project Authorization

The terms of the project 633-HG-001 authorization by AID's Africa Bureau were exceeded regarding the conditions of loan repayment by the GOB to the U.S. investor.

Terms of Authorization

We were unable to find a copy of the project 633-HG-001 authorization document in either USAID/Botswana or RHUDO/E&SA files. However, the terms and conditions of project authorization are thought to be accurately reflected in the Letter of Advice, dated July 14, 1976, to the GOB Ministry of Finance from the Director of AID's Office of Housing. The second paragraph of that letter is quoted below.

"The terms and conditions of the loan will be included in agreements between the United States Investor, the Government of Botswana and A.I.D. The loan may extend for a period of up to thirty (30) years with a grace period of up to five (5) years on repayment of principal."

Grace Period Exceeded

A review of the project Loan Agreement, executed on August 1, 1978, between the Republic of Botswana ("Borrower") and United States Trust Company of New York, the lender of HG loan funds, disclosed (Article IV) that the first payment of principal under the loan is not due until March 1, 1989. That is to say, the grace period as to repayment of loan principal was contracted as ten (10) and not five (5) years as authorized. The ten-year grace period, a further file search revealed, was contained in the lender's formal loan offer to the GOB, so reported in AID cable traffic, and subsequently approved by AID.

Conclusion

Inasmuch as we have been unable to find any reference to an amended authorization under this project, we can only conclude that the terms of AID's authorization of project 633-HG-001 have, for reasons we are unable to determine, been technically exceeded. Since fewer than five years have elapsed since the date of the first HG loan drawdown, we believe it appropriate to amend the project authorization at this time.

In response to our draft report, RHUDO/E&SA commented:

"We concur in the recommendation and have been informed by GC/H that the amended authorization reflecting the appropriate 10-year grace period has already been signed by the AA/AFR."

We have therefore deleted the recommendation which appeared in our draft report, but request RHUDO/E&SA to transmit a copy of this amendment to us for our files.

Housing Policy Issues

The GOB has established a Presidential Commission on Housing Policy to study the report on issues currently being debated in the Botswana shelter sector. Many of these issues have been mentioned in this report. In our opinion, the on-going deliberations of this commission provide an unusual opportunity for donors and the GOB to consult on such issues as affect their mutual interests in the Botswana shelter sector.

Presidential Commission

Developments in the Botswana shelter sector, as noted in the Background section of this report, are accorded relatively high priority by the GOB, at least in comparison with most other countries in Africa. In 1979, the GOB established a Presidential Commission on Housing Policy to make a comprehensive assessment of issues affecting the sector. The establishment of the GOB Commission is viewed as an unusual and salutary development in GOB housing policy formulation, worthy of emulation by other LDCs. Chosen as one of the key staff members of the Commission was the first AID-funded adviser to the GTC/SIHA, who currently holds the position of Low Cost Housing Officer with the GOB Ministry of Local Government and Lands. We were advised by that official that many of the policy issues mentioned in this report -- self-help plot access structures, provision of street lighting, and parallel development of housing projects and community facilities -- are on the Commission's agenda. We believe three further issues merit brief mention at this point.

Subsidies: Also noted in the Background section of this report was the resolve of the GOB to develop low-cost housing for its lower income citizens mainly through self-help, unsubsidized measures. As explained in the Project Paper:

"3. Project Cost Recovery

The project is expected to be paid for entirely by the residents of Gaborone. At the same time, in order to minimize the costs to be borne by lower-income households, there will be substantial cross-subsidy from fully serviced to partially serviced self-help areas of the town. The mechanics of cost recovery will be as follows:

a. Funds for primary electrical and water infrastructure will be loaned by the GOB to the BPC and WUC ^{1/} at 8% over 25 years, and be recovered by them from Gaborone residents through utilities' rates.

b. Funds for primary roads, drainage works and sewerage infrastructure will be loaned by the GOB to the GTC at an interest rate of 1% over 25 years. Repayment of this loan would come from general revenues of the Council.

c. Funds which finance the secondary (onsite development) costs of infrastructure services will be recovered through the sales of the fully serviced residential and commercial lots and 627 of the partially serviced lots (sold to BHC). ^{2/} Thus, the sales prices of these lots will include an element to cover the onsite costs of the partially serviced lots intended for self-help housing, resulting in a substantial cross-subsidy from the higher to lower-income areas.

d. Funds for the building materials loan program and the low-cost sanitation structures for partially serviced self-help housing areas will be on-lent by the GOB to the GTC at 3% interest over 15 years. The Council will, in turn, on lend this amount to lower-income households at a rate of no less than 4% over 15 years. This figure (4%) has been used by both the GTC and Francistown Town Council in the past. It represents a political decision by the Councils and the GOB to subsidize home construction costs for lower-income households. Since there is no overall subsidy in the Project, the funds needed for repayment by the GOB under, in this case, the HG loan, will come from a combination of the land sales and repayments by the WUC and BPC.

e. The funds for administration of the SHHA will be passed on by the GOB to the Council on a grant basis, an accepted practice in Botswana, based upon GOB interest in insuring that urban development needs are met. Recovery will be on the basis noted in (d) above."

We verified with the GTC Treasurer that the above described terms and conditions of financing will be adhered to with the exception of those contained in paragraph d. As noted in an earlier section, building material loan rates have been raised to 9% per annum to the plottolders to be repaid

^{1/} Botswana Power Corporation and Water Utilities Corporation

^{2/} Botswana Housing Corporation

over 15 years. GTC, in turn, must repay these HG loan funds to the GOB at a rate of 8% over the same term.

A major subsidy not mentioned above includes a direct grant of about \$117 per plot from the central government to local authorities to help them defray the cost of plot development.

In the particular case of HG loan financing for Broadhurst Stage 2, two different loan commission fees totaling \$47,880 (or about 2% of the loan proceeds) were deducted from disbursements made by the investor and paid to United States Trust Company of New York and AID as part of the loan financing arrangements. These costs have apparently been absorbed by the GOB as no further mention of them was found in project files.

Subletting: In our sample of twenty BH 2 plots we discovered that twelve ploholders had sublet space in their units to tenants for monthly rentals ranging from about \$18.50 to \$24.50. Rental payments were obviously being used to further improve and expand those units. Additionally, two units were found to be entirely sublet; i.e., the ploholder was not in residence. SHHA officials advised us that when the project is fully developed, about 20% of all units, based on previous experience, may be fully sublet. Given the tradition of Botswanans to reside and work for extended periods of time in the neighboring Republic of South Africa, this prediction is not surprising.

The project Implementation Agreement does make it clear in Section 1.02 that the ploholder:

". . . undertakes that the lot allocated to him, the dwelling unit built thereon and the granting of any building materials loan related thereto are for occupancy as his principal place of residence and not for purposes of speculation." (emphasis added)

We verified that eligibility determinations made by SHHA do include questions about the proposed use of plots to be allocated. The Certificate of Rights which ploholders execute to gain tenancy to their plots also requires ploholders to reside on their plots, but if they wish to lease same, they must obtain SHHA's written permission to sublet all or a part of their plots. This latter requirement is uniformly ignored by ploholders, we were informed by SHHA officials. More seriously, the revised form of COR contains no provision for sanctions or surcharges in cases of total subletting. Thus, GTC/SHHA waives a legitimate source of additional revenue from persons who choose not to comply with the terms of their CORs and make speculative use of their plots.

SHHA Status: The Self-Help Housing Agency of the Gaborone Town Council (GTC/SHHA) is one of four such agencies established several years ago in Botswana's principal urban centers. The integration of these low-cost

housing agencies into local government bodies is, according to reports heard during our stay in Gaborone, another area of policy debate within the GOB. Alternatives which have been mentioned include the creation of a parastatal self-help housing corporation, or the amalgamation of all GOB housing functions into a separate ministerial level organization.

