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Project Planning Assistance

to the

Ministry of Public Construction & National Housing

QUARTERLY REPORT NO 12

1 OCTOBER 1985 - 31 DECEMBER 1985

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CONTENTS

I INTRODUCTION

This report covers my activities during the twelfth full quarter of the implementation of the Limited Scope Grant Agreement for Technical Assistance to the Ministry of Public Construction & National Housing.

II WORK ACCOMPLISHED

The following description of work accomplished follows the terms of reference of my contract. Reference should be made to the Work Program contained in last quarter's report.

1. Assist MPCNH to establish systems for project identification, feasibility analysis, and selection.

The Project Financial Planning System was used to revise the Project Delivery Plan during the month of December.

2. Co-ordinate with other donors to ensure rational use of scarce resources.

UNCHS has indicated that they will include a reference to the Project Financial Planning System in their forthcoming Microcomputer Users' Guide.

3. Provide recommendations to MPCNH based on analysis of critical constraints in the low-cost shelter delivery system.

No action this quarter.

4. Assist with developing monitoring and evaluation systems.

Financial monitoring of MPCNH expenditure and disbursements on Kuwadzana is continuing with the use of the PFPS and has been extended to include the three secondary towns.

See SECTION 5.1.H below for a report on progress in evaluating Kuwadzana.

5. Assist with project implementation.

I continued to co-ordinate all techncial activities related to the HG programme within the Ministry. A summary progress report on all components as 31 December 1985 is given below.

5.1. Kuwadzana Phase I

A. Project Delivery Plan

All disbursements complete under the first HG Loan. No action required.

B. Infrastructure

Further progress on the electrification of Phase I hinges on the resolution of the apparent shortage of foreign currency required to import certain materials and equipment. Council has yet to raise the issue as a political matter through the appropriate channels. It has been agreed that the dispute between Construction Associates and the Ministry on contracts for Phase I infrastructure be the subject of mediation. Finalization of John Borrow's consultancy is reported to involve the payment of a further $90,000. COH is reportedly engaging a new contractor to complete the erection of towers for lighting.

C. Plot Allocations

See progress under 2.C below.

D. Construction Loan Programme

See progress under 2.D below.

E. House Construction

See progress under 2.E below.

F. Community facilities

Admin complex: Complete

Primary school Unit 1N: Complete and operating.

Primary school Unit 4/5: Construction is proceeding well. Six classroom blocks are roofed. CoH has already enrolled 2000 pupils and intends to use the facilities with effect from 16 January 1986 provided the toilets blocks are complete. This will require some co-ordination with MPCNH.

Primary schools Unit 1S and Unit 3S: The Project Approval Report for these two schools will be discussed at a Council meeting scheduled for 9 January 1986 after which design drawings will be passed to MPCNH.

Secondary school: Construction is at wall-stage on seven of the nine classroom blocks. A head master has been selected and operation of the facility is expected to begin in the second term.

Bus shelters: HUDC have erected bus shelters at all bus stops.

Markets/toilets: All complete and in operation.

Polyclinic: CoH are to commence construction of this facility in January 1986 using their brigade.

G. Funding

A total of $1,564,451 has been spent since 1 July 1985.

H. Monitoring and Evaluation

MPCNH is currently reviewing the two evaluation reports submitted by Ms Holin and Mrs Patel. The builders study is now almost complete and will be submitted to MPCNH by ENDA. The report on physical progress has been completed by Cde Wegge and is currently being reviewed by MPCNH.

I. Project Oversight Meetings

The twenty-first and final meeting was held on 28 November 1985.

5.2. Kuwadzana Phase II

A. Project Delivery Plan

The PDP has been revised in anticipation of a drawdown of funds from USA early in 1986. At the current rate of exchange the volume of Zimbabwe dollars generated by the US$25 million will exceed the cost of the works included in the Second HG Loan Project by some Z$8 million.

B. Infrastructure

The cycle track bridge over the Marimba River was completed in December. Further progress on tower lighting depends on the availability of foreign currency. See 5.1.B above.

C. Plot Allocations

As of 31 December 1985 5,610 plots had been allocated out of a total of approximately 7,370. Some private sector companies are reported to be interested in purchasing plots for development of dwellings on a tied or homeownership basis for their employees. COH however will not curtail allocations to individual plot developers to allow for this private sector participation unless the reported interest is formalized, i.e., they do not wish to have plots lying idle while companies get organized to purchase them. In the event that such interest is forthcoming in a formal and timely manner, assurance must be obtained that company employees who benefit from the scheme meet the normal eligibility criteria, i.e., have below median income and be on the Municipal waiting list. Delays in the approval of the General Plans for Phase I are leading to delays in the ability of CoH to transfer title to eligible allottees. CoH to write to MPCNH on this. There have been 221 cancellations to date. Eleven properties which had more than $300 worth of construction when repossesed were recently auctioned to the public. Prices averaged $3,000 per plot. After deducting expenses, the balance of the proceeds of the sales are payable to the evicted allottee. Such balances are likely to exceed the purchase price of the plots, resulting in windfall profits to delinquent beneficiaries.

