PD-AAM-828

UNCLASSIFIED

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

PROJECT PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

A.I.D.
Reference Center
Room 1656 NS

REPUBLIC OF BOTSWANA - Housing Guaranty Program

no number

ID-DLC/P-2192

UNCLASSIFIED

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

UNCLASSIFIED
AID-DLC/P-2192
June 24, 2976

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: REPUBLIC OF BOTSWANA: Housing Guaranty Program

Attached for your review is the recommendation for authorization of the issuance of guaranties pursuant to Section 221 of the FAA of a face amount not to exceed two million six hundred thousand dollars ($2,600,000) assuring against losses (not to exceed one hundred per centum (100%) of the loan investment and interest) with respect to loans made to finance housing in Botswana by eligible U.S. investors (Investor) acceptable to A.I.D.

No meeting has been scheduled for this guaranty; however, because of the lateness in the fiscal year, we would appreciate your views by close of business on Tuesday, June 29, 1976. If you are a voting member a poll sheet has been enclosed for your response.

Development Loan Committee
Office of Development Program Review
and Evaluation

Attachment:
Summary and Recommendations
Project Analysis
Annexes

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TABLE OF ABBREVIATIONS

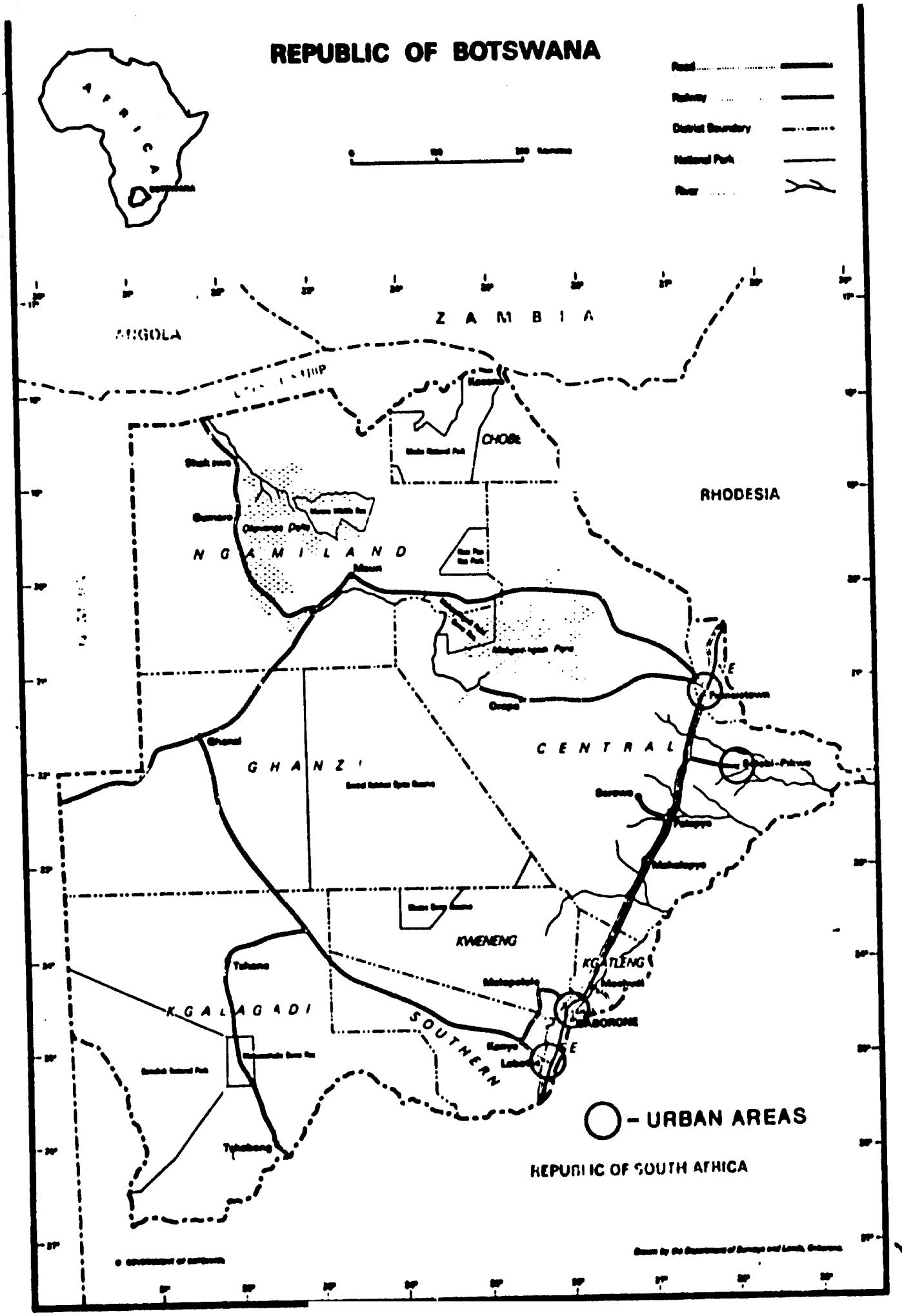
BHC	-	Botswana Housing Corporation
BPC	-	Botswana Power Corporation
CIDA	-	Canadian International Development Agency
EDF	-	European Development Fund
FTC	-	Francistown Town Council
GOB	-	Government of Botswana
GTC	-	Gaborone Town Council
HG	-	Housing Guaranty
IBRD	-	International Bank for Reconstruction & Development
MFDP	-	Ministry of Finance & Development Planning
MLGL	-	Ministry of Local Government and Lands
ODM	-	Overseas Development Ministry
RHUDO	-	Regional Housing & Urban Development Office
SER/H	-	Office of Housing
SHHA	-	Self-Help Housing Agency
UK	-	United Kingdom
UNEP	-	United Nations Environment Program
WUC	-	Water Utilities Corporation

Currency Equivalents

.Currency Unit = South African Rand (R)
.US $1.00 = R 0.86
.R1.00 = US $1.1616

GOB Fiscal Year

April 1 to March 31


REPUBLIC OF BOTSWANA
ZAMBIA
ANGOLA
RHODESIA
CHOBE
NGAMILAND
GHANZI
CENTRAL
KWENENG
KGATLENG
KGALAGADI
SOUTHERN
GABORONE
URBAN AREAS
REPUBLIC OF SOUTH AFRICA

A. Face Sheet Data

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

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

PP

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Republic of Botswana

3. DOCUMENT REVISION NUMBER:

4. PROJECT NUMBER: HG-001

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

6. ESTIMATED FY OF PROJECT COMPLETION: FY 80

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

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

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

a. FUNDING SOURCE	FIRST YEAR FY ___ b. FX	c. L/C	d. Total	ALL YEARS e. FX	f. L/C	g. Total
AID APPROPRIATED TOTAL						
(Grant)	( )	( )	( )	( )	( )	( )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1. HG						2600
Other U.S. 2.						
HOST GOVERNMENT						3280
OTHER DONOR(S)						2860
TOTALS						8740

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

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

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

1. To strengthen local institutions to effectively manage lower-income household shelter programs.

2. To provide infrastructure to permit expansion of capital of Gaborone, including homebuilding loans for lower-income households on site and service lots.

13. WERE CHANGES MADE IN BLOCKS 12, 13, 14, or 15 OF THE PID FACESHEET? IF YES, ATTACH CHANGED PID FACESHEET.

[ ] Yes [X] No

14. ORIGINATING OFFICE CLEARANCE

Signature: [signature]

Title: C.R. Zenger
Asst. Director, Operations, SER/H

Date Signed: mo. 06 day 21 yr. 76

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

AID 1330-4 (7-76)

B. Recommendations

1. The Project Paper seeks approval for authorization of a Housing Guaranty (HG) of $2,600,000.

2. It is the conclusion of the AID Office of Housing (SER/H), as well as the other agencies participating in the financing of this project, i.e. the Canadian International Development Agency (CIDA), the European Development Fund (EDF), and the Overseas Development Ministry (ODM) of the United Kingdom, that the project as set forth below is both feasible and sound. It is the judgement of SER/H that the Government of Botswana (GOB) is capable of carrying out the project with the assistance to be provided. The project meets all statutory criteria and has the full support of the GOB and the U.S. Embassy in Gaborone.

C. Description of Project

1. The proposed project will consist of the following:

   a. Strengthening of the Gaborone Town Council's (GTC) Self-Help Housing Agency (SHHA) to enable it to manage the allocation of site and service lots and provision of funds to enable the Council to implement and administer a building materials loan scheme for lower-income households allocated site and service lots.

   b. Development of about 300 ha of vacant land in the capital of Gaborone through the provision of infrastructure services for about 2400 residential lots (of which over one-half will be designated for site and service self-help housing), and other lots intended for various community and commercial purposes.

   c. Assistance in administration and coordination of the infrastructure construction program described in (b) above, and to assist the Council's SHHA.

2. Another part of the development, for which approval will be sought under separate documentation, will be the establishment of a local building materials fabrication capability, which would be integrated with the SHHA building materials loan program.

3. Major participants in the implementation of the proposed Project are:

   a. The Ministry of Finance and Development Planning (MFDP), which will be the borrower.

   b. The Ministry of Local Government and Lands (MLGL), which is generally responsible for urban development and will coordinate infrastructure construction and overall implementation of the Project.

   c. The Gaborone Town Council (GTC), a local Government authority, which will be responsible for allocation of site and service lots and management of the building materials loan program.

4. End of Project status will involve:

   a. completion of infrastructure construction;

   b. a fully functioning SHHA;

   c. allocation of all site and service and other residential lots;

   d. disbursement of all building material loans and construction of homes on at least 75 percent of the site and service self-help lots.

D. Summary Findings

1. General

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.

2. Technical

No unusual technical problems are anticipated with regard to infrastructure construction. Environmentally, the impact of the proposed development is expected to be positive.

3. Financial

The financial program is both realistic and sound. The Project will be funded by AID, ODM, EDF and GOB. The GOB will lend the bulk of its own and the other donors'

funds to the organizations responsible for executing the various components and, subsequently, recover sufficient monies to repay its own creditors. The GTC, provided its revenue base is strengthened as is currently planned, will be able to carry out its responsibilities in the development of the town. Lower-income households will be able, financially, to participate in the program.

4. Social

The social impact of the proposed Project is expected to be positive, both in the creation of a comprehensive community and the provision of serviced sites for lower-income households. The Project will have a positive spread effect.

5. Economic

The Project is economically sound. It will reach a target group, the below median income households, which is compatible both with GOB goals and AID requirements. It will generate considerable employment during its construction phase and in the building of houses. The proposed level of borrowing through the HG program and other agencies is well within GOB capacity to absorb and service.

6. Implementation

Implementation arrangements are entrusted to existing institutions. Administrative and managerial assistance will be provided to the MLGL to coordinate the program and to assist the SHHA to build it into an organization fully capable of operating on its own in the future.

7. Monitoring and Evaluation

Monitoring of progress will take place in accordance with established SER/H procedures. Routine evaluation by RHUDO/Nairobi and GOB is planned at quarterly intervals with more intensive evaluation of those components involving the GTC.

8. Legal

The Project meets all applicable statutory criteria. The checklist is attached as Annex 11.

E. Project Issues

1. During preparation of the PID it was noted that the development of another area of Gaborone, adjacent to the proposed development, was proceeding slowly. The reasons for this have been ascertained and analyzed under Part II of this Paper. Because development is now proceeding in this area, it is not expected to cause delays in the proposed Project.

2. Several questions which arose during the PID review and were conveyed to the field by the cable approving the PID are noted in Annex 3 and discussed.

3. Of particular importance is the fact that the proposed project is similar to the successful World Bank project in Francistown. A description and evaluation of that project are contained in Annex 4.

PART II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

Note: For a detailed analysis of the shelter situation see Botswana Shelter Sector Analysis - SER/H, January 1976.

A. Background

1. In common with many developing countries, Botswana faces a critical shortage of urban housing. Botswana's urban population has been projected to more than double between 1971 and 1978, from nearly 6[illegible],000 to over 120,000, raising the percentage of urban to total population from about 10 percent to 15 percent. The following table illustrates past and projected urban growth:

Town	1964 Pop.	1971 Pop.	1978 Est. Pop.	Percentage Annual Increase 1964-71	1971-78
Gaborone	3,849	17,718	47,000	24	15
Lobatse	7,604	11,936	17,000	7	5
Francistown	9,479	18,613	36,000	10	10
Selebi-Pikwe	-	10,000	28,000	-	16
Totals	29,932	58,267	128,000	16	12

2. During the years immediately following Independence in 1966, GOB shelter policy concentrated on the provision of housing of relatively high quality to meet the needs of its own expanding bureaucracy. Provision of new infrastructure was largely limited to the new towns of Gaborone and Selebi-Pikwe during the 1964-71 period, but even then did not keep pace with requirements. The shortage of serviced land and the rapid increase in population have led to crowded conditions in the four urban areas, ever-increasing prices for housing, and the emergence of squatter villages on the outskirts of all four towns.

3. Faced with this situation and responding to pressures for the formulation of consistent urban and rural growth policies, the GOB, in its 1973-78 National Development Plan and subsequent policy statements, shifted the focus of its urban development policies towards meeting the needs of the lower-income inhabitants of the towns. At the same time, emphasis was placed on the need to avoid subsidies to the urban areas, as this might only encourage a greater movement from the countryside to the towns and would mean fewer resources available for development of the rural economy.

4. As early as 1967, the GOB had requested AID assistance in its shelter sector activities. However, its initial request concerned a program to house civil servants and, in subsequent correspondence, AID stressed the need for GOB policy to focus on the needs of lower-income households and the establishment of appropriate institutions to carry out the programs aimed at these households. By 1973, the GOB had made significant improvements concerning its policies, but had yet to finalize its ideas concerning institutions. In 1972/73 the GOB, in conjunction wiht the World Bank, began discussing the possibility of a project in which town councils would become involved in lower-income shelter programs. The result of these discussions was the Francistown project. Nevertheless, there was a continuing debate within the GOB between proponents of the councils carrying out housing programs and those favoring the Botswana Housing Corporation (BHC), a parastatal housing authority which has been successful in high cost housing. This debate was eventually resolved, in 1975, in favor of Councils assuming a dominant role in the provision of lower-income shelter. The project, which the GOB has now proposed to AID, thus comes as the result of a number of developments over several years in the shelter sector - including encouragement by AID and the successful example of the Francistown project.

