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9. ABSTRACT

Since 1971, the Office of Housing of AID has been conducting preinvestment surveys in countries where housing investment guaranty programs are anticipated in order to provide the background and framework for its intervention. These surveys are, in fact, increasingly sophisticated analyses of the shelter sector of each country. Each report is intended to provide the Office of Housing with the information necessary to enable it to answer three primary questions about a specific country:

- . What is the country's capacity to undertake a large-scale housing program?
- . What is the effective demand for housing at a given price level?
- . What is the country's capacity to repay a foreign loan?

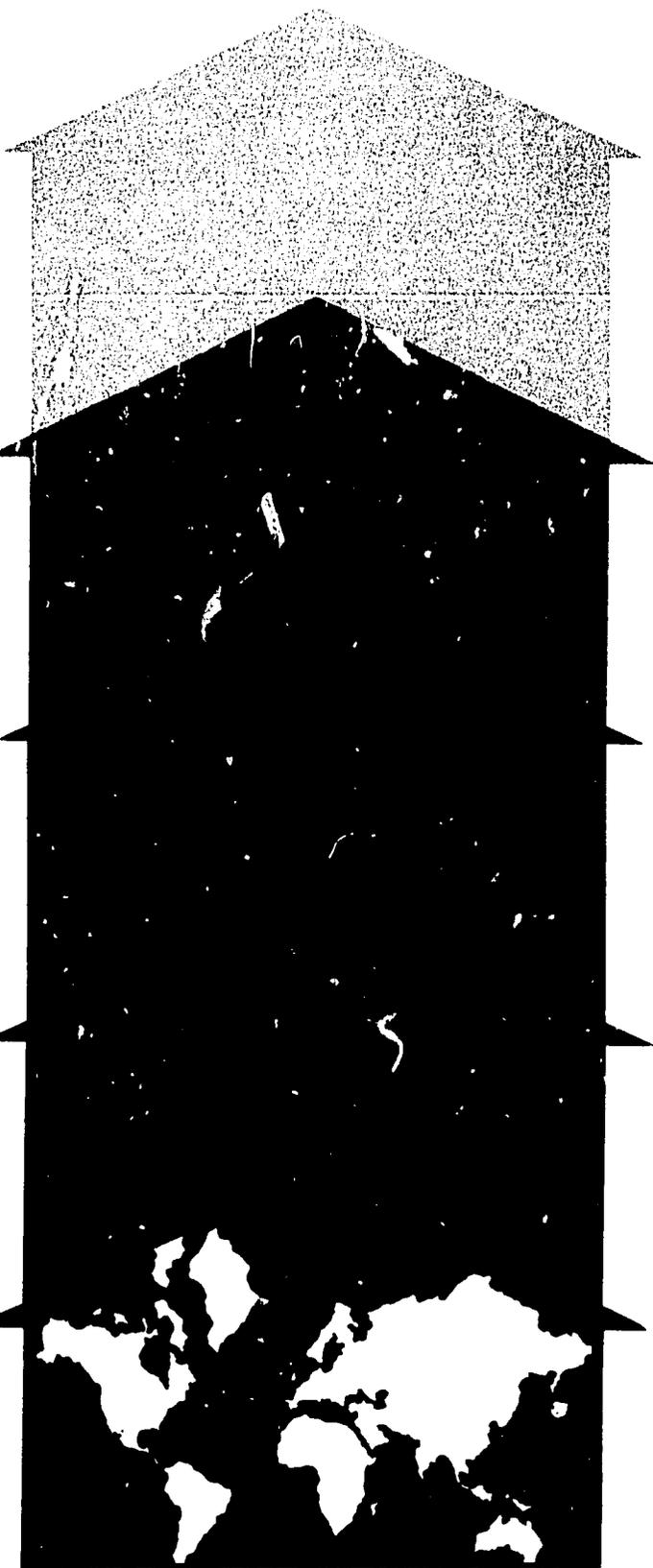
To paraphrase the introduction to the scope of work for a recent survey, its objectives are to determine the need for housing at all socio-economic levels of society, to determine the ability of each socio-economic group to pay for housing; to assess the capabilities of the Government to plan and manage large scale housing programs and projects; to analyze the impact of large scale foreign borrowing on the country's economy and its ability to repay; and to assess the ability of the country to absorb large sums of money into the shelter sector industries.

These objectives have been realized with varying degrees of success. Some of the more recent surveys, in particular, provide broad panoramas of the country housing sectors. Some of the earlier ones are more limited in scope and cover only a part of the sector.

These reports provide valuable orientation for anyone becoming involved in housing sector in one of these countries. They should also be useful for comparative studies of housing programs and policies on a regional or world-wide basis.

