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Zimbabwe

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

EVALUATION OF LOCAL CURRENCY PROGRAMS

Kwekwe/Mupandawana Housing Scheme

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INTRODUCTION

The shortage of housing, especially for the low income groups, is a major problem in Zimbabwe. A team of experts from the United Nations Center for Human Settlement designed specific modes of house construction for low income families in urban and rural areas. The Kwekwe/Gutu Low Income Housing Pilot Project was designed to test them.

In 1983 the United States Agency for International Development (USAID) granted \$2,6 million from the 613-K-603 commodity aid programme to the project to finance the development of the infrastructure at the sites. Other donors in the project were the United Nations Development Programme, and the Government of Zimbabwe.

MAJOR FINDINGS

Alleviation of Housing Shortage

In the alleviation of the housing shortage in Zimbabwe the aims of the project were met. 199 houses were constructed in Gutu while 1045 were constructed in Kwekwe. Although, in terms of the housing shortage in the nation, this did not have a major impact, at 0,7 percent.

Pilot Scheme

The original objective to compare different housing schemes was not achieved. Only one housing mode, that of urban low cost units, was actually built. The housing scheme for the rural area was not tested. It is apparent that the importance of testing the various types of housing was lost in the desire to have the building programme underway.

Co-operation between private and public sectors

For the first time in Zimbabwe a building society lent money to home owners with a low income. The repayments of these loans, to date, has been satisfactory. The scheme has proved to the building societies that there is potential business for them in this sector.

RECOMMENDATIONS

Rural Housing Project

The omission of the rural housing project from the pilot project has meant that this mode is still untested. It is recommended that a further pilot project in a truly rural setting is implemented.

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SUMMARY

Findings

The Kwekwe/Gutu Low Income Housing Pilot Project is a clear example of how the private sector and the public sector can pool their resources and assist those members of society who require it most. This is in line with the Government of Zimbabwe's National Development Plan. To this end the Government "expects a greater contribution by the private sector, particularly in the financing and construction of houses. In this regard Government will create the conditions necessary to induce private sector investment in this field." (1) Some problems were encountered during the implementation of the project but none serious enough to disrupt it. It is a success.

It was pleasant to see families living in houses which, without the project, they would never have afforded. The availability of finance coupled with the innovative progressive annuity repayment structure made this possible. It has been appreciated greatly by the recipients, who have expressed their gratitude on numerous occasions.

The Gutu project was more difficult and expensive to administer than the one in Kwekwe. This was due to distance from the main centres, the beneficiaries appreciation of the benefits arising from acquiring one's own home in an expanding growth point, the lower level income in the rural centre and the beneficiaries' understanding of the manner in which mortgage finance operates. There is, therefore, a greater need for the education of beneficiaries in a rural setting than in an urban one. A great deal of patience is required.

Another shortcoming in the Gutu project is that while in Kwekwe there exist housing projects for the middle and high income bracket no such well-defined scheme existed in Gutu. The result is that low income workers are well housed while those earning in excess of the qualifying maximum are lodgers in the project. Such a scheme is open to abuse.

The local authorities' repayment performance to the National Housing Fund is poor. This has affected the Fund's ability to finance new housing projects.

The building brigade in Gutu which was engaged in the construction of some of the houses was paid by the District Council. This was a departure from the original terms of the project. The payment of the building brigade was supposed to be done by the beneficiary as his 10% contribution to the construction of the house. At the time of writing a decision had still not been reached how the Council would recover the money.

Sanitary facilities were not included as part of the infrastructure of the project sites. This in the larger scheme at Kwekwe could have developed into a health hazard. The Chief Health Inspector expressed this concern.

Recommendations

As far as the provision of suitable housing to the low-income group is concerned, the two pilot projects were successful. Similar projects must be encouraged. This is one of the effective ways of decreasing Zimbabwe's housing backlog with speed.

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We recommend that the Ministry of Public Construction and National Housing (MPCNH) put pressure on local authorities to repay loans owing to them on schedule. Without those repayments the National Housing Fund would find it difficult to make more loans available to other needy Zimbabweans. By paying up on time both the local authorities and the beneficiaries would demonstrate effectively their gratitude for the assistance received.

In settings such as Gutu thought should also be given to formulating housing projects similar to this, for the middle income beneficiaries.

In future projects local authorities should not involve themselves in the payment of building brigades. This must be left entirely to the beneficiary as his contribution just as other beneficiaries who choose the other two modes of construction, ie, the cooperative and the aided self-help modes. (2)

Public sanitary facilities should form part of the infrastructure to be provided at project sites.

Local authority personnel should assist beneficiaries as much as possible especially in those matters beyond their understanding, such as the completion of bond application forms. This would help speed up the bond registration process.

(1) Republic of Zimbabwe, First Five-Year National Development Plan, 1986-1990, Volume 1, page 33; Country Development Strategy Statement FY 1987, Zimbabwe February 1985, Agency for International Development Washington, DC, page 51.

(2) For a detailed treatment of the three modes of construction see ENDA Report pages 117 to 145.

INTRODUCTION

Zimbabwean cities, towns and rural growth points face acute housing problems, especially with regard to the availability of low income housing units. This is detailed in Appendix 1, an extract from the original project document.

After independence the Government started reviewing policies: Housing was one of them. A new policy was devised in an effort to alleviate the problems mentioned above and to provide more socially acceptable housing standards to the population. New policy options were developed. Their main objectives were to:

- "1) Suppress socio-economic inequities through the provision of improved living conditions for the less privileged.
- 2) Identify and evaluate alternative technical, financial and administrative mechanisms and motivational techniques which are replicable and may serve as a contribution to the formulation of national housing development programmes.
- 3) Increase the number of Zimbabweans reached by these housing programmes by limiting the use of scarce public resources to the provision of basic but adequate levels of social services, infrastructure and shelter compatible with the socio-economic requirements of the people to be housed.
- 4) Further increase the number thus served by mobilising hitherto untapped sources of capital from within the beneficiary population through the establishment of thrift generating home savings and loan associations.
- 5) Reduce the disparity of development between urban and rural areas providing housing advisory and demonstrative services to rural areas.
- 6) Ensure the continuity and growth of the programmes and institutions established through the introduction of a system of objective evaluation techniques relating project goals and objectives to actual project results." (1)

A team of experts led by a United Nations Centre for Human Settlements (UNCHS) officer, formulated specific modes of house construction. In order to test them the Kwekwe/Gutu Low Income Housing Pilot Project was designed.