5. In the early 1970s, comprehensive planning proposals for Gaborone were drawn up by the MLGL. It was agreed that expansion of Gaborone was to be directed to the north of the town on land which was already owned by the GOB. In 1973 the decision was taken to develop in a series of stages with the following objectives:

   a. to create a community designed from the planning stage to reduce polarization between people of different races and income levels through the mixing of different kinds of housing areas in a totally integrated manner;

   b. to make available sufficient serviced land to prevent exploitation by land speculators;

   c. to encourage the growth of home ownership; and

   d. to provide land and services at prices residents could afford to pay.

   Stage one included partially serviced land for lower-income households, fully serviced land intended for sale and subsequent construction of high cost housing, commercial land, and a new industrial estate.

6. Engineering design for Stage one was completed by the middle of 1974 and contracts were awarded toward the end of that same year. The water contract is now complete; sewerage, roads and drainage are expected to be completed by August of this year; and the electrical works are to be finished by the end of this year. Allocation of high and medium cost plots has already begun and is expected to be substantially completed by the end of this year. There has, however, been a delay in the allocation of site and service lots for lower income housing.

7. There are two basic reasons for the delay in allocation of the site and service lots. The first reason concerns the question of the kind of sanitation facilities to be installed in these lots. The GOB's decision on this matter, after a long delay, came in January 1976, and is set forth in Annex 5. The second reason for the delay is the weakness of the institution responsible for lower-income shelter development, the Gaborone Town Council. This weakness has been recognized by the GOB, and will be addressed in the Stage two development.

   Thus, the basic framework for the proposed project, which will be the development's second stage, has been established based on experience gained in implementing State One.

While GOB policy concerning shelter is on a sound footing, implementation of that policy has proved difficult because of weak institutions. The proposed Project is designed to correct this situation. The need to move forward now with plans for the development of Stage two grows out of the continuing population pressure in the town and the fact that serviced land has not been available in the past in advance of demand for it.

8. In addition to this development to the north of town, the Town Council and GOB have agreed that the large squatter community to the south of town, known as Naledi, should be upgraded and plans are being drawn for this. An approach has been made to the Canadian Government for funds to finance the improvement of Naledi's water supply and to install a basic system of roads.

9. The GOB requested AID consideration of a HG program in mid-1975 and, following Embassy and AID/Africa Bureau approval, the Office of Housing carried out a Shelter Sector survey, the results of which were reported in January 1976. On the basis of that report and a subsequent request by the GOB, a PID was prepared and approved in April 1976. SER/H personnel visited Botswana in May 1976 to obtain further details on the proposed Project. The Project is smaller than that put forward in the PID because the Lobatse component is now to be financed by the UK on a grant basis. The GOB has also decided to request UNEP to provide assistance for a study on the need for and form of a housing finance institution which could mobilize local savings.

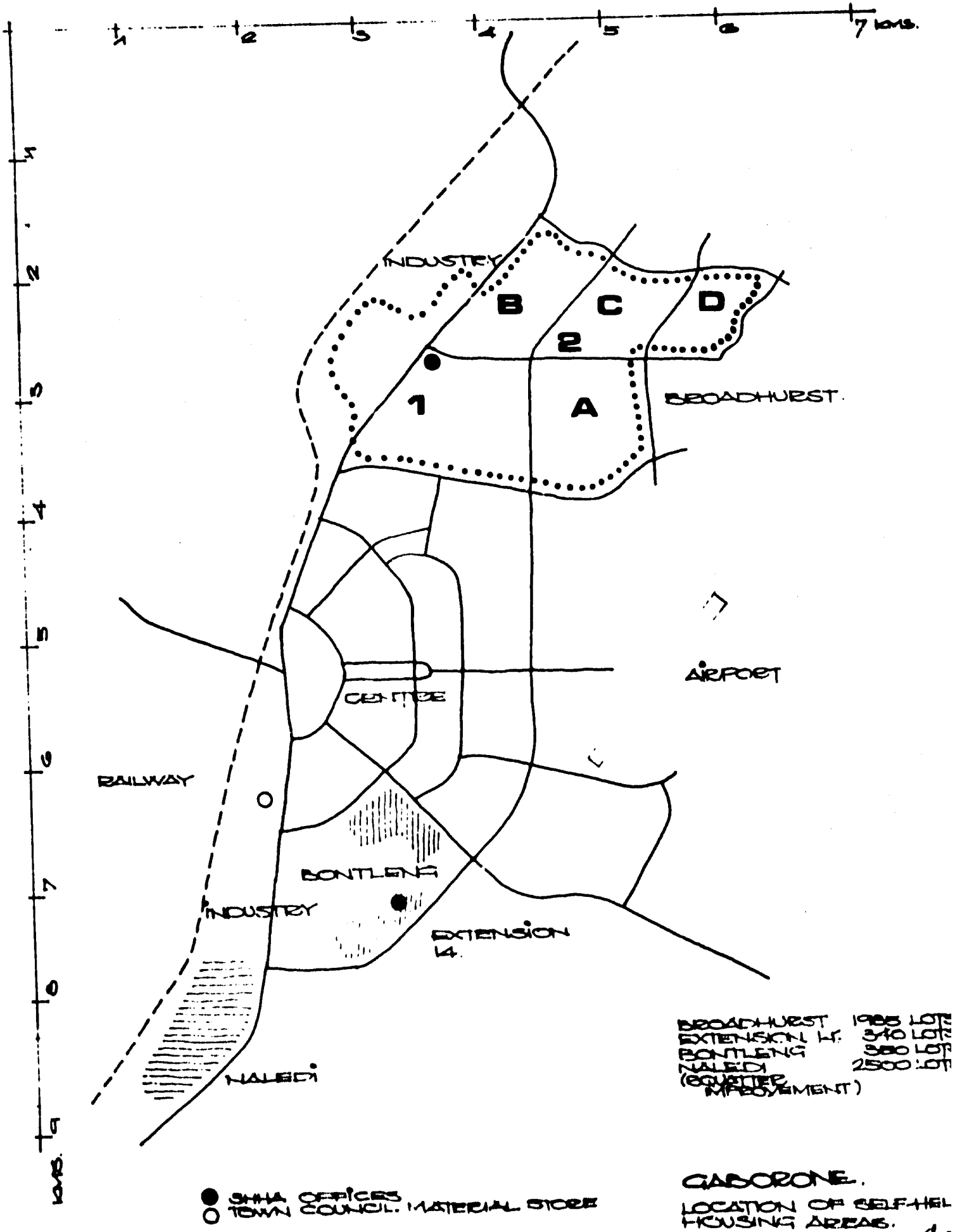
B. Detailed Project Description
(For summary see Logical Framework - Annex I)

1. Introduction

Gaborone, including Broadhurst Stages one and two (which is divided into four sectors - A, B, C, and D) is shown on the next page. The GOB has requested AID, CIDA, UK and EDF assistance to finance the Stage two development. The GOB's request to AID stresses the importance of institution building and is a direct result of the problems experienced in Gaborone during previous efforts to undertake lower-income shelter programs. A copy of the GOB request is attached in Annex 2.

2. Sector Goal

The broad sector goal to which the AID inputs are addressed


1 2 3 4 5 6 7 kms.
INDUSTRY
B
C
D
2
1
A
BROADHURST.
AIRPORT
CENTRE
RAILWAY
BONTLENG
INDUSTRY
EXTENSION 14.
NALEDI
BROADHURST 1985 LOTS
EXTENSION 14. 340 LOTS
BONTLENG 380 LOTS
NALEDI 2500 LOTS
(SQUATTER IMPROVEMENT)
SHHA OFFICES
TOWN COUNCIL. MATERIAL STORE
GABORONE.
LOCATION OF SELF-HELP HOUSING AREAS.

concern encouraging the GOB to pursue its efforts to improve shelter in urban areas for lower-income households through the building of institutions.

3. Project Purposes

a. To strengthen the Gaborone Town Council (GTC) and its Self-Help Housing Agency (SHHA) to enable them to manage lower-income shelter programs, making them productive elements in the housing delivery system.

b. To provide infrastructure services to Broadhurst Stage two in order to relieve the present shortage of serviced land in Gaborone, including areas of site and service lots designated for self-help housing.

4. Project Inputs

The total project cost is $8,740,000 which will be provided as follows:

HG Loan	$2,600,000
CIDA	650,000
UK	165,000
EDF	2,045,000
GOB	3,280,000
	$8,740,000

Discussions have been held with CIDA and EDF to insure that a common approach is being taken. The EDF will finance the entire water supply works for Stage two on a parallel basis, while AID, CIDA, and the GOB will jointly finance the roads and drainage works. AID and CIDA will jointly finance low-cost sanitation. The GOB will finance other services on a parallel basis. Details of this breakdown will be found in Part III below.

The HG loan of $ 2,600,000 will be for the following components:

Roads and Drainage	$ 950,000
Low-Cost Sanitation	500,000
Building Materials Loans	900,000
Management Assistance	100,000
SHHA Administration	150,000
	$2,600,000

5. Project Outputs

The following are the contents of the program:

a. The SHHA will be strengthened administratively and will be responsible for both allocating lots to lower-income households and for managing the building materials loan program which will make available to below median income households construction material purchased by the Council. The SHHA will receive applications, process them and make its recommendations to the Council for decision. This approach is based upon the Francistown project and on experience with site and service efforts elsewhere, which indicate that in order to have a successful scheme, a sizeable institution which can assume complete control of a program must be created.

b. Approximately 300 ha of land will be serviced with a system of primary and secondary roads, and water, electricity and sewerage lines as well as low-cost sanitation facilities on an integrated basis by contractors of the GOB, Water Utilities Corporation (WUC) and Botswana Power Corporation (BPC).

c. Administrative and Managerial assistance will be provided to coordinate the overall development program and to strengthen the Council's SHHA, two operations which have proved weak in previous developments in Gaborone. The persons provided will have, as one of their major functions, the goal of insuring that a thorough training program is undertaken in order that similar projects may be undertaken in the future without foreign assistance.

6. Local Fabrication of Building Materials

As indicated in Part I, it is SER/H's intention to submit a proposal for grant funding, under separate documentation, concerning the establishment of an organization to demonstrate procedures and techniques for local fabrication of building materials such as building blocks, window and door frames and roofing sheets. Once established, the organization will sell its output to the Council for use in the SHHA's building materials loan program.

PART III PROJECT ANALYSIS

Technical Analysis

1. Infrastructure Construction

a. The proposed development area covers approximately 300 ha. Its most noteworthy physical feature is a sand river which traverses it and is subject to flash flooding. As a result, a wide non-development zone has been left in both Broadhurst Stage one and Sector A of Stage two.

b. Once developed and subdivided, Stage two will contain some 2400 residential lots, of which about 500 will be fully serviced and 1900 will be partially serviced. Fully serviced lots are intended for sale and subsequent development of high and medium cost housing. Each lot would have its own water and electricity supply and water-borne sewerage connection. The average size of these lots would be from 700 to 1200 m^2. Partially serviced lots would be of two kinds - those intended for self-help housing, of which there would be about 1300, and the remaining 600 which would be designated for unit housing to be built by the Botswana Housing Corporation. Partially serviced lots would average between 400-500 m^2. Initially,they would not have individual water or electricity connections, nor would there be water-borne sewerage, although the primary infrastructure being installed would permit eventual upgrading of the partially serviced areas. HG inputs would be directed entirely towards the practiclly serviced areas of Stage two.

c. Specific infrastructure components would include:

(1) a sewerage network with connections to all fully serviced lots. The total cost of this network would be $800,000 and would be financed by the GOB. Other than primary works consisting of a

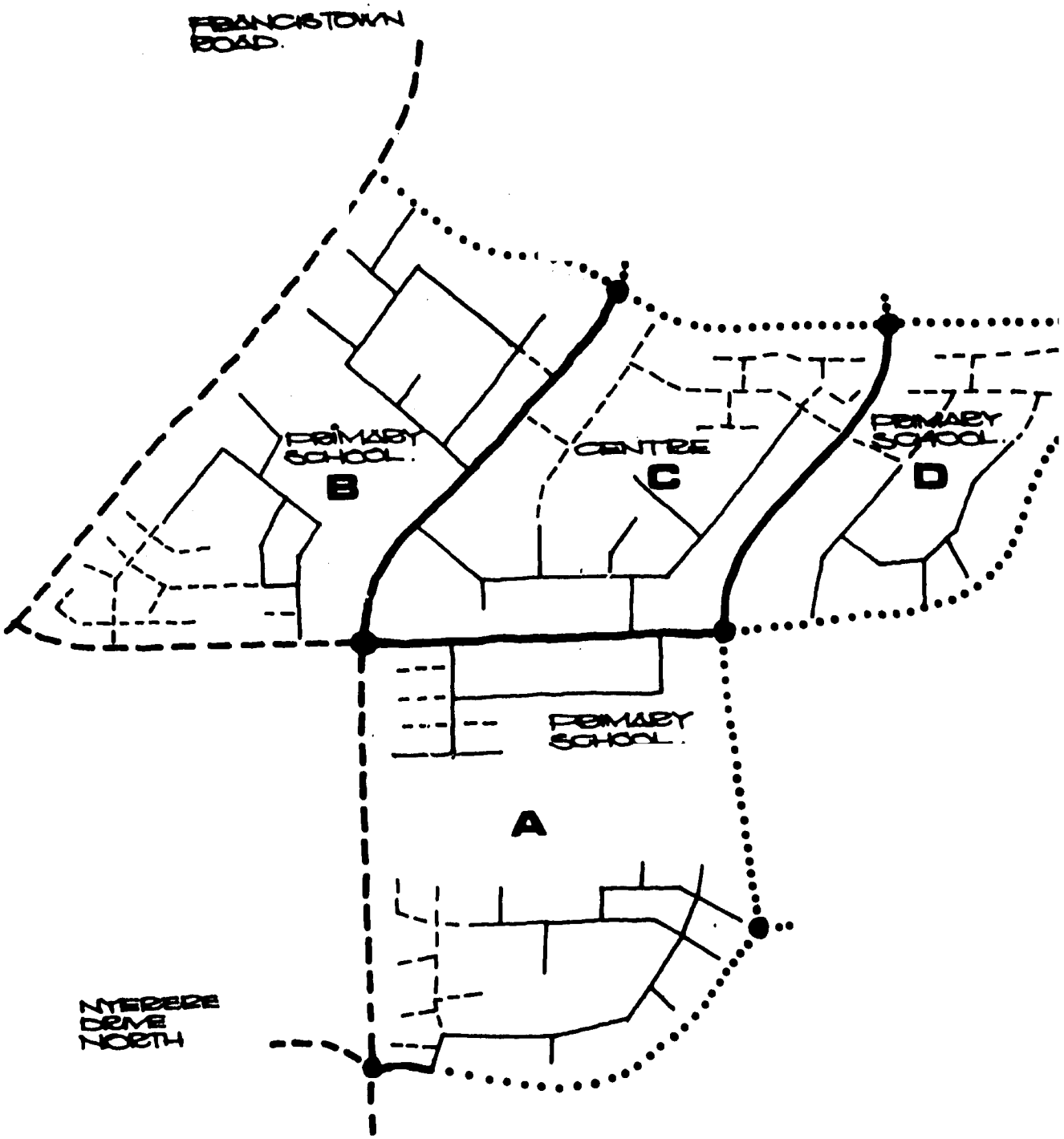
pumping station and rising main in Sector A, most of the works are secondary mains and connections to individual lots.