D. Construction Loan Programme

As of 31 December 1985 4,914 loans had been granted. The value of loans committed is $12,626,072 for an average loan value of $2,569. The cumulative value of materials issued as loans rose to $734,471. Cash sales increased to $491,723. A stock count is done monthly. Losses have been estimated to be less than 0.5% per annum on a turnover of $1,2 million.

E. Aided Self-Help House Construction

A total of 914 sewers have been connected by CoH. The site team has reportedly not yet received the four new house designs prepared by MPCNH and sent to the City Architect in October 1985.

F. Community Facilities

It is certain that the completion of the primary school construction programme will spill over into 1986/87 since drawings for the three facilities budgetted under Phase II have not yet been sent to MPCNH. The construction of the health clinic, and the secondary school for Phase II is planned for 1986/87. COH have requested funds for the markets, toilets, and admin building in the current year.

G. Rental Housing

CoH are preparing a Project Approval Report for consideration by Council. The estimated unit cost is unofficially reported to be close to $15,000.

H. Funding

A total of $2,527,265 was spent during the six months ending 31 December 1985.

5.3. Nyameni (Marondera)

A. Project Delivery Plan

See 2.A above

B. Land Servicing

The first 250 plots are fully serviced. Work has stopped pending the cadastral survey of the next 250 stands.

C. Land Allocation

MMC has selected 171 beneficiaries of whom 58 have signed agreements of sale and are working on their houses. Further allocation of plots is being delayed until the current shortages of cement and concrete blocks are overcome. The current rains are also slowing down site activity.

D. Homeowner House Construction

Materials continue to be delivered to the central store and transferred to the site as required by households.

E. Rental House Construction

MPCNH is still reviewing the BP application which was received in early October. However, funds are not likely to be available until 1986/87.

F. Community & Commercial Facilities

MMC has commenced construction of the first 4-room block using a local bulding co-operative.

G. Funding

A total of $657,000 was disbursed to Marondera during the six months ending 31 December 1985.

H. Project Oversight

Three meetings were held during the quarter.

5.4. Waverley (Kadoma)

A. Project Delivery Plan

See 2.A above

B. Land Servicing

Laying of water and sewer pipes, begun in October, has slowed down owing to the rains. The adjudication of tenders for roads and drains, opened on 10 October 1985, has been referred to Stewart Scott and Partners and a recommendation is still awaited. Plot sale prices are likely to be competitive with those of Nyameni and Kuwadzana, i.e., 300m2 stand for $675. Erection of eight tower lights was completed in November.

C. Land Allocation

KMC to interview applicants once plot sale prices have been worked out. Allocations are expected to begin in March 1986.

D. Homeowner House Construction

Material deliveries are expected to begin in January. Four demonstration houses, a material store, a public toilet and block-making facility have been constructed.

E. Community & Commercial Facilities

The health clinic is up to wall plate. The secondary school is at wall stage.

F. Funding

MPCNH disbursed $405,000 during the quarter.

H. Project Oversight

Two meetings were held during the quarter.

5.5. Chinhoyi Stream Phase II (Chinhoyi)

A. Project Delivery Plan

See 2.A above.

B. Land Servicing

Laying of water and sewer reticulation, begun in October by private contract, has slowed down because of rains. Tenders for roads and drains were opened in December and the consultant's recommendation is awaited. MPCNH, CMC, and BCP conferred on the question the total cost of the roads and stormdrains. A formula for cost recovery was agreed which spreads the burden between the existing developed Phase I and the proposed phases II and III. It is understood that beneficiaries of the USAID co-financed loans will be allocated 450 300m2 plots in Phases II and III, the larger stands being available for allottees on the waiting list whose incomes exceed the permissable upper limit. The Town Engineer resigned with effect from 31 December 1985. CMC is relying on Brian Colquhouns for their technical work.

C. Land Allocation

No action until plot sale prices have been determined. Allocations are expected to begin in March 1986.

D. Homeowner House Construction

Public tenders were invited for the supply of materials and they are currently being reviewed by the consultant. Four demonstration houses have been constructed.

E. Rental Housing

CMC already has approved borrowing powers for the 50 rental units in the scheme. MPCNH to consider issuing the 1985/86 allocation of $100,000 to allow CMC to commence construction of these units.

F. Community & Commercial Facilities

CMC has commenced construction of the first primary school classroom block to serve as a material depot.

G. Funding

No funds disbursed this quarter.

H. Project Oversight

Two meetings were held during the quarter.