The original plan was to have three different projects with different house designs:

- i) Harare as a truly urban project
- ii) Kwekwe as an intermediate urban one, and
- iii) Gutu as a rural pilot housing project.

The Harare project is not part of this study.

On being approached with the rural project, the Gutu District Council objected, the argument being that as a growth point Gutu is striving to obtain urban status and, as such, it would be retrogressive to construct houses of a rural nature within its boundaries. Had such structures been put up it may be necessary to upgrade them in future or to demolish them in order to make

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way for contemporary houses. It is surprising that an alternative rural site was not chosen for the pilot scheme. An official in the Ministry of Public Construction and National Housing suggested that the delays, additional work involved and the costs associated with location change were prohibiting.

- (1) Low Income Housing Pilot Projects, United Nations Development Programme, Project of the Government of Zimbabwe, Project Document, June 1982, page 2.

METHODOLOGY

A comprehensive report on this project was published by the Environment and Development Activities Zimbabwe (ENDA - Zimbabwe) in May 1986. (1) Our study is an update to the ENDA report, and also attempts to highlight those topics that may be of particular interest to the Ministry of Finance, Economic Planning and Development and the United States Agency for International Development.

The study was carried out and written up within four weeks by one full-time consultant accompanied by an official of the Ministry of Finance, Economic Planning and Development. It is the result of a study of documents at the Ministry of Public Construction and National Housing and interviews conducted with Kwekwe Town Council, Gutu District Council, Beverley Building Society Kwekwe and Gweru and beneficiaries of the Gutu scheme. All interviews were conducted with individuals, with the exception of Kwekwe Town Council where a 90 minute meeting was held with 10 senior officials of the Council. (2)

During the interviews we sought information on developments that took place after the publication of the ENDA report but with particular emphasis on:

- Project financing
- Beneficiaries financial liability on the project
- Mortgage position
- Repayments performance
- The impact of the project.

An effort was also made to answer questions of interest to USAID. (3)

During the study we travelled to Kwekwe, Gweru and Gutu, covering a total of 914 Kilometres within the four days. Besides holding discussions with relevant individuals and organisations we also toured the villages under study. We did not talk to beneficiaries in Kwekwe but found it necessary in Gutu as we felt that issues needing attention existed. At Gutu we observed a meeting held on Thursday, 11th December 1986, attended by representatives of Gutu District Council, the Ministry of Public Construction and National Housing and Beverley Building Society, Gweru.

The Ministries of Finance, Economic Planning and Development, Public Construction and National Housing and Local Government, Rural and Urban Development made advance arrangements for our visits. We are grateful of their generous assistance and of those organizations visited.

(1) See ENDA Report pages 117 to 145 for a summary of the report's findings and recommendations.

(2) See Appendix 2.

(3) See Appendix 3.

PROJECT FUNDING

Three organizations were involved in the financing of the project namely the Government of Zimbabwe, United Nations Development Programme and the United States Agency for International Development. Their contributions to the project were:

Table 1

BUDGETED AND ACTUAL PROJECT EXPENDITURE (1)

Organisation	Budget	Actual
Government of Zimbabwe	224 000	2 722 968
United Nations Development Programme	931 910	888 457
United States Agency for International Development	2 600 000	2 600 000
	3 755 910	6 211 425

In the original project document it was proposed to construct 1 240 units at an average capital cost of \$2 183 in Kwekwe and \$1 426 in Gutu (1981 prices). The project was to provide fully serviced sites in Kwekwe and basic services in Gutu and affordable loans in 1 240 households earning \$150 per month or less. The estimated capital of the whole project was \$2 526 000 excluding UNDP grant funded items, the cost of land support services and work funded by beneficiary deposits. (2) The total amount was to be funded from the Commodity Import Programme (CIP) and channelled to the MPCNH's National Housing Fund (NHF) to provide the construction finance. The Building Societies were to provide the long-term finance after the completion of the houses and in this manner reimburse MPCNH's NHF.

The Government then directed that all participating households were to construct houses of no less than four rooms and that the standard of services in Gutu were to be the same as those in Kwekwe. This resulted in a substantial increase in the cost of the project.

An analysis of contributions per organization were, thus, as follows:

Government of Zimbabwe

In the original budget the Government of Zimbabwe was to meet the cost of land for the projects (\$109 200), secretarial services and the cost of running project vehicles (\$114 800). (3) No provision had been made for the financing of construction materials as it had been assumed

that donor funding would be responsible for that. In order to make up for the increased cost mentioned above, Government provided the additional \$2 498 968 required. This amount would, however, be refunded to the Government once the houses are completed and the Building Society passes mortgage bonds over them. That done, Government funding would revert to budget level.

United Nations Development Programme

This organisation's contribution came in the form of equipment, personnel, consultancy and other expenses. (4)

United States Agency for International Development

The \$2 600 000 USAID grant was derived from the Commodity Import Programme (CIP) 613-K-603. Monies were obtained from the counterpart funds generated from the sale of equipment and materials sourced from the United States of America to the Public and Private Sectors. The grant was approved on 17 November 1983 and the amount was to cover the cost of infrastructure at both project locations and the purchase of building materials as follows:

Infrastructure Kwekwe	\$1 360 407
Infrastructure Gutu	\$ 405 999
Loan to building brigade Gutu	\$ 273 169
Building materials	\$ 560 425

	\$2 600 000
	=====

Other Funding

In addition to the total \$6 254 878 expended, we learned that at Gutu after the funds for materials had run out, Council was instructed to purchase additional materials from their own resources. \$3 277 was spent. This amount will be charged against the Government of Zimbabwe and, as such, will become part of its initial contribution.

The amounts advanced to the respective local councils are charged out with interest. That applicable to Beverley Building Society is, however, charged out interest free. This appears to be an oversight on the part of Ministry and it is not clear who will pay the charge as Treasury capitalises all loans it advances to the National Housing Fund with interest of 9,75% per annum.

If this charge were passed on to the Building Society it would ultimately be passed on to the beneficiary. It may not be appropriate to explain this to him at this late stage.

(1) All financial figures appearing in the report are stated in Zimbabwe Dollars.

(2) See Appendix 4.

(3) See Appendix 5.

(4) See Appendix 6.