(2) A road network consisting of paved, gravel, and dirt roads, whose basic configuration is set out on the following page. The collector roads which encircle each sector will be of either bitumen or gravel, depending upon the traffic load to be borne. Local roads serving each of the residential areas will be built to gravel standards. The total cost of the roads and associated drainage works will be $2,500,000 of which $1,200,000 would be for the primary (collector) roads, and the rest for secondary (local) roads for the various housing areas. The HG loan will provide $950,000 of the total amount. CIDA would provide a further $410,000, and the GOB would contribute the remaining $1,140,000.

(3) Electrical service will be provided to the entire Stage two. However, only fully serviced lots will be eligible for individual connections. Partially serviced areas would have street lighting. The GOB will finance all electrical works on a parallel basis, with the total cost expected to be $1,245,500.

(4) Water supply works, as for the other services, will be an extension of the existing town system. Fully serviced areas will rely on standpipes, with one standpipe for each 20 houses. The total cost of the water works, to be financed by the EDF on a parallel basis, is $2,045,000.

(5) Low-cost sanitation works will be installed in the partially serviced areas and will consist of either pit latrines or modified aqua-privies depending upon soil conditions found on each lot. The total cost of this component is $740,000, of which the HG loan would provide $500,000, and CIDA the remaining $240,000.



EXISTING PRIMARY

PRIMARY PROPOSED BUT NOT NECESSARY UNTIL STAGE III.

MINIMUM PRIMARY TO SERVE STAGE II

LOCAL NETWORK FOR PARTIALLY SERVICED HOUSING.

LOCAL NETWORK FOR HIGH AND MEDIUM COST HOUSING.

BROADHURST ROAD NETWORK.

d. To summarize the various infrastructure components:

Service	Funding Source ($000) HG	ODM	CIDA	EDF	GOB	Total
Engineering Design	-	165	-	-	-	165
Electricity	-	-	-	-	1,245	1,245
Water Supply	-	-	-	2,045	-	2,045
Sewerage	-	-	-	-	800	800
Roads/Drainage	950	-	410	-	1,140	2,500
Low Cost Sanitation	500	-	240	-	-	740
Miscellaneous	-	-	-	-	95	95
	1,450	165	650	2,045	3,280	7,590

Costs are based upon tendered cost of works in Stage one as of January 1975, and increased by 39 percent to cover price escalation to early/mid 1977 and supervision fees for engineering consultants.

2. Administration of SHHA

The key to success in a site and service project as evidenced in Francistown is the kind of assistance which can be provided to lower-income households on a daily basis. In Gaborone, this assistance will come through the SHHA, which at present employs five people and which must be expanded in order to manage Broadhurst and continue with its program beyond the present project. In order to strengthen this institution to be able to carry out the project administratively, a total of $150,000 will be included.

The expanded SHHA will determine the relative merits of applications received in respect of site and service lots and will assist lot holders in the building of their houses. The SHHA will also administer the building materials loan program.

3. Building Materials Loan Program

The SHHA, with its expanded staff, will manage a building materials loan program in which it will act as purchasing agent for the building materials and sell them to households below the median income level which have been allocated site and service lots. The funds for this program would come from the HG loan and be on-lent to the GTC at three percent over 15 years. The GTC would, in turn, lend these funds at four percent over 15 years to the households receiving the materials. A standard agreement (which has been used in the Francistown project) between the Council and the borrower is attached in Annex 8. Previous projects in Francistown and Gaborone have limited the amounts of individual loans to about $450. It is estimated that the average loan which will be made in the present program will be $700, because of increase in the price of materials, both in the past two years and over the next two years by which time the program will be fully operational. The total cost of this component is estimated at $900,000.

4. Management Assistance

Basic to the success of the project, as evidenced by the Francistown experience, both in terms of implementation of the various components on schedule and institution building at the Town Council level, will be the provision of administrative and managerial assistance, patterned on the Francistown IBRD experience. Coordination of the overall project and advice to the SHHA organization would be the primary aims of the component. Total cost would be $100,000.

5. Environmental Conclusions

The impact of the development of Broadhurst will be positive. It will reduce the density of people per dwelling unit and will provide improved water supplies and other services to its residents, who will be moving there from non-serviced and more crowded parts of the town.

6. In-Country Materials Production

An important problem identified in the Shelter Sector Study concerns building materials. In constructing a basic core house, it has been calculated that over

50 percent of the expenses are for such materials as concrete blocks, window and door frames, and roofing sheets. At the present time, all the cement for blocks is imported and the blocks built by a South African-owned company. Most other materials are imported in their finished form. This Project, with the rather substantial housing construction to be undertaken in it, provides opportunity to alter this situation by establishing a capability in Botswana to fabricate finished materials. These materials will have a built-in market in the form of purchases by the GTC under the building materials loan program. The organization to fabricate materials will be community based with its primary emphasis during the first year on production of materials, but it is envisaged that in subsequent years the organization would also focus its attention on broader problems of the community. Assistance from both the Batswana Enterprises Development Unit and the Cooperative Union will be forthcoming in establishing the organization.

The program will include components for technical assistance, machinery, operating expenses and raw material for an initial startup period of one year. It would be expected that after the initial year, the fabrication process would be established and the organization would rely on the Council to purchase its output. As indicated earlier, this program will be the subject of a separate proposal for grant funding.

B. Financial Analysis

1. Sources of Finance

The following table sets forth the summary cost estimate and financing plan for the Project. A more detailed table containing a breakdown of the financing for each infrastructure service and the terms of repayment appears on the following page.

Summary Cost Estimate and Financial Plan
($000)

Use	Sources of Finance HG	GOB	EDF	CIDA	ODM	Total
Infrastructure	1,450	3,280	2,045	650	165	7,590
Building Materials Loans	900	-	-	-	-	900
SHHA Administration	150	-	-	-	-	150
Management Assistance	100	-	-	-	-	100
Totals	2,600	3,280	2,045	650	165	8,740

Broadhurst Stage 2 Financing Plan

Service	Source of Financing: AID P/S	GOB P/S	CIDA P/S	EDF P/S	ODM P/S	TOTALS P	TOTALS S	TOTALS All
Water Supply	-	-	-	1430/615	-	1430	615	2045
Roads/Drainage	600/350	360/780	240/170	-	-	1200	1300	2500
Sewerage	-	265/535	-	-	-	265	535	800
Latrines	/500	-	/240	-	-	-	740	740
Electrical	-	815/430	-	-	-	815	430	1245
Materials Loans	/900	-	-	-	-		900	900
Design	-	-	-	-	93/72	93	72	165
SHHA	/150	-	-	-	-	-	150	150
Miscellaneous	-	95/	-	-	-	95	-	95
Mgmt. Assistance	100/	-	-	-	-	100	-	100
Totals	700/1900 2600	1535/1745 3280	240/410 650	1430/615 2045	93/72 165	3898	4742	8640
Terms	25 yr @ 10%	5 yr@7½% for $1.1mil-lion. 5 yr @ 0% for $2.2 million	50yr@0% 10yr grace	Grant	Grant			
Repayment Year 1-5	286	712	-	-	-			998
Repayment Year 6-10	286	-	-	-	-			286
Repayment Year 11-25	286	-	16	-	-			302
Repayment Year 26-50	-	-	16	-	-			16

P = Primary
S = Secondary

15A

2. Status of Funding

Discussions have already been held with the various agencies involved in financing this Project. Firm arrangements with each will be finalized prior to signature of the implementation agreement, including disbursement schedules to insure proper cash flow. Present status is:

a. ODM has indicated that grant funds for engineering design will be made available by early July.

b. The European Development Fund(EDF) has included the Broadhurst Stage two water development project in its program for Botswana. The Water Utilities Corporation is expected to complete detailed engineering design by the end of 1976/early 1977. Concurrent with design, the EDF will complete its appraisal. Final project approval will be in early 1977. The funds are expected to be made available to the GOB on a grant basis.

c. CIDA financing of an urban development package, which would include Stage two and squatter village upgrading, is expected to be finalized through a loan agreement by the end of this year. The loan would be made at no interest over 50 years with a ten-year period of grace.

d. The GOB would contribute the largest share of any of the financing agencies, and will obtain the needed funds from two sources, the proceeds of a 1975 bond issue ($1.1 million), and from its Land Sales Fund, a revolving fund, which contains monies from the sale of state land previously developed ($2.2 million). In order to retire the bond issue, terms of 7 1/2% over five years have been calculated.

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 a 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 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). 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.

4. <u>Gaborone Town Council</u>

As the key agency in the site and service areas and the institution intended to be strengthened through the proposed project, a separate analysis has been made concerning the financial burden which the Project will place on the Council. This analysis is attached in Annex 7. To summarize, the Council will be able to meet its ordinary municipal responsibilities and to undertake the housing programs envisaged.

Broadhurst Stage 2 Cash Flows to GOB ($'000)

Source of Payment to GOB	Principal	Terms	Repay Yr 1-5	Repay Yr 6-10	Repay Yr 11-15	Repay Yr 16-25	Repay Yr 26+	Repay Total
Land Sales (*1)	2668	5 yr @ 0%	534	-	-	-	-	2668
WUC & BPC (*2)	2301	25 yr @ 8%	216	216	216	216	-	5400
Town Council (*3)	1400	15 yr @ 3%	117	117	117	-	-	1755
Town Council (*4)	1597	25 yr @ 1%	73	73	73	73	-	1825
Totals			940	406	406	289	-	11648
Repayments by GOB to Financing Agencies (per annum)			998	286	302	302	16	11350
Surplus (Deficit) (per annum)			(58)	120	104	(13)	(16)	298

*1 - Sales by MLGL of fully serviced lots and 627 partially serviced lots.
*2 - Includes apportioned costs of engineering design.
*3 - Building material and low cost sanitation loans.
*4 - Primary roads, drainage, and sewerage costs, including apportioned cost of design.

5. Financial Effect on Project Participants

Detailed median income data is not readily available. However, studies which have been done by the GOB and by consultants to SER/H indicate that the median in urban areas is about $90 per month. Further studies would be conducted during the initial year of project implementation to update this information. Because of the policy of cross-subsidization in towns, monthly payments by households allocated site and service lots would be low and affordable by households earning as little as $27 per month. This figure assumes that the household would build its home from its accumulated savings and borrowings from relatives, a common practice, and would not, as a result, participate in the building materials loan scheme. The only payments the household would be required to make would be in respect of the monthly fees for services provided to the area (water, refuse removal, upkeep of roads, administration of SHHA), and repayment for the low cost sanitation facilities provided on the lot. The combined cost of these items would be about $4.50, which would represent one-sixth of the monthly household income, the maximum reasonable percentage at this level of income. For those households earning more money, and assuming that the minimum materials loan is $100, the minimum payment would jump to $5.25 per month, requiring an income of $32 per month or $384 per annum. The maximum materials loan which would be made is $1200, which would entail total monthly payments (including service fees and sanitation facilities repayments) of about $13.50, requiring a monthly income of $80, placing households receiving this amount of materials loans at just below the median income level. It should be noted that in each of the cost estimates above, the labor cost of building the home has not been included. It would be the function of the Council's SHHA to investigate each application thoroughly to insure that an applicant would not risk default by taking a larger materials loan than he or she could afford.

C. Social Analysis

1. The advent of sizeable towns in Botswana is a recent phenomenom. Prior to the building of the new capital of Gaborone beginning in 1964 and the mining town of Selebi-Pikwe in 1969, only two towns, Lobatse and Francistown, had existed during the previous 50 years. Large tribal centers such as Serowe, Kanye and Molepolole flourished during this period but since there was little employment in the towns there was little incentive for the Batswana to leave the rural areas. Some migration did take place, principally to South Africa for purposes of short term employment, but it was only after Botswana's Independence that migration to the urban centers in Botswana began.

2. A picture is being built up concerning the characteristics of urban life in Botswana, but it is still difficult to generalize concerning the links between a person's rural home and his urban home. It seems clear that the major reason for people coming to the towns is to seek employment and that if such employment were available closer to their traditional homes the majority of people would return to the rural areas. This, of course, is an important buttress to the GOB's policy of pursuing development in the rural areas. Unfortunately, industrial and commercial development outside the towns is virtually non-existent and many of those people who might return to the rural areas do not have the means, in terms of cattle or agricultural holdings, to do so. Therefore, realistically, once the new arrival has managed to establish himself in town, he or she is likely to remain. Savings generated will be spent in the rural areas if there is a base from which to proceed. If not, it is much more likely that the person will view his real opportunities as being in the town and will make his investments there.

3. Botswana's urban population nearly doubled between 1964 and 1971 and is expected to double between 1971 and 1978. Providing shelter to meet this magnitude of growth has not been possible. The result is inadequate and crowded conditions in each of the towns and the emergence of self-help areas mainly in squatter villages.

4. Of considerable interest in the design of this project is a recent study undertaken by the GOB in preparation for the planning of a new town in northern Botswana. The results of the study have been published under the title "Sociological and Housing Attitudes Studies for Planning of Dukwe Township 1975". The subject of the study was the various kinds of houses that had been built in Gaborone and Selebi-Pikwe by a number of different agencies including the Town Councils, Botswana Housing Corporation, the mining company operating the Selebi-Pikwe mine, and the GOB. In general, the study found considerable criticism of the houses from the people living in them. The major criticisms are quoted below, followed by an assessment of how the proposed Project hopes to address the points made:

   (a) "Inadequacy in housing is equated with smallness of the dwelling unit, inadequate toilet facilities and the lack of plot demarcation. Design of Housing paid little or no attention to the climactic conditions . . ."