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OFFICE OF HOUSING

PRE INVESTMENT
SURVEY REPORT
HOUSING GUARANTY
PROGRAM
SWAZILAND, 1971

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PRE-INVESTMENT SURVEY

KINGDOM OF SWAZILAND

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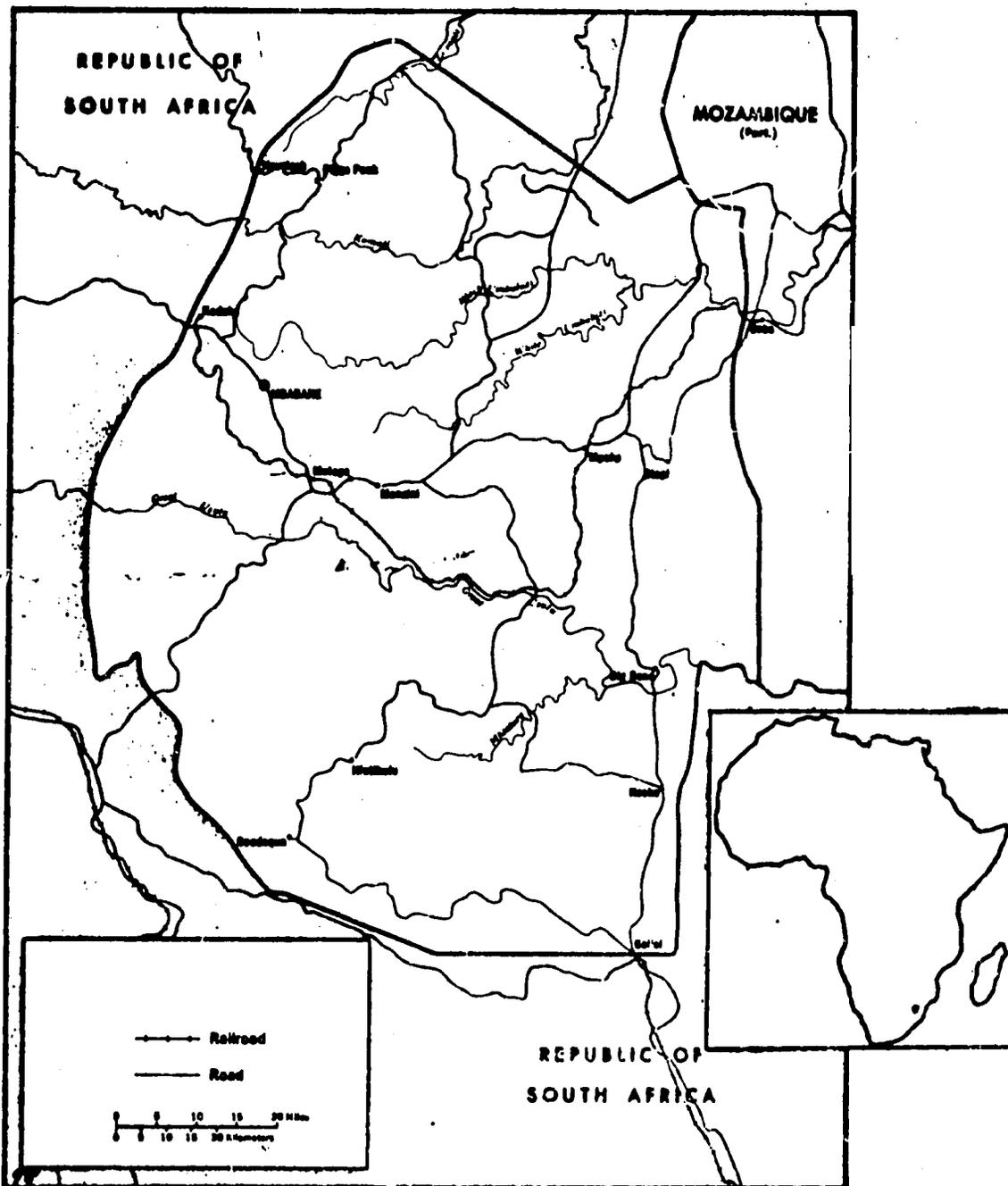
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October 28, 1971

SWAZILAND



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PRE-INVESTMENT SURVEY

FOR

KINGDOM OF SWAZILAND

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PART I. FINDINGS AND RECOMMENDATIONS

1. General Description

The Kingdom of Swaziland, independent only since September, 1968, is the second smallest sovereign state in Africa. Its area is 6,705 square miles, less than that of New Jersey. The maximum distance from north to south is less than 120 miles and from east to west it is less than 90 miles. Landlocked, it is bordered by South Africa and Mozambique. It is a potentially prosperous country, with a good climate, fertile soil and substantial mineral resources.

The Team concentrated its study in the Mbabane - Manzini Area, which includes the Matsapa Industrial Estates. Although a tiny country, Swaziland embraces three geological areas common to Southern Africa -- highveldt, middleveldt, and lowveldt. Mbabane is located in the middle-veldt with a subtropical climate, and Manzini is situated in the lowveldt, with a hotter dry climate. About midway between the two is the Manzini airport and the adjacent Matsapa Industrial Estates. The corridor connecting the two includes an agricultural area producing garden crops, citrus, avocado, and pineapple. The general impression of the towns and their environs is that of a sound developing business and residential area supportive of nearby agricultural and industrial areas, with an excellent potential.

Population -- The 1970 estimate of Swaziland's population is 462,000. This includes 12,000 white (half of whom are from South Africa) and some 6,000 of mixed race. Africans most of them Swazi, comprise 96% of the population. Estimates of the number of Swazi employed outside the territory, principally in South Africa, range from 10,000 to 30,000. The country's population growth rate is 2.8% per annum.

Population of the Mbabane - Manzini area is about 25,000 persons. The population of Mbabane, the capital, is 16,000. Manzini, located twenty miles

to the southeast, has a population of about 7,500.

Government - A former British protectorate (like its sister countries, Botswana and Lesotho), Swaziland obtained internal self-government in April, 1967, and full independence in September, 1968.

Swaziland has a unique dual system of Government. There is a traditional tribal government (the Swazi National Council) and a modern government consisting of a cabinet and a parliament. The interaction between the two governments, both of which are headed by the King, is complex. The country as governed by the modern government is referred to as "The Kingdom of Swaziland," but the King-in-Council governs what is the "The Swazi Nation." Both the "Kingdom" and the "Nation" have their own separate budgets. Most of the country's tax revenue, however, flows into the Treasury of the Kingdom. The main source of finance for the Swazi Nation is mineral royalties, the size of which is known only to the Swazi Nation itself, and an annual subvention from the budget of the Kingdom.

The present King, Sobhuza II, became Ngwenyama (The Lion) or head of the Swazi Nation in 1921.

2. Housing Needs

The greatest projected needs for housing in Swaziland are in the two largest urban centers - Mbabane and Manzini, both of which have population growth rates of approximately 6% per annum. This report will focus on these two urban centers.

Mbabane - the capital city, has a population estimated at 16,000. Because the city is surrounded by hills, expansion beyond the present urban boundaries is difficult. It is estimated that within the next decade housing will be required for an additional 18,500 people, of whom 14,500 will be in the lower income brackets. This will mean a need for some 3,500 new houses, including

2,500 low cost units.

Manzini - already a commercial center, Manzini with the development of nearby Matsapa, is also becoming Swaziland's industrial center. With a population of 7,500, it is also the center of the country's road and rail communications and the site of the principal airport. Its urban population is expected to double by 1980. This means that in addition to rehousing an estimated present squatter population of 2,000, new housing for 8,000 people, mainly in the lower income brackets, may be needed.

