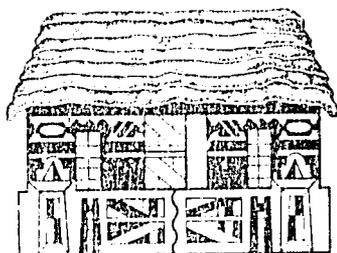
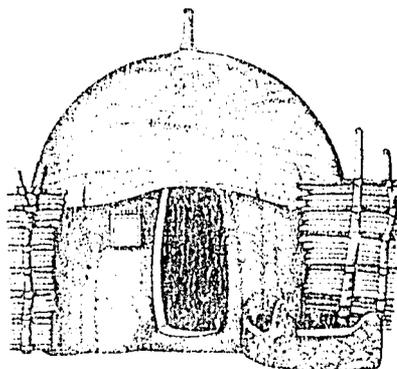
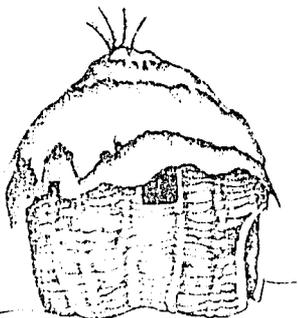
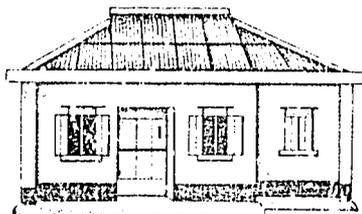
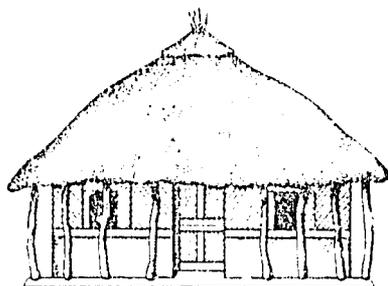


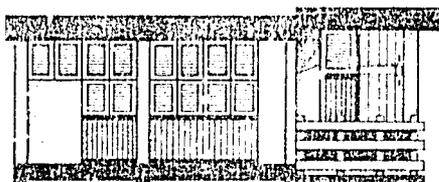
1986
PROCEEDINGS
OF THE TENTH CONFERENCE
ON HOUSING AND URBAN DEVELOPMENT
IN SUB-SAHARAN AFRICA



**PUBLIC AND PRIVATE
SECTOR PARTNERSHIPS
IN HOUSING AND
URBAN DEVELOPMENT**



Ministry of Public Construction
and National Housing
Republic of Zimbabwe



Office of Housing and Urban Programs
The United States Agency for
International Development

Proceedings of the Tenth Conference
On Housing and Urban Development in Sub-Saharan Africa

PUBLIC SECTOR AND PRIVATE SECTOR PARTNERSHIPS
IN HOUSING AND URBAN DEVELOPMENT

Harare, Zimbabwe
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Sponsored by

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and

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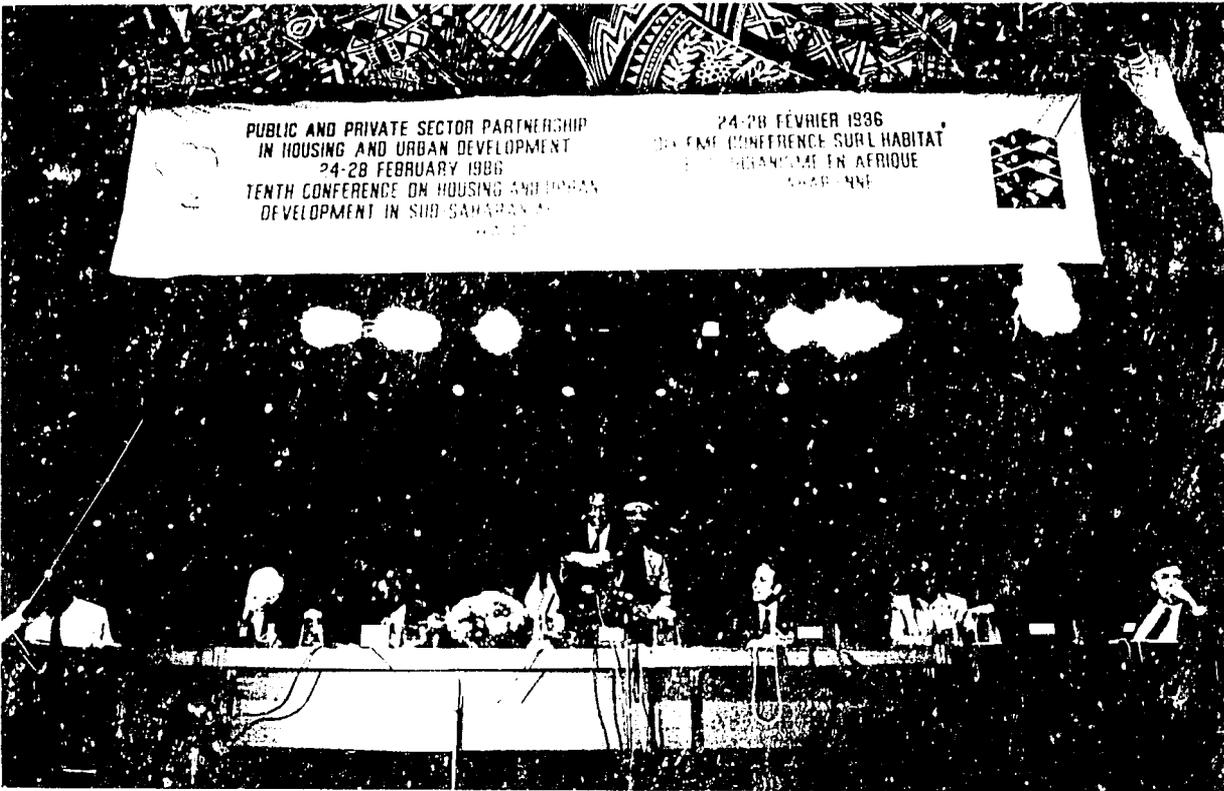
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The opening of the 10th Conference on Housing and Urban Development.

OPENING CEREMONIES

The tenth Conference on Housing and Urban Development in sub-Saharan Africa was opened on February 26, 1986, by the co-hosts, Mr. M.M. Chenga, Permanent Secretary, Ministry of Public Construction and National Housing, Republic of Zimbabwe, and Mr. Peter M. Kimm, Director, Office of Housing and Urban Programs, United States Agency for International Development.

The Hon. S.S. Mumbengegwi, M.P., Minister of Public Construction and National Housing, introduced the Prime Minister of the Republic of Zimbabwe, the Honorable R.G. Mugabe, M.P., who delivered the opening address. The Conference keynote address, "Public and Private Sector Partnership in Housing and Urban Development" was presented by Dr. Jack Carlson, Executive Vice-President, National Association of Realtors, U.S.A.

INTRODUCTORY REMARKS BY THE MASTER OF CEREMONIES
CDE. M.M. CHENGA, THE PERMANENT SECRETARY
THE MINISTRY OF PUBLIC CONSTRUCTION AND NATIONAL HOUSING

Ladies and Gentlemen
Comrades and Friends,

It is my pleasure to welcome you all to Zimbabwe, the City of Harare and to The Harare International Conference Centre. It is now my honour to introduce the following dignitaries:

HONOURABLE DEPUTY PRIME MINISTER, CDE. SIMON MUZENDA,

HONOURABLE MINISTER OF PUBLIC CONSTRUCTION AND NATIONAL HOUSING, CDE. S.S. MUMBENGEWI,

HONOURABLE DEPUTY MINISTER OF PUBLIC CONSTRUCTION AND NATIONAL HOUSING, CDE. MARERE,

HONOURABLE MINISTERS, GOVERNORS AND DEPUTY MINISTERS,

YOUR EXCELLENCY THE AMBASSADOR OF THE UNITED STATES OF AMERICA, MR. D. MILLER,

DIRECTOR OF THE OFFICE OF HOUSING AND URBAN DEVELOPMENT, U.S. AID, MR. PETER KIMM,

UNDERSECRETARY GENERAL AND EXECUTIVE DIRECTOR OF THE UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS, UNCHS, DR. ARCOT RAMACHANDRAN,

EXECUTIVE VICE PRESIDENT OF THE NATIONAL ASSOCIATION OF REALTORS, DR. J. CARLSON.

It is my greatest honour to call upon the Honourable Minister of Public Construction and National Housing who will now introduce The Honourable Prime Minister of the Republic of Zimbabwe.

SPEECH BY THE HONOURABLE PRIME MINISTER, COMRADE R.G. MUGABE
THE OFFICIAL OPENING OF THE TENTH CONFERENCE
ON HOUSING AND URBAN DEVELOPMENT IN SUB-SAHARAN AFRICA



Prime Minister Robert Mugabe delivers the opening address.

It gives me great pleasure to be here this morning to officially open the Tenth Conference on Housing and Urban Development in Sub-Saharan Africa.

Zimbabwe is highly honoured to have been chosen as the venue for this Conference - the first of its kind in the short history of our independence. Let me take this opportunity to welcome to Zimbabwe those of you who have travelled from beyond our borders to participate in this Conference. We hope your visit will at the end prove to have been enjoyable and fruitful. We shall certainly do all possible to make it so. Comrades and friends, Zimbabwe is hosting this important Conference at a crucial time in the history and development of our country. The rigours of our liberation war are now history. We are now faced with another, equally rigorous war, the economic war. Our Three Year Transitional

National Development Plan has just come to a conclusion. The objectives of this plan were rendered difficult to accomplish in full by the severe world economic recession and three successive years of drought. We are now on the threshold of launching our Five-Year National Development Plan, which the general world economic climate and the weather permitting, is aimed at galvanising our economy by paying special attention to the material productive sectors. We are aware that other states in sub-Saharan Africa have similar or comparable development plans and objectives.

The importance of urban development and well-designed housing programmes within the context of such development plans cannot be over-emphasized. My Government, through its Ministry of Public Construction and National Housing, and the United States Agency for International Development (U.S. AID) are co-sponsoring the current Conference for which we pledge our fullest support. U.S. AID is playing a very important role in housing and urban development activities in Zimbabwe. The magnitude of the U.S. AID contribution is substantiated by the enormity of the U.S. AID co-financed low-income housing programme which is being implemented in the City of Harare and the secondary towns of Marondera, Kadoma and Chinhoyi. My Government wishes to express its sincere appreciation of this significant and meaningful cooperation between U.S. AID and ourselves.

Ladies and Gentlemen, the theme for this Conference, "Public and Private Sector Partnership in Housing and Urban Development" is both significant and timely. For us in Zimbabwe, the Five-Year Development Plan I have referred to, recognises the need for this partnership. Further, the question of housing in both urban and rural areas including growth points, rural service centres and planned villages will receive particular attention. I have no doubt that other sub-Saharan countries will find this theme just as significant and timely.