There is, of course, a problem on matching people's expectations with what they can afford to pay. With respect to the housing in self-help areas, the plots will be demarcated and a person will be able to build the kind of house his means will allow him. The problem of inadequate toilet facilities is likely to continue to draw complaints until water borne sewerage is installed throughout the low cost areas. However, the GOB is confident that the alternatives which it has selected will be acceptable to most people.

(b) "Security of tenure is primary not in terms of a dwelling unit, but in terms of a plot . . . Where there is security of land tenure and basic community services, families will gradually improve their homes according to their needs and income."

The generally expressed view seemed to be that people would prefer to go into a self-help area if they could afford to. Security of land tenure was a basic concern, reflecting the fact that in the rural areas this security exists whereas in the towns there is no security of tenure in the squatter areas. The proposed project has been designed to make use of the system of certificates of rights begun several years ago in connection with the Francistown project. An example of this certificate is attached in Annex 9. The system is operated by the town councils. Once an area has been handed over to the Council by the GOB, the Council will allocate the lots and enter into an agreement with the prospective resident. The resident agrees to build a house within a certain period of time and to conform with Council building standards and to pay the monthly service fees for the services provided by Council. In return, the resident receives the plot and is provided the same security of tenure as he would have if he were in a tribal area. The system is acceptable and working in Francistown and Gaborone and will be continued in the Broadhurst development.

(c) "Traditionally people do not live close together except when they belong to the same family. Hence an African is communal only when it relates to his own family and not to strangers."

One point of importance here is that lot sizes in Broadhurst have been designed on the premise that a larger lot is more acceptable to the majority of people. It makes sense from the health point of view, in the absence of waterborne sewerage, and it also makes sense socially. Much of the ordinary person's life is spent outdoors, either cooking, gardening, playing, or visiting with neighbors and family. A yard which is large enough to accomodate these activities is desirable.

5. Evidence exists in Gaborone that when people have been allocated serviced lots under the self-help schemes and have been assisted in building their houses, the results have been positive. What emerges from this experience and from the results of the study quoted above is that housing which is self-help in nature is likely to be far more acceptable to the majority of people than housing that is provided for them. Investment in development of an area, security of tenure through the certificate of rights, and the assistance of an organization to help people get started are the key elements in schemes approved by the general public. The proposed project in Broadhurst combines these elements.

6. The role of the Self-Help Housing Agency (SHHA) is an important one in the establishment of these new communities. A certain amount of criticism was voiced by residents of low income areas in the study referred to above in connection with the failure of the Gaborone Town Council to consult with them and to heed their complaints. It would appear that there is little in the way of regular consultative machinery in these areas and that as a result there is likely to be misunderstanding concerning Council policies. In Francistown, the SHHA has demonstrated that it is more than a building regulation or enforcement agency and one of the major objectives of the GTC SHHA will be to encourage the development of a viable community in the Broadhurst area.

7. The "spread" effects of this project are expected to be substantial. While the idea of a SHHA is accepted in theory in every town in Botswana, in practice it is only in Francistown that there are more than a handful of people spending any time on SHHA activities. This Project should encourage other towns to increase their own efforts. As part of the promotion of the spread effect, the project will encourage regular meetings or seminars involving each of the SHHAs as part of the evaluation process. Finally, there are a number of larger villages which are gradually becoming more urbanized and which will look to the present towns for guidance on solving the various problems which have already been encountered in the towns.

8. The impact of the project upon women can be summarized as follows: project benefits will accrue to women on a non-discriminatory basis, i.e., the allocation of lots, the receipt of loans, and access to improved services; and women will participate in the increased employment generated by the project, although not to the extent of men since the construction trades have been traditionally dominated by men.

9. In summary, implementation of the project is expected to accelerate activities which are accepted and thought to be desirable, and therefore will have a positive social impact. This impact should, in turn, strengthen the probability of attaining the major purpose of the project which is the creation of stronger local institutions and ultimately the project goal of encouraging the GOB to continue to improve on a sustained basis conditions in urban areas for lower income groups.

D. Economic Analysis

1. The normal quantitative comparisons of present values and internal rates of return have not been made since the project, by its nature is not revenue producing. As shown in the Financial Analysis, however, the project is self-supporting and will not constitute a drain on GOB resources. From the viewpoint of the GTC, it will be possible for the Council to undertake it, support its burden of debt repayments and devote an increased percentage of its budget to the needs of lower income households. The Project will generate employment in a number of different areas including infrastructure construction and home building, which is expected to be performed largely by local neighborhood contractors.

2. Botswana's economy has been based largely on livestock in the past, but with the discovery of extensive deposits of nickel, copper, diamonds and coal in the 1960's and subsequent development of these resources, the economy has become more balanced. Nevertheless, for the majority of people, agriculture certainly remains the most important source of income. Per capita income for the country's 650,000 people is estimated at about $160.

3. Botswana enjoys a good reputation among foreign assistance agencies as a country which has been able to utilize well the aid it has received. Domestic and external public debt totaled some $80 million as of May 1974 (adjusted to reflect the devaluation of the Rand). Debt service is estimated at $7-$8 million annually increasing to about $10 million in 1981. The current rate of debt service to export earnings and current revenues amounts to about 6% and 10% respectively. The HG loan would require servicing repayments of $287,000 per annum over a 25 year period and would be well within the capacity of the GOB.

PART IV - IMPLEMENTATION ARRANGEMENTS

A. Recipient's Institutions

1. A number of different agencies will implement this project. The diagram on the following page shows these agencies, their relationship to each other and the flow of funds among them.

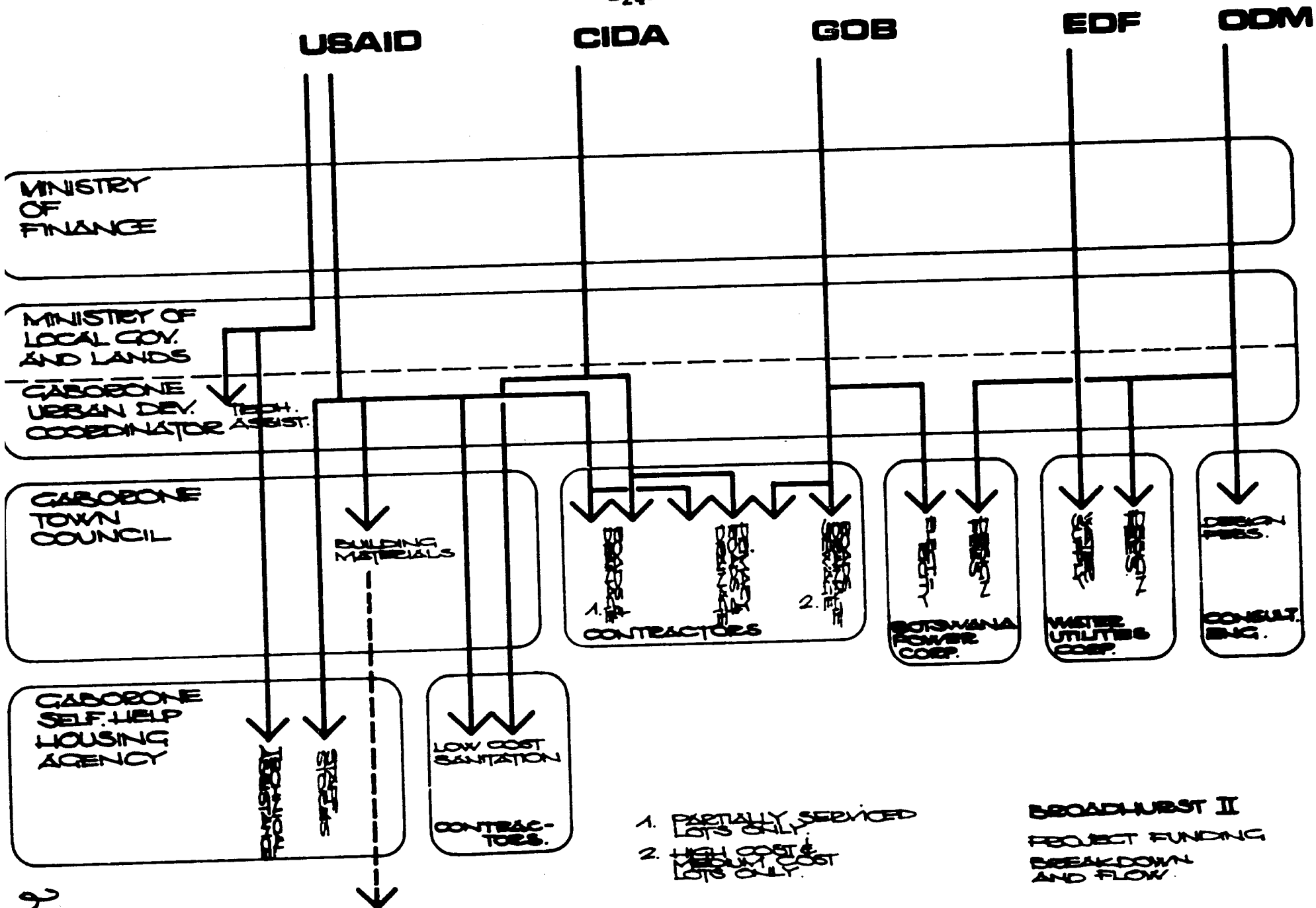
2. The Ministry of Finance and Development Planning (MFDP) is responsible for both approving development projects submitted to it from other Ministries and for obtaining the funds needed to carry out the projects. Finance for the proposed Project has been discussed under the Financial Analysis Section. All funds for this project will be disbursed from MFDP to the Ministry of Local Government and Lands.

3. The Ministry of Local Government and Lands (MLGL) will be responsible for the coordination of the proposed Project. Within MLGL, responsibility is with the Division of Urban Affairs, and the Departments of Town and Regional Planning and Surveys and Lands. The Urban Affairs Division is headed by an Under-Secretary. Working to him are an urban engineer, economic planning officer and various administrative personnel. This Division is responsible for formulation of policy, project planning and coordination, and assistance to and supervision of the activities of town councils. One feature of the Division is its use of Coordinators in the implementation of comprehensive projects, such as in Francistown. This Coordinator has been a key element in the success of that project and a similar position in the Broadhurst development would be essential to the Project's success. Such assistance will form a necessary element in the process of strengthening the institutions responsible for lower income shelter.

4. Monies warranted to the MLGL from MFDP would be passed on in their entirety to the Urban Coordinator who would be responsible for disbursement in accordance with the stage of progress of the project and in accordance with the various agreements between the GOB and the financing agencies. The MLGL would provide the Coordinator with appropriate administrative support. The Coordinator would make use of MLGL accounting personnel and facilities for maintenance of accounts of the project.

5. Lump sum disbursements would be made to the Water Utilities Corporation (WUC) and the Botswana Power Corporation (BPC), which would undertake the design and execution of their respective works under the overall coordination of the MLGL. The WUC would employ its own consultants and would go out to tender under separate contract. The BPC has the capacity to do its design work internally and also to execute its own works and would do so in this development. Funds for water and electricity, as noted above, would be provided by the European Development Fund and the GOB.

6. Although not one of the implementing agencies of the development, the Botswana Housing Corporation (BHC) will play an important role in the provision of housing once servicing is completed. It is expected that


USAID
CIDA
GOB
EDF
ODM
MINISTRY OF FINANCE
MINISTRY OF LOCAL GOV. AND LANDS
GABORONE URBAN DEV. COORDINATOR
TECH. ASSIST.
GABORONE TOWN COUNCIL
BUILDING MATERIALS
1.
2.
CONTRACTORS
BOTSWANA POWER CORP.
WATER UTILITIES CORP.
DESIGN FEES.
CONSULT. ENG.
GABORONE SELF-HELP HOUSING AGENCY
LOW COST SANITATION
CONTRACTORS.
1. PARTIALLY SERVICED LOTS ONLY.
2. HIGH COST & MEDIUM COST LOTS ONLY.
BROADHURST II
PROJECT FUNDING BREAKDOWN AND FLOW

the BHC would purchase the lots designated for low cost housing and up to 50 percent of the lots designated for medium and high cost housing and develop these lots for sale and rental housing. There has been considerable discussion in Botswana over the past 2 years concerning what the role of the BHC should be in relation to lower income housing. There seems to be a general concensus that the BHC has been able to meet the needs of GOB in respect of higher cost housing and to do this in an efficient manner. The BHC does not build its own houses. However, it does design them and then supervises the construction of them in the higher and medium cost range. In the low cost range, the BHC has endeavored to design its own houses and has run into considerable criticism. This criticism pervades the report referred to in the Social Analysis above and has become the subject of regular denunciation in the National Assembly. This criticism has been acted upon by the BHC but it remains to be seen whether, within the limits of costs, it will be able to design a suitable house. Plans are now being formulated for implementation of what is called partially assisted housing which would be a combination of self-help efforts and assistance by the BHC. However, it is envisaged that this kind of housing would be only suitable for persons earning at least R2,500 per annum, which is well above the median income level and which would therefore be precluded from assistance under the HG program. Other types of unit housing can be produced by the BHC for lower prices but the minimum is above what the median level income person could realistically afford. As a result, participation by BHC in a program funded through an HG for below median income level households is precluded.

7. If the BHC cannot provide housing within the income limitations of the program and if the Social Analysis set forth above is correct in that most people would prefer to develop their own lots as and when they can, there is little doubt that the self-help approach is best. In terms of continuity of program and impact once the project is finished, it is thought that the most suitable agency through which the program should operate is the Gaborone Town Council (GTC).

8. The organization chart shown in Annex 6 indicates both the duties undertaken by the Council and the relationship of the various departments undertaking these duties. Town Council regulations govern each of these duties. All expenditures of the GTC must be approved by the MLGL. Within the MLGL this task is performed by the Division of Urban Affairs. MLGL policy is to foster as much independence as possible in Council in the carrying out of duties assigned to it while at the same time exercising that degree of control necessary to insure that monies are well spent and that programs are carried out.

9. Council's major responsibilities consist of operating the town's system of primary education and other municipal services such as refuse collection, maintenance of roads, community centers, clinics, and also a number of low cost housing areas of different kinds. The concensus of opinion is that the GTC is not as dynamic a Council and is less responsive to the needs of residents than some of the others. However, it is a functioning entity which is capable of carrying out programs provided staff is available and there is sufficient motivation for the particular program. In this respect, it is probably no different than local authorities around the world.