Manzini's growth could one day be restricted by the fact that it is virtually hedged in by traditionally-owned Swazi Nation Land. Squatters tend to live just beyond the boundaries creating a large and growing shanty town on Swazi Nation Land outside the jurisdiction of the Township Authority.

Although the need is great, particularly for lower income brackets, this is not an indication of the desire for home ownership. The Survey Team in comparing its experiences in Swaziland and Lesotho, was struck by the apparent fact that whereas in Lesotho the desire for private home ownership is clearer than the financial capability to purchase them, in Swaziland, on the other hand, the means for achieving home ownership seems to be more evident than the desire.

For an American survey team there is a danger of projecting on the Swazi our own aspirations regarding private property and home ownership. A male Swazi, who can still make claim to a plot of ground for his farm and his home in Swazi Nation Land, may not derive the same sense of pride or security in owning property or his own home in freehold land.

A really valid analysis of the developmental potential for housing institutions must also take into account the culture of the Swazi, including their notions of private property and home ownership. The dualistic nature of both the government and the economy--with the modern and the traditional existing side by side--appears to have its counterpart in each individual Swazi.

3. Recommendations

The Survey Team did not find the necessary evidence to support a recommendation for a Housing Guaranty Program in Swaziland at this time.

Timing seems all important with regard to AID Housing Office actions in Swaziland. The Government does need time to resolve some of its internal rivalries to establish its proposed housing authority and to begin to solve the problem over Government housing. Although it is not now in position to take the needed initiative, it would be a mistake for AID to dismiss Swaziland from consideration in the Housing Guaranty Programs. What is needed on AID's part are continuing discussions with the British backed Commonwealth Housing Corporation, which has submitted a report on housing program to the Government, and careful watching and assessment by the AID staff in Swaziland. A brief program visit from the Office of Housing early in 1972 also should be planned.

In developing future programs, it would seem that AID must look to the Government of Swaziland to provide the instrumentality for a test of a housing market or for a longer range negotiated Housing Guaranty Program designed to encourage institutional developments.

Such a program could incorporate two elements:

a) First, provision must be made to strengthen existing truly Swazi institutions which can function in the mortgage credit field, and a means must be found to change the traditional institutional paternalism that seems to exist on the part of other credit institutions doing business in Swaziland. These institutions should be encouraged to become more sensitive and responsive to the credit needs of Swazi wage earners, including the extension of long-term mortgage credit, and Swazi participation in the development of this type of institution is needed.

b) Second, it is possible that a fresh approach to design and use of materials, design of expandable or "add-on" units, design of economical multiple units, more economical use of land to reduce urbanization costs, construction of sewage plants in lieu of septic tanks, where practical, and consideration of several designs related to climatic conditions and traditional family living patterns could result in further reduced costs and provide economic housing to a larger segment of the people. Site and services development on a limited scale and possible upgrading of squatter developments should be considered in future housing surveys or studies.

Tiny Swaziland could prove to be an excellent laboratory where both of these approaches could be tested. The second (design) approach could be engaged in without making a specific effort to extend home mortgage credit beyond the scope of a housing guaranty loan to a single institution or for a single project, but it is believed this would be an extension of the paternalism with which the Swazi people are afflicted on all fronts. These two approaches are discussed here in the hope that the Housing Guaranty Program may be found sufficiently flexible to be applied in a constructive, if limited, manner in this developing country.

Even tiny Swaziland is subject to accelerated "move to the cities" occurring in all developing countries. The need for a house exists and will grow, and Swazis ultimately will be found to be possessed of the same basic urge for home ownership as are other peoples of the world.

PART II. THE HOUSING SECTOR: MARKET AND INSTITUTIONS

1. The Housing Market

a) General Economy

Swaziland has close economic ties with South Africa. Together with South Africa, Botswana and Lesotho, it belongs to the Southern Africa Customs Union, and uses the currency of South Africa--the rand--as its domestic currency and legal tender.

There is a dualistic nature to Swaziland's economy. Before World War II, most Swazi were engaged in subsistence agriculture. Wage employment within Swaziland was limited to small scale tin and gold mining, foreign owned commercial farms, and government and other services. It is estimated that as late as 1956 more Swazis worked at wage employment in South Africa than within Swaziland. The opening in 1939 of the Havelock asbestos mine marked the beginning of large-scale industrial enterprise in Swaziland. Since then, and in particular in the ten to twelve years before independence, Swaziland saw rapid development of mining, large-scale irrigated agriculture, forestry production, and tourism. It consequently now has a reasonable diversified economy.

Because Swazi entrepreneurship was, and still is, virtually non-existent, all these activities have been carried out by foreign companies, under foreign management, and with foreign capital. The foreign-owned, modern sector now contributes about two-thirds of total GNP, employs probably more than 75% of total wage earners, and provides 90% of direct taxes and virtually all the exports.

Because of the importance of the foreign sector, overall GNP per capita figures are rather misleading. Gross national product at market prices is for 1967/1969 estimated at R45.9 million, or \$165 per capita; but after making a tentative provision for salary payments to expatriates and profits retained within Swaziland, GNP per capita for the African would be about \$100 - \$120. Within this category, however, the difference between Swazis who are involved in the modern sector and those who are solely dependent on subsistence agriculture is large.

The modern sector is established on the 45 percent of the country that is foreign-owned. On the rest of the country, mostly Swazi Nation land, Swazi people carry on an extensive form of traditional agriculture consisting of a mixture of cattle holdings and subsistence crop cultivation. The traditional sector's contribution to GNP is tentatively estimated at 13 to 14 percent. Estimates of the employment of Swazis in the modern sector in Swaziland and South Africa lead to the view that not more than 35 to 40 percent of the male population of working age is available for work in the traditional sector. However, 85% of the total population live in rural areas. This confirms the observation that in Swaziland (as in Lesotho) traditional agriculture is to a large extent carried on by women, children and old men.

It appears that since independence, the growth of the modern sector has slowed down. The reason usually given is that foreign investors wanted to await the Government's attitude towards private investment.

b) Income Distribution

The following table drawn from information supplied by the Department of Planning & Statistics indicates the income distribution of families living in the Mbabane and Manzini urban areas in relation to the projected housing needs for these two areas for the next ten years.