Clearly, we are in no position to evaluate the pros and cons of these alternatives. What we did take away from our visit to GTC/SHHA (reportedly the best among such agencies in terms of procedural efficiency and accomplishments to date) is the impression that neither the Gaborone Town Council nor the staff of its SHHA are comfortable with their mutual relationship. On the other hand, SHHA professional staff view their dealings with local elected leaders as problematic while, on the other hand, SHHA's impact on the human and financial resources of GTC was likened by its Treasurer to "a large tail that wags a weak dog." It would appear that GTC officials' time and effort spent on SHHA matters is quite disproportionate to the relationship that SHHA's current fiscal year budget bears to that of the GTC as a whole: about \$450,000 to \$3.7 million.

Donor Coordination and Impact

During our stay in Botswana, we were not made aware of any concerted effort by the shelter sector donor community to make their views on such housing policy issues known to the GOB housing policy commission.

In concluding these brief remarks on shelter sector policy issues in Botswana, we do not feel it appropriate to make a formal recommendation as regards any one of them. Rather, we would hope that RHUDO/E&SA, in conjunction with USAID/Botswana, might join us in the view that the ongoing deliberations of the GOB Presidential Commission on Housing Policy provide an opportunity for greater consultation among donors and the GOB on matters which affect their mutual shelter sector interests.

AID Project Management

USAID/Botswana relies almost exclusively on RHUDO/E&SA staff (based in Nairobi, Kenya) to manage the Broadhurst Stage 2 project. Although RHUDO staff TDYs to Botswana have been quite frequent, they have been too limited in duration to enable staff to focus adequately on project specific issues. RHUDO's project management effectiveness could be strengthened, in our view, by the development and use of Implementation Agreement checklists during TDY project visitations.

Project Responsibility

USAID/Botswana officials concerned with project 633-HG-001, Broadhurst Stage 2, advised us they rely quite heavily on RHUDO/E&SA staff for project management. This is in accordance with Housing Guaranty Program delegations

of authority. The Project Paper stated that RHUDO/E&SA staff would travel to Gaborone at least quarterly in the discharge of their project management responsibilities. A review of RHUDO travel vouchers maintained by the East Africa Accounting Center in Nairobi demonstrated that RHUDO staff travel exceeded the TDY frequency to which the Project Paper committed them.

Management Effectiveness

Notwithstanding the foregoing TDY record, the number and nature of findings reported in preceding sections of this report raise certain questions in our minds regarding RHUDO staff's effectiveness in managing this project. To the foregoing conditions we would add another having to do with control of HG loan funds.

Lack of Escrow

We understand it to be normal in HG project financial management arrangements to provide funds for construction advances to HG loan borrowers. However, we also understand it to be normal operating procedure for these advances to be liquidated at the time the final disbursement of loan funds from the investor takes place. Furthermore, if such liquidation cannot take place for some reason at that time, HG loan funds are then normally deposited in an escrow account, disbursements from which cannot take place without AID's approval. In the case of project 633-HG-001, the Loan Agreement negotiated between the U.S. lender and the GOB provided for only three disbursements to take place within less than 18 months of the agreement's execution. To compensate for this tight drawdown schedule, provisions were made in Section 3.02 of the project Implementation Agreement to advance funds to the GOB against undocumented costs of the project's infrastructure and building materials loan components in each disbursement, including the final disbursement of funds to the Borrower.

And, in fact, the Borrower's Certificate for the last drawdown attests that advances for infrastructure and BMLs constituted the equivalent of about \$835,000 ^{1/} in a total drawdown amount of \$910,000, or 92%. Furthermore, an analysis of unliquidated advances outstanding reveals that immediately after the date of the last HG loan disbursement the following situation applied as regards unliquidated advances:

Infrastructure	\$416,180	
BMLs	<u>624,920</u>	
Total unsupported advances at date of last drawdown		<u>\$1,041,100</u>

^{1/} At the rate of exchange obtaining at the time of the last drawdown, or Botswana Pula 1.00 = U.S. \$1.2679

Although it is true that all disbursements were made in accordance with the terms and conditions of the HG Implementation Agreement, as amended, we seriously question whether an amount this large (43% of the entire loan) should have been advanced directly to the GOB at the time of final HG loan drawdown. There is nothing in the Implementation Agreement, insofar as we can determine, that precludes the establishment of an escrow account for management control purposes. It is our further opinion that project omissions and management weaknesses which have come to light since the final disbursement of HG loan funds, as described earlier herein, but which prudent management practices and controls could have revealed prior to that time, indicated the need for continued AID control of these funds.

TDY Duration and Focus

A further analysis of RHUDO TDY travel to Gaborone during the period January 1978 through September 1980 revealed that 15 individual RHUDO staff trips (including two, two-person TDYs) encompassed 71 gross travel days of which only 45 net days (including weekends and trips outside Gaborone), or 63%, were available for work in Botswana. This makes for an average net TDY of three days. In fact, the longest net TDY was eight days, but ten of the total 15 TDYs were only two net days in duration. In addition, a review of RHUDO trip reports customarily filed after each TDY disclosed that these trips focused on general housing and HG project development issues at substantially greater length than upon matters which bore specifically on Broadhurst Stage 2 matters. We found no indication in these reports that an Implementation Agreement checklist had been developed or used to review the progress of the project.

Conclusions

RHUDO/E&SA has complied with its project management TDY commitment as to the frequency of staff visits to Botswana. However, the present status of Broadhurst Stage 2 financial affairs and overall physical construction progress indicates that RHUDO TDYs have not focused adequately on project problems or progress. We believe this is due to the overly brief duration of most RHUDO TDY visits to Gaborone, and the fact that not enough attention has been paid to project specific issues. Finally, the frequency of RHUDO's TDYs in relation to their duration, we feel, results in a highly cost-inefficient use of HG Program travel budget resources.

Recommendation No. 14

RHUDO/E&SA adopt a project visitation modus operandi which provides for fewer TDYs of longer duration and incorporates the development of Implementation Agreement checklists for more effective project management.

In response to our draft report, RHUDO/E&SA commented:

"The auditor's conclusion regarding RHUDO management of this project was based on incomplete analysis, did not take into consideration the complementary role of the FCH OPG and the long and short term technical assistance provided under it, nor reflect the Interim Regular Evaluation which noted the 'excellent management' of the project."

A strictly quantitative analysis of the number and frequency of RHUDO TDYs and an obviously cursory review of trip reports is not sufficient to arrive at the auditor's seemingly subjective conclusions. We believe that if the auditor objectively reviewed carefully all RHUDO trip reports, as well as reports submitted by FCH and the Urban Development Coordinator, which covered many project technical issues, that the auditor's conclusions would have been different.

Also, we believe that the auditor either neglected to review or was not aware of the short term technical assistance provided by FCH consultants under the complementary OPG and the project issues that those technicians addressed. In keeping with USAID's policy of 'doing more with less', RHUDO has relied on the OPG resident advisor, short-term technicians and donor funded advisors to the SHHA and thus has been able to limit the frequency and length of TDYs on both a regular, and, as-needed basis.

While we agree that a check list is a good management technique we find the auditor's statement on page 53 that '... no indication ... that an Implementation Checklist has been developed or used to review the progress of the project' particularly cheeky in its implication that a checklist was or is a management requirement, which they are not, and that TDYs were without focus or purpose, which they were not, as the trip reports clearly indicate. The tone and style of this portion of the audit report further illustrates the unbalanced, subjective and negative bias which permeates the whole report.