5.6. Technical Assistance

A. Commodities

The Ministry received the balance of the IBM computer equipment. MPCNH awaits the delivery of a 220v transformer/stabilizer for use with the IBM PC XT. All equipment in use at Kuwadzana, except one slide projector, was returned to headquarters in December. USAID approved the purchase of two Nissan Cabstar trucks and orders have been placed by Kadoma and Chinhoyi. Arrangements are being made to purchase three electronic accounting machines for the secondary towns.

B. Short-term Technical Assistance

Low-Income House Design Study: MPCNH's in-house team has finalized the working drawings for eight house designs.

Housing Basic Needs Assessment Study: Dr Manson returned to Zimbabwe in December to complete the study and train MPCNH officers in the use of the methodology. MPCNH is currently reviewing The draft addition to the June Report. See Annex A.

National Housing Corporation Study: No action by MPCNH this month.

C. Long Term Technical Assistance

Jon Wegge, Self-Help Housing Advisor, completed his assignment on 31 December 1985. I took over his few outstanding duties with effect from 1 January 1986. An officer from the Operations Division has been detailed to begin taking over my duties on 1 February 1986 in anticipation of my departure in May 1986.

D. Training

MPCNH's nomination for the course on urban management held in Nairobi in November was not accepted.

6. Assist MPCNH to determine need for short-term TA

MPCNH is making proposals for the use of the balance of the USAID Grant. See Annex B.

7. Prepare draft TORs for short-term TA

No action this quarter.

8. Participate in forward planning

I revised the PDP in preparation of a second drawdown of US$ 8 million in January 1986. This exercise also fed into the review process for the Public Sector Investment Programme for 1986-1990.

9. Other activities

I collected information on housing and urban development in Zimbabwe, Lesotho, and Swaziland during the period 28 October - 10 November 1985 for the Tenth Conference on H&UD. I have also assisted with preparations for the Conference itself, although only in a minor way. There is an elaborate system of committees within committees which is looking after all details.

III. ANNUAL REPORT FOR 1985

The year 1985 has seen continued progress on Phase I except for the questions of approved General Plans and the completion of tower lighting. Allocation of 3894 plots for homeownership was completed. The remaining 172 unallocated stands will be developed with rental units. The primary schools programme is lagging because of the tardy receipt of design drawings from the Council. Construction of the secondary school was begun by MPCNH.

Plot allocations for homeownership in Phase II began on 22 July 1985 and were 75% complete by the end of the year with 1716 sales. The rental construction programme, originally planned for completion in June 1986, has not yet begun. Harare is preparing its Approval Report for Council review. MPCNH may have to step in to do this component of the project.

Construction loans for both Phases now total $12,626,072, of which $3,710,086 has been committed since 1 July 1985.

The first quarter of Marondera's Nyameni scheme has made rapid progress, finishing the period with 58 families on site. Delays in servicing the next 250 plots has been caused by lack of land surveyors.

Kadoma's Waverley project was making rapid progress until they got bogged down in tender adjudication for roads and stormdrains in October. The issue is still not resolved. Meanwhile they have gone on to do an excellent job of preparing themselves for house construction activity by building all necessary site facilities and designing admin systems. Once a few sites are completely serviced and allocations start (in March), progress will be rapid. MPCNH commenced building the secondary school.

Chinhoyi's project is making progress on the land servicing component because of their use of engineering consultants. In fact their reliance on outside expertise in this field has been extensive and has spread into other areas usually the domain of Council itself, i.e., materials procurement, registration of the primary school. MPCNH began construction of a secondary school. This facility had not been included in the Project Delivery Plan as part of the original project design but has been included in the recently amended PDP.

Technical studies which were advanced during the period included the Housing Needs Assessment which was the subject of a follow-up exercise in December. A valuable study on housing finance in Zimbabwe was completed in April. Five evaluation studies of Kuwadzana were undertaken, of which three are complete. A proposal to establish a National Housing Corporation was submitted to Government. Eight sets of working drawings for new house designs were completed and issued to the four local authorities concerned.

Finally, Cde Wegge's assignment came to a successful conclusion on 31 December 1985.

IV. ISSUES REQUIRING RESOLUTION

The current exchange rate bewteen the US and Zimbabwe dollar has generated a major surplus of local currency in the Second HG loan which cannot be absorbed by the four subprojects as currently designed. Consideration should be given to including a fifth component in (say) Bulawayo. MFEPD could, of course, decline to use all of the available loan funds.

There is a need to determine what activities should be funded from the balance of the USAID Grant 613-0205, estimated to be US$54,000.

The lack of registered land surveyors hs slowed down the implementation of the project in Marondera.

Merchants still claim that they do not have the necessary foreign currency to permit importation of materials for electrifying Kuwadzana.