10. While GTC finances appear to be adequate over the next several years to sustain the developments envisaged, the infusion of nearly $1 million into it for the building materials loan program over roughly a 3 year period will place a considerable strain on its organization. Without an expansion of staff it would be impossible to carry out the program. With a rapid expansion of staff will come increased burdens on the Council's senior staff. The presence of the Coordinator and his deputy is designed to assist the Council in overcoming this initial management gap.

11. The GTC will be responsible for organizing the application procedure for the allocation of self-help partially serviced lots, which will become available at different times as the servicing of Stage 2 proceeds. The Council will allocate the lots and make building materials loans in accordance with procedures and criteria agreed to by AID in order to insure that allocations are made to households whose income is below the median level. The SHHA would also be responsible for collecting the monthly service fees, other repayments to be made in respect of loans for materials and latrines, and assisting those people allocated lots with the construction of their homes.

12. At present, these responsibilities are carried out by the SHHA, which has 5 employees, headed by a Housing Officer. The SHHA was established about 2 years ago with the assistance of a Peace Corps Volunteer, who was the first Housing Officer and helped to train the present one. Servicing of the first site and service area in Gaborone for which the SHHA has been responsible was completed in 1974 and allocations are nearly complete. Delays have been caused by the lack of staff to investigate applications and to assist the allotees in building their homes.

13. Once the SHHA has made its selection of applicants for the lots, formal approval must be obtained from the Council's Housing Committee. Because of the importance of the selection process, a special working committee to screen applicants will be established consisting of the Coordinator, SHHA Housing Officer, and Town Clerk to insure that project objectives are being met. This committee will deal with all matters affecting the project.

14. It is not anticipated that there will be any problems in locating staff for the SHHA provided funds are available. The Swedish International Development Association will supply 2 volunteers later this year with building and managerial experience to assist the SHHA. The longer term requirements of SHHA have been assessed in the light of experience gained in Francistown and the number of lots which are expected to be allocated over the next several years. Capitalization of SHHA is intended to provide initial start-up costs for an organization which would be responsible in the long term for lower income shelter programs throughout Gaborone. The Coordinator would disburse for agreed expenses during FY77, 78 and 79 and the SHHA would perform its initial work in Stage 1, thereby obtaining experience in anticipation of taking up management of the stage 2 area.

B. Implementation Schedule

1. A Project Performance Tracking Network is attached in Annex 10.

C. Role of AID

1. AID Approvals

a) implementation Agreement between AID and GOB which will specify all activities of AID, GOB and Town Council.

b) loan Agreement between GOB and U.S. financial institution.

c) guaranty Agreement between AID and U.S. financial institution.

d) drawdown of funds by GOB.

e) design standards for roads, drainage, latrines.

f) tender procedures for award of servicing contracts.

g) allocation of lots procedures by Town Council.

h) tender procedures and disbursement procedures with respect to building materials purchased and loaned by the Town Council.

i) system of accounts for SHHA.

These approvals and any others stipulated in the Implementation Agreement will be made by SER/H and RHUDO/Nairobi according to established AID procedures.

2. Monitoring and Evaluation

Housing officers in Washington and Nairobi would generally monitor progress on each project component. There would be quarterly review meetings between representatives of RHUDO/Nairobi, the GOB, and the Gaborone Town Council to evaluate all aspects of the program. Basic to such evaluation will be the reports to be submitted by the coordinator, also on a quarterly basis, which will serve as background for the quarterly meetings. SER/H will provide continuing inputs of review and evaluation.

In addition to the quarterly meetings, it is proposed that annual meetings be organized by the MLGL to discuss the SHHA operations of each of the Town Councils, with the site of the meeting rotating among each of the towns. The purpose of the meetings would be to exchange information on what is going on in each town and to generate discussion on solutions to problems as well as proposals for the making of policy in the lower

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income housing field. These meetings would play an important role in the spread effect of the project.

AID 1020-201(1-73)

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: From FY 77 to FY 80
Total U. S. Funding $2.6 million
Date Prepared:

Project Title & Number: Botswana Housing Guaranty

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: To improve shelter in urban areas for lower income households	Measures of Goal Achievement: GOB allocation of resources for projects which support the sector goal.	Monitoring by AID/Gaborone, RHUDO/Nairobi and SER/H.	Assumptions for achieving goal targets: Continuation of commitment by GOB to solving sector problems and emphasizing needs of lower income households.
Project Purpose: (1) Strengthen local shelter mgt institutions. (2) Provide infrastructure for development of capital town, including site/service areas and home construction loans.	Conditions that will indicate purpose has been achieved: End of project status. (1) Local institutions functioning properly. (2) Area developed and houses being built.	Monitoring as above combined with regular evaluation and feedback.	Assumptions for achieving purpose: Continued commitment by GOB to strengthening local institutions. Demand by residents of capital for site/service housing schemes.
Outputs: (1) Strengthened, functioning SHHA. (2) All lots allocated and loans made. (3) All land serviced.	Magnitude of Outputs: (1) 25-30 additional SHHA staff plus office vehicles equipment. (2) Loans made of $900,000 and $500,000 for homes and latrines. (3) 300 ha. land serviced.	Monitoring and evaluation as above combined with regular written reports from GOB.	Assumptions for achieving outputs: Project can be implemented within estimated costs.
Inputs: HG loan, assistance for coordination of project and SHHA, and grants and loans from other financing agencies.	Implementation Target (Type and Quantity) (1) $2,600 HG loan (2) $3,280,000 GOB input. (3) $2,045,000 EDF input. (4) $650,000 CIDA input. (5) $165,000 UK input.	Monitoring as above and close consultation with other agencies involved.	Assumptions for providing inputs: (1) HG investor available. (2) Tech. assistance personnel available. (3) Other inputs are made as indicated.

Appendix M G.5. (M 3:1)

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Annex 2

PDF 95/2/13

[redacted] May, 197[illegible]

Mr Norman Olsen,
American Embassy,
GABORONE.

Dear Norman,

US-AID HOUSING LOAN GUARANTEE SCHEME

Further to our letter of the 10th March and following the discussion these last two weeks with US-AID representatives, I am writing to confirm our request for a project under the above scheme.

Project Description

The project has been somewhat reduced in scope from what was envisaged in March. We have agreed to drop the Lobatse component, as preparation of this is somewhat behind Broadhurst Stage II, while the scope of the project in Broadhurst has also been reduced slightly from our earlier request.

The elements of the project are:

(a) Roads, drainage and sanitation facilities for 1287 partially serviced plots in areas B,C, and D of Broadhurst Stage II. This number of plots is almost precisely half of the total number of plots to be built in the project as a whole.

(b) A building material loan scheme for 1287 self help plots. In the interests of a homogeneous development some of the recipients of these loans may in fact occupy partially serviced plots in area A of Broadhurst Stage II. However the Government is willing to undertake that all these loans financed through US-AID are made to those who fall below the median income level.

(c) Primary or main roads necessary to service the 1287 plots in areas B C and D. For definitional purposes primary roads are the bitumen roads surrounding each environmental area except on the northern side of the development where the road is taken to be of a gravel standard. We propose that the US-AID scheme actually finances the primary road on the south,west and east side of area C, so long as the cost of this does not exceed half the cost of

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(d) Finance to support the Self Help Housing Agency in Gaborone, including some running costs and provision for a few ward offices and building materials store. We have discussed the possibility that this finance might include a provision for equipment to manufacuture building materials. We should welcome this proposal though we do not regard it as an essential component of this project as such.

(e) Technical Assistance, especially a project co-ordinator to manage the Broadhurst Stage II project as a whole, but possibly including other individuals necessary to make a success of the self help housing scheme. The earlier request for advice on establishing a housing bank has now fallen away as the United Nations Habitat and Human Settlements Foundation has offered Botswana assistance in this field.

The current estimates of capital costs of the project including supervision costs are:

		R000
(a)	Roads and drainage for 1287	300
	(i) plots in areas B, C, and D	
	(ii) sanitation facilities	425
(b)	Building Material Loan Scheme	772
(c)	Primary roads	515
(d)	Support for HHA	300
	Total:	2312

These estimates have been given to the US-AID representatives, though their engineering discussions may have led to some minor revisions. (We have not costed the Technical Assistance in the above).

Other Finance for Broadhurst

It has been noted that for the US-AID project to be a complete success other financial inputs will be required. The most important of these is the finance for the water supply. A project for this purpose has now been included in the European Development Fund aid programme to Botswana. A formal project memorandum is to be submitted within the next few weeks and detailed feasibility and design studies will start at around the same time. We are hopeful that EDF approval will be forthcoming by the end of the year. At that time

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Next in importance is the provision of infrastructure for fully serviced land and for commercial zones in areas B, C and D and also area A. This will be financed by the Botswana Government. Sources of internal finance have already been identified. A formal decision to use these sources for this particular project is expected in the next few weeks. At a later stage, of course, Government will also have to provide schools and clinics in Broadhurst but finance for these will come out of the appropriate sectoral programmes.

Finally, there remains the partially serviced plots in Area A. We have approached CIDA for this particular component and except that it will be included in the CIDA aid programme to Botswana. However, formal project approval may be a few months behind the other components of the Broadhurst Stage II project.

You will appreciate from the foregoing that we are confident that all the finance for Broahdurst Stage II will come together timeously for the project to proceed.

Costs to Beneficiaries

As a result of the progress that has been made since March in identifying finance for the whole project, we have been able to undertake a preliminary financial analysis of the project as a whole. Details of this have been given to the US-AID representatives. The most important conclusion is that, as a result of blending commercial and concessionary finance, we believe that the current financial arrangements for self help areas can persist in this project. These are:

(a) Individuals do not have to pay for capital costs of roads, drainage and water facilities in the self help areas.

(b) Individuals pay for sanitation facilities and building materials at 4% over 15 years. (The funds are actually made available to the Town Council at 7%).

In addition of course occupants pay the Town Council a recurrent service charge generally about R3 a month. There will be a need, during the next couple of years, to increase this recurrent charge for the weaker occupants of self help areas and proposals to achieve this are currently under consideration.

Capacity of the Self Help Housing Agency

Concern on this matter has been expressed by the US-AID representatives, echoing Government's own concern. There have of course been a number of administrative delays i.e. the need to find an acceptable form of sanitation, the need to re-survey some plots, the fact that infrastructure in Broadhurst Stage I, is not yet funded over.

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However, those matters are being dealt with and further technical assistance from SIDA for the Gaborone SHHA is expected shortly. Obviously the earlier a project co-ordinator can be found by US-AID the more rapidly this weakness of the project can be strengthened.

Timing

We understand that there is chance of project authorization by the end of June. In view of the several steps which need to follow project authorization before disbursement can commence,, and of the progress which has been and is being made on negotiating the balance of finance for the project as a whole, we wish to request US-AID to give this project its urgent consideration.

Yours sincerely,

Stephen McCarthy

S. McCarthy
for/Permanent Secretary

Annex 3

DEPARTMENT OF STATE TELEGRAM

AMEMBASSY GABORONE

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UNCLASSIFIED

Classification

STATE 97219
22 APRIL 76

P 220328Z APR 76
FM SECSTATE WASHDC
TO RUEHPOG/AMEMBASSY GABORONE PRIORITY 8688
RUEHDGE/AMEMBASSY MBABANE 0979
RUWDC/AMEMBASSY NAIROBI 8143
BT
UNCLAS STATE 197219

AIDAC, NAIROBI FOR REDSO

E.O. 11652: N/A

TAGS:

SUBJECT: BOTSWANA HOUSING PID

1. PID APPROVED.

2. AFR APPROVES PROCEEDING TO PP AND RHUDO MAY PROCEED DIRECTLY FOR FY 76 AUTHORIZATION.

3. IN PREPARING PP, PROJECT COMMITTEE CALLS ATTENTION TO FOLLOWING POINTS:

A) PP SHOULD CONTAIN ANNEX DESCRIBING IBRD FRANC-STOWN SCHEME, EVALUATION TO DATE AND EXPLANATION FOR DIFFERENCES IN AID APPROACH IN GABORONE/LOBATSE.

B) PP SHOULD ADDRESS POLITICAL/POLICY ISSUES RELATED TO BHC/TOWN COUNCIL IMPLEMENTATION ALTERNATIVES IN ADDITION TO TECHNICAL ANALYSIS THOSE ALTERNATIVES.

C) PP SHOULD CONTAIN TECHNICAL/FINANCIAL ANALYSIS TOWN COUNCIL OPERATION AS IT WOULD FOR INSTITUTIONAL ARRANGEMENTS SUCH AS BHC.

D) SINCE PID INSTITUTIONAL FOCUS, ANALYSIS INSTITUTIONAL

CAPACITY/PERFORMANCE CRITICAL AS BASIS FOR TA PROPOSALS. FYI: SINCE ANY TA TO BE FUNDED BY AFR WOULD REQUIRE CONGRESSIONAL NOTIFICATION AND NEGOTIATION OF PROAG, PRIOR JUNE 30, TIMING OF PP SUBMISSION CRITICAL TO THIS COMPONENT. END FYI.

4. REQUEST DESIGN TEAM EXAMINE POSSIBILITIES FOR LOCAL MATERIALS/SERVICES UTILIZATION. ANY RECOMMENDATIONS FOR PROGRAM INPUTS IN THIS REGARD WITHIN OR ASSOCIATED WITH PROJECT (E.G. VIA OPG) WOULD BE WELCOMED.

5. PP SHOULD MEET AGENCY REQUIREMENTS HANDBOOK 3 INCLUDING SOCIAL/ENVIRONMENTAL ANALYSES IMPACT ON WOMEN, ETC. KISSINGER
BT
#7219

UNCLASSIFIED

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Response to Cable Approving PID

The points raised in the cable are dealt with below in the order in which raised.

1. The PP should contain an annex describing the Francistown IBRD scheme. This has been done and may be found in Annex 4.

2. The PP should address the issues related to whether implementation should be by the BHC or Town Council.

   This is discussed in both Parts III and IV of the PP. The GOB has opted for a strategy which concentrates the resources of the BHC in medium and high cost housing. As a result, AID efforts through the HG program are precluded.

3. The PP should analyze the financial capacity of the Town Council to undertake this project.

   This analysis has been made and is found in Annex 7.

5. The design team should examine possibilities for local materials/service utilization.

   The design team, in order to promote increased production of building materials in-country, has recommended that an effort be made, in the context of a community based organization, to demonstrate the procedure and techniques for fabricating a number of specific building elements in-countr The PP puts forward this component for approval in principle. Separate documentation on it will be submitted shortly.