PROGRESS REPORT

As at the end of November 1986 most of the units had been completed. A good number had already been extended to seven rooms. We came across many house-proud beneficiaries whose stands were well decorated and maintained.

In tabular form, the completion stages were as follows:

Table 2

CONSTRUCTION STAGES NOVEMBER 1986

Stage	Kwekwe No of stands (%)		Gutu No of stands (%)	
Completed and occupied	1 009	(96)	195	(97)
Roof level	28	(3)	3	(2)
Various wall levels	8	(1)	1	(1)
Total	1 045	(100)	199	(100)

While all the 1 009 completed houses in Kwekwe were four-room core houses or extended core houses, in Gutu the position was:

Table 3

COMPLETED HOUSES AT END NOVEMBER 1986

No of Rooms	No of Houses	(%)
2	58	(30)
3	35	(18)
4	65	(33)
5	10	(5)
6	4	(2)
7	23	(12)
Total	195	(100)

Although the completion stages are about the same in both Kwekwe and Gutu, smaller houses were built at Gutu. The project started with the construction of four-room core houses. This was later changed to three-room and finally two-room. The reasons for this were:

1. House construction in Gutu started a month after Kwekwe. In February 1986 the United Nations Development Programme (UNDP) indicated that aided construction would cease by June the same year. At this point only 101 houses had been completed. In an effort to meet the deadline, the unit size had to be altered.
2. Material costs went up considerably during project implementation while beneficiaries' loan limits remained static. This necessitated the reduction in quantities of materials that could be issued. Indeed, some beneficiaries exceeded their loan limits on the two-room core house. We were unable to obtain data to quantify the increases.

The project in Kwekwe was supposed to be completed in 1985. But problems were experienced with the delivery of materials. Suppliers were unable to satisfy the demand. Some materials, such as electrical and toilet components, were not available. Beneficiaries had to obtain them from alternative sources.

Most of the incomplete houses belong to beneficiaries who have either been transferred from Kwekwe or work outside the town for a good part of the year. Two of the owners of eight houses at wall level have been located and construction has started. As for the other six, the Council is still trying to contact them. Once located they will be informed that if the houses are not completed within a specified time they would forfeit their rights to the stands.

Issuing of building materials has been discontinued. Beneficiaries have drawn all the materials they require to complete the construction of their houses. The two local authorities were instructed to prepare a list of excess materials on hand. In Kwekwe it amounted to \$156 153 and \$20 402, in Gutu. The local authorities were given first option to buy any of the materials that they may find useful, at cost, and to return the rest to the Ministry of Public Construction and National Housing. As of 9th December 1986 Kwekwe Town Council had purchased materials to the value of \$5 377. Gutu had not yet made a decision.

The procurement, storage and disposal of building materials was assisted by the use of a Morrow Design professional computer installed at each of the project sites. The PC's were purchased by UNDP from the United State of America and donated to the project.

The software package received with the PC's included data base, spread sheet and word processing facilities. An expert was hired to design an accounting and inventory control package suitable for the project. Users from both Kwekwe and Gutu were invited to Harare for a two month training programme. The computers were installed in March 1984 and manual data captured. But, by this time, over 75% of the materials had already been issued manually.

A month after the installation of the hardware the Ministry of Public Construction and National Housing programmer together with the expert, visited the two construction sites. They were satisfied with the way the computers were used in administering the project. A few minor problems had already been encountered. These were solved during the trip and the expert left the country four weeks later.

During the ensuing months more and more problems were experienced, such as:

1. The computers came in late. On their arrival there was not enough time available to train the operators as the receipt and issue of materials had already commenced. Considering the fact that most of the trainees saw a computer for the first time on this occasion, two

months was inadequate. As a result of insufficient training and lack of on-site back-up service, when a small problem was encountered the operators would abandon the computer and revert to their manual system.

2. The software in use was such that in issuing materials the computer performed numerous functions while recipients waited in the queue. Updating of the stock status file, printing the invoice and receipt, debiting the beneficiary's loan account was all done while queues lengthened. They argued that it was quicker issuing materials manually. Then all they did while the recipient waited was to debit his account. All the other updates were performed at a later stage after the beneficiaries had left the storage site. Furthermore, the computer was unable to absorb some of the functions that were previously performed manually, for example the sale of damaged roofing sheets due to price variation.
3. At Gutu there were reports of difficulties with hardware as it was stored in dusty surroundings. It broke down in May 1985. It was taken away for repair and has not been returned to the site since then. There are currently no Morrow Design agents in Zimbabwe and spares for that computer type are unobtainable.

We recommend that before the selection of the computer a thorough study be carried out as to its suitability for the specific function and environment. Adequate time should be allocated for the training of users. All this must be done well in advance of project implementation.

BUILDING SOCIETY FINANCE

Building societies in Zimbabwe are private sector institutions whose main business is to assist individuals in the purchase of residential properties. Three of them operate in the country, namely Central Africa Building Society (CABS), Founders Building Society and Beverley Building Society.

The Building Society normally requires the home purchaser to contribute 25% of the cost of the property so that the Society's risk is the remaining 75%. The Building Societies also accept guarantees given by reputable companies and organisations. In this case the guarantor's risk is 30% and that of the Building Society 70%. The purchaser is, thus, not required to contribute initially, except through monthly repayments against capital advanced. The third form of assistance applies to residential properties priced at Z\$17 000 or less wherein the purchaser is required to contribute 10% and obtain an automatic 20% guarantee from the Government. However, properties purchased under the scheme were rarely below \$6 000. (1)

Building Societies were approached to finance the non-conventional prospective homeowner. In this project beneficiaries were unable to raise the 10% deposit normally required. This was substituted by his own input in the form of labour. In addition, the loan required was in the region of \$2 500, a figure far below what Building Societies would normally be interested in financing due to the high administration costs involved.

Operation of the Scheme

Beverley Building Society was the first to agree to finance such a scheme. The National Housing Fund provided seed-money for the procurement of building materials. Once the house is completed the beneficiary applies for a loan from the Society. On approval, the building society then pays the National Housing Fund the full cost of the materials. From then on the beneficiary's liability is with the building society. Government gives a 20% guarantee to the building society based on the total cost of constructing the house.

A potential problem arose here, for it was theoretically possible for the Building Society to turn down an applicant for finance after the house is completed. For this reason it is important to involve the Building Society in the selection of beneficiaries. However, this is not possible for where the Building Society finds an applicant unsuitable for any reason the local authority gives guarantee to rectify the position.