VI. PROPOSED WORK PROGRAM

The following activities will be pursued during the quarter ending 31 March 1986:

1. Continue provision of technical assistance to secondary towns, covering both project planning and self-help housing aspects.

2. Assist with finalization of Housing Needs Assessment Study and participate in a follow-up exercise involving MPCNH trainees.

4. Collect information on urban land ownership and infrastructure cost recovery methods for incorporation into the PID for the third HG project. (Subject to MPCNH approval).

5. Assist with final preparations for the Tenth Conference.

6. Assist with planning of a fifth possible subproject for the Second HG Loan.

ANNEX 1

To be read in conjunction with Housing Needs Assessment Study: Zimbabwe - June 1985

Insert this section after "production wll be needed." on page 5 of the Executive Summary with appropriate editing of the preceeding paragraphs.

Officials at the Ministry of Construction and National Housing felt that some data used in the preceding scenarios did not correspond well with current conditions in Zimbabwe. A scenario was developed around the data that reflected less income concentration in the higher income quintiles, higher rural incomes, and a rural housing stock in which 30 percent of the units are in acceptable condition. Household sizes were assumed to be the same as those reported by the Central Statistics Office and as used in the reference case analysis. No minimum housing standards are set and households are assumed to occupy housing only up to their affordable level.

The assumptions in this scenario lead to higher income levels for households in the lower quintiles, and to correspondingly higher levels of affordability. Nonetheless, four-room core units are still not affordable by urban households in the lower three quintiles, or to virtually all rural area households. Units at a cost equivalent to that of an expandable two-room core unit are affordable to urban households in the middle income quintile but not to those at lower income levels. Since no subsidies are provided, these households will occupy housing of a lower standard.

Housing investment levels in this case amount to $531 million in 1989, and fall between the investment levels in the reference case and those

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in the two preceding alternative scenarios. By the end of the 15 year program, annual housing investment levels rise to $717 million. These levels of housing investment account for more than 7 percent of GDP throughout the period. When the program is completed, investment declines to 5.5 percent of GDP.

An illustrative case is used to estimate public and private financing requirements under this scenario. The example assumes that housing in the rural areas is publicly financed and that housing finance in urban areas is based on a sliding scale where public sources provide all financing for low-income households but households in the highest income group receive only ten percent of their financing from public sources. In this case the amount of publicly provided financing would be $325 million in 1989, and private sources would need to provide the balance of $206 million.

Insert this section after "Additional Scenarios" on page 54.

Scenarios Based on Estimates by MCNH

Officials of the Ministry of Construction and National Housing felt that some of the data used in the reference case scenario did not correspond well with current conditions in Zimbabwe. In particular, it was thought that revisions to the income distribution and housing stock estimates were needed. The income distribution used in the reference case is based on income and expenditure data that were compiled prior to Independence. Since then substantial changes in the income distribution may have occurred, so that a scenario based on a revised income distribution is appropriate.

Estimates of current housing stock were revised by Ministry officials because 30 percent of rural housing units were deemed to be in an acceptable condition. The remaining 70 percent, while considered deficient, were thought to be upgradable to an acceptable condition. Neither the condition of the urban housing stock nor the degree of overcrowding were changed from the conditions assumed in the reference case. In all areas, a plan to upgrade deficient units and eliminate overcrowding calls for completing the program within a period of fifteen years. Finally there are no minimum standards for meeting the housing needs of Zimbabwe in the scenario. Rather, all households are assumed to occupy housing units costing an amount equal to what they can afford. Although Government does not provide subsidies to low-income households, it will act as a facilitator and provider of funds for housing finance.

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It is assumed that the average size of households in each of the three geographic areas is the same as in the reference case and as reported by CSO in the 1982 census tabulations. Thus the average size of metropolitan area households is 3.90 persons. Households sizes in the other urban areas and in the rural areas are respectively 4.22 and 5.08 persons per household. The housing expenditure patterns for debt service and recurrent expenses do not follow those used in the reference case, but rather are the same as those used in the previous alternative scenarios. Although these expenditure patterns are based on data from the income and expenditure surveys conducted prior to Independence, more recent findings in a survey of housing preferences and potential demand (Hoek-Smit, 1983; pp.43-63) point to their current validity.

A revised distribution of income by income quintile was determined through discussion with a group of Ministry officials. Compared with the reference case, the income distribution used in this scenario shows less concentration of income in the higher income groups. In metropolitan and other urban areas, income levels in the lower quintiles are higher than those in the reference case, while incomes in the upper quintiles are somewhat lower. Rural area incomes in the reference case were thought to be too low at all levels, so quintile income levels are higher in all groups and as for urban areas, the distribution is less skewed towards the group with the higher income.