TABLE I: Housing Needs, Mbabane and Manzini

Projection of Housing Requirements (1972-1982) By Income Groups.

Income groups by Salary Scale	% break down by income	Average annual Salary	Mbabane & Manzini No. of Houses	Value (R'000)
<u>UPPER</u>				
6001 - 6900	0.6	6167	41	632.1
4801 - 6000	1.0	5267	64	902.7
4201 - 4800	0.3	4772	20	238.6
3601 - 4200	0.9	4004	58	580.5
	2.8		183	2.353.9
<u>UPPER MIDDLE</u>				
3201 - 3600	1.8	3390	116	983.0
2501 - 3200	2.6	2890	169	1,221.0
2001 - 2500	3.6	2139	233	1,245.9
1501 - 2000	3.1	1945	199	967.7
	11.1		717	4,418.6
<u>LOWER MIDDLE</u>				
1001 - 1500	15.4	1275	992	3,162.0
751 - 100	22.6	760	1,454	2,762.6
501 - 750	18.7	567	1,204	1,706.7
	56.7		3,650	7,631.3
<u>LOWER</u>				
271 - 500	24.0	337	1,544	1,455.2
180 & less 270	5.4	225	347	195.7
	29.4		1,901	1,650.9

(Houses required for other urban areas for the same period total 1,365)

Analysis of Table--In studying the above table, note that of people with regular income, only 2.8% earn more than R3600 (U.S. \$5,040); only 13.9% make more than R1500 (U.S. \$2,100). That leaves 86.1% below R1500. This percent of wage earners will require 86% of the houses. Most will require some kind of subsidy.

The 11.1% in the income ranges between approximately R1500 (U.S. \$2,100) and R3600 (U.S. \$5,050) are in the upper middle range. If one uses the formula, as the table does, that a purchaser may spend 2.5 times his annual salary and follows the "average salary" column for this middle-level range, it is found that the price for houses in this category ranges from R8,475 (U.S. \$11,865) down to R4,872 (U.S. \$6,820). The number of houses projected for this category for the 1972-82 period is 717. It is a potential market, but it is not the area of greatest need that must be considered under a Housing Guaranty Program.

In examining the housing requirements of the "Lower Middle" category, we find that given the average salary range of R1275 down to R567 (\$1,785 to \$794) and using the formula of 2.5 times annual salary, the projected house prices will range from R3,187 (\$4,462) to R1,417 (\$1,984). In the two cities, 3,650 houses are projected for the 10-year period, 1972-82, or 55% of the houses needed for all income levels. (This, by the way, in contrast to only 717 or 11% of the houses needed for upper middle income levels.)

c) The Bankers' Views of the Market

The comments of the bankers' interviewed do not add up to a very clear picture of a real or potential housing market in Swaziland.

J. D. Owen, Manager of the Swaziland Credit and Savings Bank has stated that he is certain his institution could meet the demand. When pressed on how many loans he could make, he said 200 over the next two years. At the same time he indicated that the bank had done little or nothing to promote housing loans or to educate the Swazi on mortgages.

Another banker (Mr. G. Tucker of Barclay's) thinks there would be a greater demand once the people understood the system. He contends the Swazi never had the opportunity to obtain credit for home purchase, "so there is no present demand." He thought there were several hundred Swazi savings account holders who could afford down-payments on new homes, if they wish to buy them.

A somewhat less optimistic view was expressed by Mr. Harman Banks, General Manager of the Swaziland Building Society. He estimated that as many as 300 of their savings depositors in Mbabane and Manzini might have accounts of R200 or more for down-payments. But Banks expressed doubt that many would want to buy homes. It is his opinion that most of the Swazi with substantial accounts already have fairly satisfactory living accommodations. Moreover, he explained, many Swazi are reluctant to buy homes because they want to go back to their homes in the country-side when they retire. He also mentioned a reluctance of Swazi women to live in houses which are not their traditional huts. He thought, nonetheless, that there may be a market for a limited number of homes at R5,000 with a down-payment of R500 and a monthly payment of about R35-40.

The Manager of the Swaziland branches of the Standard Bank of South Africa believes there would be a limited market for modestly priced homes, either in Mbabane or Manzini, or in between. But he strongly recommended a

substantial down-payment. He also suggested requiring prospective purchasers to save for a down-payment, and offered his bank's cooperation in publicizing a savings plan for a down-payment.

The Survey Team, struck by the evidence of foreign entrepreneurship in Swaziland, asked some of the persons interviewed why private developers had not built housing for sale.

Mr. Owen said there was no great incentive for the private developer because he could not get an adequate return on the house, and Mr. Tucker of Barclay's answer was that most of the investment money is in South Africa.

d) Summary Statement on Market

The evidence on savings accounts supplied by the bankers when coupled with the salary figures and projections supplied by the Department of Economic Planning and Statistics would seem to indicate that there exists in Mbabane and Manzini a sizeable number of Swazi who could afford downpayments and regular mortgage payments on houses. What is lacking is evidence of any strong desire on the part of Swazi to own their own homes.

The Survey Team is forced to conclude:

- 1) that there is no proven housing market that is not now being met;
- 2) that what needs testing is not the ability to pay but the desire for home ownership;
- 3) that a test of the market should include a promotion campaign that would both publicize the existence of mortgage money and educate potential buyers on such matters as mortgages, interest rates, etc.

2. Housing Production

a) Government Housing--Because Government services accounts for 50% of the total employed population of Mbabane, some facts on government housing are relevant to this report.

Housing For Civil Servants--Government housing can be divided into two classifications, Institutional and Pool. Institutional is housing tied to a specific institution. Examples would be housing for hospital staff or prison staff. Pool housing is ordinary residential property in urban areas.

There are 711 pool houses in the main urban centers. Of the total, 511 are in Mbabane and Manzini. Approximately 57% of the pool housing is suitable for middle income groups, and 43% for lower income groups. Rents charged for the Pool houses bear no relation to the cost of construction or valuation, but solely to the salary of the person to whom the house is allocated.