This Conference has drawn and attracted political leaders, experts and professionals from sub-Saharan Africa representing the public and private sectors, parastatal bodies, non-governmental organisations, academic and training institutions and other agencies. Let me once again express the hope that from this pooling of various experiences a clearer understanding of housing and urban development issues will evolve and enable the formulation of plans for practical cooperation. Cooperation in the development of human settlements in the African region in particular and in other regions of the developing world in general is considered extremely vital by my government. Exchange of experiences, information and ideas is a dynamic process and it is our sincere hope that this Conference will provide yet another important step towards deepening such cooperation.

Comrades and friends, we should bear in mind that the sub-Saharan region has not escaped the consequences of the world recession and the severe decline in commodity prices of the last decade or so. In addition, we have one of the highest population growth rates (3.% per annum) in the world and have been experiencing rapid rates of urbanisation due both to natural population growth and rural-urban migration. These problems have been compounded by the frequent occurrence of natural hazards such as droughts and floods which have stifled economic growth.

Our consequential inability to provide the basic requirements for our people is evidenced by various forms of urban degradation and squalor such as malnutrition, disease, slums and squatter housing.

The region is therefore tasked with finding effective short-to long-term solutions to the legitimate demands of our people for good and adequate shelter and related infrastructure such as water and sanitation, electrification, health care, educational facilities, transportation, communication and banking services.

These services contribute considerably to the general welfare of a society and are consequently an important socio-economic indicator of the living standards and quality of life of its people. In essence, housing and urban development activities form an integral part of the national economy and should therefore be given due emphasis in national development plans and investment programmes.

A vigorous housing and urban development programme is essential for industry and for the generation of employment. Yet, housing continues to be one of the most neglected aspects of our development efforts in the Third World and in other countries the world over. There are very few, if any, countries in the world today that would boast of having adequate housing for all their citizens. We must therefore take firm action to give priority to housing as an integral aspect of our developmental initiatives.

It is common knowledge that wealth is generated through the exploitation of natural resources and sub-Saharan Africa is endowed with these natural resources. These resources, by and large, were exploited by the colonial powers whose form of economic organisation was capitalist and, after independence, the private sector continued to dominate and control these post independence economies. It therefore follows that the private sector has an inescapable obligation and a social responsibility to invest in housing and urban development.

The partnership which is being called for between the public and private sectors would involve the mutual mobilisation and sharing of resources and combination of effort to improve the performance of the housing and urban development sectors in the region. I must however acknowledge that there is partnership already, to some extent, as exemplified in Zimbabwe

by the housing guarantee scheme. My Government's objective is that such joint effort be consolidated not only in the housing and urban development fields but in other sectors of our economy as well.

It is also essential that the private sector, as employers, become fully conscious of their national and social responsibilities. Central to the social needs of each worker is shelter. The acceptance by employers to provide shelter for all their workers, would be a first step towards a wholesome alliance between the public and private sectors in the field of housing and urban development.

When such a partnership has been fully established, then the way would be open for joint efforts into applied research in appropriate technology, indigenous construction materials and the decentralisation of industrial operations to small towns, growth points and rural service centres.

The areas of collaboration I have mentioned are by no means the only ones. However, it is only through such public sector and private sector cooperation or joint effort that effective strategies can be formulated and implemented to overcome the problems of housing and urban development.

Distinguished Guests, Comrades and Friends, I am sure that at the end of your deliberations, we in sub-Saharan Africa will appreciate better how the issue of public and private sector partnership in housing and urban development might be translated into concrete programmes of action for the improvement of the conditions under which our people live. We hope that the conclusions you reach will have application in other sectors of our economies as well.

OPENING ADDRESS BY PETER M. KIMM
DEPUTY ASSISTANT ADMINISTRATOR, DIRECTOR,
OFFICE OF HOUSING AND URBAN PROGRAMS,
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

This is the tenth time, starting in 1972, that the United States Agency for International Development has co-sponsored this Conference.

It has been my honor and privilege to participate in each of these meetings, as co-chairman, and I am most pleased to do so today. I would like to join our hosts from Zimbabwe to welcome many old friends and some new ones to this handsome city and this beautiful country.

The urbanization process has continued, unabated since we met two years ago in Dakar, Senegal. Each of us knows this as we face our day to day responsibilities. Each of us struggles to meet the challenge with the resources at our disposal.

These have not been untroubled times anywhere, and this has been especially true in Africa. Serious economic, political and social problems remain with us, some of them quite intractable.

Yet, without minimizing the many problems, I continue to believe there are substantial reasons for optimism. Despite all the problems, the towns and cities continue to grow, and to function rather well. Countless millions have sought a new life in the city and, by and large, have found at least part of what they were seeking: increased opportunity, an education for their children, and for some - a home of their own.

Experience tells us that the best results have been obtained when the public sector provides the climate and sets the scene to permit maximum private initiative. Given the opportunity, people produce the housing. Government needs to facilitate the provision of land and urban services, and to provide a regulatory climate which permits initiative.



Peter M. Kimm, Director, Housing and Urban Programs, USAID.

For the next three days we will discuss and debate this theme of public-private partnership, and its relationship to housing and urban development.

This year we will use a different approach than we have in the past. There will be a limited number of formal presentations, and the principal work of the Conference will be done in relatively small committees. We know that there is a great deal of expertise in this room, and we hope that each of you will play an active role and make a real contribution. Through discussion and debate in sub-committee and committee, the Conference will arrive at specific recommendations. These recommendations should provide valuable guidance for action by each of us when we return to our work.

KEYNOTE ADDRESS

PUBLIC SECTOR AND PRIVATE SECTOR PARTNERSHIP
IN HOUSING AND URBAN DEVELOPMENT

Dr. Jack Carlson
Executive Vice President
National Association of Realtors, U.S.A.

Ladies and Gentlemen,

It is an honour and a pleasure to participate in the Tenth Conference on Housing and Urban Development in sub-Saharan Africa. It is with a view to partnerships among Governments and across all sectors of society that we are here seeking better shelter and urban conditions in Africa.

I want to thank Prime Minister Mugabe for his generous welcome and his Government's invitation to address this distinguished group. It is exciting to see a vigorous country like Zimbabwe involved in sustained dialogue as to how people can improve their economic and social conditions through reliance on the best that the public and private sector can provide as working partners. I think that this Conference will serve as a milestone for all of us.

I have been a spokesman for two of the largest United States private sector trade associations during the last ten years, The National Association of Realtors and the National Chamber of Commerce. For twenty years before that I served in the United States Government as a full-time appointee for Presidents Eisenhower, Kennedy, Nixon, Ford, and a part-time appointee of Presidents Carter and Reagan. I was involved in setting policy and managing programs concerned with economic policy, budget, housing and urban development, energy, minerals, water, land use,

and relationships between national and local governments. I have dealt at great length with establishing and facilitating public/private partnerships, including those involving housing and urban development. These partnerships have been useful in most cases for the country and for both public and private sectors.

The real estate industry, which I represent, plays an extremely important role in the American economy. What are the basic facts? First, homeowners tend to have a higher rate of savings than renters. Following home purchase, there is a tendency to rebuild the level of non-housing savings. Further, non-housing savings of long-term homeowners exceeds that of similar households who choose to rent, and households switching from owning to renting experience a decline in savings. There is, therefore, a positive correlation between homeownership and total savings, both housing and non-housing.

Higher savings rates result in greater capital formation, in turn providing resources for both shelter and industry. A review of U.S. policies on housing and land tenure since the early 1700's, shows that periods in which security of tenure and homeownership were encouraged experienced greater social and economic progress.

Homeownership also results in higher standards of living and provides incentives for greater family stability. It is often associated with lower crime rates and leads to greater community and democratic participation. When people participate in their communities -- when they have a stake in their societies -- they work to preserve their countries from civil strife and wars with other countries. To get this stake, government, the people and the private sector must work together.

Africa faces a tremendous challenge. The growth in population is so great it has consumed all gains in national output in recent years. Per capita consumption is less today than in 1980 and 1970. Per capita food production is estimated to be lower by one-fifth since 1970.

African population growth is not and will not be restricted to rural areas. The perception of better jobs and opportunities pulls people from rural to urban areas despite the problems they face in making the transition from traditional to urban lifestyles. In 1980, about 90 million people lived in the urban areas of sub-Saharan Africa. In twenty years, this figure may triple. As you are well aware, this rapid population growth leads to higher unemployment and underemployment and greater demands for basic services such as transport, shelter, health and education.

How can African governments provide for the needs of the growing urban population? Annual expenditures by governments and assistance from other countries is already small. Government expenditures were only U.S. \$45 per capita in 1982 in low-income sub-Saharan countries. Contributions are helpful and indispensable but, sadly, are not likely to grow on a per capita basis in urban areas and thus will likely not be adequate to upgrade urban conditions

Fortunately, as has been shown in urban areas throughout Africa, where government resources and subsidies are not adequate to cope with the rapid population influx, people will provide for themselves. Governments need to capitalize on this initiative by helping people to help themselves.

How can this be accomplished?

- (1) By gaining additional resources -- through encouraging longer working hours and improved skills, promoting greater savings and wise investment, and advocating the more efficient use of land.
- (2) By promoting the private sector and creating effective private/public partnerships.



Delegates from Zaire.



Mr. Jack Carlson presents the keynote address.

Governments, by their nature, tend to be distant and cumbersome. By harnessing the resources of the private sector and individual initiative and energy, governments can relieve themselves of some of the burden of shelter and urban infrastructure provision. Having worked in both the public and private sectors, I am convinced that new and more effective partnerships can and must be made for providing housing and urban development.

The basic building units for partnerships are the households who are willing to work to improve their shelter. Partnerships should be more oriented toward and driven by households needing secure and adequate housing and urban services. Self-help housing should be encouraged. In doing so, a variety of benefits are gained, including increased employment, the development of construction skills, and the creation of viable communities and ancillary self-help activities. Provision of shelter is an engine for greater economic growth and social progress.

The world community is recognizing the need for forging public/private partnerships. The World Bank and the International Monetary Fund have committed themselves to restructuring programs in order to improve the provision of goods and services. This emphasis on "restructuring" necessarily involves improving public-private partnerships to gain more from existing resources and to mobilize new resources.

The United Nations's Commission on Human Settlements is emphasizing the need for public-private partnerships as they provide leadership for us all to meet the needs of shelter for the homeless.

The newly formed International Shelter coalition, represents the private sector's effort to contribute to the International Year for Shelter and to help provide more adequate shelter. The coalition, organized by the

International Real Estate Federation (FIABCI), the U.S. National Association of Realtors and the International Union of Building Societies and Savings Associations, will sponsor the Second International Shelter Conference to be held in Vienna, September 10-12, 1986. Conference participants will include the World Bank, IMF and aid-providing countries. Hopefully, representatives from your country's private sector will participate in the Conference. Following the Vienna Conference in 1986, there will be a summit meeting with the U.N. in 1988.

The recognition by these world bodies of the need for partnerships will be an important impetus to their establishment in both the developed and developing world.