Shifts in the distribution of income that reduce the disparities among groups over time are also incorporated into this scenario. In metropolitan and other urban areas, for example, the lowest income quintile accounts for only 5.0 percent of the total income in each area in 1984, while the middle income quintile accounts for 12.0 percent. As incomes become more evenly distributed under the assumptions of this scenario, these shares increase during the twenty year analysis period to 8.0 percent and 17.5 percent. As a result, income levels in the lowest quintiles are maintained because of the anticipated shifts in the distribution of income , even though average incomes in metropolitan and urban areas decline owing to rural-urban migration.

The average income levels and affordable dwelling costs that result from these assumptions are shown in Table IV.4. As would be expected, the changes in the income distribution lead to a rise in dwelling affordability levels for households in the lower income quintiles in metropolitan and other urban areas as compared to the reference case, while affordability levels decline for households in the higher income groups. Affordability levels are higher at all income levels in rural areas.

In 1989, households in the second income quintile in metropolitan and other urban areas fall just short of being able to afford units with a cost equivalent to that of the expandable two-room core. Households in the middle income quintile can afford these units but tney are unable to afford the cost of a four-room cor unit by a margin of at least $700. Affordability levels for the lowest income group in metropolitan areas rise over time from $2,720 in 1984 to $2,850 in 2004 as a result of the assumed shifts in the distribution of income. Affordability levels remain roughly constant for households in the first and second income quintiles but they fall over time in the higher income quintiles. This reduction in affordability arises with the decline in average income

TABLE IV.4
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SCENARIOS BASED ON ESTIMATES (DECEMB2)
AFFORDABLE CAPITAL COSTS

Metropolitan Area

Interest Rate (%)	9.75
Loan Term (Years)	30.00
Downpayment Required (%)	5.00

	1984	1989	1994	1999	2004
Thousands of Currency Units					
Quintile 1					
Mean Annual Income	1.54	1.54	1.54	1.56	1.61
% Available for Housing	23.10				
% Needed for Recurr. Exp.	25.00				
Monthly Income for Mortg.	0.02	0.02	0.02	0.02	0.02
Affordable Dwelling Cost	2.72	2.72	2.72	2.77	2.85
Quintile 2					
Mean Annual Income	2.31	2.28	2.28	2.31	2.37
% Available for Housing	18.10				
% Needed for Recurr. Exp.	25.00				
Monthly Income for Mortg.	0.03	0.03	0.03	0.03	0.03
Affordable Dwelling Cost	3.20	3.17	3.16	3.20	[illegible]
Quintile 3					
Mean Annual Income	3.69	3.49	3.36	3.31	[illegible]
% Available for Housing	17.50				
% Needed for Recurr. Exp.	25.00				
Monthly Income for Mortg.	0.04	0.04	0.04	0.04	0.04
Affordable Dwelling Cost	4.89	4.57	4.46	4.38	[illegible]
Quintile 4					
Mean Annual Income	5.53	5.06	4.73	4.54	[illegible]
% Available for Housing	15.20				
% Needed for Recurr. Exp.	25.00				
Monthly Income for Mortg.	0.05	[illegible]	[illegible]	[illegible]	[illegible]
Affordable Dwelling Cost	5.55	5.08	[illegible]	[illegible]	[illegible]
Quintile 5					
Mean Annual Income	17.25	13.74	10.89	8.79	7.20
% Available for Housing	[illegible]				
% Needed for Recurr. Exp.	[illegible]				
Monthly Income for Mortg.	0.15	0.12	0.10	0.08	[illegible]
Affordable Dwelling Cost	[illegible]	14.71	11.55	[illegible]	[illegible]

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TABLE IV.4
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SCENARIOS BASED ON ESTIMATES (DEC8HB2)
AFFORDABLE CAPITAL COSTS

Other Urban Areas

Interest Rate (%)	9.75
Term (Years)	30.00
Downpayment Required (%)	5

	1984	1989	1994	1999	2004
Thousands of Currency Units					
Quintile 1					
Mean Annual Income	1.39	1.52	1.63	1.72	1.79
% Available for Housing	23.10				
% Needed for Recurr. Exp.	25.00				
Monthly Income for Mortg.	0.02	0.02	0.02	0.02	0.03
Affordable Dwelling Cost	2.45	2.69	2.88	3.04	3.16
Quintile 2					
Mean Annual Income	2.08	2.26	2.41	2.53	2.63
% Available for Housing	18.10				
% Needed for Recurr. Exp.	25.00				
Monthly Income for Mortg.	0.02	0.03	0.03	0.03	0.03
Affordable Dwelling Cost	2.88	3.14	3.34	3.51	3.64
Quintile 3					
Mean Annual Income	3.32	3.46	3.56	3.63	3.68
% Available for Housing	17.30				
% Needed for Recurr. Exp.	25.00				
Monthly Income for Mortg.	0.04	0.04	0.04	0.04	0.04
Affordable Dwelling Cost	4.40	4.58	4.71	4.81	4.87
Quintile 4					
Mean Annual Income	4.99	5.01	5.01	4.98	4.94
% Available for Housing	15.70				
% Needed for Recurr. Exp.	25.00				
Monthly Income for Mortg.	0.05	0.05	0.05	0.05	0.05
Affordable Dwelling Cost	5.99	6.03	6.02	5.99	5.94
Quintile 5					
Mean Annual Income	15.93	13.61	11.52	9.66	7.99
% Available for Housing	13.10				
% Needed for Recurr. Exp.	20.00				
Monthly Income for Mortg.	0.14	0.12	0.10	0.08	0.07
Affordable Dwelling Cost	17.04	14.56	12.32	10.33	8.53