The modus operandi mutually agreed by Mission and RHUDO/Nairobi has worked well; and to the extent possible, given staff limitations, RHUDO/Nairobi will continue to be as responsive as possible to Mission on both quarterly visits, as well as on an as-needed basis even if more frequent TDYs are required. We feel strongly that this recommendation be stricken."

In the above finding section the reader will recall reading several paragraphs dealing with unsupported, albeit technically permissible, advance disbursements in substantial amounts at the time the final drawdown of loan funds occurred. This situation was quite obviously not analyzed by RHUDO staff responsible for project management. The same staff have also chosen not to comment on this deficiency in their lengthy defense of project management.

As to the evaluation report, the "excellent management" mentioned therein refers to the efforts of AID Operational Program Grant funded resident advisers, and not to AID project managers. Further, we are unable to discern from RHUDO's comments the basis for their opinion that our reading of their TDY reports was "cursory" and "subjective".

As to the technical assistance, the significant contributions of grantee personnel to this project are dealt with at some length in the following section of the report -- which was also contained in the draft report reviewed by RHUDO/E&SA.

We take note of the fact that RHUDO/E&SA agrees that the development of checklists to monitor compliance with the terms and conditions of HG Implementation Agreements constitutes "a good management technique." There is no implication in this report that such a technique is required, nor was the thrust of our suggestion intended to be "cheeky" in any way.

Finally, and despite the many implementational deficiencies described in this report, RHUDO staff assert that their TDY modus operandi has worked well, and go on to offer more frequent visitations if needed. It appears from these comments that the practice of unfocused, quick, "in-and-out" TDYs will remain a part of RHUDO/E&SA project management practices. In this regard we would note that simply because HG Program funds originate from loan fee income (and not from appropriated funds) does not preclude HG program officials from managing them efficiently and effectively in the conduct of their affairs. Furthermore, we believe it is well within the purview of AAG/E&SA responsibilities to bring such deficiencies to the attention of AID project managers. Consequently, we have retained our recommendation on this matter.

Attainment of Project Objectives

On the whole, project 633-HG-001 is considered to be unusually well designed within a context of rational housing policy decisions on the part of the GOB. In fact, we view it as a model project with broad salutary implications for shelter sectors in other LDCs.

The major obstacles to the ultimate success of the Broadhurst Stage 2 project are those factors which are acting to impede the institutional development of the Gaborone Town Council Self-Help Housing Agency: its inability to

hire and hold appropriate staff, impaired cash flow due to plottolders payment arrearages, and the absence of political support for SHHA's cost recovery efforts. The project's implementational delays and flaws described earlier herein can be resolved with the proper application of AID and GOB human and financial resources.

Institutional Development

Perhaps the most crucial factor to the success of AID Housing Guaranty loan assistance to the Botswana shelter sector is the capacity of the Gaborone Town Council Self-Help Housing Agency to manage and develop projects similar to Broadhurst Stage 2 in the future. Three major obstacles to the achievement of this objective have been mentioned earlier in this report:

- SHHA's lack of ability to hire or retain staff at levels appropriate to the nature of its work due to the actions of the GOB United Local Government Service.
- Impaired GTC/SHHA cash flow and ability to replicate projects due to the adverse cost recovery effects of plottolders payment delinquency.
- A lack of adequate moral support for SHHA's anti-delinquency efforts by elected officials in Botswana.

Technical Assistance

Through an operational program grant from AID to the Foundation for Cooperative Housing, a U.S. private voluntary agency, several person-years of technical assistance have been provided to the GOB and GTC/SHHA since 1978 in the form of resident advisers. Initially, FCH/OPG technical assistance efforts were confined to GTC/SHHA only. After the appointment of the first FCH adviser to GTC/SHHA to the GOB Presidential Commission on Housing Policy, two additional resident advisers -- a replacement at GTC/SHHA and an adviser attached to the SHHA established in the northern urban center of Selobi-Phikwe -- arrived in Botswana in 1980 under AID grant funding to FCH. Reports heard during our TDY in Gaborone confirm the effectiveness of these technical advisory inputs to date in helping GTC/SHHA to launch its ambitious low-cost housing programs, and manage them reasonably well in the face of serious handicaps. Certain problem areas which continue to warrant the input of technical advisory services to GTC/SHHA management are described below.

Four Critical Areas

Outreach: GTC/SHHA must communicate its procedures and objectives more effectively to those whom it serves and those to whom it looks for support.

A young and inexperienced staff makes this task doubly difficult, especially in the face of passivity and opposition. The recently arrived FCH technical adviser to SHHA told us he plans to make this his principal area of concentration.

Management: Upper level SHHA management personnel impress us as capable and concerned but lacking a bit, perhaps, in dynamism. Symptomatic of certain managerial weaknesses we noted during our two weeks at GTC/SHHA headquarters were:

- Insufficient contact between HQ and field office staff exemplified by the fact that neither the BH 2 or BH 3 field offices were aware that BH 2 plot allocations and BMLs were being made from the BH 3 office. The same field officers were found to be inexplicably absent on two occasions for extended periods during our visit.
- Inability to marshal data such as the number of unit completions in BH 2 and BML status by geographic location, information on construction contract provisions and maintaining current a list of SHHA personnel.
- Inadequate management oversight and controls. We were advised by a representative of the GOB Dept. of Local Government Audit that a sample review of items stored in the BH 2 warehouse disclosed only 28% correct balances. More seriously, no action was being taken to align records with physical inventory counts, thus largely invalidating the entire exercise.

Accounting: This is perhaps GTC/SHHA's strongest point. The accounting system developed through AID grant-funded technical assistance is now recommended as a model by HG Program officials. However, management attention must continue to be applied if the information produced from accounts is to remain accurate and meaningful. Since the opening of the BH 3 ward office, SHHA statistical reporting has been adversely affected by plot allocations and BMLs made to BH 2 but not reported as such. Many reports lacked adequate explanation in the form of footnotes to clarify apparent inconsistencies.

Construction: We noted in our site visits that most plottolders were generally adhering to SHHA building standards. This is really quite remarkable in view of the varying skill levels of plottolders. As noted previously, we were somewhat surprised by the number of plottolders in our sample who had finished or even begun to expand their homes without first constructing or finishing their latrine superstructures. This contravenes the agreed upon construction schedule and also poses certain health hazards to the community.

Sound Project Concept

Due to the complexities in the implementation of this ambitious, multi-donor project, this report has had to describe a variety of deficiencies of a procedural and compliance nature. In our opinion, the vast majority of these items can be corrected through an adequate application of RHUDO staff resources and GOB financing for omitted items.

Despite the numerous operational deficiencies noted in the report, we have also made clear our view that Broadhurst Stage 2 is a technically sound and very well conceived project. It is being implemented with the support of several donor agencies in conjunction with the GOB. The GOB's principal contribution in the solution of its citizens shelter problems, however, transcends this project. It lies rather with the formulation, adoption and continuing review of a rational housing policy which emphasizes self-help efforts on a massive scale in urban areas on a largely unsubsidized basis. The scope of these efforts speaks highly for the priority which the GOB attaches to this endeavor on behalf of its less advantaged citizenry.

Certain fairly serious obstacles currently impede GTC/SHHA institutional development while a series of delays and implementational flaws have, to date, limited the success of project 633-HG-001. However, Broadhurst Stage 2 does form an integral part of a conscious and well conceived national effort on the part of the GOB and its donor associates to address the shelter needs and aspirations of large numbers of its lower-income citizens, and in accordance with a basically sound GOB fiscal policy of non-subsidization.

It would be our hope that AID housing officials would make every attempt to bring the design, objectives, accomplishments and implementational pitfalls of this low-cost housing approach to the attention of LDC housing officials on a continuing, updated basis at AID-sponsored regional housing conferences and symposia.