Deductions for rent vary from 5.1% to 12.6% of salary and, on average, this equates at around 28% of the economic rent for the property occupied. (Economic rent is figured at 12½% of the current capital value of the house and serviced plot.)

Currently under consideration by the Government are proposals made by the Commonwealth Development Corporation (CDC) regarding Government housing (CDC is the British Government's autonomous aid agency).

"To date the Government has written off expenditure on housing in the year in which it was incurred. Consequently, the capital invested is not shown in the Government's accounts as an asset.

"We recommend that this asset be recreated. The houses should be vested in the proposed housing authority at current values, thus providing substantial assets against which loan capital can be raised and serviced to undertake new housing

development.

"Since it is essential that the proposed National Housing Authority operate on a sound financial basis, the Government will need to change the present system, whereby most civil servants enjoy a privileged position and the Government provides very substantial subsidies.

"A system which attempts to reserve a specific supply of housing for one section of the community for which such housing was not designed is unsatisfactory. It affords no flexibility and creates unnecessary problems and inequities.

"Many a civil servant is accommodated in housing which is unsuited to his needs and income, merely because the accommodation happened to be available when his requirement arose.

"The Government should introduce the payment of housing allowances to equate the difference between the present scale of rent deductions and those applicable after vesting. The Government should then deduct the full economic rent from the gross salary. Additionally, opportunities must be made available to stimulate house purchase.

"Over a period--as short as possible--the Government should reduce the housing allowance paid.

"The Government should accept that people can afford 20% of their salary as a payment for accommodation. Where the economic rent for a property exceeds 20% of the occupant's salary, then it should be accepted that it is the wrong class of property for that person, and he should be rehoused in accommodation more suited to his income."

At the time the Survey Team visited Swaziland the Commonwealth Housing Corporation proposals were the subject of inter-ministry meeting. Apparently, there is opposition from civil servants regarding the Government housing. In contrast

to Lesotho, where the Team found that many officials now occupying government housing had taken first steps toward acquiring their own homes, the Team found little evidence that Swazi civil servants had a strong desire for home ownership.

Industrial Estates Workers Housing--The Government also sponsors workers housing in conjunction with industrial development projects, such as Matsapa Industrial Estates (See Exhibit I). Opened in 1964, Matsapa is a well planned and well developed area with rail connections to Lourenco Marques and road connections to South Africa. (Lourenco Marques, 100 miles away, is the capital of Mozambique and a modern seaport). The Industrial Estates were developed by the National Industrial Development Board, which is a statutory body, with a corporate charter, created with UNDP guidance. About sixty acres have been developed with urbanization (roads, rail head, sewage, and electricity) in place. Additional acreage is available for development. Approximately forty small industries operate in the area, including supply yards for construction materials, a fabrication yard for reinforcing steel, a block manufacturing plant, a millwork plant, and other small consumer-type and distribution industries. Land has been set aside for housing for workers, adjacent to the Matsapa Industrial Estates, and well constructed, attractive rental housing has been built.

Municipal Housing Action--Town Councils act as agents for the sale of land for low-cost housing, and they are responsible for the development of roads and streets, for trash collection, and health requirements, and for building inspection. (See Exhibit V - Mbabane Town Council Minutes April 1970 - March 1971).

There has been no organized community development effort in housing in either Mbabane or Manzini. This, of course, would require community organization and promotion, and apparently no single person or group in the private sector has taken on this responsibility; and coordinated organization to meet housing needs in the

government area is just now barely beginning to emerge.

b) Private Sector

The team uncovered no entrepreneurs now engaged in any full-scale private housing activity. The Team did spend a morning with a land developer in Manzini named Peter Forbes. A descendant of one of the most famous of the white settlers in Swaziland, Mr. Forbes had already sold 650 lots in Ngwane Park near Manzini and was in process of developing another section of 950 lots (See Exhibit IV). Lots range in size from 1/2 to 1/3 acre and have been recorded and commercially developed. Urbanization includes roads, water and power; individual septic tanks will provide for sewage disposal.

Ngwane Park development was started about five years ago. About thirty applications for a clear land title were pending. Obtaining a clear title is a slow process. Land titles must be processed and issued by the Republic of South Africa Land Office, which is located in Pretoria. These sites were, in general, purchased by Swazis living in the Republic, and who were reported to be middle to high-income earners. Plots are being sold for 600 to 800 rand, with 100 rand down. It was reported that architectural services, in the form of standard plans, are available for a given site for thirty rand.

However, since inception of the project, only about 15 houses had to date been built on the first section, and Forbes expressed little interest in becoming a building contractor.

Forbes' attitude seemed to offer substantiation to the contention of Banker Owens that an insufficient return on a house does not afford the private developer enough incentive. The CDC report refers to Forbes and others in the Manzini area who purchased private farms in the urban area as speculators.

"They were permitted to develop estates of plots with services, and many

such plots were sold on the 'never-never' basis in South Africa to Swazis who were working in the mines. The availability of title to support credit to build is dependent upon payment for the land. The result is that much of the land needed for housing Manzini residents is sterilized. As an illustration - at Fairview some 300 plots were sold five years ago, and to date only 15 houses have been erected."

In sum, private enterprise has engaged in basic estate development restricted to the provision of services and titled plots. As the CHC report observes, "this has failed to produce many additional homes," and adds:

"We found no evidence of any speculative building of houses for sale either on individual plots or by estate development. Since there is an unsatisfied demand in this sector, the lack of activity is presumed to relate to the inadequate supply of funds available from credit organizations."

3. Financial Institutions

Two commercial banks operating in Swaziland, Barclay's of London and Standard Bank of South Africa, offer no housing credit. Barclay's has 15,000 savings accounts in Swaziland, most of them small convenience accounts. Of Standard's 13,500 savings accounts, 68% are below R20 (\$28). Its average account is R38 (\$53).

Two financial institutions do make loans for houses. They are the Swaziland Building Society, a private corporation, and the Swaziland Credit and Savings Bank, a public agency.

a) Swaziland Building Society--The Society is making loans primarily on R15,000 to R20,000 (\$21,000 to \$28,000) houses with a maximum loan of R10,000 (\$14,000). The Society, although it has a sizeable proportion of Swazi accounts among its 4,000 savings accounts, apparently makes no loans to Swazi. Its

officers appear very doubtful about native credit. They said they would be glad to borrow R3,000,000 at 7½% for re-lending on housing loans. They also offered to service mortgages if AID financed a housing scheme.