It can, thus, be said that in tabular form the functions of the different parties in the project were:

1. Ministry of Public Construction and Housing: To provide initial finance for the purchase of building materials and to coordinate the work of all the other parties involved.
2. Aid organizations: To provide funds for the infrastructure and support services.
3. Local authorities: Responsibility for the local administration of the project and assistance with Building Society loan applications.
4. Building Society: To provide loans to beneficiaries once the construction of the house is completed.
5. Beneficiary: To provide his 10% contribution to house construction, be it in cash or kind.

The following are the guarantees already given to Beverley Building Society by the Government on the project at the end of November 1986:

Table 4

GUARANTEES GIVEN ON BEHALF OF KWEKWE BENEFICIARIES

Date	No of Guarantees	Total Loan Z\$	Amount Guaranteed Z\$
May 1985	29	69 793	15 513
July	7	16 799	3 735
August	72	175 606	39 025
September	20	48 371	10 750
October	71	179 356	39 854
November	19	46 762	13 046
December	22	53 740	11 941
January 1986	1	2 597	577
February	27	67 725	15 042
March	20	51 984	11 557
April	3	7 348	1 633
May	9	22 220	4 938
June	20	52 309	11 625
July	11	28 732	6 383
August	13	32 162	6 947
September	34	176 602	39 243 (2)
October	3	6 861	1 524
November	10	26 229	5 827
	391	1 065 196	239 160

Table 5

GUARANTEES GIVEN ON BEHALF OF GUTU BENEFICIARIES

Date	No of Guarantees	Total Loan Z\$	Amount Guaranteed Z\$
September 1986	33	110 161	24 840
October	2	7 390	1 643
November	2	7 247	1 610
Total	37	124 798	28 093

Table 6

COMPARISON KWEKWE AND GUTU

	Kwekwe	Gutu
Total beneficiaries	1 045	199
Guarantees given	391	37
Percentage	37	19

In the case of Kwekwe there is a discrepancy between figures held by the Ministry of Public Construction and National Housing and those of Beverley Building Society. While Ministry gives a figure of 391 guarantees given, the Society has on record 445 bonds already registered and 5 with the Registrar of Deeds which suggests that 450 guarantees were given, for, without a guarantee no bond application would be processed under this scheme. (2)

It is our feeling that as Ministry handles many different schemes it is possible that some guarantees given under the project were recorded under a different scheme.

It can be seen from the above figures that Gutu loans are on average higher than those of Kwekwe. Appendix 7 gives a comparison of material costs in constructing a four-room core house at Kwekwe and Gutu.

However, records in the National Housing Fund reveal a much greater difference in average actual material costs between the two locations:

	Kwekwe	Gutu
Spent from project funds	\$2 572 104	\$602 089
Spent by local authority		3 277
Sub-total	2 572 104	605 366
Less excess materials	156 153	20 402
Total material cost	2 415 951	584 964
Number of housing units	1 045	199
Average cost per unit	\$2 312	\$2 940

This is despite the fact that smaller units were built in Gutu than in Kwekwe.

Table 7 gives a summary of applications received by Beverley Building Society as at end November 1986:

Table 7

BOND APPLICATION STATUS NOVEMBER 1986

	Kwekwe	Gutu
Bonds registered	445	NIL
With Deed Registry	5	-
Awaiting Ministry Guarantee	27	15
With Attorneys for processing	43	50
Total	520	65

The Building Society's payments to the Ministry of Public Construction and National Housing for those (Kwekwe) applications already processed by the end of November 1986 were as follows:

Table 8

	Number	Amount \$
Paid	445	979 630
Awaiting payment	80	176 000
Still in the pipeline	289	635 800
Total	814	1 791 430

According to the above table, the average cost of materials required to construct one house is \$2 201, a figure far below project standard cost of \$2 777 (Appendix 7). Ministry explained that the difference was due to the fact that beneficiaries did not procure all the materials as outlined on the standard list as a result of unavailability or otherwise. Furthermore, beneficiaries also met a small portion of the cost from their own resources.

There has been a delay in beneficiaries registering bonds with Beverley Building Society. This is especially so in Gutu as:

- a) Among the applications received by the Building Society from Gutu 44 of the beneficiaries have no source of income. In some cases he is of advanced age. The Building Society is hesitant to take the high risk that is evident in such cases. However, as indicated from the proceedings of the 11th December meeting, Gutu District Council may guarantee such loans thus eliminating the Building Society's risk.
- b) Terms of the project state that the cost of labour is the beneficiary's contribution in the scheme. We had sight of 33 beneficiaries who included building brigade labour costs in their mortgage bond applications. These costs ranged from \$44,16 to \$2 259,54 with an average of \$740,63. The Building Society is prepared to accept those applications where this cost is reasonable. In 13 cases however these were too high and amounted to a departure from the terms of the scheme. In those cases the beneficiary had no input at all of his own. The Ministry, Beverley Building Society and Gutu District Council are in the process of working out a way to solve the problem.

We would point out here that, instead of the beneficiary himself paying the building brigade for their labour, in Gutu, the District Council paid.
- c) Many forms were submitted to the Building Society incomplete. These were returned to the District Council and time was lost in trying to locate some of the beneficiaries for additional information.
- d) While Kwekwe Town Council was quick to give guarantee on behalf of those beneficiaries which the Building Society was reluctant to finance, Gutu District Council refused at the beginning. The council officials argued that it was not them who were responsible for selecting the unsuitable beneficiaries.
- e) Although the shortage of accommodation is acute in both Kwekwe and Gutu, the loss of one's house as a result of eviction is not as serious in Gutu as in Kwekwe. For a good number of the beneficiaries in Gutu alternative accommodation is available in the neighbouring area.
- f) In Kwekwe the legal firm is easily accessible to register the transfer while in Gutu the nearest lawyers are in Masvingo, over 100 kilometres away.
- g) In order for a bond to be registered, a rates clearance certificate must be issued. This document certifies that the previous owner of the property had no outstanding rates. In Gutu no such certificate has yet been issued. There were problems determining the mechanics of issuing the certificate. This problem has, however, been resolved.

As most of the problems outlined above have now been solved it is hoped that the bond registration process in Gutu will now be speeded up. It was interesting to find that some of the beneficiaries we interviewed were themselves getting impatient about the delays experienced in this process.

(1) FNDA report page 74.