Everyone recognizes that partnerships are not easy to create. The beneficiaries of the partnership, whether they be government ministers, civil servants, private companies, providers or users may resist change because they fear a loss of benefit to themselves and cannot adequately predict how much the loss will be. Over the last 20 years, patterns of shelter and infrastructure provision have been developed in your countries and are now well-established. The introduction of a new order will be difficult and time-consuming.

But as we look at development experience over the past decade, it is clear that many developing countries will be unable to recover from recession and debt crisis and move back to the path of development and growth without, among other things, public/private partnerships. The creation of conditions under which urban productivity and income generation can occur is essential. It is only through such partnerships that urban poverty can be alleviated and that cities can play a positive, productive role in the national economy.

Within some of your countries, the need for partnerships has already been recognized. Some of you are now carrying on a dialogue between the public and private sectors. Others may wish to do so. We will all share our experiences during this Conference and you will likely obtain ideas which can be adapted to each country taking into account its history, culture and needs.

As urban decision makers who control the use of scarce resources in the cities, you have a central responsibility not only for the urban sector, but for its role in the national economy. The achievements and failures of development will be particularly visible in the cities and towns of your countries, where your children and grandchildren will live and hopefully prosper.



Prime Minister Mugabe and Fred Hansen, RHUDO, E&SA.

PANEL PRESENTATION

PUBLIC AND PRIVATE SECTOR PARTNERSHIPS
TO ADDRESS THE HOUSING NEEDS OF AFRICA

Royce LaNier
Executive Vice President
Technical Support Services, Inc.
Washington, DC

Introduction

Many of you have attended one or more of the previous conferences on Housing and Urban Development in Africa. As you know, the objective of these meetings is to share experience and to focus attention on issues of mutual concern. At this, the Tenth Conference, we will explore the potential of forming partnerships between the public sector and the private sector to address the housing needs of Africa. For some of you, particularly those working in the private sector, this may be the first of these conferences you have attended. We trust you will join in the subsequent discussions allowing others the benefit of your experience. It is our objective in this conference to set a framework for dialogue on broad issues of public/private cooperation which we hope will continue in your individual countries to address specific programs and actions to promote public/private partnerships.

My task this afternoon is to introduce the broad concepts and to suggest issues for further consideration by sub-committees which will be formed at the end of this session. I shall first provide you with an overview of the Changing National Development Strategies which have led to the selection of this conference theme. I shall then discuss briefly the Impact of Housing on Economic Development and the Potential Benefits of Public/Private Partnerships. Then I shall outline the types of



The Honourable S.S. Mumbengegwi, M.P.
Minister of Public Construction and National Housing.

partnerships intended to affect the availability of Housing Finance and those intended to increase Housing Production. Finally, I will discuss five alternative ways of Initiating Public/Private Partnerships which will serve as the broad topics for discussion by the sub-committees. First, we will look at the overview.

Changing National Development Strategies

During the 1980's, we have seen a shift toward economic pragmatism in the development policies of many governments covering the broadest possible spectrum of political philosophies. For example, in 1984 the Communist Party of the People's Republic of China approved urban economic reforms which include a national policy of privatization. As a result, market mechanisms are being introduced within a tightly controlled economy, state-owned enterprises are being forced to deal with economic realities, the growth of private businesses is being actively encouraged, and foreign private sector investment is aggressively solicited. Let us be

clear, however: this dramatic shift in economic policy does not constitute a change in political philosophy. The current leadership in the PRC has charted a bold plan to stimulate economic growth by creating a vital private sector while maintaining the controls necessary to avoid potential abuses and minimize inequities which might otherwise result from a rapid shift in the control of large capital assets. These issues are discussed in greater detail in a Case Study entitled "Creating a Market-Oriented Socialism" which is presented in the background paper prepared by LaNier, Massoni and Oman of Technical Support Services, Inc. for this conference.

During this same period, the United States has cut back on federal spending, reduced taxes, and modified many government regulations which restricted private sector activities in an effort to stimulate growth of the world's largest capitalist economy. Because of these changes in federal policies, local governments in the U.S have recognized that they must leverage their more limited public assistance funds through partnerships with the private sector. Federal laws continue to set broad public policies for the provision of social programs, while local governments establish their own priorities in housing and urban development. Local initiatives have recognized the potential of public/private partnerships and demonstrated that they can provide better services and complete projects more efficiently when restrictions on private sector activities are reduced or eliminated. The background paper also contains a US Case Study entitled "Redefining the Role of Government in Housing."

While excessive government intervention in investment, production and distribution functions is now recognized by many economists and by the major international donor agencies as deleterious to economic development, this does not imply a recommendation to return to the laissez-faire policies of the 1950s and early 1960s. The development lessons of that era include a healthy skepticism of the motivations which drive private sector enterprises, particularly monopolies and very large

trans-national corporations. No, I do not suggest that government abrogate its social responsibilities nor that the provision of housing be left completely to the private sector. But experience does suggest that the role of the public and private sectors in meeting housing needs should be reevaluated in most countries.

The development experience of a few African countries during the 1960s and 1970s offers lessons for others considering private sector or mixed public and private sector approaches to development. A review of U.S. AID's private sector experience prepared in 1985 by Robert Nathan Associates indicates that the economies of Tunisia in North Africa, Malawi in southern Africa, Kenya in East Africa, the Cameroon in Central Africa, and the Ivory Coast in West Africa have each outperformed others in their regions over the past two decades. To a substantial degree, each of them shares common characteristics derived from the performance of their public sectors. These common characteristics include:

- First - a high degree of policy reliance on market systems and private ownership of enterprises;
- second - fiscal, monetary, exchange rate, wage, and trade policies that have been relatively neutral avoiding price distortions that elsewhere resulted in severe misallocation of resources, loss of efficiency, and reduced growth;
- Third - an economy relatively open to international trade and to foreign investment largely because of the policies just mentioned;
- Fourth - broadly competitive and easy-to-enter markets, in part due to the open nature of their economies; and
- Fifth - relatively efficient, honest, and cost-effective public administration.

I do not propose any one of these countries as a model for others to follow, but their experiences should not be ignored. Defining the proper

role of government and the appropriate role for the private sector is an important task that every African government should presently be addressing.

The Impact of Housing on Economic Development

Now let us look at the potentially significant role of housing in national economic development strategies. In the United States, as much as 36 percent of GNP is attributable to shelter and related services and it is estimated that figure would exceed 30 percent in most countries. In Africa, residential construction represents about one-third of all construction and about 15 to 25 percent of gross fixed capital formation. The Nathan study mentioned previously reports that between 1960 and 1977, construction grew at an average annual rate of 7.1 percent in developing countries compared to 2.8 percent for agriculture and 7.6 percent for manufacturing. It is therefore clear that construction is a major contributor to economic growth.

Housing is also a major contributor of jobs, both directly and indirectly. In 1976, housing construction is estimated to have supplied about 10 percent of all jobs in developing countries. Because of its labor intensive character, construction creates a high level of employment per unit of investment. Indirectly, construction also generates demand for construction materials, furnishings, and related goods and services which translates into jobs in the manufacturing and services sectors. While little quantitative information is available on indirect job creation, a review of studies conducted in several developing countries indicates that an appropriate income multiplier for housing construction would be about two. In other words, a specific expenditure on housing will generate twice that amount in national production and income, or stated another way, each housing construction job created will result in indirect creation of another housing-related job.

Some economists have suggested that governments should limit investment in housing to avoid diverting scarce savings and investment resources

from other sectors, but the evidence does not support this course of action. Experience of the AID Housing Guaranty program suggests the opposite, that the prospects of improved housing conditions and security of tenure can generate substantial savings at all income levels, savings well beyond those invested in shelter. In addition, access to home ownership has been informally linked to greater investment of time in housing improvement which translates into formation of "sweat equity" capital. Through home improvement, the individual is able to transform labor into a permanent asset in situations where wage employment and other income-producing opportunities are not available. The incremental approach to home building common in most African countries is a clear example of this process.

Thus, housing can be a powerful force in economic growth as a creator of critical employment and a stimulation to investment while also benefiting society directly through improved living conditions.

The Potential Benefits of Public/Private Partnerships in Housing

Within this broad context of national economic concerns, let us now proceed to determine the potential benefits of public/private partnerships in housing.

At the time of independence, few African countries had viable domestic private sector housing industries. In an attempt to address growing social needs, most governments intervened directly by establishing a central government ministry charged with formulating shelter policy and implementing programs. More often than not, a National Housing Corporation was also created, usually as a parastatal organization, to build houses with public funds.

Unfortunately, direct government intervention has failed to provide decent shelter and basic services to the most needy in virtually every African country. In most cases, this is due to the magnitude of the problem rather than to neglect or mismanagement by the responsible

institutions. It is now clear that if conditions are to be improved for large numbers of people, the task requires resources beyond those available to the public sector alone. Given appropriate incentives, private sector resources can also be directed toward the task. I suggest that it is a proper role for government to determine what incentives are needed to accomplish this objective and that, in fact, it would be negligent for them not to do so.

In Africa, the private sector should be defined as both formal sector institutions and the informal sector, including individuals and small-scale enterprises which employ labor on a casual basis. In many African countries, people can build their own houses if given access to land, essential services and credit. In some cases, private sector builders could provide shelter solutions for the full range of housing needs if unnecessary restrictions were removed. In other instances, outside assistance may be required to stimulate the growth of a private sector housing industry.

Access to the financial and human resources of the private sector is the primary reason to consider public/private partnerships. The potential for generating investment capital for shelter from individual and institutional savings far exceeds that available from public funds. Various ways of accomplishing this will be discussed under the heading of Housing Finance later in this presentation.

Another primary reason for governments to seriously consider public/private partnerships is to gain access to the technical and managerial expertise of the private sector and to impose on particular activities conditions which encourage efficiency. There is no inherent reason why government-owned enterprises or parastatal organizations cannot be as efficiently run as privately-owned ones. In the shelter area, the Korean Housing Bank is an example of an efficient government parastatal which operates like a private sector financial institution

accepting deposits, raising money from the sale of bonds, making a full range of housing-related loans, and providing a number of other housing services. In fact, there are a number of African examples of very well run government-owned or partially government-owned organizations, such as the Botswana Water Authority which operates on a full cost recovery basis, including the amortized cost of its capital investments, much of which is borrowed in international markets, or the Commercial Bank of Malawi which is jointly owned by two parastatals but operates like a private sector company in response to market conditions.

To the extent that government-owned enterprises are run like privately-owned ones, there may not be any clear distinction with respect to efficiency of operation or cost of doing business, but most government-owned enterprises are not subjected to the pressures of the marketplace, nor is the performance of management judged by an unequivocal "bottom line."