Evaluation and Comment--The Society, which is apparently well managed, seems to be primarily interested in large investments and large loans. The officers interviewed evidenced no interest in serving the lower-income market.

b) Swaziland Credit and Savings Bank--The bank made 230 loans for housing over the last five years. During that time the maximum allowable loan was R2,500 (\$3,500). In April 1971, the maximum allowable loan was increased from R2,500 to R4,500 (\$6,300). The interest rate on such loans is 9%. A 10% down-payment is required, but the bank will accept land ownership as the equity down-payment. The maximum term of loans is 15 years. (A 15-year loan at 9% on R4,500 would require monthly payments of R46.50, \$65.00 plus insurance and taxes). Presumably housing loans will run between R2,500 and R4,500, and not all will be for the maximum.

In contrast to the Swaziland Building Society, the bank does make all its loans to Swazi, to the Swaziland government and to some enterprises. The bank does take risks. It has 8,500 savings accounts totalling R1,226,000 for an average account of R144, (\$201). Savings are collected at Post Offices throughout Swaziland.

The bank's operating expenses are about 1% of income, but it must be pointed out that the bank's operation has been heavily subsidized. Its assets of R3.6 million include free capital of R470,354 (in grants totalling R391,877 from the United Kingdom and R73,307 from U.S. Aid) and R1.5 million of low interest or interest free loans.

Evaluation and Comment--Given the close ties of the Swaziland Credit and Savings Bank to the Swazi Government and given its record of taking risks and

lending to Swazi, the bank would seem to be the most likely financial institution to play a role in a Housing Guaranty Program. But the bank does not appear to be a sound operation. It still shows a loss of R120,000 after five years of operation even though half its capital has been in grants or in loans that were interest free or at very low rates.

In addition, the bank manager expressed disinterest in the AID Housing Guaranty Program.

4. Proposed National Housing Policy

At the time of the Team's visit, the Government of Swaziland was holding a series of high-level ministerial meetings to discuss a report "Housing in Swaziland" submitted January, 1971, by Commonwealth Housing Corporation, Ltd., a wholly-owned subsidiary of Commonwealth Housing Development Corporation of Great Britain (CDC). CDC currently has invested some \$56 million in Swaziland, compared to the USAID total of \$100,000, and is the British Government's Economic aid instrumentality.

According to the CHC Report, which represents the most significant available document on housing in Swaziland and most likely sketches the outlines for GOS housing policy and action in the years ahead, GOS responsibility for housing policy is fragmented and responsibilities unclear. Responsibility for the initiation and implementation of the Government's housing policy is with the Ministry of Local Administration, but there is no separate department within the Ministry set up to deal specifically with housing. At present, the Ministries of Finance, Works, Power, and Communications, and the Departments of Establishments and Training in the Office of the Prime Minister become involved in housing matters.

The Department that evidenced to our Team the strongest degree of interest and cooperation was the Department of Economic Planning and Statistics - which is not

mentioned in the long list of the CHC report. At the time of our visit, the Department's Permanent Secretary, Mr. Nxumolo, was preparing to move to the post of Permanent Secretary of the Ministry of Finance where he would hold some-what more direct responsibilities for housing policy.

A basic recommendation of the report calls for establishment of some kind of national housing authority -- the Swaziland Housing Corporation. The CHC recommended that responsibility for implementation of all GOS housing policy should be placed in one Minister of Cabinet rank. The Report did not recommend a separate ministry, and the question of where in the GOS to place the proposed Swaziland Housing Corporation is still unsettled.

The report also suggests - perhaps too optimistically - that the proposed Swaziland Housing Corporation "would assess the demand, initiate development, and ensure the availability of credit, as needed, to satisfy requirements."

If the CHC report is followed, the CDC would provide interest free loan capital of two million rand as well as the necessary funds for the management of the Swaziland Housing Corporation.

There is considerable discussion of the CHC report. Although portions have encountered substantial resistance -- the suggestion, for instance, that government subsidized pool housing for civil servants be placed on an unsubsidized economic basis - it seems safe to say that whatever GOS does will be based on this report, a copy of which is attached as Annex A.

Given the CHC's previous involvement and both the present and intended financial involvement of the CDC, it must be recognized that the Government of Swaziland will continue to require the predominant "sphere of influence" of the Commonwealth Housing Corporation.

PART III: TECHNICAL REPORT

1. Construction Industry

A construction industry (indigenous builders) is just emerging. (See Exhibit VI). Only during the past two years have indigenous builders, generally former lead men in the building trades, been recognized as such. They are hampered by lack of management experience, capital, and financing; and it was reported that during the time for the visit of the team none could make a 10% surety bond. Building material suppliers work on a cash basis, and payouts are made to the local builders based on certification of work in place by appropriate authorities in the Ministry of Works, lending institution employees, or the clerk of the works.

There are highly qualified South African firms and builders (generally Portuguese) who do operate in Swaziland, but it is understood that competition is non-existent and costs are high.

Professional engineering services are generally provided by either South Africans doing business in Swaziland or South African-based firms. One American architect (Hodgson) practices in Mbabane. He was engaged in supervising the extension to the Holiday Inn, and serves as consultant to the Ministry of Health.

A master builders association with Swazi-chartered European and South African membership exists.

Mr. G. Alan Major, who helped draft the first ten-year master development plan for Swaziland in 1968, is at present serving under SEDCO, Swaziland Economic Development Corporation, an approved United Nations project capitalized at \$1 million. Half of the funds come from the Government and half come from the Credit and Savings Bank. One of the programs under SEDCO is to organize,

train, and improve the capabilities of Swazi builders. At the present time, one young man (Mr. Duncan, a member of the International Volunteer Services) is doing an excellent job in the field, providing on-the-job training to local Swazi builders in estimating, construction project management, and construction accounting. Mr. Major said that senior staff were being sought for expanded development.