(2) It appears that middle income houses of a different project have been included in these figures in error.

REPAYMENTS PERFORMANCE

The question of repayments will be examined in three parts:

Firstly, the \$2 600 000 provided by the United States Agency for International Development was on-lent by the Ministry of Public Construction and National Housing to the two local authorities in Kwekwe and Gutu. This loan was to be repaid to the Ministry with interest at 9,75% per annum as soon as the local authorities started receiving repayments from the beneficiaries. We report on this below.

Secondly, each beneficiary makes payments to the local authorities for his share of the total cost of the infrastructure. We examine below the beneficiary's repayment performance.

The third aspect to be looked into is the beneficiary's repayment performance with regard to his mortgage bond with the Building Society. This obviously pertains only to the beneficiaries who have had the loan applications approved by the building society.

Local authorities repayments

Apart from \$14 129 repaid by Gutu District Council by November 1986, neither of the local authorities made payments to the Ministry of Public Construction and National Housing against monies loaned to them. Both authorities are heavily indebted to the Ministry for loans advanced to them previously. The Ministry's accounting system is such that all loans advanced to local authorities are debited to each local body's account and receipts credited to it as one account. Therefore, while it is possible to determine how much each local authority owes the Ministry, it is not possible to analyse the figures.

In the case of Gutu District Council at the end of November 1986 total arrears stood at \$104 632. One of the reasons for this is that the \$273 169 loan forwarded to the Council in December 1983 was used to pay building brigade salaries. The brigade took a long time to retrench after the completion of construction as approval had first to be obtained from the Ministry of Labour, Manpower and Social Welfare. This resulted in large amounts of money being paid out as salaries to an idle brigade. The Council, however, hopes to repay the loan from proceeds resulting from the sale of bricks now being made by the production brigade.

Beneficiary repayments to Local Authorities

Performance here has been reported as good. A breakdown of the arrears position is given in Table 9:

Table 9

BENEFICIARY REPAYMENTS TO LOCAL AUTHORITIES

NOVEMBER 1986

	Kwekwe (%)	Gutu (%)
Up to date	717 (71)	193 (99)
Arrears: 30 days	49 (5)	2 (1)
60 days	22 (2)	-
90 days	64 (6)	-
over 90 days	157 (16)	-
Total	1 009 (100)	195 (100)

In monetary terms the arrears in Kwekwe were as follows:

Table 10

MUNICIPALITY OF KWEKWE

ARREARS ON SUPPLEMENTARY AND SERVICES CHARGES

30TH NOVEMBER 1986

SECTION	LOAN REPAYMENTS \$	SERVICE CHARGES AND EXCESS WATER \$	TOTAL \$
16	1 218	8 485	9 703
17	3 383	22 585	25 968
18	998	6 720	7 718
TOTAL	5 599	37 790	43 389

Gutu beneficiaries' performance here is better than those in Kwekwe because:

1. In Kwekwe 157 beneficiaries' arrears are in excess of 90 days, in Gutu 3 beneficiaries were evicted for the same offence. This appears to have acted as an effective deterrent in Gutu.
2. There was confusion in Kwekwe over the 6 month grace period. While this applied to repayments on the superstructure it was not the case on supplementary charges. At the beginning, therefore, the local authority did not issue bills for the first six months. When the error was discovered beneficiaries were presented with heavy accounts.

Accepting the above, the beneficiaries at both pilot sites are paying well. Officials at Kwekwe were confident that arrears caused by the confusion over the period of grace will be cleared soon. In a letter to us written by them on 7 January 1987 they state: "...efforts to recover these amounts are being made with reasonable success."

Beneficiary repayments to Beverley Building Society

The repayment position at end of October was:

Table 11

BENEFICIARY REPAYMENTS TO BEVERLEY BUILDING SOCIETY

OCTOBER 1986

	Kwekwe (%)	Gutu (%)
Up to date	420 (81)	33 (66)
Arrears: 30 days	61 (12)	10 (20)
60 days	22 (4)	4 (8)
90 days	6 (1)	3 (6)
Over 90 days	10 (2)	-
Total	519 (100)	50 (100)

Note that while no mortgage bonds had yet been registered in Gutu at the end of October 1986, 50 had been approved and beneficiaries had already started making payment. Six of these however, have already been withdrawn due to unacceptably poor payment records.

Beverley Building Society, Kwekwe, explained to us that their other clients were almost 100% up-to-date with their repayments. It is felt that some of the reasons that may contribute to the arrears position outlined in Table 11 are:

1. The majority of conventional homeowners servicing a mortgage bond do so with the use of a stop order. The advantage is that repayments are automatic and in some cases take preference over other payments. No cases where stop orders were utilized in the pilot scheme were found. Some thought could be given to the possibility of introducing stop order payments into the scheme. Due consideration would, of course, have to be given to the implications to the beneficiary of bank and other charges that may be related to such a scheme.
2. The pilot project was aimed at a group of people not familiar with the servicing of long-term loans. This explains why the performance in Kwekwe is comparatively better than Gutu, the beneficiaries in Kwekwe being more familiar with phased repayments. There is a need for thorough education. With the passage of time the beneficiaries will become familiar with the scheme.
3. There are many cases where the beneficiary lives away from the house, often outside the administrative area. Although funds are available from rentals collected from lodgers the absentee landlord generally wants to make repayments to the Building Society himself. If he visits the town say once only in three months, that is only when payments will be made.
4. A few beneficiaries appear to have been misled into believing that the project was a grant from the Government meant to provide reasonable accommodation for poor people who cannot afford to pay. It was their understanding that they were not required to repay the 'donation'.
5. During initial discussions the beneficiaries were given estimated figures of their repayments. When signing up for the bonds these amounts were found to be higher in many cases. This was due to the charges raised by the Building Society. Resentment resulted with subsequent delays in payment.

Appendix 1

EXTRACT FROM THE LOW INCOME HOUSING PILOT PROJECTS' (1)

D. BACKGROUND AND JUSTIFICATION

Zimbabwe towns have become overcrowded as conditions in rural areas over recent years have forced more and more people into the urban areas. Indications are that an urban growth rate of at least 7,5% is likely to be achieved. Until 1979 all houses were built by the local authorities using contractors and rented out to beneficiaries. In recent years home ownership has been encouraged. The rate of escalation of construction costs both in respect of building and civil engineering works have almost doubled from about 1,0% per month to over 2,5% per month. This amounts to the fact that for the same amount of capital fewer houses can be built. As a result, housing standards have been lowered to such a level that local authorities object to implementation of these housing programmes.