It should also be said that certain types of privately-owned enterprises may lack the discipline of the marketplace which leads to management efficiency, notably firms which depend primarily on cost reimbursable government contracts and monopolies of all types. But these are the exceptions, just as market-oriented public enterprises are exceptions. For the most part, privately-run enterprises pay the highest salaries to attract the best technical and managerial staff available and continually judge the performance of that staff on the basis of results. For these reasons, the private sector can usually perform a particular task more efficiently and at lower cost than a public agency. But in structuring public/private partnerships, care must be exercised to see that incentives provided by the public sector partner do not remove completely the market risk aspects of the proposed undertaking as this would undermine the basic force behind management efficiency. It is equally important that the public sector partner's role be defined in such a manner that the project not be restricted by bureaucratic procedures nor subjected to uninformed management decisions. Government officials in

forming public/private partnerships must realize that they are seeking private sector involvement because they do not have the expertise to manage these projects. If the private sector is to be persuaded to risk its own resources, it will have to be given operational control.

The Typology of Partnerships

Assuming that you are now convinced to at least consider the concept, let us look at the two major classifications of partnerships: those aimed at housing finance and those aimed at housing production. Within each, there are a number of possible approaches, some involving direct joint venture efforts between government and the private sector and others involving mutually supportive but independent actions.

The key to formulating successful public/private partnerships is to assure that the objectives of both parties are compatible. In order to do this, one must first determine who the partners are. It is not always enough to view profit as the sole motive of the private sector nor to assume that eliminating risk is essential or even desirable. The operating principles of the private sector are far from monolithic. For example, private lenders seek multiple layers of protection from risk while private developers when perceiving an opportunity assume a risk in order to realize a profit. It is important to remember that bankers are not dealing with their own money. They are generally not well paid, have little experience outside of banking itself, and see their role as fiduciary. In other words, they have very little motivation to change existing patterns of lending. Thus, the most effective way to attract private lender participation is to limit the risk of any new venture to that already being assumed in present lending programs. It is an approach which most government officials understand, therefore public/private partnerships are much simpler with private lenders than with the companies involved in the production side of the housing industry. The primary difference seems to be that manufacturers of building materials, contractors, and developers usually are dealing with their own money. As a result, their motivation is quite different from

bankers or from government officials. In order to better understand the private sector developer, a government official might try envisioning how he would run his agency if he had no salary and had to use his own money to finance his programs or borrow money by putting everything he owned at risk while receiving as income only what was left over after all the bills were paid, including the salaries of all of his co-workers. It is a sobering thought to anyone who has not experienced it. To someone who has, financial incentives may be effective, but removal of restrictions or modification of regulations may be even more effective as they leave the person taking the risk with greater control of his own destiny. This approach may also be much less costly in terms of public resources.

Housing Finance

In housing finance partnerships there are several potential objectives:

- to increase available funds;
- to substitute private funds for public funds;
- to target funds for specific objectives;
- to reduce administrative costs; and
- to enhance management efficiency.

Providing direct government loans to the private sector is one approach to structuring housing finance partnerships. Private sector administration of loan funds provided by government, known as on-lending, is another. Variations of the on-lending approach include blending government funds with private funds, using government funds to subsidize interest rates, and providing government guaranties for private sector loans. These approaches have the advantage of lowering the cost of government and increasing the total resources available for housing. There are case studies on projects of this type in Kenya and Zimbabwe presented in the background paper; and I am sure that some of you have direct experience with such programs.

Government may also organize a secondary mortgage market, institute

compulsory savings schemes, sell housing bonds, or create other similar housing investment programs to attract private funds. Such an approach may require government guaranties in order to attract investors but has the advantage of making long-term mortgages liquid and meeting long-term investment horizons of institutional investors such as pension funds and insurance companies. The background paper also discusses these approaches in greater detail.

In some circumstances, a government guaranty may be used to reduce risk to private financial institutions so that they are willing to make loans they would not otherwise make, such as loans with small downpayments. Other techniques available to government include relaxing credit restrictions or providing exemptions from tax obligations or interest rate regulations to specified housing finance institutions or to institutions making specific types of loans. But these approaches involve actions which disturb market mechanisms and can have unintended effects, such as increasing the money supply and stimulating inflation. Tax concessions may also be effective incentives but have direct budgetary impacts which should be carefully evaluated.

Housing Production

The other broad classification of housing partnerships are those intended to increase housing production. These include direct contractual agreements between the parties and partnerships based on mutually supportive but independent actions. In lieu of direct construction, governments may contract with private developers to build housing units, an approach already being used by local governments and National Housing Corporations in Africa. Alternatively, governments may contract to purchase completed units, an approach known in the United States as "turnkey" construction. Such approaches are effective in increasing production but experience suggests they seldom result in sustained cost savings. Perhaps it would be worthwhile for us to explore in subsequent discussions why this is true and what could be done to alter the situation.

Another approach is for governments to provide direct assistance to private developers with some aspect of the project, such as land acquisition or the installation of infrastructure, or to assist indirectly through incentives, such as takeout mortgage commitments or tax concessions, which will lower project costs or risks thus encouraging private developers to build housing units they would not otherwise build. But certain cautions should be heeded in choosing appropriate incentives. It is all too easy for an inexperienced government official to "give away the store" to a seasoned businessman who sees an opportunity to assure a profit without taking any risk. It is also possible for government to intervene to assist the private sector with a function which could be more efficiently performed without assistance. For example, government intervention in land markets should be avoided where possible as costs are generally increased. In situations where land availability is a significant constraint to housing development, where land tenure is in question or where land markets do not exist, governments involvement may, however, be essential. In such circumstances, the approaches used by private land developers should be used when possible. These include simultaneous negotiation on many parcels in various locations as a means of introducing price elasticity, and the purchase of options which is the right, but not the obligation, to acquire a parcel at some future time. These approaches to acquiring land differ dramatically from those normally used by governments, and illustrate why land costs are generally higher in government-sponsored projects.

An example of a partnership involving both land and infrastructure is the land-pooling program used by the Korean Land Development Agency. This approach can be effective in assembling large parcels of land currently under multiple private ownership for purposes of development. Government participates by providing the infrastructure which makes development possible in exchange for receiving the proceeds of sale from a percentage of the serviced land. The opposite approach would also be possible,

e.g., unserviced government-owned land could be turned over to a private developer who would provide the infrastructure and return some portion of the serviced land to the government for public facilities as well as a percentage of the proceeds of sale of the developed land as compensation for the unserviced land.

Initiating Public/Private Partnerships

In exploring alternative approaches to initiating public/private partnerships, it appears that African government officials have several viable options appropriate to housing programs. In some countries, the most reasonable approach will be to begin with existing private sector housing activities and to find ways of stimulating and encouraging an expansion of these efforts or a broadening of the market segment currently being served. In other countries more dramatic first steps will be needed before the private sector can be expected to participate in housing. In these cases, policies must be examined first with programs growing out of a strategy which addresses constraints as well as incentives needed to build a vital private sector housing industry.

Let us briefly discuss five approaches to initiating public/private partnerships:

- Formulating a national strategy for privatization is an approach aimed at creating a policy environment that supports development of the private sector. In the absence of a policy environment conducive to private sector activities, opportunities for success of public/private partnerships will be very limited. Where the private sector has the capacity, opportunities for successful partnership ventures can be pursued. The China case study presents a most dramatic example of restructuring a country's national development strategy. It is a good example because it illustrates the extent of legal and institutional reform required to effectively implement policy changes. As difficult as it may be to achieve, it is not enough for governments to adopt a white paper saying it wishes private sector participation in housing. While policy change is the essential first step, it must be followed by institutional, regulatory and programmatic changes.

- Assisting local government development efforts is another approach aimed at creating the capacity within the public sector to develop and participate in public/private partnerships. Without capable public sector partners, at either the central or the local government level, projects with the private sector may have limited success, because of such factors as weak project design, slow regulatory reviews, inadequate funds or poor administration of funds. Strengthening public sector capacity may be essential in many cases to implementing successful public/private partnerships. The Ministry of Local Government in Kenya, with the assistance of U.S. AID, is currently undertaking a concentrated effort to strengthen local government capacity to plan and implement development projects. The approach being used in Kenya combines training programs aimed at improving job skills with preparation of standardized guidelines, workbooks, and reporting forms which are to be used by local governments in requesting development funds from central government.
- Establishing special focus institutions and programs is an approach directed at creating comprehensive policies and programs incorporating both public and private sector actions to deal with a specific problem or area. In other words, it is an attempt to solve a number of interrelated problems with a fully integrated effort which includes public and private sector participants. The background paper incorporates a case study from Zanzibar where a Stone Town Preservation and Development Authority has been created to target resources on upgrading shelter conditions in a deteriorating historic neighborhood. In many other situations, this administrative approach has been effective in attracting private investment by focusing attention on a particular area and demonstrating government's commitment to improving conditions.
- Reinforcing present efforts of the informal private sector is an approach designed to tap the skills and resources of an important part of the private sector and increase their capacity to produce needed shelter. What is required here is an understanding of what public sector actions are effective in stimulating the informal sector to increase and improve the quality of its efforts. This is the basic concept behind sites and services projects which provide assistance to individual households during the house consolidation period, and virtually all neighborhood upgrading projects. Many of you have personal experience with such projects as they are being implemented in a number of African countries. The background paper provides detailed information on two case studies, one in Kenya and one in Zimbabwe.
- Refocusing efforts of the formal private sector on low income housing is an approach which uses existing private sector capacity

and, through coordinated actions with the government, creates conditions where formal private sector institutions can see benefits in changing their normal ways of operating. For this approach to be successful, program design must taken into consideration the capacity and requirements of both the public and private sectors, in such areas as risk, amount and type of incentives which may be required, the cost vs benefit of such incentives, and the administrative skills of participants. The case study from Barbados provides an assessment of a project which has been quite successful in convincing private sector financial institutions to lend to low-income households, but has to date had more limited success in stimulating private builders to produce affordable units. Similar projects in Zimbabwe and in Kenya are also described in the background paper.

In determining how to initiate public/private partnerships in housing and what approach would be most effective in achieving public policy objectives, governments needs to carefully assess the situation in the country in general and in the shelter sector in particular. Simply put, governments must first establish policy objectives, then determine the capabilities and the limitations of the public and private sectors, and subsequently adopt approaches that reflect these assessments. The background paper suggests a framework for conducting such an assessment which might be helpful to governments wishing to explore the potential. The framework calls for an assessment of the capacity of both public sector and private sector institutions; a review of the shelter situation, and of the general economic situation. Such an assessment should be conducted by government in dialogue with potential private sector participants.

Conclusion

Within the limitations of a conference format, it will not be possible for us to undertake an assessment of the potential for public/private partnerships in individual countries. It should be possible, however, to initiate discussion of particular issues which would lead to exchanging ideas, sharing experience, and perhaps formulating useful recommendations.

I have identified the five approaches to initiating partnerships which I just described to you as themes to serve as points of departure for

sub-committee discussion. The range of potential topics to be covered within these themes will be presented to you by the sub-committee chairmen.

The objective of our discussions over the next two days is not to reach a consensus on some grand strategy for meeting Africa's housing needs, but rather to seriously assess the potential advantages and limitations of public/private partnerships in addressing shelter needs. The sub-committees are not expected to endorse any single approach as differing circumstances in individual countries will require a broad range of options. But it would be desirable to provide a synthesis of our discussions and produce recommendations for further consideration by individual governments and agencies based on the considerable technical and managerial experience which is represented in this conference.