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SCENARIOS BASED ON ESTIMATES (DEC 1982)
AFFORDABLE CAPITAL COSTS

Rural Areas

Interest Rate (%)	9.75
Loan Term (Years)	30.00
Downpayment Required (%)	1.00

	1984	1989	1994	1999	2004
Thousands of Currency Units					
Quintile 1					
Mean Annual Income	0.49	0.54	0.59	0.64	0.70
% Available for Housing	23.10				
% Needed for Recurr. Exp.	15.00				
Monthly Income for Mortg.	0.01	0.01	0.01	0.01	0.01
Affordable Dwelling Cost	0.94	1.03	1.13	1.24	1.34
Quintile 2					
Mean Annual Income	0.67	0.76	0.85	0.95	1.05
% Available for Housing	19.10				
% Needed for Recurr. Exp.	15.00				
Monthly Income for Mortg.	0.01	0.01	0.01	0.01	0.01
Affordable Dwelling Cost	1.01	1.14	1.28	1.43	1.59
Quintile 3					
Mean Annual Income	0.85	0.99	1.15	1.31	1.48
% Available for Housing	17.30				
% Needed for Recurr. Exp.	15.00				
Monthly Income for Mortg.	0.01	0.01	0.01	0.02	0.02
Affordable Dwelling Cost	1.22	1.43	1.65	1.89	2.14
Quintile 4					
Mean Annual Income	1.10	1.34	1.61	1.89	2.18
% Available for Housing	15.70				
% Needed for Recurr. Exp.	15.00				
Monthly Income for Mortg.	0.01	0.01	0.02	0.02	0.02
Affordable Dwelling Cost	1.44	1.76	2.10	2.47	2.85
Quintile 5					
Mean Annual Income	4.39	4.16	3.91	3.63	3.31
% Available for Housing	13.10				
% Needed for Recurr. Exp.	15.00				
Monthly Income for Mortg.	0.04	0.04	0.04	0.03	0.03
Affordable Dwelling Cost	4.79	4.54	4.27	3.97	3.61

owing to the influx of migrants from rural areas and because income is assumed to become less concentrated in the higher income groups. In other urban areas affordability levels rise over time in the first three income groups, remain about constant in the fourth, and decline for households in the highest income group. In rural areas affordability levels increase for all households except those in the highest income group.

The levels of housing investment indicated by this scenario are somewhat greater than a level that is generally considered to be sustainable. Housing investment levels in this scenario are shown in Table IV.5. Under the housing program, which completes all upgrades and eliminates all overcrowding within 15 years (but does not provide subsidies to low-income households), total housing investment in 1989 is $531 million. Of this amount, metropolitan and other urban areas account for $370 million and rural areas account for $161 million. In the last year of the program, 1999, total housing investment rises to $717 million. Five years later, when upgrading has been competed and overcrowding has been eliminated, total housing investment declines to $668 million.

In the first five years of the program total housing investment will account for 7.28 percent of GDP. As the housing stock expands, the constant annual rates of production needed to upgrade deficient units and to eliminate overcrowding become a smaller share of total annual production requirements. As a result, housing investment as a share of GDP gradually declines during the program period to 6.97 percent in 1999. By 2004, five years after the program has been completed, housing investment falls to 5.47 percent of GDP. These results indicate that