In response to our draft report, RHUDO/E&SA commented:

"Our dismay is compounded by our assessment of this project's great success in achieving its initial goals. If we were to gauge success, we would rank the Botswana Housing Guaranty Program in the 90 percentile. We would derive such a positive ranking from examining project goals and outputs as projected and noting whether they have been achieved.

A review of the project's objectives might prompt the following series of questions and answers:

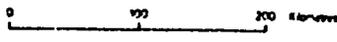
- Q. Has the Botswana Housing Guaranty Project produced shelter units?
- A. Yes, over 1,850 serviced plots have been produced, more than were initially planned.
- Q. Are the units affordable by households below the median income?
- A. Yes, prices were held during an inflationary time through good management practices. All units produced are affordable by households below the median income and many plots are affordable by very low income families.
- Q. Have plots serviced under the Housing Guaranty Project been allocated to the correct target population?
- A. Yes, all plots were allocated to households below the median income.
- Q. Has Botswana shelter institution been formed and strengthened greatly through the AID interventions?
- A. Yes, largely due to the AID Housing Guaranty and OPG programs, the Gaborone Self-Help Housing Agency has grown from a staff of 5 to 63 and is now considered the best such agency in Botswana.
- Q. Are improvements being made in cost recovery?
- A. Yes, the current default rate is one half the level it was prior to the AID interventions. The SHHA now collects more than Pula 20,000 per month whereas prior to the AID interventions it collected less than P 1,000 per month. The monthly service levy has been raised during this period from Pula 1.2 to 4.5 to better match actual expenses. Finally, the SHHA helped successfully lobby for a new law, the State Lands Act, which will substantially improve collection procedures.

- Q. Has the Housing Guaranty Project led to the institutionalization of the aided, self-help, minimum standard, fuller cost recovery approach to housing?
- A. Yes, the GOB has substantially adopted this shelter approach favored by AID in its national policies and through the current Presidential Commission on Housing is extending the program."

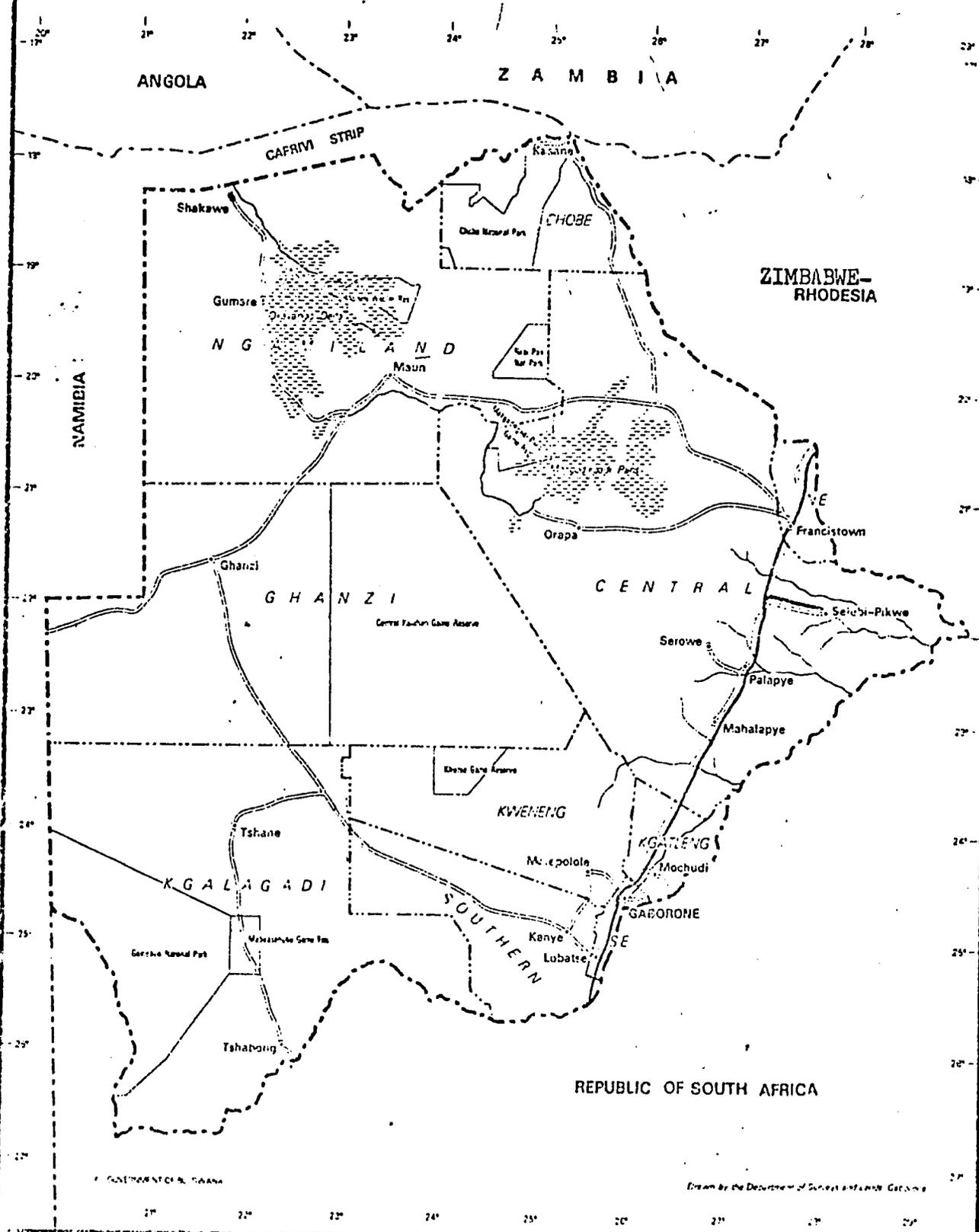
As we have previously noted several times, we found this to be an extremely well conceived project. We agree that some of the output goals have been achieved; however, in the following instances the answers provided by RHUDO/E&SA to their own questions are considered misleading and require further clarification:

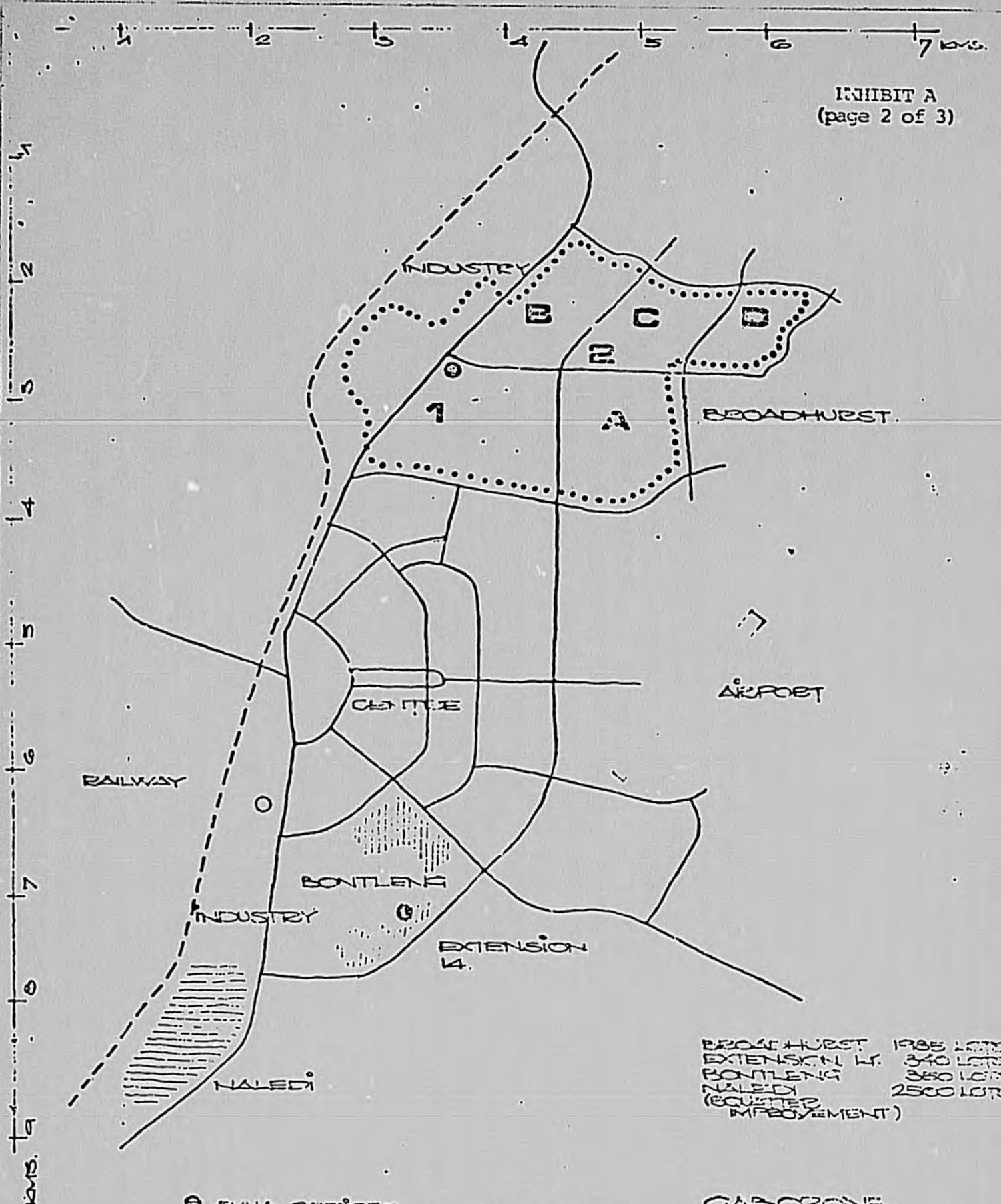
- "Serviced plots" are not shelter units. Although 1,855 serviced plots have been produced, at the time of our review in late CY 1980, about one-third plots were occupied. We were advised by the GOB project coordinator that completed units at the end of September 1980 totaled 344 units.
- GTC/SHHA was in existence for several years before HG loan funds became available. Although it has grown in size, it has not necessarily grown apace in operational efficiency, as we point out in the report. It is clear that GTC/SHHA will require resident technical assistance for some time, as was demonstrated by the notable decline in the organization's efficiency in the one year interval between the first and second AID OPG-funded technical adviser.
- It is true that SHHA now collects more than Pula 20,000 per month. However, the number of accounts in GTC/SHHA's portfolio has also increased substantially over the same period. We believe that it is more important in this regard to focus on delinquency trends over the recent past, as shown on Exhibit C, which demonstrate that serious delinquency has been rising.
- It is also true that the service levy has been raised, although it still remains far below (less than 50%) the estimated cost of services. The need for legislation to fill the void left when the GOB unilaterally modified the Certificate of Rights has been described earlier herein.

REPUBLIC OF BOTSWANA



- Road
- Railway
- District Boundary
- National Park
- River





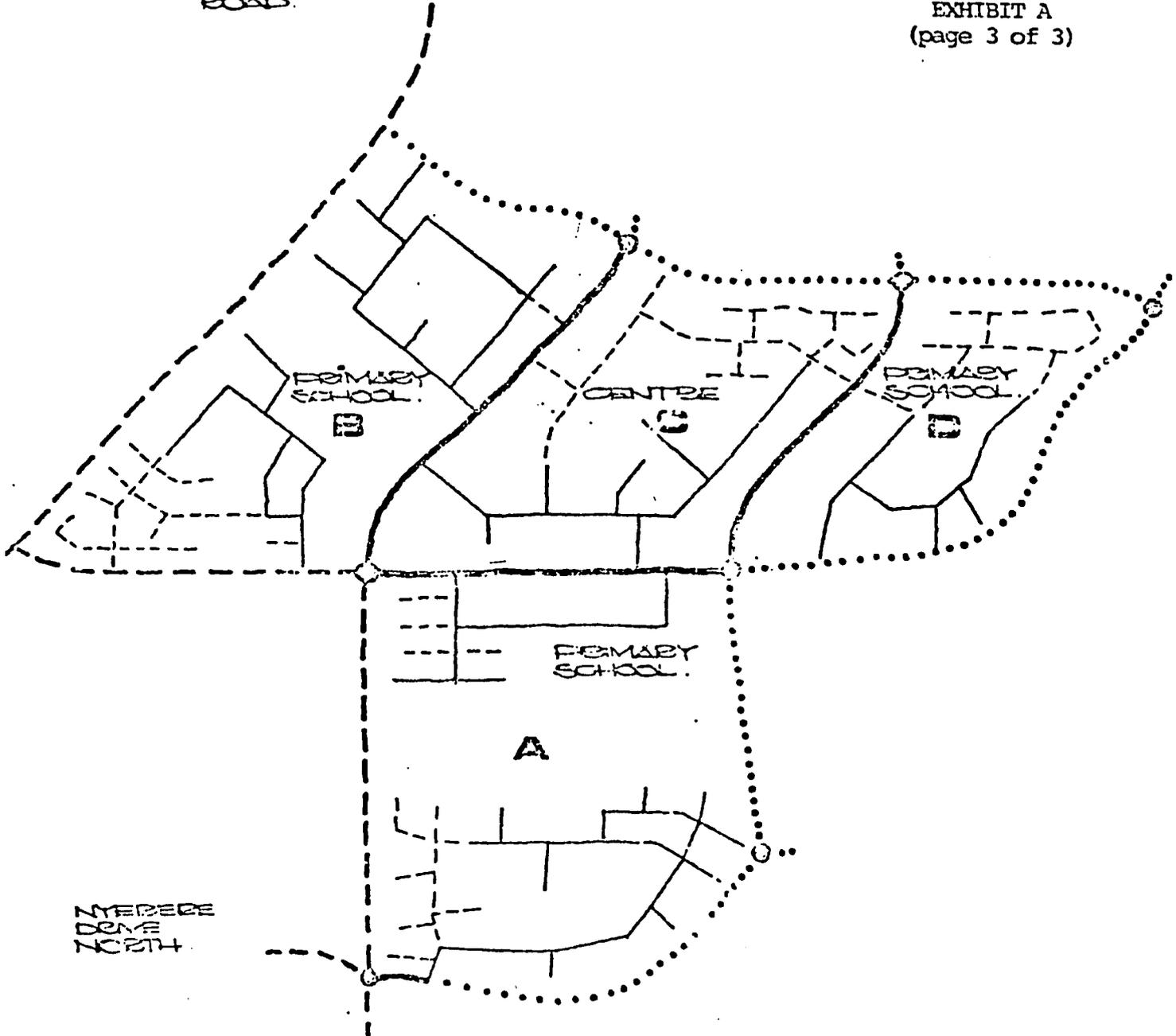
BROADHURST 1985 LOTS
 EXTENSION 4. 340 LOTS
 BONTLENG 380 LOTS
 NALEDI 2500 LOTS
 (QUIET IMPROVEMENT)

⊗ GHHA OFFICES
 ○ TOWN COUNCIL MATERIAL STORE

GABORONE.
 LOCATION OF SELF-HELP HOUSING AREAS.

FRANCISTOWN ROAD.