6. The PP should meet AID requirements as set forth in Handbook 3.

   This has been done.

Francistown Project

1. Francistown, Botswana's second largest town, has been, since the late 1970s, the focus of major development efforts by the GOB, designed to transform it from a collection of squatter communities, central business district and mainly white high cost residential area into a regional service center and integrated community, both racially and economically. Francistown, lacked, however, both a basic master plan and the serviced land to permit it to expand upon the desired lines. Between 1969 and 1972, both these deficiencies were remedied and a decision to develop Francistown in stages was taken.

2. Negotiations between the GOB, the UK and the World Bank resulted in agreement that the UK would grant finance the first stage (1973/74) and the Bank the second stage (1974/77) through a credit from the International Development Association. Stage 1, now completed, consisted of primary infrastructure for the existing commercial and industrial areas and development of a number of different residential areas through the provision of infrastructure. These areas included site and service lots.

3. The World Bank Stage 2 project is providing:

   (a) 1,800 low income residential lots, including 800 for site and services housing built of permanent materials and 1,000 lots for traditional housing of mud and thatch;

   (b) building materials loans for the 800 site and service lots;

   (c) upgrading of about 1,000 lots in squatter areas;

   (d) preparation and servicing of 5ha. of commercial land, 11ha of industrial land and about 25 lots for high-cost housing;

   (e) construction of community facilities, including 2 neighborhood offices, a works depot, a block of modern offices, and a market, health clinics, and school, all for the Francistown Town Council (FTC).

   (f) primary infrastructure for the general development of the town;

   (g) technical assistance, mainly for the capitalization of the self-help housing agency (SHHA) in the Town Council, but also for a project coordinator and low-cost housing expert.

4. The total cost of the project was estimated at $4.36 million. The Bank extended a credit of $3 million with the GOB financing the remainder.

5. During negotiations between the GOB and the Bank it was agreed that the Central Government would be responsible for construction of infrastructure and community facilities and procuring building materials (in fact, building materials are now procured by the SHHA under the supervision of the project coordinator.) The FTC was to be responsible for the allocation of site and service and traditional plots, management of the material loans and providing technical assistance to plot holders in self-help housing

construction. A special management board was established, chaired by the coordinator and including representatives of the Council to oversee the SHHA responsibilities.

6. As can be seen from the above description, the development of Francistown has been of decisive importance in influencing the subsequent Broadhurst project in Gaborone. The reasons for this stem from the success of the Francistown experience.

   (a) Infrastructure servicing has proceeded smoothly and within cost extimates, although somewhat behind schedule. The coordinator, a former town clerk in Francistown, took up his position in mid-1974 and has been a driving force in speeding development. A firm of consulting engineers was hired by the GOB and has worked to the coordinator. One difference in Gaborone, which will make a coordinator even more necessary, is that different organizations will be responsible for construction of services and will have their own engineers and contractors, whereas in Francistown the GOB was the only "client."

   (b) The project design of dividing up responsibility between GOB and the FTC has worked well, with the GOB responsible for construction and FTC responsible for those matters which require a more intimate daily relationship with the people.

   (c) In general, other project components such as construction of community facilities, on-site development of site and service and traditional areas, development and allocation of the commercial and industrial areas, and the making of materials loans are proceeding in a manner coordinated with the primary infrastructure implementation.

   (d) The SHHA has been established and built up to a present strength of 25 persons. By all accounts it appears to be working well, both in its investigations for eligibility for lots and with assistance to each lot owner in building his home. The SHHA has also achieved some success in establishing local organizations of lot owners to discuss problems in their neighborhoods and to advise the Council on solutions. An adviser to the SHHA has worked with local personnel for 12 months and has now departed.

7. Thus, the basic outline for the Gaborone project adheres closely to that in Francistown: the Bank project is generally accepted as a successful project and has helped to persuade the GOB to accept lower income shelter programs whi rely on the town councils for their implementation. The important step being taken in Gaborone is to bolster the Gaborone Town Council to be able to carry out its responsibilities in the project and other programs in the future.

8. One major addition to the Broadhurst program will be the initiation of fabrication of building materials in-country. This was not attempted in Francistown, but in discussions between Bank officials and the AID design team, the idea was approved as an important next step in the development of the shelter sector.

9. One slight deviation from the Francistown model will be the greater involvement of the GTC from the beginning. This is because the Council already has a SHHA which reports to the Housing Committee of the Council. Thus, unlike Francistown, it is not a matter of establishing a new organization, but rather strengthening an existing one.

10. The Bank is now discussing with the GOB the possibility of a stage 3 project in Francistown to begin in 1978 in conjunction with another urban project in Selebi-Pikwe.

Annex 5

MINISTRY OF LOCAL GOVERNMENT AND LANDS

CIRCULAR NO. 1 OF 1976

Private Bag 006,

GABORONE.

REF.: LG. 1/4/20 I (22)

27th January, 1976

Dear Sir,

SANITATION IN SELF-HELP HOUSING AREAS IN TOWNS

I am directed by the Minister of Local Government and Lands to refer to Government's decision in March last to suspend the further construction (except in contracts then current) of aqua-privies owing to the shortcomings which were revealed after the introduction of the original fibre-glass design. The Minister is aware of the concern expressed about the adverse effect of this embargo on the allocation and development of new self-help housing plots in site and service and traditional housing areas and the purpose of this circular is to inform Town Councils of the Ministry's proposals, both short and long term, in relation to low-cost sanitation.

While water-borne sewerage for all dwellings in towns may appear to be a desirable objective Government policy as set out in the National Development Plan is that urban development should not be subsidised at the expense of the rural areas. At a conservative estimate the cost of waterborne sewerage to the 8000 additional low-cost, site and service and traditional housing plots in the four townships now being provided or actively planned would be R5 million and it would be quite impossible for the low-income families involved to meet the extra service charges which would have to be levied for this facility or for the water to operate it even if present water supplies were adequate to meet the heavy additional demand. It is accordingly necessary to find a relatively low-cost sanitation system which operates with little water and is at the same time hygienic, efficient in operation and socially acceptable to the people having to use it. It should also, if possible, be capable of being up-graded by adaption to a waterborne system as Botswana prospers and more money becomes available for improvements to urban infrastructure.

Proposals have accordingly been formulated which are aimed at finding a long-term solution to the problem of sanitation in low-income housing areas and also an interim measure to enable current schemes which have been held up by the ban to proceed until the long-term solution is found.

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LONG-TERM

Joint discussions have taken place between officers of this Ministry and the Ministries of Health, Works and Communications and Finance and Development Planning and representatives of the International Development Research Centre of Canada on a scheme whereby the latter would provide a financial contribution towards the cost of an extensive programme of research into all aspects (engineering and technical, health and sociological) of low-cost sanitation. The programme will include investigatory visits to other developing countries with problems similar to Botswana to assess the technical and social aspects of sanitation methods successfully adopted there and their possible application here. This will be followed by the installation, testing and monitoring of pilot schemes incorporating those low-cost sanitation units considered to be most suitable (on the grounds of cost, hygiene, efficiency and social acceptability) for introduction locally and finally by the selection, in the light of practical experience, of the type or types of low-cost toilets best suited for general adoption in Botswana. It is, however, anticipated that this research programme will take up to two years to complete and some interim arrangements are immediately necessary.

SHORT-TERM

The Ministry is aware of the complaints made against the original fibre-glass aqua-privy including its instability and bad design resulting in excessive smell. Sanitation units incorporating improvements to counter these complaints have been designed and prototypes constructed in Francistown and Gaborone. Although using the same anaerobic sewerage treatment method, all are of solid concrete or brickwork construction instead of fibre-glass and include the Type "B" Toilet Unit designed by the acting Government Sewerage Engineer, which has a white round shaped glazed "spiraflow" pedestal pan with vent-pipe to emit smell into the open air outside the toilet structure. The pan can be adapted for flushing from a trough or sink filled with water manually and is suitable for eventual up-grading by connection to a main water supply. The Ministry is advised that if the manufacturers were assured of a large quantity order it may be possible for the pedestal to be redesigned for the fitting of a seat and lid and negotiations to that end have already started. Excluding the construction of the toilet building and any extra fittings therein (which are the responsibility of the plot holder) the estimated cost of the above units, assuming a contract in excess of 500, is R250 each.

I enclose for the Councils information drawing number XX/22/181. showing details of a Type "B" Toilet Unit and how it can be adapted for flushing from an external sink or an interior washbasin, both filled manually. A further drawing XX/P2/1737 (not for action) indicating how, in the process of up-grading, it might be possible for the "spiraflow" pan to be connected eventually to a main water supply is also enclosed for your information.

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The long-term research programme mentioned in paragraph 4 has been approved by Cabinet and, subject to the settlement of financial details with the IDRC, will commence shortly. It has also been decided, as an interim measure to enable urban housing development projects to proceed as planned, that Town Councils should be given a discretion to allocate plots in site and service and traditional housing areas subject to the condition that toilet facilities are provided on each plot in either of the following ways:-

a) a pit latrine to be constructed by the plot-holder to a specification approved by the Council, where the size of plot, sub-soil and watertable are suitable for this type of sanitation. This will enable an improved type of sanitation to be installed (possibly with Government assistance) at a later date.

b) a Type "B" Toilet Unit where the Council considers that subsoil conditions, possible health hazards, plot size or other reasons make a pit latrine unsuitable or inadvisable. Such toilets will be provided by the Council subject to an appropriate service charge to the plot-holder in site and service areas.

A Town Council will require the specific prior approval of the Minister to any other form of sanitary arrangement in self-help housing areas during the interim period.

Two additional copies of this circular and the drawing mentioned above are supplied for the use of the technical officers of the Council concerned with self-help housing.

Finally, I am directed to inform you that Mr. M. D. Blackmore has recently taken up the appointment of Senior Engineer in the Urban Division of the Ministry and is available for consultation by Councils on problems within the municipal engineering field.

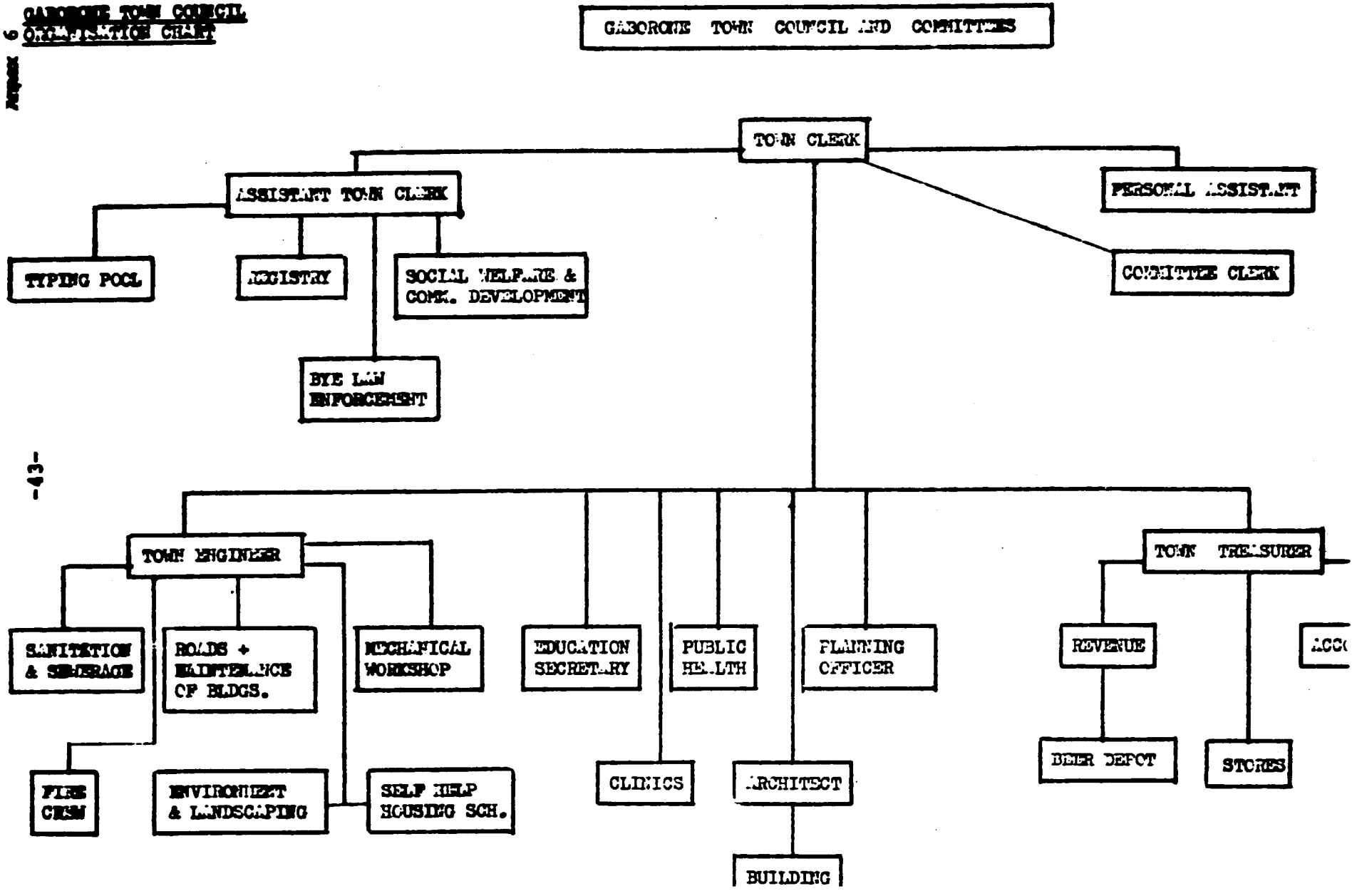
Yours faithfully,

G. H. Whitfield
for/PERMANENT SECRETARY

DISTRIBUTION:
Town Clerk - Francistown (3)
Town Clerk - Gaborone (3)
Town Clerk - Lobatse (3)
Town Clerk - Selebi-Pikwe (3)
Permanent Secretary, Ministry of F&DP
File CLG. 8/10
File LG. 4/1
Urban Development Co-ordinator - Francistown
Director of Surveys and Lands
Director of Town and Regional Planning
Sewerage Engineer, Ministry of Works & Comm.
Senior Engineer, Ministry of ~~Works~~ & Comm

ANNEX 6

GABORONE TOWN COUNCIL
ORGANISATION CHART



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Financial Position of Gaborone Town Council

1. The Gaborone Town Council is, at the moment, a solvent organization and will remain so, provided steps are taken to increase its revenue base. A number of methods for doing this are being discussed, including increasing the amounts which residents of the town must pay for local government taxes, raising the amounts paid for recurrent services by lot holders in the site and service areas, and assessing rates on the value of improvements on site and service lots.