I thank you for your attention and look forward to joining you in discussion of these issues.



The Delegates from Botswana and Burkina Faso.

PANEL PRESENTATION

PUBLIC/PRIVATE PARTNERSHIPS IN AFRICAN URBAN DEVELOPMENT

Alfred P. Van Huyck
President, PADCO Inc.

Introduction

Two years ago, many of us had the opportunity of meeting at the 9th African Housing and Urban Development Conference in Dakar, Senegal. At that time, we debated the role of secondary cities and market towns in supporting national development.

In reviewing the proceedings from that conference, one can see that the importance of secondary city development was widely recognized, but the preparation of practical, implementable national strategies was the major difficulty.

At this conference, we will explore and debate one major concept which offers new ideas and promise for addressing the practical issues of advancing urban development with economic efficiency and social equity for the poorest citizens.

We call this concept "Public/Private Partnerships for Urban Development." It is not a "plan" or "strategy" for development per se. It is not a magic formula. It is not a panacea for the development issues facing Africa today.

Public/Private Partnerships for Urban Development is a concept that ranges from policies and procedures whereby the public sector can facilitate the growth of the private sector through a broad range of specific action opportunities to jointly undertake essential development tasks.

Most African countries already have working examples of public/private partnerships. We will want you to present this experience and evaluate its contribution to development. We can learn from each other.

During the next two days, we will be able to discuss the full range of potential public/private partnerships within the African development context.

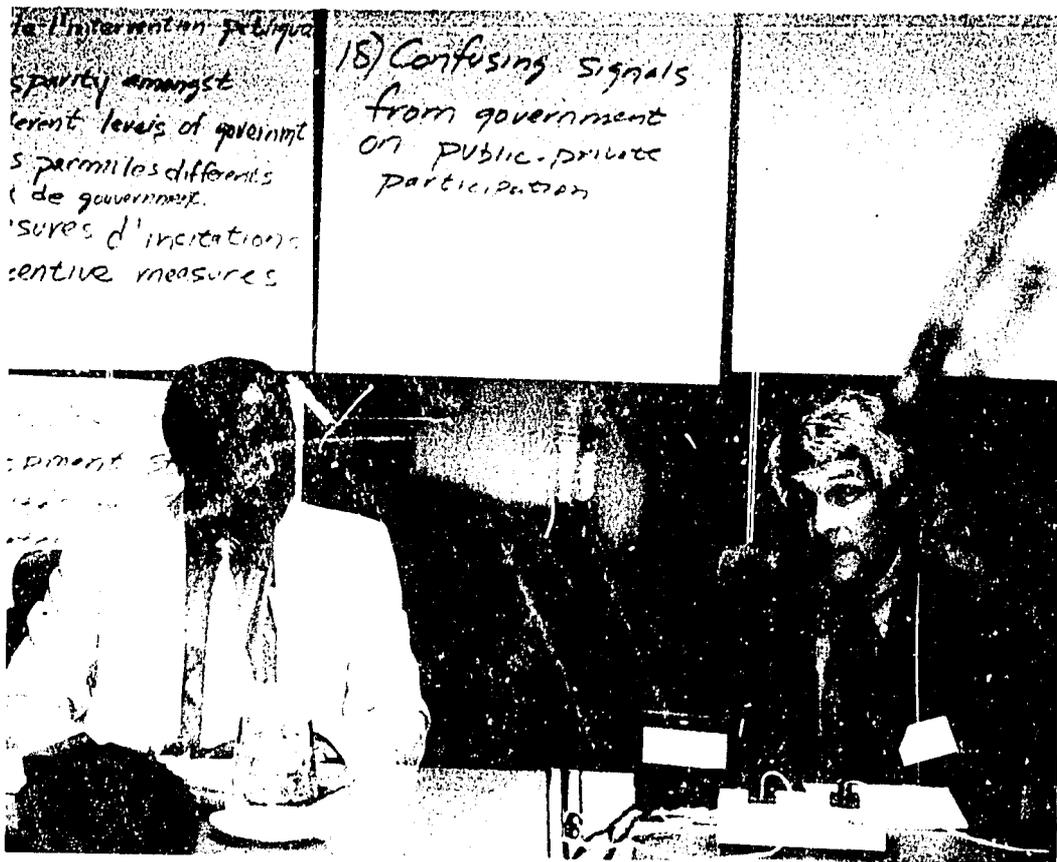
In this paper, I will attempt to briefly set the African development context and focus on the key issues that might usefully structure the discussions which will follow.

The Economic Context of African Development

During the last two years since we met together in Dakar, there have been several extensive efforts to analyze the economic development context in Africa. Most notably, there have been several World Bank studies, and recently a major independent study by the Council of Foreign Relations and the Overseas Development Council in the United States. This latter study can best be described as sympathetic to African development and most willing to spread the blame of poor economic performance to international donors as well as the economic management of the African countries themselves.

The serious litany of economic problems facing Africa today is well documented and well known to African governments and international supporters as well. They include:

- An overall decline in African GNP every year since 1980.
- Average per capita income in real terms in 1983 was four percent below 1970 levels.
- African per capita food production in the mid-1980s is only 80 percent of that of the early 1970s.
- Africa's basic commodity markets have continued to deteriorate and many observers suggest that they have no potential for turn around in the mid-term.
- Even if gross external capital flows are maintained at current levels, net external assistance will continue to drop steadily because of rising debt service costs.



J.M. Zamchia of Zimbabwe and Jose Forzaz of Mozambique

For those of us concerned about the future of urban development in Africa, what can we interpret from these massive economic problems?

It is clear that the overwhelming priority of African governments and international donors alike is to build African agriculture and food self-sufficiency. This is going to require a massive infusion of capital investment at a time when investment capital is scarce and expensive.

Therefore, capital from the public sector or international donors for urban development and shelter is not likely to be forthcoming at a scale commensurate with the rate of urban development to be experienced in the future.

The Urban Development Context

What makes this capital resource constraint so serious for urban development is the enormous growth expected in African urban populations in the years ahead.

The African continent is experiencing the highest population growth rates in the world today. Under any feasible development scenario, the rural areas of Africa cannot productively support these rapid increases. Rural-to-urban migration will continue and could accelerate.

In 1980, about 89 million people were living in urban areas of sub-Saharan Africa. By the year 2000, 260 million are expected to be in urban areas.

African urban growth rates are higher than for all developing countries as a whole in 31 out of 39 cases.

In most cases, this urban population growth is occurring in centers already suffering from severe deficits in water supply, sanitation, power, telecommunications, health and educational opportunities.

Annual government expenditure per capita for the low-income sub-Saharan countries in 1982 was an average of \$45; and, for middle-income countries, it was \$266. Clearly, essential public services and the creation of urban jobs cannot be achieved successfully at these per capita levels of investment.

Of even greater concern, the African population is young so the growth of the labor force is occurring at rates higher than for the urban population as a whole.

Creation of productive jobs is a huge problem facing most African countries at the very same time that agriculture and food supply is the critical priority for public and international investment. While there will be gains in agricultural employment associated with the new investments, it is equally clear that these gains will not be nearly sufficient to absorb the new labor force entrants. There must be massive gains in urban employment as well.

Estimates suggest that there will need to be four million new urban jobs created in Africa every year--year after year--over the next 20 years. This is the equivalent of annually creating jobs for the entire existing labor force of Lagos, Kinshasa, Addis Ababa, and Accra.

Reconsidering the Private Sector Role in Urban Development

This brief review of the macro-economic and urban context for development in Africa highlights the underlying reason for exploring public/private partnerships in urban development.

The public sector cannot achieve the levels of investment in public services and job creation necessary to support the expected urban population and labor force growth within the capital resource constraints and given the essential priority claim of agriculture.

This means that new approaches are needed which will mobilize new resources -- both capital and management -- from the private sector to augment those of the public sector. This is the essence of creating public/private partnerships.

Twenty-five years ago, at the time of independence for many African countries, there were few countries with any developed

private sector in place. Educated managers and entrepreneurs were scarce. Domestic savings were low. Newly established governments felt that they had to intervene actively to mobilize resources and manage their economies. There was an overall priority given to social equity which in turn lowered the emphasis on economic efficiency.

Whatever the merits of these concerns at that time, subsequent history worldwide has now shown that a greater reliance on the private sector has proven to be a wise choice of development policy. A recent World Bank study (K. Marsden, "Private Enterprise Boosts Growth," 1985) has demonstrated that private ownership tends to enhance efficiency in productive processes compared with public ownership based on a comparative study of 17 developing countries (of which 13 were in Africa).

The study concluded that economic growth was strongly correlated with growth of domestic credit to the private sector, lower levels of taxation on the private sector, and the mobilization of domestic savings which flow to the private sector.

There is also evidence that the capacity of the private sector to respond to new incentives for production and job creation has increased over the years. It has been shown that African farmers respond positively to market signals and prices. Africans dominate in retail trade, transport, and small-scale industry in many countries.

The environment might be right now for a major rethinking of urban development objectives that will support private sector development initiatives rather than inhibit them.

The starting point for restructuring the public/private relationship in national development is at the macro-policy

level. This is not the forum that can usefully debate the macro-policy issues, but it is worth noting the major concerns which must be addressed in the future:

- Overvalued currencies that make it difficult for local producers to compete with imports and to export.
- High government expenditure deficits that crowd out private investors from the credit markets.
- Subsidies and special concessions for public enterprises which place private ventures at a comparative disadvantage.
- Interest rate ceilings that depress domestic saving mobilization.
- Public sector bias in the allocation of international resource transfers.
- Legal and regulatory controls that raise the cost of production and restrict management efficiency.

Revising Urban Development Objectives

If the decision were taken to encourage the private sector to play an enhanced role in overall urban development, what would be the effect on urban development objectives?

1. Urban development spatial policies should foster the maximum private sector investment and efficiency for job generation.

Many African urban spatial policies currently seek inter-regional equity objectives as their top priority. Insofar as the public sector can determine where enterprises are to be located and is willing to absorb the additional costs of placing enterprises in locations of economic disadvantage, there is a broad spectrum of inter-regional spatial choice.

However, if development is to be based on economic efficiency of productive investment and the encouragement of the private sector, the range of spatial policy choice will be more limited. The private sector will invest in locations of comparative advantage and not mainly in response to equity criteria.

The likely urban centers of priority to the private sector will be those with specific locational advantage for their enterprise. These will be the larger urban centers with agglomeration economies, higher levels of infrastructure, and the best access to materials inputs and markets for outputs.

It is important that those centers that already have comparative advantage not be given substantial subsidies as well, since this distorts economic decision-making and results in the misuse of scarce capital resources.