EXHIBIT A
(page 3 of 3)



700 THERE ARE 700

- EXISTING PRIMARY
- PRIMARY PROPOSED BUT NOT NECESSARY UNTIL STAGE III.
- MINIMUM PRIMARY TO SERVICE STAGE II
- LOCAL NETWORK FOR PARTIALLY SERVED HOUSING.
- LOCAL NETWORK FOR HIGH AND MEDIUM COST HOUSING.

BROADHURST ROAD NETWORK.

EXHIBIT B

Development Status

Project 633-HG-001

Broadhurst Stage 2

at Sept. 30, 1980

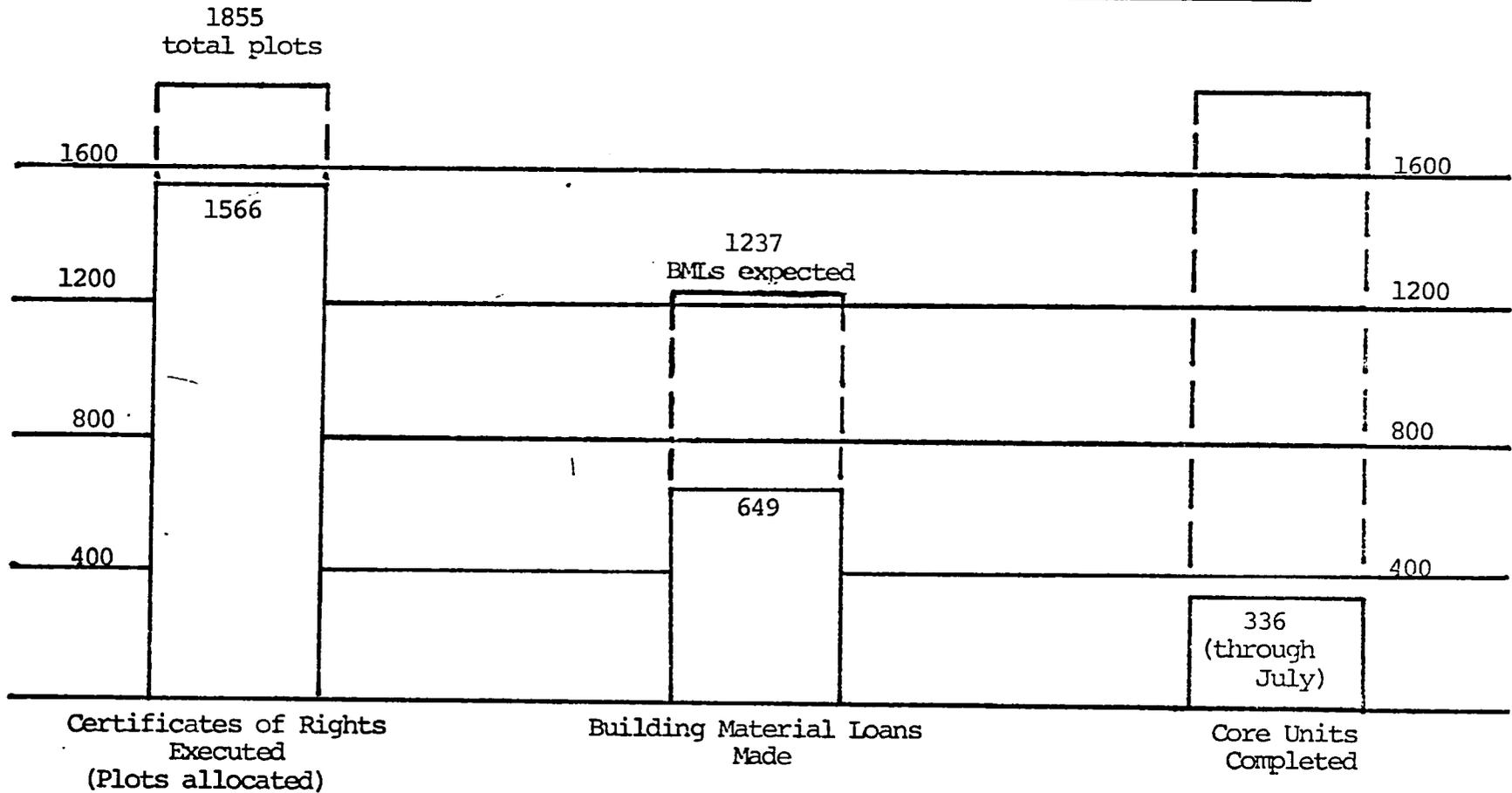
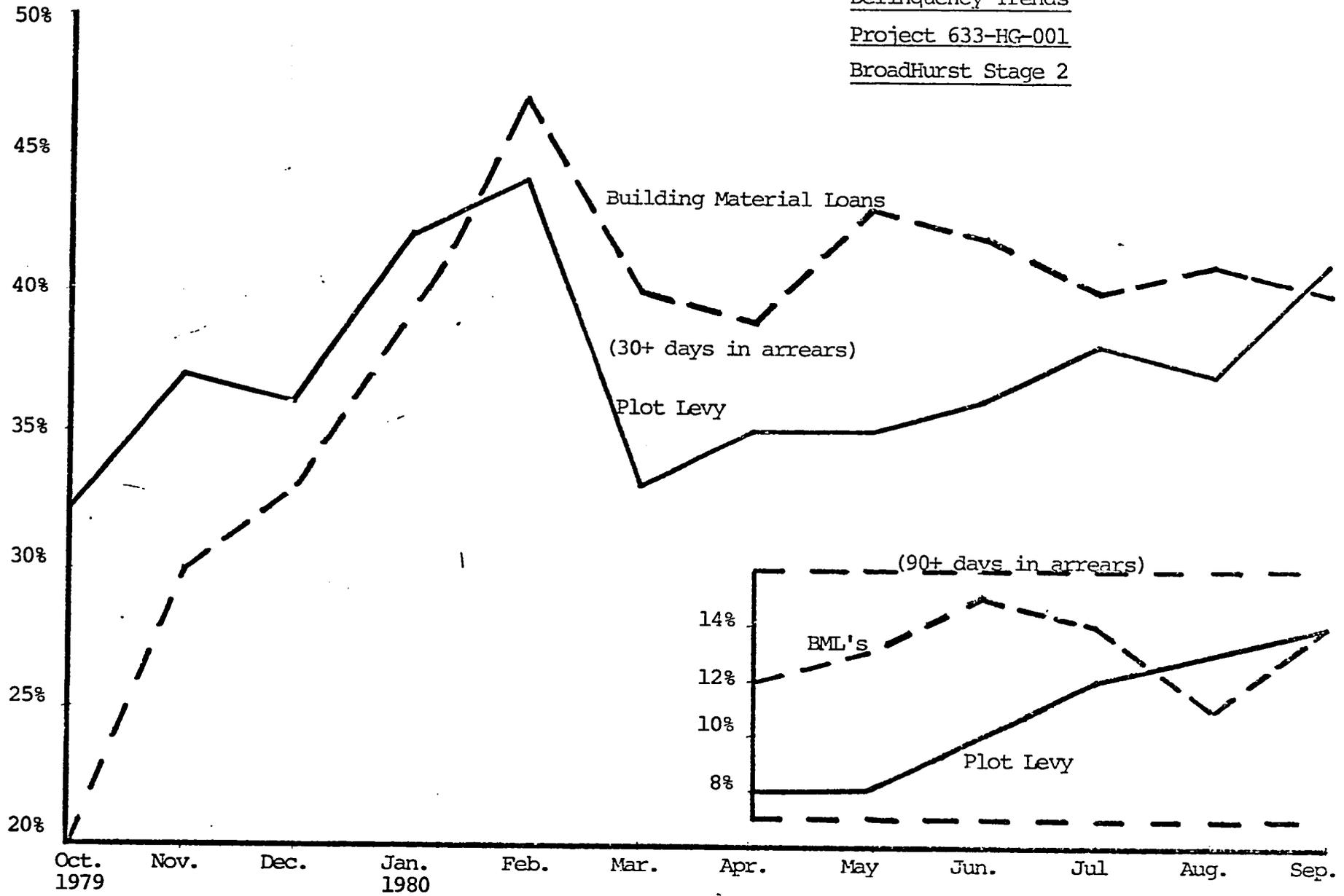