2. Tables 1, 2, and 3 on the following pages set forth in detail Council's financial position. One assumption which has been made is the loan which will require the Council to repay some $117,000 per annum to the GOB is a self-balancing item, i.e. that payments to Council from recipients of the loans in the site and service areas will balance the payments the Council must make. This assumption allows for a 6% default rate, which is higher than that so far experienced in the areas managed by the SHHA. However, in order to maintain its record, the SHHA must be built up with the required personnel.

TABLE 1

GABORONE TOWN COUNCIL

SUMMARIZED BALANCE SHEET AT 31 MARCH, 1974

ASSETS

Current	
Fixed Deposits and Current Accou	R234,216.65
Cash on Hand	4.77
Advances	154.00
Fixed	
Property and Permanent Works	555,480.71
Vehicles	57,920.00
	R844,776.13

LIABILITIES

Accumulated Fund	R500, 977.65
Long Term Loans	
Barclays Overseas Development Corporation	23,753.62
National Development Bank	237,324.86
Government of Botswana (Extension 14)	73,700.00
	R844,776.13

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TABLE 2

SUMMARY OF REVENUE AND EXPENDITURE - GABORONE TOWN COUNCIL

YEAR ENDING 31 MARCH (R'000)

REVENUE	1974	1975	1976	1977	1978	1979	1980	1981
Local Government Tax	297	303	388	479	527	580	638	702
Rates	108	102	332	489	594	666	750	800
Other	274	231	80	92	106	121	139	160
Totals	679	536	800	1060	1227	1367	1527	1662
EXPENDITURE								
Finance Committee	134	158	160	172	189	208	229	252
Education Committee	172	215	230	288	317	396	436	523
Works Committee	208	316	320	464	510	612	673	809
Housing Committee	-	1	2	14	8	29	36	53
Repayments to GOB for Primary Infrastructure Loans	-	-	-	-	50	50	111	111
Totals	514	690	712	938	1074	1295	1485	1748
Surplus (Deficit)	165	(154)	88	122	153	72	42	(86)

TABLE 3

SUMMARY OF SELF-HELP HOUSING ACCOUNT - GABORONE TOWN COUNCIL

('000 R)

REVENUE	1975	1976	1977	1978	1979	1980	1981
Service Fees	4	10	12	25	36	47	47
Totals	4	10	12	25	36	47	47
EXPENDITURE							
Salaries & Administration	4	9	17	30	50	45	35
Services							
Water							
Electricity							
Road Maintenance							
Refuse Removal	1	3	9	25	55	60	65
Totals	5	12	26	55	105	105	100
Surplus (Deficit)	(1)	(2)	(14)	(30)	(69)	(58)	(53)
GOB Grant	-	-	-	22	40	22	-
Total (Deficit)	(1)	(2)	(14)	(8)	(29)	(36)	(53)

Notes on Gaborone Town Council Revenue and Expenditure (Table 2)

Revenue

Local Government Tax - Amounts varying from R3 to R48 per annum are collected on a graduated basis from individuals resident in Gaborone on their first R660 of annual income. A substantial increase is expected in the amount collected in FY 77 due to efforts by the Council to collect taxes of domestic servants, a newly instituted system of withholding of taxes from GOB industrial class employees, and agreements reached with labor recruiting agencies in the Republic of South Africa which will pay the Council an increased amount for Botswana taken to be resident in Gaborone but actually working in South Africa for part of the year. From FY 78 an increase in Local Government Tax of 10% per annum is assumed. This is considered a conservative estimate in view of the expected population growth and maintenance of the employment activity rate during the period. Furthermore, consideration is being given to increasing the maximum level of assessable income from its present R660, which would result in sizeable revenue gains for the Council. However, no account has been taken of this possibility in the figures projected.

Rates - Rates on property have, in the past, been a balancing source of financing; the legislation setting the rate usually being approved late in the financial year in order to allow the Council to collect enough money to balance its budget. From a figure of 0.7c in the Rand on the value of both developed and undeveloped land in FY74, the rate was increased in each subsequent year and is expected to be 1.8c for developed land and 5c for undeveloped land in FY77/

The estimated increase in revenue from R332,000 to R489,000 between FY76 and FY77 stems from a 20% increase in the actual rate as well as the fact that an interim valuation is now being carried out which is expected to add a substantial number of developed properties to the property rolls. Subsequent increases in the amounts expected to be collected are based upon completion of housing on ratable land in Stage 1 by early 1979 and progressive completion in Stage 2 beginning in 1978 and a filling up of the new industrial sites over the next 4 years to 1981.

Other - The drop from FY74 to FY76 reflects both a decrease from beer sales and the fact that FY74 covers a 15 months period due to a switchover to a new basis for the fiscal year. Other items included in this heading are trade licenses fees, school fees, and a variety of other ordinary Council revenue items. Beer sales are expected to revover their growth and total increases for the category are estimated at 15% per annum.

Expenditure

Finance Committee - A 10% per annum increase is projected, somewhat larger than experienced in the past because of expected expansion of staff as well as salary increases.

Education Committee - Large salary increases are anticipated in FY77 for teachers and since teachers' salaries account for over 70% of this Committee's expenses, the results are immediately reflected. Thereafter, alternating increases of 10% and 20% are taken in order to reflect normal growth as well as future salary increases in odd years.

Works Committee - Increases in FY77 expenditure are due to expected salary increases for industrial class employees. It also reflects Council's take-over from GOB of road maintenance duties. Further salary increases are anticipated for FY79 and FY81. Otherwise, growth is estimated at a modest 10% per annum. Given the fact that a certain amount of expenditure under this Committee will be transferred to the Housing Committee as the accounts for the SHHA are improved, this figure is adequate.

Housing Committee - Expenditure under this Committee is limited for our purposes to the SHHA accounts, which are examined in more detail in Table 3 and explained below.

Primary Infrastructure - This item represents repayments by the Council to the GOB for its share of the development costs of Broadhurst Stages 1 and 2. The formula presently adhered to is that GOB develops new areas of towns and passes on to the Council the primary costs of roads, drainage, and sewerage infrastructure. For Stage 1, this is estimated to amount to R1,100,000 which must be repaid at 1% interest over 25 years, or R50,000 per annum. For Stage 2, the equivalent costs are expected to be R1,375,000 and R61,000.

Surplus (Deficit) - The amounts shown as remaining are available to the Council for development projects which it might wish to undertaken.

Notes on Self-Help Housing Account (Table 3)

This account covers only those areas of Gaborone which are known at this point in time to be definitely within the purview of the SHHA, i.e., Bontleng, Extension 14, and Broadhurst Stages 1 and 2.

Service Fees - These fees have been taken at their present level of R1.50 per month per lot, which is the figure which the Council has been using since 1974 and which represents a R1.00 charge for water and 50c for road maintenance, refuse removal and SHHA administration.

Payments made by lot holders for latrines installed by Council and for building materials loans are not included as they are taken to be a separate self-balancing item. The number of lots on which service fees are expected to be paid is based upon full collections in Extension 14, Bontleng and Stage 1 of Broadhurst during FY78 and the addition to one-half of Stage 2 lots in FY79 and the other half in FY80. No additional lots are included for FY81.

Salaries and Administration - These expenditures are expected to increase rapidly as development begins to take place in Stage 1 and 2, but to taper off beginning in FY80 on the assumption that the number of new lots being developed will decline slightly.

Services - The cost of the services being provided to these areas is not accurately known at this time. Estimates have been made that these costs would increase over their present amount at a rate proportionately faster than the increase in lots allocated because of more accurate accounting as well as inflation of costs of services.

Salary Grant - This item represents funds from the HG loan which are to be made available to the Council as a grant by the GOB. This is an accepted practice by the GOB in the building up of the Council to undertake its tasks in the management of new areas of the town.

Building Materials Loan Agreement Form

No. .....

REPUBLIC OF BOTSWANA

Building Materials Loan Agreement

Agreement entered into by and between .....
Town Council, a body corporate established by statute (hereinafter called "the Council") of the one part and
.....
of .....
.....
(hereinafter called "the Borrower") of the other part;

WHEREAS the Council has initiated a site and service scheme which is designed to enable persons to build their own homes with the assistance of the Council;

AND WHEREAS the Borrower is the holder of a Certificate of Rights in respect of Plot No .....
in Self-Help Housing Area .....as shown on Plan No.....held by the Department of Surveys and Lands, Gaborone;

AND WHEREAS the Borrower has applied for a loan from the Council which is willing to provide such loan to the Borrower subject to certain terms and conditions;

IT IS HEREBY AGREED AS FOLLOWS:

The Loan 1. The Borrower hereby accepts the building materials loan granted to him by the Council in the sum of R..... ., which amount shall not be payable to the Borrower in the form of cash but shall be limited to the withdrawal of such building materials as may from time to time be available and to a value equivalent to the amount of the said loan. Such materials shall be issued to the Borrower from the depot operated by the Council and the value thereof shall be as determined by the Council and such valuation by the Council shall be accepted as final by the Borrower.

2. The Borrower shall use the building materials issued in accordance with this Agreement solely and exclusively for the construction, extension or improvement of a dwelling-house on the abovementioned plot and the use of such building materials for any other purpose shall constitute a breach of this Agreement.

3. The Council reserves the right to issue the building materials to the Borrower on a successive basis and at its discretion. Each issue shall be of such quantity as can be incorporated into a structure within a reasonable space of time.

4. The Borrower shall construct the said dwelling-house, extension or improvement in accordance with a sketch or plan previously approved in writing by the Council and shall not alter or amend such plan without the written consent of the Council.

5. The Council shall have the right at any time during the period of construction to inspect the premises in order to assess the progress and quality of construction and to require the Borrower to rectify any work which does not comply with its minimum building standards.

Repayment of Loan 6. The Borrower shall repay the loan amount specified in Clause 1 hereof together with interest at the rate of four per cent per annum over a period of fifteen years by 180 equal monthly instalments in accordance with Schedule "A" annexed to this Agreement and

(a) the said monthly instalments shall become due and payable on the first working day of each month and without the necessity or obligation of the Council to render statements of account to the Borrower,

(b) the first such monthly instalment shall become due and payable on the first working day of the third month following the signing of this Agreement whether or not building materials to the full amount of the loan have been received by the Borrower,

(c) payment of the said monthly instalments shall be on a continuous and regular basis until the loan has been fully repaid.

7. The Borrower may repay the balance of the loan together with any interest outstanding before the expiry of the said term of fifteen years but in that event the said interest shall be calculated to the last day of the month in which such repayment is made.

8. The Council may at its discretion approve amended terms for the repayment of the loan where the Borrower wishes to repay at a rate different but not less than that shown in the said Schedule "A"

Transfer of Certificate of Rights, etc.

9. If the Borrower shall cede assign or transfer his Certificate of Rights to another person the entire balance of the loan together with any interest still owing to the Council shall immediately become payable unless the Council has accepted a written undertaking by the assignee or transferee of the Certificate of Rights whereby the assignee or transferee assumes full responsibility for the repayment of outstanding loan monies and the fulfilment of all other remaining obligations contained in this Agreement.

Penalty Clauses

10. (*a*) If the Borrower fails to pay any instalment by the fifteenth day of the month in which it becomes due or if he commits a breach of Clauses 2 or 4 or fails to rectify work under Clause 5 the Council may forthwith suspend the Borrower's entitlement to withdraw building materials from its depot.

(*b*) If any default or breach by the Borrower described in Subclause (*a*) continues for thirty days after written notice has been given to the Borrower the Council shall be entitled to demand immediate payment of the entire balance of the loan outstanding together with accrued interest and to reclaim any building materials issued from the Council depot which have not been incorporated into any structure that the Borrower is erecting or has erected on the plot.

(*c*) If the Borrower after due notice fails to pay the full amount of the loan outstanding together with accrued interest or if he commits any other breach of this Agreement the Council shall be entitled but not obliged to cancel the Certificate of Rights held by the Borrower and to sell any structures or materials whatsoever on the plot and the proceeds of such sale shall be utilised to repay the outstanding debt owing to the Council. Any amount remaining after the debt to the Council has been discharged shall be paid to the Borrower but if the amount realised from such sale is insufficient to pay the debt the Council shall be entitled to seek reimbursement by other lawful means.

Appeal

11. Should the Council take action to cancel the Certificate of Rights held by the Borrower in accordance with Clause 10 (*c*) hereof the Borrower shall be entitled to appeal against the decision of the Council to the Minister of Local Government and Lands. Such appeal shall be conducted in accordance with the procedure set out and contained in the Certificate of Rights.

Notice

12. Any notice by the Council under this Agreement shall be deemed to have been validly given to the Borrower if the Council serves the notice on the Borrower personally, or, if there are any structures on the plot, affixes it to anysuch structure, or, if the plot is a vacant piece of land, affixes it to any suitable post or other material on the vacant land so that such notice is clearly visible.

SIGNED at ..... on this ..... day of .....

19.....

As witness .....

.....
For the Council

SIGNED at ..... on this ..... day of .....

19.....

.....
The Borrower

BUILDING MATERIALS LOAN AGREEMEN

SCHEDULE "A"

Monthly repayments due for a loan at 4% interest over 15 years shown for possible loan amounts under the building materials loan scheme.

Loan amount in Rands	*Monthly repayment in Rands*
20	0,15
40	0,30
60	0,44
80	0,59
100	0,74
120	0,89
140	1,04
160	1,18
180	1,33
200	1,48
220	1,63
240	1,78
260	1,92
280	2,07
300	2,22
320	2,37
340	2,51
360	2,66
380	2,81
400	2,96

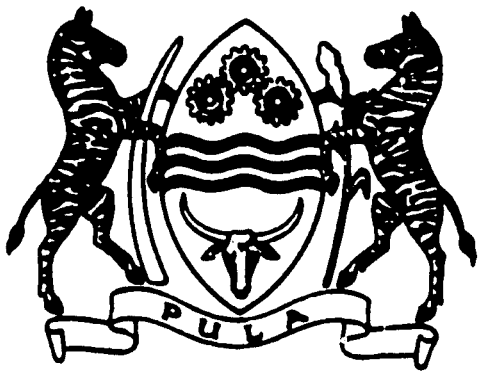
The following does not form part of the Building Materials Loan Agreement:

EXPLANATORY NOTES

How to use the table in Schedule "A":

Example: The borrower takes a loan of R320 and wishes to repay the loan in (180) monthly instalments. For the loan amount of R320 (column 1) column 2 shows that the borrower has to repay each month R2.37.