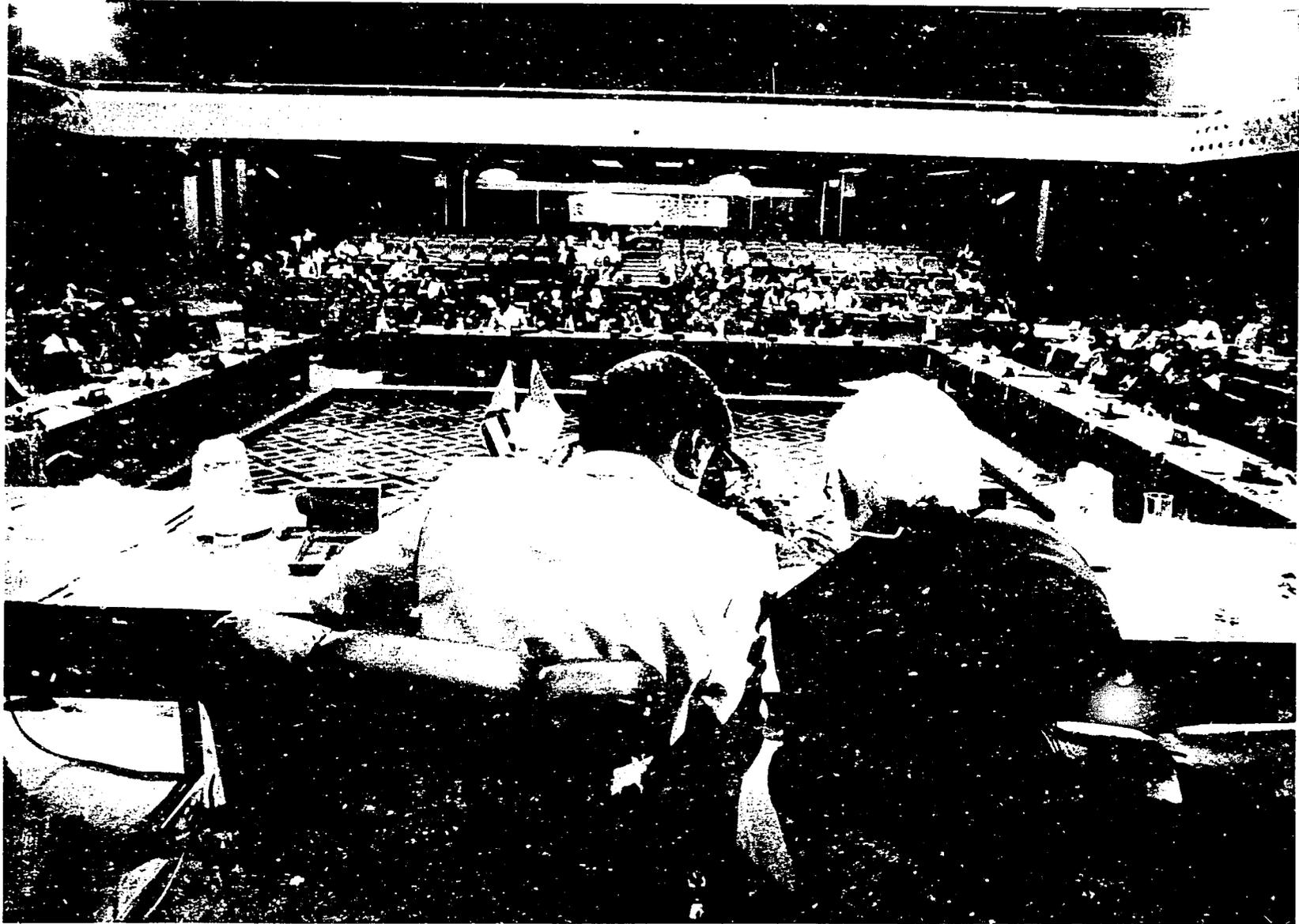
2. The formal private sector needs to be supported by a productive public policy.

Barriers to the entry of the private sector to new markets need to be reduced. Private firms should be encouraged to enter fields previously reserved for public sector enterprises. Domestic capital markets should not discriminate against private sector borrowers. Subsidies for capital intensive technology should be reduced whenever possible. Licensing procedures can be simplified and fees minimized. Joint ventures between appropriate foreign investors and local entrepreneurs should be encouraged. Above all else, tax structures should provide incentives to production and job creation.

An issue of special concern is the role of public productive enterprises. Many African countries have public enterprises that operate at enormous losses and drain the public treasury. What can be done about these enterprises? Can private management be contracted to introduce efficiencies? Can some be sold off to private investors?

3. Informal sector enterprises should be encouraged to produce a maximum number of urban jobs.

Studies in Kenya and Ghana have shown that informal private sector enterprises produce a large share of urban economic growth, income, and employment. The key characteristics of the informal private sector are a



A view of the main conference hall.

high degree of responsiveness to opportunities, relative ease of entry into markets, small scale of operations, the use of labor-intensive technologies, and low-capital cost of job creation.

The informal private sector is much more than "petty traders" and "hawkers". It contains substantial numbers of light manufacturing, repair services, transportation, and other value-added productive activities. It is closely linked to the formal private sector, as a source of supply of inputs, and of demand.

The encouragement of the informal private sector can take many forms:

- Improved access to infrastructure (the upgrading of low-income residential areas has been shown to be very beneficial to the encouragement of informal sector enterprises).
- Improved access to credit at full market interest rates.
- Creation of trade associations or co-ops through private voluntary actions that can encourage improved marketing, management, and information distribution as well as selective skill training when required.
- Perhaps the least costly and most effective initiative is for the public sector to ensure that the regulations concerning informal sector business operation such as licensing, standards for facilities, labor laws, taxes, and other public sector obligations be kept to the absolute minimum consistent with the public interest.

4. A new emphasis is required on the rehabilitation, maintenance, and operation of urban infrastructure.

The historic trend has been for new infrastructure investment to receive higher priority than maintenance and operation of installed capacity. As a result, the productive life of infrastructure is foreshortened and its economic benefits are reduced.

In many cities, large numbers of new users could be served at low costs simply through the upgrading of existing systems.

New infrastructure investments need to be made on the basis of appropriate technology, effective minimal standards, and cost recovery.

The potential contribution of the private sector to the delivery of infrastructure services should be considered in the form of public/private partnerships. There are many examples of how the private sector is contributing to the provision of public services in Africa (see the background paper prepared for this conference by Lewis and Miller of the Urban Institute).

The Urban Institute paper raises the critical issues concerning public/private partnerships in:

- Water and Waste Water Services
They discuss the excellent experience of SODECI in the Ivory Coast (where a public/private firm runs a major water system) and Kenya (where private marketing of water from kiosks is used).
- Urban Transportation
The paper describes the extensive private role in urban transport in most countries whether legally recognized or not. African experience has shown that the private sector has consistently done a better job in providing effective transport at acceptable prices.
- Solid Waste Removal
Solid waste removal is one of the services most frequently neglected by public and private sectors alike in Africa. The system that seems to work best is for the public sector to contract out the service to the private sector. Since there are frequently potentials for salvage and recycling of solid waste, much more can be done to provide better service to the public at minimal cost.
- Electricity and Telecommunications
The background paper does not deal with electric supply or telecommunications, but these services also offer opportunities for privatization.

The key conclusion of the background paper is that there is a role for expanded private participation in service delivery. It has the potential of reducing the demand for public investment of scarce resource, increasing management efficiency, expanding service to the population more rapidly, and with appropriate public oversight, it can be done at acceptable costs to the public.

5. Enhanced role for Local Government through decentralization.

In an urban policy to encourage the private sector, there needs to be a renewed effort to support Local Government. Central Government capital transfers to local levels of government cannot be sufficient to meet local development needs. There should be an increase in Local Governments' power to raise and use local revenue. Local Governments can be more sensitive to local priorities, can encourage their local private sectors directly, and can make better use of scarce funding to meet equity objectives.

Comprehensive reviews of the relationship of Local Government to the Central Government will be required. Specific training programs to build Local Government skills will need to be put in place. Access to local development credit funds will prove useful so long as the projects to be supported are selected on economic efficiency criteria without resorting to subsidized lending.

6. The public role in facilitating private access to land.

Access to land for both commercial and industrial enterprises is frequently a constraint on expansion. It is an important responsibility of Government to have in place land policies that support productive enterprise growth. This involves reducing constraints in the operation of the land market, tax policies which discourage the hoarding of urban land for speculation, and the provision of infrastructure to non-residential sites on a timely basis.

Experience has shown, however, that the creation of industrial parks in locations where there is no present demand for such space will result in the premature investment of scarce resources.

The Typology of Public/Private Partnerships in Urban Development

As I mentioned at the beginning, the term "public-private partnership" is not simply a slogan. Various practical institutional arrangements are

available for Government and private enterprise to jointly achieve urban development objectives. Some of these arrangements have already been tried successfully in Africa. Let me review these possible schemes and give some examples of how they may be applied.

1. Government contracts to private parties for supply of goods and services.

The potential for this type of arrangement is almost unlimited. Contracting may be used for any urban service or infrastructure. A contract may be given to a private entity for construction of facilities, operation and maintenance of systems, specific services such as design, data processing, and billing and collection, or any combination of these. In the Ivory Coast, the government has a contract with a highly successful private company, SODECI, to operate and maintain the water system of Abidjan. Contracts may be used not only for urban services, but also for enterprise and employment promotion activities. For example, a private organization may be contracted to provide technical assistance, training, and credit for small enterprises; or to undertake development of land for industrial or commercial use.

2. Government franchises to private entities.

Franchises are like contracts, but usually authorizing delivery of services within a designated geographical area. Water supply franchises (or "concessions") to private companies are used in various countries. Franchises are also granted to private transport operators for bus, minibus, and taxi service. Franchises may cover construction and operation of a system or merely operation. Franchises may be at a very small scale, as in the case of individuals hired to operate water standpipes, a practice used in Kenya and the Ivory Coast.

3. Government grants or vouchers to consumers to buy goods or services.

This approach essentially tries to stimulate demand for certain goods or services that can be supplied efficiently by the private sector. There is relatively little experience with this in developing countries, except

perhaps in housing, where some groups receive subsidized loans or assistance with down payments. Vouchers or grants could be used to encourage private provision of sanitation, refuse collection, education, health, or training.

4. Joint ventures in which Government invests as a partner with private enterprise.

This type of arrangement may be applied to almost any urban service or productive activity. Joint-venture water supply and transportation companies are common. Public-private joint equity may also be used for financial organizations in shelter, land development, and industry.

There are many examples of joint public-private investment that are not formalized in the normal business sense, but which amount to joint ventures nonetheless. The classic example of this is sites and services projects. Government puts up the money for land and infrastructure while private households provide capital for the dwelling units.

5. Government support for nonprofit, community activities.

The Government may provide financial, material, or labor assistance to private nonprofit and community groups for provision of a wide range of services. There are no development activities in which such private voluntary agencies have failed to make significant contributions in Africa.