A local builders association was recently established under the guidance of SEDCO, and an industrial training center is functioning under UN auspices. The center has a twelve-month training program for construction tradesmen, using the building brigade concept.

2. Land

- a) Ownership of Land - There are three main categories of land tenure in Swaziland:
 - 1) Individual Freehold Title - As its name implies, this is freehold land in individual ownership, and it is applicable to numerous farms and a fair proportion of residential land in urban areas.
 - 2) Government Freehold - Old Crown Lands. Within the confines of urban administration this tenure is applicable to the major proportion of land available for residential development, or redevelopment, where squatter development has encroached.
 - 3) Swazi Nation Land - The rest of Swaziland. Such land belongs to the King, to be held in trust for the Nation. It is primarily still occupied by Swazis in the traditional manner. Each Swazi is entitled to the use of a plot of such land for agricultural and residential purposes. Allocation is made by the Chiefs. The user acquires no legal title to such land, and

he can be moved or lose the right to his allocation.

It is worth stressing that almost half of the land available for private ownership is currently owned by expatriates. This is in striking contrast to Lesotho where the lack of freehold land has largely prevented expatriate ownership or land speculation.

The very fact that Swaziland's modern sector is foreign owned and the fact that non-Swazi comprise almost half the country's property owners have policy implications for AID. Unless loans were specifically limited to Swazi citizens of African descent, the chief beneficiaries of a mortgage guaranty program could easily be foreigners.

- b) Characteristics of Available Land - There is ample land for housing developments to serve Mbabane and Manzini and the area between. Unimproved land is available in plots of up to 30 sites in these two areas. Outside of these, there is very little demand for housing, except a small need for workers' housing for agricultural enterprises, canneries, and mines.

Soil problems may be encountered. Much of the area is heavily eroded, and rock formations exist.

- c) Land Prices - Lot sizes range from a minimum 3,750 square feet, the larger size resulting from the local practice of building a second, rental house on the lot.

Prices quoted for these lots ranged upward of R500 (\$700) per undeveloped lot and from R800-900 (\$1120 - \$1260) to R 1200 - 1300 (\$1680 - \$1820) per developed lot, with urbanization costs of 15% included.

- d) Land Use Controls - In 1968, ten-year master plans were prepared under British direction for both Mbabane and Manzini. These plans are being used for guidance for development. The master plan includes lands designated for low-income, middle-income, and high-income housing which totals over 1,500 acres in the Mbabane area. In the Manzini area, the total is over 1,000 acres. Schools and community facilities are included. Low-income housing will generally require a government subsidy of some sort. Attached, as Exhibits II and III are the master plans for Mbabane and Manzini with areas, type of ownership, and designation of type of housing shown.

Official land records are maintained in Pretoria, the capital of the Republic of South Africa. Title applications must be sent to Pretoria, and processing time is lengthy. There is a requirement to start construction within two years of land allocation. Violators are subject to penalties ranging from R.25 to R 1.00 per month.

- e) Taxes and Assessments - Real Estate taxes are levied annually, based on municipal evaluation. In Mbabane and Manzini the rate is R.04 per 100 rand on unimproved land and R.05 per 100 rand for improved land also at 100% evaluation.

Refuse collection charges are R.75 per month per residence, and there is provision for levying costs of improving roads from gravel standards to macadamized standards upon the property owners, on a front-foot basis. There is private township legislation which provides for turnover to the city when road facilities are

brought up to city standards.

3. House Types

Construction of public housing is generally of the same type -- concrete slab on grade, with cement block, exterior and interior walls, corrugated or asbestos sheet roofing (see Exhibit XII), steel casement windows, and door frames. Central heating is not provided, and space heaters are generally used. Bedrooms may be provided with exterior doors, as they are frequently rented as a means of helping to defray the cost of the owner or renter.

Public housing is generally built to the same plans and detail, regardless of the location, and without any particular recognition of the variations of climatic conditions which exist in Swaziland. The basic planning of living units has changed very little since colonial times, except for the incorporation of steel window casements and door frames.

Squatter houses are traditionally built of a tied tree branch frame, stone-filled walls, mud used as cement and plaster, a hard mud floor, and corrugated metal roof. Lighting is generally provided by torch or candles, and no amenities are included.

4. Utilities

a) Water - In Mbabane and Manzini, water supply is adequate.

Sources are the rivers, with impounding dams. The water supply systems meet class A International Standards. (See Water Reticulation Plan Mbabane, Exhibit VII - Manzini, Exhibit VIII).

Mbabane and Manzini currently have water expansion projects underway for 100 million rand and 600,000 rand respectively. These expansions are financed from loans through the banks, currently at 8% short-term (two-years renewable). About 100

million gallons per day peak are used in Mbabane and Manzini, with a mean average of about 800,000 gallons per day. Anticipated increase is scheduled at about 15% per year. Water supply to users is metered at a rate of R.35 per thousand gallons, which is expected to increase in the near future to R.50 per thousand gallons for the first 100,000 and R.40 per thousand gallons thereafter. It was reported that plant costs over the past two years had increased 20% for materials and 20% for contractors costs. On an average residence, consumption ranges from six to fifteen thousand gallons per month.

- b) Sewage - Approximately 25% of residential and business areas in Mbabane and Manzini are presently served by a central sewage system. (See Exhibits IX and X). The annual costs for sewage per household are about R 3.6 based on an average of 3 point outlets per house. Connection charges per housing unit are R 15.

The majority of residences are served by septic systems. Prior approval of the Health Department is required and granted, even though at this time soil conditions in Mbabane and Manzini are generally unsuitable for septic systems. Connection charges per housing unit to the sewage system are R 30. Legislation does exist to require users to connect with systems when available, but it is not generally enforced.

The minimum lot size on which a septic tank may be built is 1/4 acre. The present sewage plant is at capacity, and construction for a new sewage works has been started.

- c) Electricity - Electricity is provided by the Swaziland Electricity Board (See Schedule of Rates, Exhibit XI). Demand is increasing about 20% per year in Mbabane and 10% per year in Manzini. Hydro-electrical plants and diesel power are the sources. If rates will provide for return of capital expenditure within two years, no charge to the developer is made to expand the system. Otherwise, the developer pays the balance. Plans call for the Swaziland electrical system to be tied in with the South African grid in 1972. Telephone lines are carried separately from the electrical lines.