Please note: For simplicity, loans are only granted in multiples of R20. Should a borrower require materials of a value that falls between two multiples as shown above, he would borrow the lesser amount and make up the difference from his own resources. For example, if a person calculates that he needs R333 of building materials, he borrows R320 and supplies R13 himself. The maximum loan amount under this scheme is R400.



REPUBLIC OF BOTSWANA

CERTIFICATE OF RIGHTS

.....TOWN COUNCIL

CERTIFICATE OF RIGHTS issued on the.....day of..... 19.....

by the .....Town Council under authority of the President of the Republic of Botswana in terms of the State Land Law No. 29 of 1966, as amended.

The ..... Town Council (hereinafter referred to as the "Council") grants to:-

NAME: (Print) .....

ADDRESS:.....

.....

.....

(hereinafter referred to as the "Occupier") the Rights set out below, and subject to the obligations, terms and conditions therein, in respect of Plot No. .....

.....

.....

as shown in Plan No. ..... held by the Department of Surveys and Lands

1. (a) This Certificate of Rights is the sole property of the Occupier who is not entitled or empowered nor has he any right to mortgage, hypothecate, pledge or give as security, whether directly or indirectly, in any manner whatsoever, any of the rights granted to him by virtue of this Certificate.

   (b) This Certificate can be ceded, assigned, transferred or made over with the written consent of the Council.

2. On the death of the Occupier the rights granted to him under this Certificate shall be inheritable.

3. The Occupier shall not give up occupation or possession of the plot or any portion thereof without notifying the Council in advance.

4. The plot shall only be used for residential purposes, provided however, that the Occupier shall be entitled to use the aforesaid plot for any other purposes which are authorised in writing by the Council.

5. (a) The Occupier shall be entitled to reside on the plot himself and with members of his family and with his friends and with any of his lodgers.

   (b) Notwithstanding the provisions of sub-clause (a) above, lodgers of the Occupier shall only be entitled to reside on the plot if the Occupier is himself residing thereon, unless the Occupier obtains the Council's prior written consent.

   (c) Notwithstanding the provisions of sub-clause (a) above, the Occupier shall not sub-let the plot without the written permission of the Council.

6. The Occupier shall develop the plot (here set out specifically what type of development must take place)

   .....

   .....

   .....

   .....

   within ..... months from date of issue of this Certificate.

7. (a) The Occupier shall pay to the Council a regular service payment in consideration of the rights hereby granted to him and for the services to be provided by the Council to the plot in respect of which this Certificate is granted and to the locality in respect of which this plot is situated.

   (b) The service payment referred to in sub-clause (a) above for the rights to be granted by the Council to the Occupier in terms of sub-clause (a) above shall be the sum of R..... (please fill in this amount) per month/year (please delete where necessary) which shall be payable in advance not later than the first working day of each month/year (please delete where necessary), commencing from the..... day of ..... 19... at the offices of the Council or such other place as the Council may notify the Occupier.

   (c) The Council, provided that it has obtained the written approval of the Minister of Local Government and Lands, shall be entitled to vary the amount of the service payment to be paid by the Occupier to the Council, and in the event of the Council so varying the amount of the service payment, the Occupier hereby agrees to pay such varied amount, the provisions of this clause applying in the case of such variation *mutatis mutandis*. The Council shall give to the Occupier notice in writing of any variation of the amount of the service payment and the date such variation shall become effective.

   (d) The notice of variation envisaged in sub-clause (c) above shall be deemed to have been validly given by the Council to the Occupier if the Council serves the notice on the Occupier personally, or, if there are any improvements on the plot, affixes it to any such improvement, or, if the plot is a vacant piece of land, affixes it to any suitable post or other material on the vacant land so that such notice is clearly visible.

   (e) The variation of the service payment shall become effective on such date as may be specified in the notice given by the Council in terms of sub-clause (c) above, but in any event shall not become effective before fourteen (14) days have elapsed after the service of such notice.

8. (a) Should the Occupier commit or permit the commission of a breach of any of the clauses of this Certificate of Rights and fail to remedy any such breach within thirty (30) days after notice (which can be given in any of the manners set out in clause 7 (d) above by the Council to the Occupier) then the Council shall be entitled, notwithstanding any previous waiver or anything to the contrary contained herein, but not obliged, to cancel this Certificate of Rights forthwith and to retake possession of the plot without prejudice to its claim for any arrear service payments or for any damage which it may suffer or sustain by reason of such breach and cancellation, and in that event the Occupier will have no claim whatsoever, whether for damages or otherwise, against the Council. Cancellation by the Council shall be given in writing and service of such cancellation shall be deemed to have been validly given if such written cancellation is served in any of the manners set out in clause 7 (d) above.

(b) In the event of the Council cancelling this Certificate in terms of sub-clause (a) above, then the Council shall pay to the Occupier the current market value, (as at the date of cancellation) or the cost thereof, whichever is the lesser amount, of any improvements on the plot.

9. (a) The Council shall, upon being so directed by the Minister that the plot is required for public purposes be entitled to cancel this Certificate or Rights, provided that it gives to the Occupier six (6) months' notice, or in the event of the plot being urgently required such lesser notice as the Minister directs and advises in such notice the Occupier what the public purpose is for which the Government requires the plot, and if applicable, why urgently required.

(b) "Public purposes" means one or other of the following purposes:-

(i) in the interest of defence, public safety, public order, public morality, public health, town and country planning or land settlement; or

(ii) in order to secure the development or utilisation of that or other property for a purpose beneficial to the community.

(c) Any such notice, and any such cancellation following thereon shall be deemed to have been validly given by the Council to the Occupier if served in any of the manners set out in clause 7 (d) above.

(d) In the event of the Council cancelling this Certificate of Rights in terms of sub-clause (a) above, then the Council shall pay to the Occupier the current market value as at the date of cancellation or the cost thereof, whichever is the greater amount, of any improvements, on the plot.

0. (a) The Council shall advise the Occupier by notice in writing that he may appeal to the Minister within 30 days, or any longer period which the Minister may allow, against any of the decisions made by the Council in terms of clauses 1 (b), 4, 5 (b), 5 (c), 6, 7 and 8. Any such notice to be given by the Council shall be deemed to have been validly given if served in any of the manners set out in clause 7 (d) above.

(b) Within 30 days or any longer period which the Minister may allow, after any such notice envisaged in terms of sub-clause 10 (a) above has been served on the Occupier, he shall have the right to appeal to the Minister of Local Government and Lands.

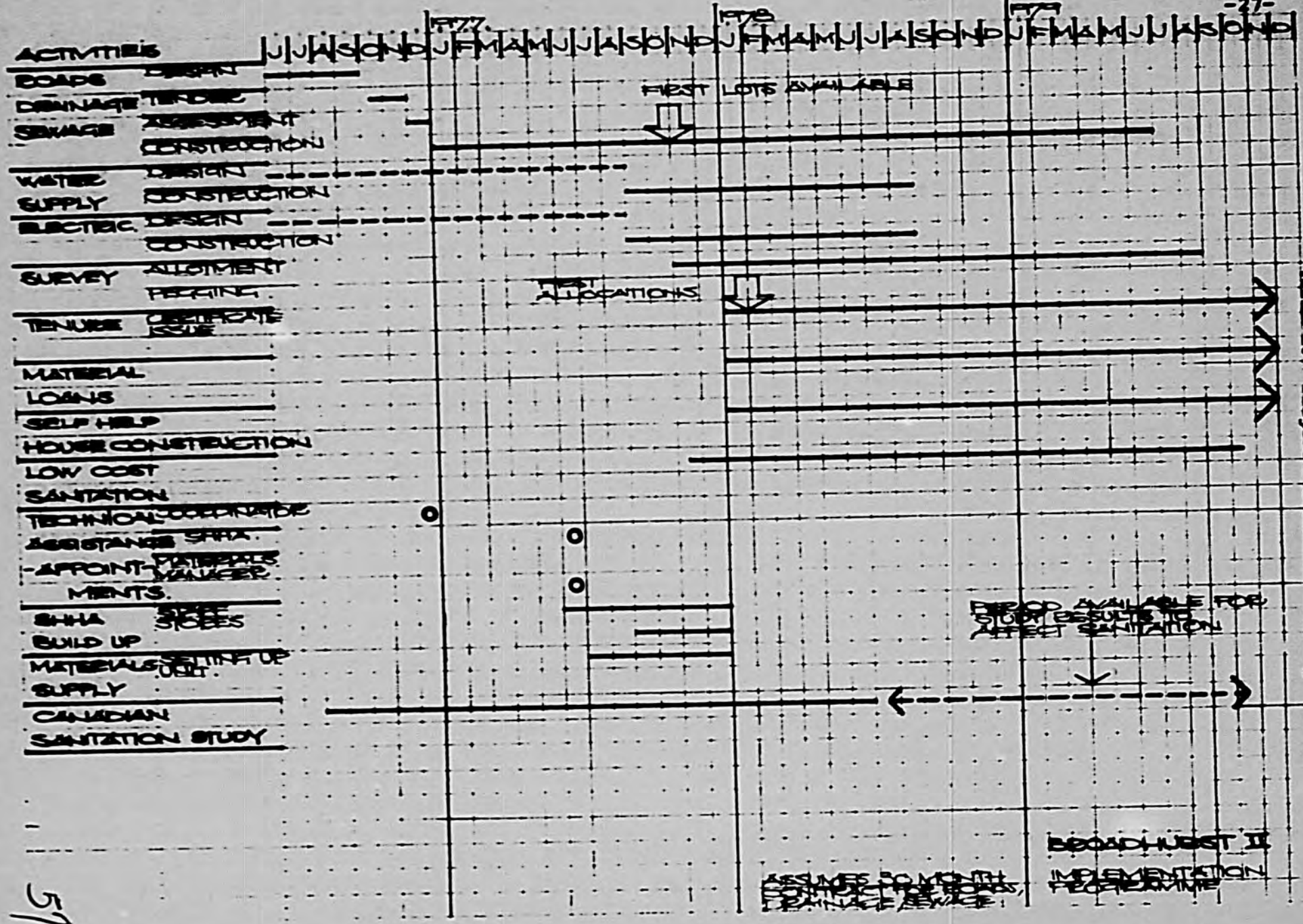
(c) The Occupier must exercise his right of appeal through the District Commissioner. It shall be the duty of the District Commissioner-

(i) to assist the Occupier in drafting and framing any appeal;

(ii) to transmit the appeal forthwith to the Minister of Local Government and Lands;

(iii) to advise the Minister of Local Government and Lands, if applicable, of all the circumstances relevant to any appeal not having been made within 30 days;

(iv) to assist the Occupier to obtain any necessary information to enable him to draft and frame the appeal in terms of sub-clause 10 (c) (i) above.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1978
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ACTIVITIES
ROADS
DRAINAGE
SEWAGE
DESIGN
TENDER
ASSESSMENT
CONSTRUCTION
FIRST LOTS AVAILABLE
WATER SUPPLY
DESIGN
CONSTRUCTION
ELECTRIC
DESIGN
CONSTRUCTION
SURVEY
ALLOTMENT
PEGGING
FIRST ALLOTMENTS
TENURE
CERTIFICATE ISSUE
MATERIAL LOANS
SELF HELP HOUSE CONSTRUCTION
LOW COST SANITATION
TECHNICAL ASSISTANCE
COORDINATOR
SHHA
-APPOINTMENTS.
PROPERTIES MANAGER
SHHA BUILD UP
SITE STORES
MATERIALS SUPPLY
SETTING UP UNIT
CANADIAN SANITATION STUDY
PERIOD AVAILABLE FOR STUDY RESULTS TO AFFECT SANITATION
ASSUMES 30 MONTH CONTRACT FOR ROADS, DRAINAGE & SEWAGE
BROADHURST II
IMPLEMENTATION PROGRAMME

ANNEX 11

STATUTORY CHECKLIST

THE REPUBLIC OF BOTSWANA

THE MINISTRY OF FINANCE AND DEVELOPMENT PLANNING (MFDP)

Section 221:

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

Sections 221 and 222(b):

The proposed Guaranty will finance self-liquidating housing projects under one or more of the following criteria:

(a) Private housing projects of types similar to those insured by HUD and suitable for conditions in Botswana.

(b) Low income housing projects.

(c) Housing projects with 25% of the aggregate mortgage financing from local sources.

Section 223(a):

The A.I.D. guaranty fee has been determined by A.I.D. in accordance with the authority delegated by the President.

Section 223(f):

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

Section 223(h):

No payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the

party seeking payment is responsible.

Section 223(i):

(1) Botswana is a country that is presently receiving development assistance under Chapter I Part 1 of the Act.

(2) The proposed Housing Guaranty will be coordinated with and complementary to other development assistance to Botswana.

(3) The proposed Housing Guaranty will demonstrate the feasibility of particular kinds of housing and financial or other institutional arrangements.

The face value of guaranties issued with respect to Botswana in this fiscal year will not exceed $26 million. It is planned that the average face value of all housing guaranties issued in any fiscal year shall not exceed $15 million.

Section 238(c):

The guaranty agreement will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued.

ANNEX 12
Draft

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

GUARANTY AUTHORIZATION

Provided from: Housing Investment Guaranty Authority

For : The Republic of Botswana, Ministry of Finance and Development Planning (MFDP)

Pursuant to the authority vested in the Assistant Administrator, Bureau for Africa, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 221 of the FAA of a face amount not to exceed two million six hundred thousand dollars ($2,600,000) assuring against losses (not to exceed one hundred per centum (100%) of the loan investment and interest) with respect to loans made to finance housing in Botswana by eligible U.S. investors (Investor acceptable to A.I.D.

1. Term of Guaranty: The loan shall extend for a period of up to thirty years (30) from the date of disbursement of the first installment of the loan including a grace period on the repayment of principal not to exceed five years (5). The guaranty of the loan shall extend for a period beginning with the first disbursement of the loan and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loan.

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

3. Republic of Botswana Guaranty: The Republic of Botswana shall provide a full faith and credit guaranty to A.I.D. in United States dollars assuring against any and all losses to A.I.D. by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half of one per centum (1/2%) per annum of the outstanding guarantied amount of the loan plus the fixed amount of $26,000 to be paid as A.I.D. may determine upon disbursement of the loan.

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

Assistant Administrator
Bureau for Africa

Date