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TABLE IV. 5

SCENARIOS BASED ON ESTIMATES (DECEMB 2)
HOUSING INVESTMENT IN RELATION TO GDP

	1984	1989	1994	1999	2004
(Millions of Currency Units)					
Country					
Total Housing Expend.	606.72	725.79	870.21	1041.88	1246.96
Non-target Group Invest.	0.00	0.00	0.00	0.00	0.00
Target Group Investment	0.00	531.03	617.40	717.00	668.30
Subsidy Required	0.00	0.00	0.00	0.00	0.00
Total Housing Investment	0.00	531.03	617.40	717.00	668.30
Metropolitan Area					
Total Housing Expend.	263.39	317.89	383.42	462.59	557.77
Non-target Group Invest.	0.00	0.00	0.00	0.00	0.[illegible]
Target Group Investment	0.00	265.35	299.38	337.39	343.50
Subsidy Required	0.00	0.00	0.00	0.00	0.00
Total Housing Investment	0.00	265.35	299.38	337.39	343.50
Other Urban Areas					
Total Housing Expend.	121.84	147.05	177.37	213.99	258.02
Non-target Group Invest.	0.00	0.00	0.00	0.00	0.00
Target Group Investment	0.00	105.16	124.98	148.00	155.33
Subsidy Required	0.00	0.00	0.00	0.00	0.00
Total Housing Investment	0.00	105.16	124.98	148.00	155.33
Rural Areas					
Total Housing Expend	221.49	261.85	309.42	365.30	431.17
Non-target Group Invest.	0.00	0.00	0.00	0.00	0.00
Target Group Investment	0.00	160.52	193.03	231.61	169.47
Subsidy Required	0.00	0.00	0.00	0.00	0.00
Total Housing Investment	0.00	160.52	193.03	231.61	169.47
Total Housing Investment in the Base Year	67.49				
Subsidy as a Percent of Public Expenditures	0.00	0.00	0.00	0.00	0.00
Total Housing Investment as a Percent of GDP	1.20	7.28	7.13	6.97	[illegible]

throughout the program housing investment will require a large share of Zimbabwe's gross fixed capital formation. Between 1984 and 1989, housing investment will account for an estimated 40 percent of GFCF. After the program of upgrading and eliminating of overcrowding is completed, this share fall to 31 percent.

Both the share of GDP and the share of GFCF that are accounted for by housing investment during the program period are probably in excess of what is sustainable over the period. As discussed earlier, rough guidelines suggest that long-term housing investment should not exceed 5 percent of GDP or 25 percent of GFCF. These of course are only general estimates and higher levels of housing investment may be possible, though necessarily at the expense of investment and consumption in other sectors of the economy. To the extent that a desirable objective is to reduce housing investment to levels more in accordance with these guidelines, this could be partially achieved by stretching out the period over which upgrading and eliminating overcrowding are accomplished.

As this scenario has been formulated, it does not set a minimum standard for acceptable housing and does not provide subsidies to low-income households. In other words, households are assumed to occupy only that standard of housing which they can afford. Households in the lowest income quintiles, therefore, will occupy housing at a very low standard. As noted above, metropolitan area households in the lowest income quintile can only afford to occupy units costing $2,720--an amount well below the cost of the expandable two-room core unit discussed previously.

Table IV.6

Approximate Investment By Income

Qunitile and Area 1989

($ million)

	Metropolitan	Other urban	Rural	Total
Q1	23	9	15	47
Q2	27	11	17	55
Q3	39	16	22	77
Q4	51	21	28	100
Q5	125	48	79	252
Total	265	105	161	531

It is useful to estimate what level of subsidies and additional investment would be required to provide all households with at least some minimum standard of housing under the assumptions about income and housing expenditure patterns that are used in the scenario. If a minimum standard unit costing $3,253 (such as the expandable two-room core) was established for metropolitan and other urban areas, and households in rural areas were supplied with loans for improvements

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costing a minimum of $750 (such as roof improvements), then subsidies in the amount of $8.11 million in 1989 would be required to close the gap between the cost of providing these minimum standards and what is affordable by low-income households. Similar amounts would be required throughout the planning period and nearly all of the subsidies would be needed for househlds living in urban areas. These subsidies would account for betrween 2 percent and 3 percent of estimated yearly public capital expenditures.

Requirements for private and public financing under this scenario can also be estimated. Table IV.6 shows the approximate levels of investment expected in 1989 by income class for each of the three regions. Public and private financing requirements can be can be determined from assumptions about the level of governent financing for households in each areas and in each income quintile.

No particular programs have been proposed at this time but a hypothetical case serves to illustrate how public and private investment levels can be estimated. For example, government could assume responsibility for providing finance for all rural households, but take only partial responsibility for financing housing in urban areas where incomes are higher and private financing is more accessible. In this case government might provide full financing for urban area households in the lowest two income quintiles, 75 percent of the financing needed by households in the third income quintile, 50 percent for those in the fourth, and only 10 percent of the financing needed by households in the highest quintile. The remaining requirements would come from private sources. Under the assumptions in this example, rural areas in 1989

n2

would require $161 million of publicly provided housing finance money and urban areas would need a total of $164 million. The amount thus required from public sources would be $325 million out of the total investment requirement of $531 million. Private sources would have to provide the remaining $206 million of required housing finance money.

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ANNEX 6

MEMO

To: DSHO
• THRO' DSO

From: PPA

Ref: 86/20

Date: 20 Dec 85

USE OF BALANCE OF USAID GRANT FUNDS

Further to a meeting held on 6 December 1985 on the above, I submit the attached proposals.