The Government of Zimbabwe is therefore faced with a critical shortage of affordable low-income housing, related infrastructure and social services. With the rising expectations of a newly independent population and a rapidly increasing rural-urban influx, the Government has decided to launch a programme which calls for the construction of 167 000 low-income housing units over the next five years to help redress the adverse effects of an economy which has historically been geared to the needs of a small minority and is characterised by an inequitable distribution of resources; to provide needed housing for a large number of low-income families; and to generate employment and income through housing construction activities and their high multiplier effect at local, regional and national levels.

In view of limited Government resources, innovative schemes based on maximum use of locally available human and material resources and financing mechanisms must be designed and implemented. Two salient features will be utilised in these pilot projects.

Until now Zimbabweans belonging to the low-income groups have been unable to obtain loans from building societies due to minimum loan requirements. There is however strong evidence from other countries in a similar situation that if saving accounts are linked with the availability of mortgages additional savings can be mobilised. The savings drawn into these systems have proved to be new savings rather than a re-allocation of existing accounts, and optimal utilisation of the national savings capacity can be secured. During the last year legislation has provided substantial increases in minimum wages for lower-income wage earners. Even though it is too early to assess the full impact of the increase on the propensity to save it can quite safely be assumed that additional financial resources are available within this segment of the population and that a financing scheme of this sort is a suitable way to tap them. Sociological observations of the preparatory assistance team (ZIM/90/004) confirm this hypothesis.

The provision of housing has in the past been handled by local authorities taking on the services of relatively large scale contracting firms. However, over the last few years construction costs have soared bringing a socially acceptable housing unit outside the reach of lower-income groups. To keep costs down the housing units provided are now constructed of a minimum standard which is social and hence politically unacceptable in the newly independent Zimbabwe. The present Government will therefore place more emphasis on self-reliance and encourage people to build their own house. The limited experience available in Zimbabwe shows that a better housing unit can be built at a lower public investment cost. In addition more decisions will be left for the purchasers to determine the type of house they prefer and by doing so increase user satisfaction.

(1) Low Income Pilot Projects, United Nations Development Programme, Project of the Government of Zimbabwe, Project Document, June 1982, p. 3.

Appendix 2

ACKNOWLEDGEMENTS

This report is the result of a one month study carried out in December 1986 by Celestine Gadzikwa under the supervision and guidance of Mike Boyd-Clark, both of Agriserve (Private) Limited. Piniel Chingombe of the Ministry of Finance, Economic Planning and Development worked closely with the team and accompanied Celestine Gadzikwa during field work.

Visits to Kwekwe and Gutu were made from 9th to 12th December 1986.

The following organizations and people assisted with the provision of information contained in the report. We are grateful for their help:

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United Nations Development Programme:

Mr T Chana

United States Agency for International
Development:

Mr R Beardmore

Kwekwe Town Council:

Mr M Chenga
Mr E Chikohora
Mr C Chiri
Mr N Grant
Mr D Madzokere
Mr C Marere
Mr C Masama
Mr S Mateta
Mr B Mloyi
Mr P Sibanda

Gutu District Council:

Mr F Masakadza
Mr S Munderi

Beverley Building Society:

Mr P De Villiers
Mr A Gamberini
Mr Tschuma

Gutu Pilot Project:

6 Beneficiaries

Appendix 2b

INTERVIEWS BY ORGANIZATION AND LOCATION

Organization	Harare	Kwekwe	Gweru	Gutu	Total
Ministry of Public Construction and National Housing	6	-	-	-	6
Ministry of Finance, Economic Planning and Development	1	-	-	-	1
United Nations Development Programme	1	-	-	-	1
United States Agency for International Development	1	-	-	-	1
Kwekwe Town Council	-	10	-	-	10
Gutu District Council	-	-	-	2	2
Beverley Building Society	-	2	1	-	3
Gutu Pilot Project	-	-	-	6	6
Total	9	12	1	8	30

Appendix 3

CHECKLIST OF USAID QUERIES ARISING FROM THE ENDA REPORT

1. Gutu was originally planned to be a rural pilot housing project. What were the reason for revising the planning standards for Gutu which resulted in it becoming an urban project? Why was a truly rural setting not substituted for Gutu, thus preserving a key objective of the pilot project?
2. How much was spent in total on the two housing schemes? How much was contributed by USAID? How much was contributed by the Government of Zimbabwe (through the National Housing Fund)? What was the original project budget? What was the final project budget? How much money was spent on the procurement of building materials in each scheme? How well are these figures reflected in the books of the National Housing Fund?
3. What was the estimated total cost of materials for a four-room core house (Type A) at the mid-point of project implementation (say July 1983) in Kwekwe and Gutu? ie, prepare a detailed priced schedule of materials for each project.
4. How many beneficiaries have succeeded in completing a four-room core house? What was the average outstanding loan balance upon completion of these four-room core units? What contributions did beneficiaries make from their own pockets?
5. How many beneficiaries have entered into mortgage agreements with Beverley Building Society? What have been the reasons for delay in the signing up of beneficiaries, especially in Gutu? What is the current record of repayments like?
6. When taking over the infrastructure services for operation and maintenance, the local authorities of both Gutu and Kwekwe assumed the financial debt associated with the capital cost of these services? What is their record of repayment to MPCNH on these debts? What is the record of payments by beneficiaries to the local authorities? How does this last record compare with that of beneficiary payments to Beverley Society?
7. An innovative aspect of both projects has the disbursing of a wide variety of building materials to low-income plot developers. How efficient and effective was this program? What surpluses/deficits did it encounter? What was the experience using micro-computers to administer building material loans in the field?