5. Construction Costs

- a) Housing Construction - Construction costs for public housing (see chart, Exhibit XII with house plans) and typical bill of materials for low to middle-income earners range from R3.5 to R6.0 per square foot, which includes builder's profits estimated from 20 to 30% under little, if any true competition. These profits were quoted by government officials for the European builders and expatriate South African firms as normal in the area.

Construction costs for the few projects being built by indigenous builders were being constructed under close Ministry of Works supervision on a cost of materials and labor basis. Profit as such was not a factor.

The Government Quantity Surveyor was not engaged in any cost reduction studies, but the Architect's Office under the Ministry of Works planned to conduct some research involving pre-fabricated housing units, with the hope of some cost reduction. As a general

observation, and in relation to the housing technology and market which exist in Swaziland, it is questionable whether reduced costs of any significance will result. With a plentiful supply of labor, intensive construction projects should probably be considered. It was stated by local architects and those in government that any cost reduction per living unit experienced by builders of multiple unit blocks were not passed on to the purchaser. Until a house is planned on an economic basis to fit local housing requirements, using locally available materials and within the capability of an indigenous construction industry, as it hopefully will develop, built within a competitive framework, it is not believed that present construction costs will be reduced for the type of public housing usually provided.

Estimating on the same basis as housing types currently being provided and current housing construction costs, a single-family detached house of approximately 500 sq. ft. (two bedrooms, living room, kitchen, and bath) can be built to acceptable standards for approximately \$3,000, or a unit cost of \$6.00 per square foot. Small reduction in cost below this figure might be realized over a period of time as a result of technical cost reduction studies and related redesign, improved construction management and improved labor efficiency. To this figure should be added cost of land and urbanization.

- b) Land - As previously indicated, undeveloped lots cost about R 500 (\$700), urbanized lots range in price from R 800 - 900 to R 1200 - 1300 (\$1120-1260 to \$1680 - 1820).

Swazi Nation lands, if available without cost, could be a form of subsidy for a Housing Guaranty development. However, it is likely that costs of urbanization would be required to be passed on to the purchaser.

- c) Labor Costs - Labor costs have not increased in relation to costs of materials and equipment. Unskilled labor is paid about \$1.00 per day or less. Skilled labor mechanics (masons, plumbers, electricians) are paid up to \$5.00 per day. There have been local shortages of skilled labor experienced for short periods of time.
- d) Minimum acceptable house price - Given the above data, the minimum acceptable completed house on a fully urbanized lot would cost a total of, say \$4,200 to \$4,800. The relatively large proportion of this cost going into the land requires further analysis to see if smaller costs involving a less-costly utility distribution system can be marketed.

6. Local Regulations

Building regulations exist in Mbabane and Manzini, and controls are exercised through committies of the Town Councils. Outside of these two towns, the responsibility rests with the Ministry of Local Administration, a national office. Building inspection is accomplished at three stages of construction -- when foundations go in, when the building is roofed, and a final inspection which is conducted by the Ministry of Health and which results in a certificate of occupancy, is made. There is a nominal building permit fee levied on a sliding scale based on the estimated cost of development.

There are squatter areas generally located on Swazi Nation lands, but no community responsibility is exercised over these areas. There is generally a central water point for the occupants. Taxes are not collected, but many of these areas could be developed with a site and services program.

PERSONS CONTACTED

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Alex Taylor, Accountant
Peter Forbes, Land Developer Manzini

ANNEXES and TECHNICAL EXHIBITS

Annexes

- A. - "Housing in Swaziland" Report to Government of Swaziland from Commonwealth Housing Corporation Limited. (January, 1971)
- B. - "Government Housing in Swaziland" - Memorandum by Economic Planning Office, Government of Swaziland, August, 1970.
- C. - Report of a Mission to the Ministry of Local Administration, Government of Swaziland on Housing Policy, Programming and Proposals for Establishing a National Housing Authority - by R.E. Fitchett, Regional Advisor, Housing Finance, United Nations Economic Commission for Africa, Addis Ababa. - February 14, 1968.
- D. - (1) Report on the 1966 Swaziland Population Census, Swaziland Government, Mbabane, 1968.
(2) Report on the 1966 Swaziland Population Census: Distribution and Density Maps, Swaziland Government, 1968.
- E. - Projection of Housing Requirements
- F. - Excerpts from "Economic Position and Prospects of Swaziland," - International Bank for Reconstruction and Development, IDA, March 1, 1971.
- G. - Bank Reports
 - (1) Swaziland Credit & Savings Bank
 - (2) Swaziland Building Society
- H. - Swaziland - Annual Statistical Bulletin, 1970
- I. - Report of the Enrolments and Conditions of the Public Service and the Teaching Services of Swaziland, 1967.

ANNEXES and TECHNICAL EXHIBITS
Continued

- J. - Swaziland - Recurrent Budget Estimates for the Financial Year, 1970/71.
- K. - Excerpts from "A Report on the Employment and Wages Survey," Swaziland Central Statistics Office, December, 1969.
- L. - Miscellaneous Material on Swaziland: Background Notes, Post Report, etc.
- M. - Report of a Survey of Housing in Msunduzi - Mbabane

Technical Exhibits

- I. Plan - Matsapa Industrial Area, Water Reticulation.
- II. Plan - Mbabane: Development Plan Proposals (land use zoning to 1978, communications).
- III. Plan - Manzini: Development Plan Proposals (land use zoning to 1978, communications).
- IV. Plan - proposed Ngwane Park Township extension (district of Manzini).
- V. Minutes of the Council Chairman, Council of Mbabane for the period April 1, 1970 to March 31, 1971.
- VI. List of indigenous builders.
- VII. Plan - Mbabane Water Reticulation.
- VIII. Plan - Manzini Water Reticulation.
- IX. Plan - Manzini Sewerage Reticulation.
- X. Plan - Manzini Sewerage Reticulation.
- XI. Schedule of Standard prices for Electricity.
- XII. Plans - of various standard house types.