It is understood that there remains approximately US$54,000 in Grant 613-0205 which has not yet been committed. The current expiry date of the Grant is 30 June 1985. USAID advises that expenditure can occur after this date provided the committment was made before the end of June. Nevertheless, when making our submission to USAID for the use of these uncommitted funds, it would make sense to request a further extension of, say, 12 months.

The five proposals described herein are:

1) Procurement of electronic accounting equipment for material loan administration in Marondera, Kadoma, and Chinhoyi (US$21,000)

2) Evaluation of Zimbabwe's national housing effort since Independence

3) Development of a national housing finance strategy

4) Evaluation of USAID co-financed projects in the secondary towns

5) Monitoring and documentation of selected demonstration projects in Zimbabwe for the International Year of Shelter for the Homeless

Further details about these proposals are attached. It has not been possible to develop cost estimates for items 2 to 5 inclusive owing to the preliminary nature of these proposals. However it is likely that the total cost of carrying out all five ideas will cost more than the available balance of funds. Therefore some prioritization and selection is in order.

1. Procurement of electronic accounting equipment for USAID co-financed projects in the Secondary Towns

This item was approved in principle by USAID in their letter of 18 September 1984. The equipment now proposed for procurement consists of, locally available L3000 electronic posting machines supplied by Burco Electronic Systems. The equipment would be used to account for the receipt, storage, and issue of Z$6 million worth building materials in the three schemes. It is also suitable for keeping track of monthly loan and service charge payments. It is proposed that each of the three towns receive a posting machine, ledgers cards, and software at a unit cost of US$7,000. The technology is known to the Town Councils and technical support services are available in Harare.

2. Evaluation of Zimbabwe's national housing effort since Independence

It has been proposed that rather than use foreign consultants to examine the potential for housing co-operatives in the country, as was planned some months ago, it would be better to use a local team of consultants to review the whole range of national housing efforts since 1980. The purpose of the study would be to contribute to the preparation of a National Housing Policy statement providing a co-ordinating framework for shelter-related implementation programmes. The topics subject to review would include:

1) Housing institutions

2) Housing finance

3) Modes of construction

4) Government housing

5) Rural housing

6) Engineering infrastructure

7) Building materials production

It is envisaged that a team of local experts, consisting of an economist, a civil engineer, and an architect/planner would carry out the study under the direction of MPCNH.

3. Development of a housing finance strategy for Zimbabwe

Pursuant to the development of the Housing Needs Assessment methodology, the Urban Institute of Washington, DC, is developing a technique for the formulation of national housing finance strategies designed to mobilize and channel the funds required to meet the defined housing needs. While in Zimbabwe in December, Dr Manson obtained a copy of the working paper being prepared by his Institute for Sri Lanka on this subject. A cursory examination of the document reveals that the methodology focusses on the capacity of households to achieve improvements in their housing circumstances either independently or through participation in publicly sponsored assistance programs. The methodology classifies households according to income, tenure, and housing condition in a kind of three-dimensional matrix. It then records year-to-year shifts by households from one cell to another in the matrix, calculating the resources requirements generated by these tenure and dwelling status transitions. The approach requires a clear definition of the national housing finance system to develop alternative finance strategies which are then simulated using the methodology. The effectiveness of alternative policy "packages" is assessed and the total amount of housing investment and its sources are determined.

Given that MPCNH has undertaken both a study of national housing needs and a review of the housding finance system in Zimbabwe, it can be argued that the country is a good candidate for further field testing of the methodology with a view to identifying new housing finance strategies. A study of this nature would no doubt assist in further defining the role and modus operandi of the proposed National Housing Corporation. The possibility of such a study (at reduced or zero cost given the research nature of the technique at this time) should be explored with USAID.

4. Evaluation of the projects co-financed by USAID in Secondary Towns

Following the sound precedent established with Kuwadzana, Kwekwe, and Gutu, it is appropriate to include an "in-depth" evaluation of at least one of the three on-going projects in Marondera, Kadoma, and Chinhoyi. It is anticipated that all three schemes will have families on site by March 1986 (Marondera is already at that stage). It would make sense to have an evaluation done (say) eighteen months after 30 percent of Marondera's stands had been allocated, i.e., September 1987.

Note: Section 7.02 of the Implementation Agreement of 22 Nov 1982 calls for such an evaluation and it is made the responsibility of USAID to carry it out. This clause implies that the evaluation will be done at no cost to the Grant.

5. Monitoring and documentation of selected demonstration projects for UN's IYSH

The IYSH 1987 calls for, inter alia, the preparation of case studies or monographs on selected human settlement projects for dissemination during the Year. There is a need to secure funding for this activity in Zimbabwe. Further discussion on the topic is needed to determine the scope of such an exercise and the level of effort required. Consideration should also be given to funding some of this task from MPCNH's UNDP Grant.