Appendix 4

ORIGINAL ESTIMATES OF PROJECT COSTS, FUNDING AND RECOVERY

PROJECT COSTS	GENERAL	KWEKWE	GUTU	TOTAL COSTS	FUNDABLE (LOCAL FUNDS)
1. Land	-	90 000	19 200	109 200	-
2. Water	-	323 000	66 000	389 000	389 000
3. Tower lighting	-	24 000	9 000	33 000	33 000
4. Stand lighting	-	-	-	-	-
5. Roads	-	240 000	53 000	293 000	293 000
6. Core Unit (w.latrine)	-	700 000	72 000	772 000	772 000
7. Schoolbuildings	-	29 400	20 400	49 800	49 800
8. Contractor overhead	-	40 000	44 000	84 000	84 000
		1 446 400	283 600	1 730 000	1 620 800
9. Experimental features	290 500	94 900	57 000	442 400	-
10. Equip. for self help	39 000	87 800	57 700	184 500	-
	329 500	1 629 100	398 300	2 356 900	1 620 000
11. Extensions					
30% - 1 BR) Self Help		75 000	18 000	93 000	93 000
30% - 2 BR) & Coop		150 000	36 000	186 000	186 000
30% - 3 BR) Contr. loan		450 000	-	450 000	450 000
		675 000	54 000	729 000	729 000
12. Interest		152 400	23 800	176 200	176 200
Total Costs	329 500	2 456 500	476 100	3 262 100	2 526 000

Appendix 5

PROJECT BUDGET COVERING ZIMBABWE GOVERNMENT CONTRIBUTION (Z\$)

	TOTAL	
	m/m	\$
Director Housing Development		pm
Deputy Director Housing Development		pm
Engineering Consultants		66 000
Secretarial Support Harare	20	10 000
Secretarial Support Gutu/Kwekwe	36	10 800
Materials and Office Equipment		6 000
Secretarial Equipment		3 000
Stationary and Printing		2 000
Running cost for project vehicles		17 000
Land for projects		109 200

Total	56	224 000
		=====

Appendix 6

BUDGET COVERING UNDP CONTRIBUTION US\$

Project Title: Low Income Housing Pilot Project
 Project Number: ZIM/81/004/A/01/56

		TOTAL	
		m/m	\$
10	<u>PROJECT PERSONNEL</u>		
11	Experts		
10.01	Chief Technical Adviser	21	140 670
11.02	Architect	12	78 300
11.03	Consultants	14	101 600
11.99	SUB TOTAL	47	323 570
13	Admin Support Personnel	350	118 700
14	<u>UN VOLUNTEERS</u>		
14.01	Site Co-ordinator Kwekwe	24	25 950
14.02	Site Co-ordinator Gutu	24	25 950
14.99	SUB TOTAL	48	51 900
15	International Travel		6 000
16	Mission Costs		8 000
17	<u>PROJECT PERSONNEL LOCAL</u>		
17.01	Community Developer Head Office	18	37 280
17.02	Community Developer Kwekwe	14	23 430
17.03	Community Developer Gutu	14	23 430
17.04	Consultants	14	44 700
17.99	SUB TOTAL	60	128 840
19	Component Total		637 010
30	<u>TRAINING</u>		
32	Group Training		30 000
33	In Service Training		5 000
39	Component Total		35 000
40	<u>EQUIPMENT</u>		
41	Expendable Equipment		8 000
42	Non Expendable Equipment		217 900
49	Component Total		225 900
50	MISC		
51	Maintenance		22 000
53	Sundry		12 000
59	Component Total		34 000
99	GRAND TOTAL		931 910

Appendix 7

TOTAL COST OF TYPE A FOUR-ROOM CORE HOUSE MATERIALS - 1984

ITEM	QUANTITY	KWEKWE U COST	GLITU U COST	KWEKWE VALUE	GLITU VALUE
FOUNDATION					
Building manual	1	1,52	1,50	1,52	15,0
Setting out pegs	24	0,09	0,10	2,16	2,40
Masons line	20m	0,58	0,58	11,60	11,60
River sand	5 m3	8,30	10,50	41,50	52,50
Stones	5 m3	26,22	30,69	131,10	153,45
Cement	10	3,31	3,60	33,10	36,00
20 mm Water meter	1	43,79	-	43,79	-
15 mm Holderbal	3	0,39	0,40	1,17	1,20
15 mm GMB Bend	8	0,77	0,78	6,16	6,24
15 mm GMS Nipples	4	0,17	0,18	0,68	0,72
15 mm GMS E/Lees	4	1,08	1,10	4,32	4,40
20 mm Reducing bush	1	0,47	-	0,47	-
15 mm Brass stop valve	2	7,22	6,14	14,44	12,28
15 mm Garden tap	1	8,19	-	8,19	-
15 mm Brass biblap	2	7,39	6,28	14,78	12,56
15 mm Galvanised pipe	10,2m	2,15	2,16	21,93	22,03
115 x 230 x 460 mm Blocks	200	0,33	0,38	66,00	76,00
75 x 115 x 230 mm Standard bricks	200	0,08	0,06	16,00	12,00
Pitsand	5 m3	8,34	9,45	41,70	47,25
SUBTOTAL				460,61	450,15
SLAB					
Cement	20	3,31	3,60	66,20	72,00
Termiticide	5 lt	1,05	1,05	5,25	5,25
DPC	2	3,68	3,68	7,36	7,36
Blocks	700	0,33	0,38	231,00	266,00
Brick force	6	1,99	1,99	11,94	11,94
Door and frame L/H	1	67,71	72,83	67,71	72,83
Door and frame R/H	1	67,71	72,83	67,71	72,83
Door frame L/H	2	22,00	22,14	44,00	44,28
Door frame R/H	2	22,00	22,14	44,00	4,28
Window frame NGI	1	11,55	11,66	11,55	11,66
Window frame D5FH	2	13,88	14,94	27,76	29,88
Window frame D2FH	3	33,79	33,46	101,37	100,38
SUBTOTAL				685,85	738,69
WALLS					
Blocks	300	0,33	0,38	99,00	114,00
Lintel 1.3 mm	7	4,04	3,16	28,28	22,12
Roof ties	2 kg	0,85	-	1,70	-
Pitsand	5 m3	8,34	9,45	41,70	47,25
SUBTOTAL				170,68	183,37