EXHIBIT C

Delinquency Trends
Project 633-HG-001
BroadHurst Stage 2



Levy Payments _____ BML's _____

HOUSING GUARANTY LOAN PROJECT 633-HG-001

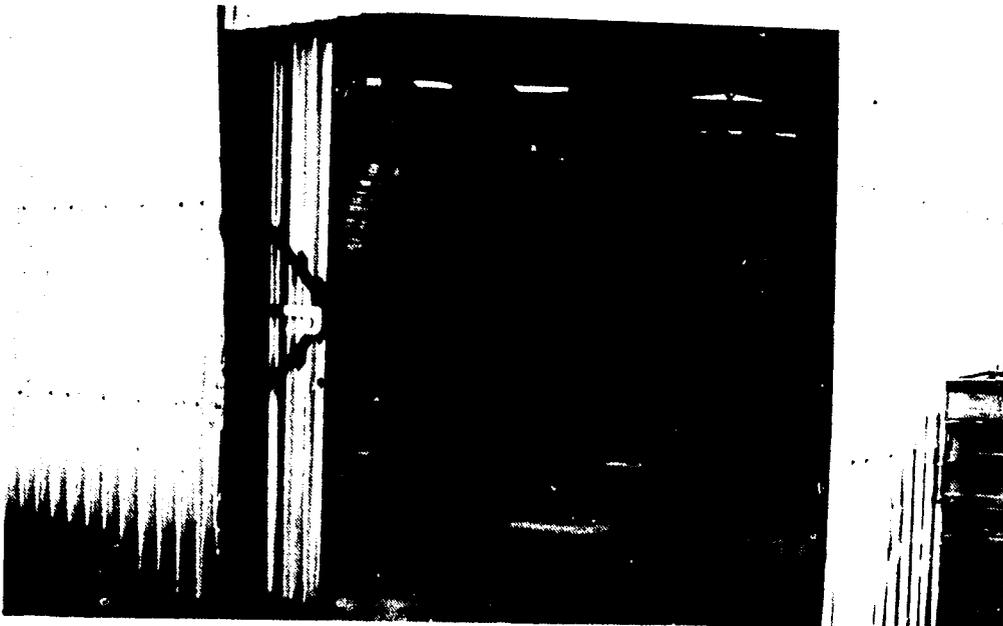
BROADHURST STAGE 2, GABARONE, BOTSWANA

PHOTOGRAPH OF PROJECT SITE

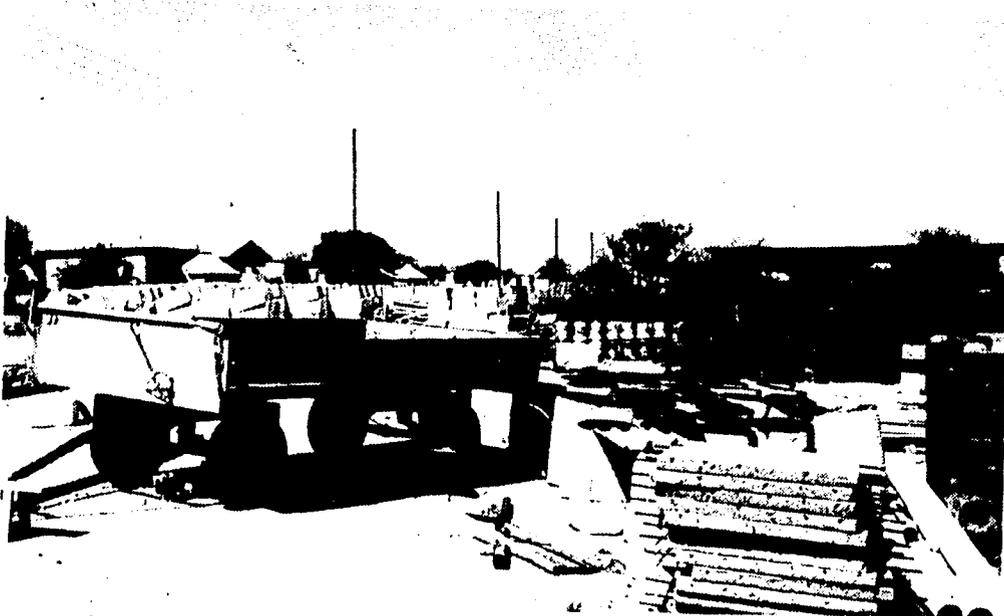
October 1980



The concrete slab indicates the latrine substructure is in place and the 400-square-meter plot is ready for allocation.



Building materials from this Broadhurst warehouse are available to plottolders on 15-year, 9% loan terms to help them to develop their dwellings after plots have been allocated.



Materials from GIC/CTA's warehouse and yard are transported to residents' plots by means of trailers purchased with HG loan funds.



Plotholders often construct rude temporary structures (right) in which they live while construction work on their plot commences with the latrine superstructure (left).



The community begins to take shape as dwelling construction complements sanitary structures. In the foreground, a "stand-pipe" which supplies water to residents at a ratio of 1 to 20 plots.



With the addition of doors, this core unit nears completion. The wheel in the front yard is used to grind grain by the plotholder and neighbors.



Two of the twenty units included in our sample of Broadhurst Stage 2 residents. Paint is available among building material loan items but not required by SHHA for unit completion.



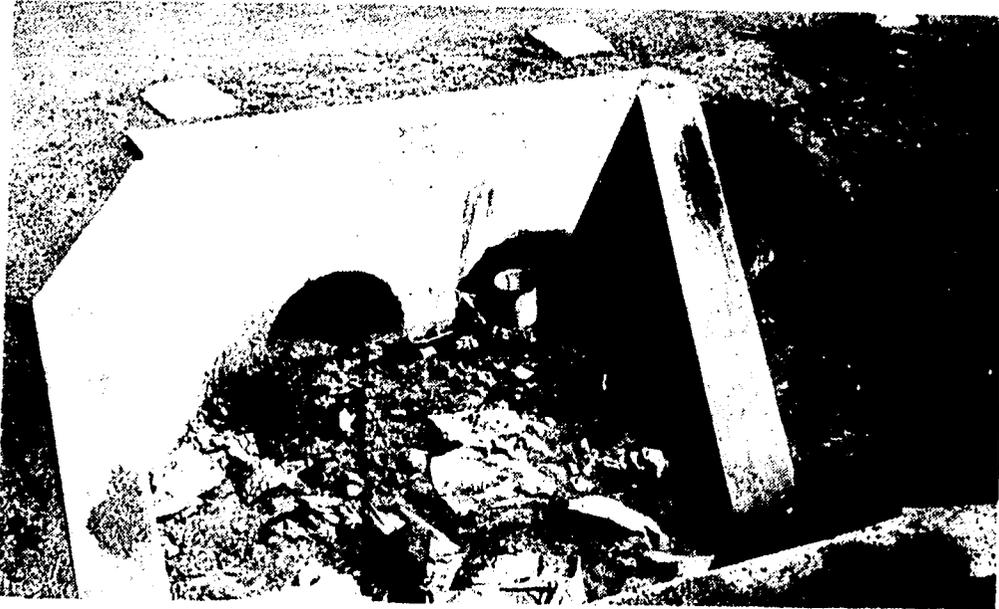
This plotholder's family resides in the larger dwelling under construction while the two-room core at the rear is rented out.