6. Rationalization of Government regulation over private activities.

Another form of public/private partnership is making Government regulations more supportive of beneficial private activities while still protecting the public interest. There are many possibilities for this. Unnecessary restrictive regulations on small-scale enterprises can be eliminated. Housing and infrastructure standards can be revised to make shelter affordable to low-income people, thereby making private development of low-income shelter projects financially viable. Pricing

policies for privately-provided services, such as transport, can be revised to allow higher cost recuperation and improved service. Legal barriers to entry of private firms into certain sectors of the economy can be removed. In the field of land use, Government regulation can protect the public interest in efficient urban growth, orderly land transfer, and environmental protection while leaving the bulk of land development work to the private sector.

7. Public investment in direct human resource development for the private sector.

In many countries, the Government finances programs to provide skill training in occupations for which there is demand in the private sector. This type of support may be direct, through Government-run vocational training institutions, or indirect, through financial grants to non-governmental training agencies. Besides skill training, the public sector can support other human resource measures useful to the private sector, such as child care for working parents.

Public/Private Partnership Issues for Discussion

For the next two days, we will have the opportunity of meeting together to discuss the potential for public/private partnerships in urban development in Africa.

The full agenda of questions and issues for discussion will be developed in the small group sessions that follow, but I would hope that within these discussions we could consider the following major concepts:

1. Is an expansion of the private sector role in Africa urban development feasible today?

My paper has argued that it is not only feasible--but perhaps essential--given the overall macro-economic conditions, essential priority for agriculture, and the expected rapid rates of urban growth. How else can urban job creation keep up if not through improved private sector performance?

However, there is always a gap between "theory" and "practice." Let us discuss the practical aspects of encouraging the private sector.

What are the "pros" and "cons" of private sector led urban development? Let's list them and compare them to different national development models in Africa today.

2. If we wish to support the private sector, my paper suggests that there will need to be major urban policy changes made in many African countries. Changes in urban spatial policies, reallocation of capital resources, reconsideration of urban subsidies, taxation and cost recovery.

How feasible are such policy changes? Are there others that need to be considered? How could progress be achieved?

3. Specifically, what are the measures needed to stimulate the formation and growth of private sector enterprises in urban areas?

What is the relationship between public enterprises and parastatals and the private sector that need to be considered?

What are the different approaches between support for the formal private sector (medium- and large-scale enterprise and multi-national enterprise) and the informal private sector?

The informal private sector is often the primary provider of urban jobs. How can it be encouraged and enhanced?

4. A critical issues in urban development is the provision of infrastructure and its operation and maintenance. Is this a fruitful area of public/private partnership as argued here and in the background paper prepared by Lewis and Miller?

What is the appropriate relationship between rehabilitation and upgrading of existing infrastructure versus the creation of new infrastructure in a capital resource scarce situation? What is required to strengthen infrastructure institutions and improve their performance?

5. What is the future role of Local Government in African development?

My paper has argued that decentralization of development responsibility, to both invest and raise revenues, to Local Government is essential. Support for private sector initiatives at the local level can best be achieved through strong Local Government. But this will require rethinking of the Central/Local Government relationships. It will require a major effort at building Local Government management and planning capacity through training and career incentives.

6. How can the public sector facilitate private sector access to land at the appropriate location and at affordable cost?

Land is a critical input for commercial and industrial enterprise. Land policies need to be made responsive to private sector needs.

7. In discussing these issues, we should keep in mind the typology of public/private partnerships described.

There are many different ways to stimulate public/private partnerships. Some are easier than others. Some are less costly than others. Some fit the socio-economic development models of Africa more easily than others. Some have higher levels of social equity than others.

Conclusion

In our discussion of these and other issues, let us consider how we can achieve the encouragement of the private sector and the development of public/private partnerships over time, and at affordable costs, both in terms of capital, management capacity, and social change.

We would not be seeking "right" or "wrong" answers to these questions. Rather, we should be evaluating the potentials of public/private partnerships for our own development situations.

What can work well in one country may not be workable in another country.

What is a good idea in a small city may not necessarily be right for the capital city.

Above all else, we need to enter these discussions as individual professionals -- not as representatives of our present institutions. We need to free our thinking from the day-to-day institutional problems and struggles, and focus on the broader aspects of urban development policy and thought as it affects our country and Africa itself.

Let us debate actively among ourselves--not to "win" points, but to illuminate the issues, explore new directions, excite our minds, and rekindle our spirits that progress can be made, the poor can be served, and ultimately Africa can gain its rightful share of economic growth and development with equity and social justice for all.



Delegates attend a reception in the Jacaranda Room, Harare, Sheraton.

COMMITTEE REPORTS

One of the goals of the 10th Conference on Housing and Urban Development in sub-Saharan Africa was to involve all delegates in the discussion and formulation of resolutions. To achieve this, the format for the Conference incorporated many small group discussions.

On the first day, the delegates met in plenary session for the official opening and the keynote address. Following a luncheon break, two committees were formed, which met separately to formulate topics for discussion under the two headings: 1) Housing, and 2) Urban Development.

The committees each identified five topics for discussion. At the end of the first day, the entire delegation reconvened in the plenary hall for the assignment of participants to various sub-committees based on the topics that had been identified.

On the second day, the sub-committees met for discussions. The sub-committee members themselves defined the scope of the discussion by first identifying a broad range of potential topics and subsequently narrowing them to five or six which were pursued at some length.

On the final morning of the Conference, the sub-committee chairpersons and rapporteurs met as a group to discuss the results and prepare a summary presentation for the closing plenary session of the Conference. Many of the delegates took this opportunity to visit housing projects in and around Harare.

In the afternoon, rapporteurs for the two groups presented the final recommendations to a plenary session of the delegates for discussion and adoption as resolutions of the Conference. These recommendations and the reports of the various subcommittees are presented on the following pages.

COMMITTEE REPORTS

The Committee on
Public and Private Sector Partnerships in Housing

Chaired by: Mr. N. Mutizwa-Mangiza (Zimbabwe)
Rapporteurs: Mr. David Mutiso (Kenya) and Ms. Diane Patel (Zimbabwe)
Speaker/Resource Person: Mr. Royce LaNier (U.S. AID Consultant)

The Housing Committee was divided into seven sub-committees to examine five themes:

1. Formulating a National Strategy for Privatization
2. Assisting Local Government Development Efforts
3. Establishing Special Focus Institutions and Programs
4. Reinforcing Present Efforts of the Informal Private Sector
5. Refocusing Efforts of the Formal Private Sector on Low-Income Housing

Seven sub-committee chairpersons were identified and each sub-committee was assigned one or more of the five themes or topics. Conference participants chose a sub-committee depending on their interest in the theme proposed for discussion. Based on this self-selection process, the sub-committees varied considerably in size and composition. The seven sub-committees were organized as follows. Sub-committee 1 was a bilingual group which had available simultaneous French-English and English-French interpretation. Sub-committee 1 dealt with Topic 1. Sub-committee 2 was an English-speaking group which dealt with Topic 2. Sub-committee 3 was an English-speaking group which discussed Topic 3. Sub-committee 4 was an English-speaking group which dealt with Topic 4. Sub-committee 5 was an English-speaking group which dealt with Topic 5. Sub-committee 6, a French speaking group, also discussed Topic 5. Sub-committee 7 was a French speaking group which dealt with Topics 2, 3 and 4.

Presented below are the summary recommendations of the Housing Committee and the reports of the individual subcommittees which were prepared by the chairperson and the rapporteur of each group.



Jack Carlson, Prime Minister Mugabe and S. Mumbengegwi.
(Courtesy of the Herald Newspaper, Harare, Zimbabwe)

Recommendations of the Housing Committee

The findings of the seven sub-committees have been synthesized and condensed into 36 individual recommendations, without attempting to group them under the five themes. They are as follows:

1. The role of the public sector, including central and local governments, should be to identify and assist in the development of housing projects. The private sector should have primary responsibility for executing projects because it is more effective in financing, building and managing projects and can be encouraged to do so without sacrificing social concerns if proper controls are maintained by the public sector.
2. All construction of publicly-financed housing should be tendered for with the public sector taking responsibility for organizing such tenders.
3. In formulating public/private partnerships, there should be free and effective discussion among the parties including central government, local government, private sector organizations and beneficiaries interested in the proposed projects. The responsibilities of each partner or actor should be clearly defined.
4. To encourage private sector investment in housing, governments should create favorable conditions for people to save through such incentives as:
 - reducing property tax rates on residential properties;
 - removing or reducing tax on building homesteads;
 - exempting personal savings for housing and income tax;
 - allowing interest paid on home mortgages to be deducted from taxable income;
 - exempting interest received on mortgages from tax or reducing tax rates for such investments.

5. Professional services for the design and implementation of housing and urban projects for low-income families should either be provided without charge to the beneficiary by the central or local government or on a reduced-fee basis by the private sector based on competitive bidding for contracted services.
6. In order to ensure an adequate supply of land for joint public/private housing projects, the public sector should develop long range plans and employ land banking and other techniques for acquiring land to minimize speculation and profiteering on land sales.
7. If sufficient funds are not available for infrastructure and service development, unserviced bu. planned land should be made available for new low-income settlements as a means of controlling unplanned urban growth.
8. Some form of secure land tenure should be created which gives sufficient security to the individual so that he is motivated to improve his living conditions and which is also acceptable to private sector lenders as security for loans to finance housing improvements.
9. The public sector should investigate means of simplifying and therefore reducing costs associated with the procedures of surveying land and conveying title and where necessary should provide a means of capitalizing such costs for repayment over an extended period of time.
10. Planning and building by-laws should be revised to suit local conditions including climate, terrain and socio-economic conditions rather than following by-laws of European or North American countries. Revised by-laws should permit flexibility in house construction, should stress performance criteria rather than

regulatory standards, and should take into account minimum health standards. Requirements should not be imposed which cannot be met by the lowest income families.

11. The public sector should investigate all domestic sources of funding before borrowing from external sources on commercial terms. Where external funds are borrowed, foreign exchange required for essential imports should be available and the entire amount of the loan should be directed to the project.
12. The public sector should create a climate to encourage private financial institutions to provide more funds for low-income housing by making investment in housing as profitable as money lent for other purposes and by guaranteeing loans advanced by private sector lenders for low-income housing.
13. Private sector as well as public sector banking institutions should be required to devote a minimum percentage of their resources to low-income housing.
14. Where no specialized institution for housing finance exists, one should be created with the state holding a minority capital position, with private sector control and management, and with public sector monitoring.
15. Money markets should be deregulated and freed from discretionary controls in order to broaden competition and allow low-income beneficiaries a wider choice of funding, methods and terms.
16. Through appropriate legislation, the public sector should assure a flow of comparatively low-cost finance for low-income housing from such sources as national security funds, pension funds, insurance and provident funds, and local government pension funds.