Page 28 - Kwekwe/Mupandawana Housing Scheme

ITEM	QUANTITY	KWEKWE U COST	GUTU U COST	KWEKWE VALUE	GUTU VALUE
ROOF					
Asbestos R/sheets	12	17,29	15,89	207,48	190,68
2/3 Asbestos R/sheets	2	14,42	13,24	28,84	26,48
Roof screws and washers	70	0,09	0,10	6,30	7,00
Wire nails 75 mm	0,5 kg	1,01	1,00	0,51	0,50
Ridge caps	7	5,32	5,32	37,24	37,24
Flashing sheets	5,5	8,51	8,77	46,81	48,24
Perlin	30,6 m	2,43	3,26	74,36	99,76
Wall plate	14,4 m	0,96	1,08	13,82	15,55
Carbolineum	5 lt	1,17	1,12	5,85	5,60
SUBTOTAL				421,21	431,05
FLOOR					
Cement	8	3,31	3,60	26,48	28,80
River sand	2,3 m3	8,30	10,50	19,09	24,15
SUBTOTAL				45,57	52,95
PLASTERING					
Cement	6	3,31	3,60	19,86	21,60
Air vent external	12	0,30	0,96	3,60	11,52
Air vent internal	12	0,20	0,96	2,40	11,52
SUBTOTAL				25,86	44,64
FINISHING					
Door	4	38,24	31,35	152,96	125,40
Door lockset	4	9,84	11,66	39,36	46,64
Wood screws	32	0,02	0,02	0,64	0,64
Sand paper	2	0,17	0,15	0,34	0,30
75 mm Paint brush	1	2,37	2,40	2,37	2,40
25 mm Paint brush	1	1,10	0,96	1,10	0,96
Universal undercoat	5 lt	4,18	3,60	20,90	18,00
Thinners	2 lt	1,65	1,94	3,30	3,88
Gloss Enamel	2,5 lt	4,65	3,99	11,63	9,98
Wood primer	2,5 lt	3,25	2,76	8,12	6,90
Colorbrite limewash	3	5,56	5,56	16,68	16,68
Gemwash	2	15,37	15,45	30,74	30,90
200 mm Whitewash brush	1	2,45	1,88	2,45	1,88
Window pane 266 x 438	3	1,32	1,33	3,96	3,99
Window pane 276 x 438	6	1,32	1,33	7,92	7,98
Window pane 289 x 438	6	1,41	1,42	8,46	8,52
Window pane 289 x 464	9	1,54	1,55	13,86	13,95
Putty	10 kg	0,65	0,55	6,50	5,50
SUBTOTAL				331,29	304,50

Page 29 – Kwekwe/Mupandawana Housing Scheme

ITEM	QUANTITY	KWEKWE U COST	GUTU U COST	KWEKWE VALUE	GUTU VALUE
PLUMBING					
Kitchen sink	1	17,38	19,15	17,38	19,15
Sink waste outlet b/mit	1	3,16	3,59	3,16	3,59
Plug, chain and screw	1	0,82	0,82	0,82	0,82
Flexitrap and jublier clip	1	2,87	2,84	2,87	2,84
Shower trap and grating	1	5,05	5,05	5,05	5,05
40 mm Galvanised pipe	2,3 m	6,72	6,03	15,46	13,87
40 mm Brass I E bend	2	1,49	1,50	2,98	3,00
175 mm CI gully grating	1	1,32	1,36	1,32	1,36
100 mm Stoneware gully trap	1	4,77	4,91	4,77	4,91
100 mm Stoneware hopperhead	1	3,08	2,64	3,08	2,64
100 mm Stoneware bend	6	4,27	4,38	25,62	26,28
100 mm Stoneware junction	2	2,36	2,64	4,72	5,28
100 mm Stoneware 1m pipe	6	3,17	3,26	19,02	19,56
WC Suite pan cistern cover	1	107,92	85,95	107,92	85,95
100 mm AC Branch arm	1	14,52	14,52	14,52	14,52
CI Cleaning eye cover	2	4,42	3,75	8,84	7,50
Shower rose	1	0,87	0,83	0,87	0,83
Cement	1	3,31	3,60	3,31	3,60
SUBTOTAL				241,71	220,75
ELECTRICITY					
2.5 mm Red c/conductor	34 mm	0,23	0,19	7,82	6,46
2.5 mm Earthwire	34 mm	0,13	0,14	4,42	4,76
2.5 mm Black c/conductor	34 mm	0,23	0,19	7,82	6,46
75 mm Insulator shackle and bolts	1	5,51	5,51	5,51	5,51
Meter board	1	39,21	39,21	39,21	39,21
4 way distribution board	1	7,06	7,06	7,06	7,06
5 amp MCB single pole	1	6,15	6,15	6,15	6,15
15 amp MCB single pole	1	6,15	6,15	6,15	6,15
60 amp insulator double	1	6,27	6,27	6,27	6,27
1.8 Earth rod	1	5,62	5,62	5,62	5,62
20 mm galv conduit	2 m	2,20	2,20	2,20	2,20
25 mm galv conduit	2 m	2,85	2,85	2,85	2,85
Brass male bush	1	0,47	0,41	0,47	0,41
Brass female bush	1	0,21	0,21	0,21	0,21
Distance saddle 25 mm	2	0,32	0,33	0,32	0,33
Chromed machine screws	20	0,03	0,03	0,03	0,03
Copper bamba earth strip	1 m	0,31	0,32	0,31	0,32
16 mm earth wire	8 m	0,68	0,68	0,68	0,68
16 mm red c/conductor	4 m	0,99	0,99	3,96	3,96
16 mm black cable	4 m	0,99	0,99	3,96	3,96
Wall plug and screws	40	5,05	5,05	202,00	202,00
PVC conduit pipe	20 m	0,61	0,61	12,20	12,20
Coupling PVC	24	0,07	0,08	1,68	1,92
PVC Nipple	24	0,08	0,09	1,92	2,16
PVC Junction Box	20	0,46	0,37	9,20	7,40
Saddle 20 mm	28	0,05	0,05	1,40	1,40
Batten holders	4	0,70	0,49	2,80	1,96

Page 30 – Kwekwe/Mupandawana Housing Scheme

ITEM	QUANTITY	KWEKWE U COST	GUTU U COST	KWEKWE VALUE	GUTU VALUE
Well glass ceiling light	1	5,03	5,03	5,03	5,03
Pull switch	1	4,80	3,91	19,20	15,64
1,5 mm red c/conductor	34 mm	0,16	0,14	3,44	4,76
1,5 mm black cable	24 mm	0,23	0,14	5,52	3,36
13 amp switch socket insulator	3	4,39	3,80	13,17	11,40
PVC switch box lid	2	0,10	0,11	0,20	0,22
PVC surface box	3	1,26	0,98	3,78	2,94
19 mm brass lock nut	2	0,11	0,12	0,22	0,24
SUBTOTAL				394,78	381,23
TOTAL MATERIAL COST				Z\$ 2777,56	2807,33