The problems of plot access and plotholders' spontaneous solutions are summed up in the above scene.



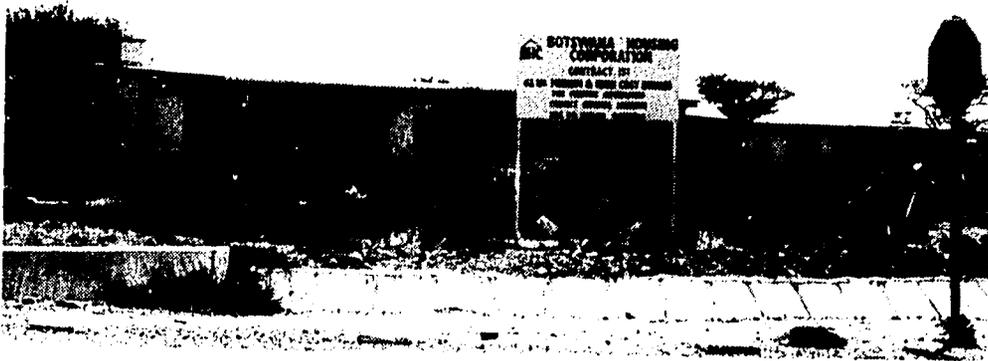
Although plotholders generally maintain their plots quite well, storm drains are clogged with trash, rubble and access ramps.



Inevitably these materials find their way to major intersections and drainage structures, increasing maintenance costs and the chances of flooding.



One barrel has proven inadequate to handle the trash from surrounding homes with regrettable consequences for the adjacent green area.



Economic integration in Broadhurst Stage 2 is achieved through scattering middle-income housing like this throughout self-help project areas.



Main office of the Gaborone Town Council Self-Help Housing Agency. These movable structures and much of the furnishings and equipment inside were purchased with HG loan funds.

GOVERNMENT OF BOTSWANAMinistry of Local Government & LandsBROADHURST STAGE 2 DEVELOPMENT

Annexure to Project Delivery Plan - USAID - March to Sept. 1980

In addition to the figures in the Votes Ledger of the Urban Development Co-ordinator (Gaborone & Lobatse) at September 30th 1980, and reflected in the Project Delivery Plan for the period March to September 1980, the figures set out below represent the balances expected to the End of Project :

	P
Sanitation	Nil
Roads, Drainage and Sewerage	336 665 *
Building Material Loans	(see Note below)
SHHA Capital Expenditure	Nil

Note: It is considered too early to suggest a Balance Remaining figure for this item, with - at present - less than half of the anticipated 1300 BMLs granted, and most of those not yet fully taken up.

A. A. Stanley
Urban Development Co-ordinator
(Gaborone & Lobatse)

October 13th. 1980

* This balance is due in part to an early deletion from the Construction Contract of the provision of concrete access slabs to individual plots, for which the sum of P158,869.79 had been allowed. It then became Government policy to provide, for those Site and Service Plot-holders who needed access across drainage ditches, the materials for them to construct, on a self-help basis, the pedestrian access required. These materials (slab, supports, mortar) are estimated at P50 per plot for around 640 (50%) of the Site and Service plots in Broadhurst Areas B, C and D. The resultant total of P32,000 will be drawn from the balance under reference.

BEST AVAILABLE DOCUMENT

LIST OF RECOMMENDATIONS

	<u>Page No.</u>
<u>Recommendation No. 1</u>	7
RHUDO/E&SA, in conjunction with USAID/Botswana, advise the GOB that they consider plot access and street lighting to be integral parts of the Broadhurst Stage 2 project, and request the GOB to expedite action to provide these facilities to project residents.	
<u>Recommendation No. 2</u>	9
RHUDO/E&SA, in conjunction with USAID/Botswana, advise the GOB that, in the event the GOB approves the claim made by the roads and drains contractor for costs incurred and profits foregone as a result of elimination of contractor-built plot access slabs, AID would not agree to charging HG loan funds for any such claim, which should be borne by the GOB.	
<u>Recommendation No. 3</u>	10
RHUDO/E&SA, in conjunction with USAID/Botswana, request the GOB, under Section 4.02 of the project 633-HG-001 Implementation Agreement, to provide them with an inventory record of items purchased under HG loan budget line item "SHHA Capital Costs" indicating the location and end use of such items.	
<u>Recommendation No. 4</u>	12
RHUDO/E&SA, in conjunction with USAID/Botswana, request the GOB to take prompt action to allocate funds for the development of community facilities in Broadhurst Stage 2 in accordance with the terms of the project Implementation Agreement.	

Page No.

Recommendation No. 5

15

RHUDO/E&SA, in conjunction with USAID/Botswana, request the GOB Ministry of Finance to ensure that sufficient funds are made available to match the HG funded building material loan component of the Broadhurst Stage 2 project as planned.

Recommendation No. 6

18

RHUDO/E&SA, in conjunction with USAID/Botswana, notify the GOB Borrower that it wishes to defer action on the use of Broadhurst Stage 2 HG loan surplus per the December 21, 1979 letter amendment to the project 633-HG-001 Implementation Agreement until further notice.

Recommendation No. 7

19

RHUDO/E&SA, in conjunction with USAID/Botswana, request the GOB to accurately compute the value of building materials purchased with GOB domestic development funds but issued to Broadhurst Stage 2 plottolders, and transfer charges for this amount to the HG loan fund account.

Recommendation No. 8

21

RHUDO/E&SA, in conjunction with USAID/Botswana, (a) consider utilizing any surplus HG loan funds that become available under the Broadhurst Stage 2 project to fund community facilities in that project, and (b) if HG loan funds are used to fund BH 2 community facilities, seek to amend the Project Paper and Implementation Agreement accordingly.

Recommendation No. 9

25

RHUDO/E&SA, in conjunction with USAID/Botswana, consult with other donor agencies in the Botswana shelter sector in making representations to the GOB regarding the lack of political support for SIHA anti-delinquency efforts and the low classification of SIHA positions by the United Local Government Service.

	<u>Page No.</u>
<u>Recommendation No. 10</u>	27
RHUDO/E&SA, in conjunction with USAID/Botswana, urge the GOB take prompt action to strengthen maintenance practices and improve the appearance of public areas in Broadhurst Stage 2.	
<u>Recommendation No. 11</u>	30
RHUDO/E&SA, in conjunction with USAID/Botswana, take such steps as they deem appropriate to comply with the requirements of FAA Sec. 641 as they apply to project 633-HG-001, Broadhurst Stage 2.	
<u>Recommendation No. 12</u>	32
RHUDO/E&SA distribute copies of the project 633-HG-001 Implementation Agreement to the Urban Development Coordinator, GOB Ministry of Local Government and Lands, and to USAID/Botswana.	
<u>Recommendation No. 13</u>	33
RHUDO/E&SA, in conjunction with USAID/Botswana, bring to the attention of appropriate GOB officials those instances where the project Implementation Agreement has been abrogated by the GOB and, under Section 4.02 of said agreement, request the GOB Ministry of Finance (Borrower) provide them with a report explaining the reasons for non-compliance and actions the GOB plans to take to rectify these conditions.	
<u>Recommendation No. 14</u>	42
RHUDO/E&SA adopt a project visitation <u>modus operandi</u> which provides for fewer TDYs of longer duration and incorporates the development of Implementation Agreement checklists for more effective project management.	

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