

**QUARTERLY TASK
ORDER PROGRESS
AND COST REPORT**

APRIL TO JUNE 2005

**HOUSING FINANCE,
INFRASTRUCTURE,
AND CAPACITY
ASSESSMENT: SOUTH
AFRICA, ZAMBIA,
TANZANIA, AND
UGANDA**

Prepared for



USAID
FROM THE AMERICAN PEOPLE

Prepared by

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The Urban Institute

Urban-Rural Linkages: Training for USAID Staff
United States Agency for International Development
Contract No. LAG-I-00-99-00036-00, Quick Response



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Contract No.:	LAG-I-00-99-00036-00, Quick Response
Date of Issuance:	October 6, 2004
Amount Obligated Under Task Order:	\$ 300,000.00
Total Potential Task Order Amount:	\$ 300,000.00
Dollars Expended To-date:	\$ 189,070.00
Key Personnel:	Sally Merrill, Contract Manager and Prime Contractor Contact 202.261.5755 smerrill@ui.urban.org

Task Order Description

I. HIGHLIGHTS

Overview and Summary.

As further discussed below, the SOW for this project was altered to accommodate the goals of both RUDO South Africa and the scope for, and ongoing project activities under, the President's Mortgage Market Initiative for Africa, which is managed by the U.S. Department of Treasury. The President's Mortgage Market Initiative has a distinct focus on mortgage finance, and on developing projects in mortgage finance; these projects may be supported by USAID, other U.S. donor agencies such as OPIC, and by IFIs, particularly the IFC. USAID, additionally, is concerned with the overall low income housing delivery situation and also has ongoing and planned-for projects. The revised SOW sought to assist both of these efforts; also, USAID's DCA program is a key focus of potential project support for both USAID and Treasury.

The SOW calls for assessments of the housing market and housing finance sectors in South Africa, Zambia, Uganda, and Tanzania. In addition, it was requested that a local team carry out the work. Thus, Sally Merrill, UI project manager, engaged four senior South African housing experts: Mary Tomlinson, David Gardner, and Tanya Zack, consultants, and Sharon Biermann of CSIR. In addition, local housing experts were contracted in Zambia (Wilma Nchito); Uganda (Abdullah Abdillahi), and Tanzania (Aldo Lupala and Hermes Mutagwaba). Other resources are also available, noted below.

Background. The revised SOW (an attachment to this report) was developed from two key sources: the USAID SOW prepared by RUDO South Africa and the revisions relating to the goals of the President's

Mortgage Market Initiative for Africa, prepared by Steve Bernstein at the U.S. Treasury. The revision attempts to blend and accommodate the issues raised in both documents and to provide a technical approach suitable for both the relatively poor emerging markets in Southern Africa (Zambia, Tanzania, and Uganda) and the very different circumstances of South Africa, where a sophisticated financial sector, combined with extensive policy reform and institutional development, have sought to address the very large under-served population.

As would be expected, the current state of development of mortgage finance and housing delivery are vastly different in South Africa as compared with Zambia, Tanzania, and Uganda. For this reason, two distinct SOWs were developed:

- (1) a generic assessment for Zambia, Tanzania, and Uganda; this will include specific types of review or coordination issues, especially in Zambia and Uganda where pilot projects and/or related studies are now being conducted; and
- (2) an SOW specific to South Africa, where the housing and mortgage markets, although much more sophisticated, are still in some turmoil over how best to address both risk and funding issues; in particular, the policy debates over mortgage finance and housing delivery issues are ongoing and this assessment should provide both an update and a concise insight into the core issues.

Project Coordination. In addition, ongoing discussions have been held to liaise with pilot projects or studies already underway in several countries, and this has been noted in the revised SOW. Specifically, USAID and Treasury have discussed existing or potential endeavors in all the countries involved. USAID and OPIC are engaged in housing projects in Zambia. The U.S. Treasury, together with U.S. Treasury advisors in Uganda and the IFC, are discussing projects in Uganda, with the goal of making strategies and resources complementary and supportive.

II. PROGRESS OF MAJOR ACTIVITIES

Assessment activities have been carried out as follows:

- **South Africa.** Mary Tomlinson and Tanya Zack, using both extensive existing reports and interviews with key players, carried out the assessment of the low income housing and housing finance sectors in South Africa during the period September 2004 – January 2005. Their draft report, submitted in January 2005, was reviewed by Sally Merrill. The revised draft was submitted on March 15 and was sent to Marcia Glenn and Steve Bernstein.
- **Uganda, Zambia, and Tanzania.** The report, authored by David Gardner, Sharon Biermann, and Sally Merrill, is now in draft form. It is being reviewed and finalized by Sally Merrill, and will be submitted in Q3.

Travel:

No travel took place during Q2

Liaison with U.S. Treasury:

Sally Merrill is in frequent contact with Steve Bernstein. They met in December, together with Dan Kahn of Ginnæ Mae, who is working on behalf of Treasury in Uganda. Further meetings are planned together with IFC. During Q2 they conferred once again with regard to Treasury's project goals in Uganda and Zambia. Sally Merrill has also conferred with William Donovan in Uganda, as to advice regarding program recommendations.

III. DELIVERABLES AND REPORTS

- **South Africa.** Mary Tomlinson and Tanya Zack, using both extensive existing reports and interviews with key players, carried out the assessment of the low income housing and housing finance sectors in South Africa during the period September 2004 – January 2005. Their draft report, submitted in January 2005, was reviewed by Sally Merrill. The revised draft was submitted on March 15 and was sent to Marcia Glenn and Steve Bernstein.
- **Uganda, Zambia, and Tanzania.** This report is now under preparation and will be submitted in Q2.

IV. PROBLEMS OR DELAYS AFFECTING THE TASK ORDER PERFORMANCE

No-cost Extension. A no-cost extension was granted by USAID on April 20, 2005, extending the project through October 2005. For a variety of reasons, the project is taking longer to complete than originally anticipated. First, the assessments did not begin immediately, as initial project efforts were involved with developing a revised SOW to meet the needs of both USAID and Treasury. Thus, the start-dates for the assessments were later than originally anticipated. Second, considerable search efforts were required to identify and contract appropriate local experts in Zambia, Uganda, and Tanzania. The team felt that having very experienced housing consultants in these countries would yield the most cost-effective results for the assessments, since the budget allowed for an initial assessment trip of one week per country. Then followed a period during which the local experts were tutored on the Template; they then arranged meetings for the assessment team based on the Template. Since each team member has unique assignments, the local experts were juggling three different appointment schedules. Thus, in order to allow time for proper preparation, the assessment visits did not take place until November through January. Third, liaison with Steve Bernstein on project recommendations, has been ongoing in Washington since the assessment visits were completed. It is also taking some time to undertake coordination with IFC. The project recommendations section of the reports are not yet completed, as we are waiting for further liaison with Treasury and IFC. Due to factors beyond the project's control, IFC personnel have not yet been able to meet with us; Treasury is trying to arrange the meeting.

As a result, we requested a no –cost extension through October 31, 2005, so that work can continue, and this extension was granted by USAID on April 20, as noted. Work remains to be done particularly with regards to project recommendations. The assessment team is planning for follow-up trips to at least

Zambia and Uganda, since that is where the most intense focus by Treasury has been. However, in the team's view, Tanzania may also offer opportunities for fruitful projects. Thus, after review of the draft reports and project recommendations by USAID and Treasury, the team hopes to undertake follow-up activities in whatever countries are designated by USAID and Treasury. Finally, should the recommended projects include DCA activities, the project also has DCA expertise available. Roland Pearson, located in South Africa, has considerable DCA experience; Sally Merrill has also prepared a number of DCA project analyses for housing finance projects.

V. WORK PLANNED FOR NEXT REPORTING PERIOD

For the reporting period Q3, the draft report for Uganda, Zambia, and Tanzania will be submitted to USAID. This will include specific project recommendations.

VI. SPECIFIC ACTION REQUESTED

None at this time.