17. The private sector should package mortgages from building societies into mortgage securities used to raise funds from institutional investors such as insurance companies, thus creating a secondary mortgage market and improving mortgage liquidity.
18. The public sector should not be expected to subsidize private sector involvement in housing with the exception of certain incentives such as:
 - tax rebates for employee housing programs,
 - tax exemption on interest paid on deposits with housing institutions,
 - deductible interest on home mortgages; and
 - tax exemption on interest paid on housing bonds sold by housing finance institutions.
19. In order to reduce the costs of housing construction, community participation should be encouraged, research on local building materials should be undertaken, mass production of standardized building materials should be instituted, and purchasing of materials in bulk should be instituted by the public sector. The government should set an example by using local materials for public buildings.
20. Local governments should act as the planning authority in their respective areas.
21. Local governments, due to their local contacts, are best suited to be major information dissemination centers for all housing-related matters and for mobilizing the local community.
22. Local authorities should be responsible for distributing and managing loans for low-income housing or for arranging for the management of such loans by the private sector on favorable terms.
23. Local governments should have the powers necessary to make reasonable adjustments to their revenue sources without undue restrictions which

lead to long time lags. Sufficient resources would make it possible for them to have adequate professional manpower, and allow them to carry out their faeilitator role.

24. All housing development should be based on a system of full cost recovery, and where possible, consideration should be given to deferring payment for land and servicing, and recovering such charges over an extended period.
25. There should be improved financial management in local authorities. To this end, training should be increased with joint seminars organized with the private sector, and job security should be improved in order to attract and hold better qualified personnel.
26. Private sector employers should be encouraged to make soft loans to employees for housing by using employee pension schemes to guarantee mortgages.
27. Private sector employers should encourage the establishment of employee savings cooperatives and actively assist their development activities.
28. Private sector employers should consider negotiating on behalf of their employees for the acquisition of land for housing development and possibly participating in the development process.
29. To discourage the rural/urban drift, local governments should encourage the creation of rural development centers with adequate facilities to improve housing conditions.
30. Any attempt to regulate or control the informal sector should be approached with caution to ensure that this sector is able to retain

the essential flexibility of operation and freedom of action which allows it to serve the needs of such a large percentage of the population.

31. Planning regulations should be revised to take into account the need for a combined house/workplace so that informal sector business activities can be carried out within residential areas.
32. Special focus institutions for housing development should be structured so that they are able to harness private sector resources in order to complement public sector efforts.
33. When measuring the performance of a special focus institution, attention must be paid to: efficiency, continuity, effectiveness, and adaptability.
34. Special focus institutions should identify manpower requirements for efficient housing development and provide for training needs at all levels of the shelter delivery system.
35. Decentralization should be carried out in all sectors involved in the shelter delivery system.
36. Priority should be given to local integrated development projects which involve housing, agriculture and cottage industries, and which use local resources.

REPORTS OF THE SEVEN HOUSING SUB-COMMITTEES

Housing Sub-Committee 1:
Formulating a National Strategy for Privatization

Bilingual group (simultaneous interpretation)

Chaired by: Mr. R. Collier (Zimbabwe)

Participants: Twelve to fifteen delegates, mostly from Zimbabwe. All participants other than the chairperson were public officials.

Sub-topics selected for discussion:

- I. The Roles of the Public and Private Sector
- II. Mobilization of Savings
- III. Site Development and Services
- IV. Financing
- V. Cost, Standards and Design of Housing

I. The Roles of the Public and Private Sector

A. Public Sector

1) Services

- arrange financing
- organize tendering (to private sector, if possible)
- tariff collection

2) Construction

- Government-sponsored labor construction units such as building brigades tend to be very inefficient/take on a public sector mentality (do less for more). One problem may be the lack of assured financing to continue work, encouraging government brigades to drag out work schedule; could be improved through better work scheduling and supervision.
- Can the government build more cheaply than the private sector?

B. Private Sector

- 1) Construction. Greater efficiency through profit motive; more expertise; able to mobilize more quickly - build faster; economies of scale; less tendency for cost escalation.

- price gouging/outrageous profit-making can be minimized through tendering process which encourages maximum competition; another check is the role of a Ministry of Works and Supplies which has engineers and architects estimating reasonable costs as part of the bidding process.
- contracting gives government a fixed price base upon which it can immediately proceed with sales agreements (under Building Brigade or any direct labour construction system, one does not know final price until the last day of the job; often cost overruns).
- Put everything out to tender, with building brigades competing openly against private contractors; privatize building brigades or make them co-ops. Problems include (1) assessing all hidden costs of public sector, (2, unless building brigades are made autonomous from municipalities, public sector/taxpayer will have to pick up overruns.



Ambassador and Mrs. David Miller and Fred Hansen
greeting Conference participants.

C. Lines of Communication Between Public and Private Sector:

Discussion between central government and municipalities, not directives. Formalize meetings between public and private actors/interested parties around specific subject matters.

II. Mobilization of Savings

A. Personal capital formation is extremely difficult given the state of underdevelopment; many are simply trying to survive.

B. Options:

1) Government formation of capital through various taxes and tariffs collected, which in turn can be used to subsidize low-cost housing (reduces purchase price by one-third in Ivory Coast) - income redistribution.

2) Compulsory savings are not acceptable

3) Creating favorable economic conditions.

- reduction of property taxes or sales tax rebate on building materials

- duty exemption on imported building materials.

- exempting personal savings for housing from income taxes.

- tax deductions for interest on mortgages.

- reduce tax rates to encourage savings and investment (i.e. Lafler economics).

4) Reconsider/reduce A&E consulting firms' fees on low-cost housing projects

5) Encourage non-profit, non-government organization (NGO) involvement

6) Draw upon expertise from other countries (i.e. exchange of information) to avoid duplicating consulting costs (note that A&E services are not typically used for housing designs, but rather for service systems designs).

III. Site Development and Services

A. Site Development

- 1) Should private sector be completely responsible for site development (including roads, sewers, water, electricity) and then either sell this back to municipality or pass costs directly on to the purchaser?
- 2) Problems:
 - lack of capital to pre-finance
 - prohibitive site acquisition price
 - public sector should be responsible, at least financially, for site development, with effort made to have private sector construction services under contract. Subsidization of site development must be a local decision, reflecting the political and economic realities of the particular situation.

B. Service Standards

- 1) Municipalities need to reconsider service standards by-laws; if overgraded, reduce them to cut costs; do so in consideration of the physical environment, topography and weather.
- 2) Must keep a long-range perspective, however, in trying to minimize standards; cutting costs today may require people ten years hence to pay cost of upgrading as community changes.

IV. Financing

A. Problems of External Borrowing

- 1) expensive
- 2) risky, given devaluations and economic fluctuations

B. Recommendations

- 1) Government should avoid, to the extent possible, borrowing abroad on commercial terms
- 2) When government does borrow abroad, foreign exchange should be made available to construction projects to buy supplies and commodities required from abroad.

C. Package Mortgages

- 1) Building societies should be able to package mortgages and raise additional capital (i.e. secondary mortgage markets) from investors (insurance companies).

D. Revolving Funds

- 1) Large local authorities do have revolving funds that they can contribute to externally-financed projects.
- 2) National Housing Fund (Zimbabwe) is not revolving because of arrears.
- 3) Insurance monies.
- 4) Individual or company and local government pension funds.
- 5) Government levies.

V. Cost, Standard and Design of Housing

A. How can costs be reduced?

- 1) Encourage local participation.
- 2) Exempt duty on imported building supplies.
- 3) Sales tax rebate on construction materials.

B. Design

- 1) Industrialized/prefabricated houses.
- 2) Drawbacks:
 - capital costs to set up industry
 - foreign exchange for raw materials
 - transport and handling costs
 - reduction of employment opportunities.
- 3) Stick to local materials to the extent possible.
- 4) Electricity improves quality of life (lighting, heating plate and small appliances such as radios and fans); fuel alternative (paraffin for lighting only) is expensive or increasingly rare (i.e. fuel for cooking).

C. Mobilization of Building Materials

Housing Sub Committee 2:
Assisting Local Government Development Efforts

English language group

Chaired by: Mr. D. Gichuhi (Kenya)

Participants: thirty to forty individuals. Many of the participants were local government officials but the group included some private sector representatives.

Sub-topics selected for discussion:

- I. The Ideal Role of Local Government
- II. Viability of Local Governments
- III. Private Sector's Role
- IV. Improvement of Land Tenure
- V. Rural Development
- VI. Research and Training

Discussions on the subtheme generated a lot of interest and experiences in different African countries were recounted. It was agreed that the subject be treated under various headings as follows:

I. The Ideal Role of Local Government

It was agreed that there are several factors which inhibit local government efforts in making housing available and the ideal role of a local government was determined to be one of a facilitator. To be able to carry out that role, local governments should be able to do the following:

- The process of land acquisition and planning by the local government and/or private sector must be speeded up. This would require better coordination with the central government and qualified manpower in all disciplines.
- The local government must be able to play a supervisory role in the case of self-help and sites and services schemes. They should establish central materials depots where large-scale, low-cost housing is being undertaken.

- Local governments should be able to act as the planning authority in their respective areas and have the ability to deal in the planning process and provide of infrastructure.
- Local governments should be the major information center for housing-related matters. They are better able to mobilize the inhabitants and to distribute low-cost loans to the population or to arrange for the management of such loans by the private sector.
- Local governments should work closely with central governments in the planning process to avoid disruption of long-term plans.
- Local authorities should be in a position to guarantee loans advanced by financial institutions to encourage them to participate in low-cost housing.

II. Viability of Local Governments

In the discussions, it was noted that most local governments have difficulties in carrying out development due to their insecure financial and management base. The following recommendations were proposed.

- Local authorities should have powers to make reasonable adjustments to their revenue sources without undue restrictions which lead to long time lags. They should also have adequate professional manpower to allow the local government to carry out the facilitator role.
- There should be a housing bank from which local authorities can borrow funds at low interest rates to carry out infrastructure-related undertakings.
- In carrying out housing projects, governments should aim for total cost recovery.
- There should be improved financial management in local authorities and to this end training should be stepped up. Joint seminars should be organized with the private sector.
- There should be job security for local government staff, otherwise good personnel will never stay long.

III. Private Sector's Role

- The private sector should get involved in the financing of low-cost housing projects.
- The provision of land title is a central requirement for the private sector to play a role in low-cost housing development.
- The private sector can increase home ownership by advancing loans to employees for downpayment and allowing pension schemes to be used to guarantee loans or to make direct loans for housing.
- The private sector should be encouraged to provide decent rental houses as a bridging action and should be encouraged to offer private ownership as a long term objective.

IV. Improvement of Land Tenure

- Local governments need to be aware of long term central government plans.
- Land titles should be provided immediately and restrictions placed on transfers so that people will be required to have developed plots before transfer is allowed.
- Land is to be demarcated so that individuals or groups of individuals can have title to their own property.
- Governments should begin looking at new forms of titles - titles for unplanned areas where survey, etc., is not completed; (certificates of ownership as in Botswana).

V. Rural Development

- Local authorities in rural areas should encourage the development of adequate services and facilities to discourage the rural to urban drift.
- Provision of title to land in rural areas should be encouraged and government should be made aware of this great necessity. Private sector lending, whether for housing or farming, must be tied to the ability to choose land belonging to an individual or group.
- There is a need for rural housing schemes to be devised similar to the already very popular urban schemes, otherwise rural to urban drift will continue.

VI. Research and Training

- Local authorities, in conjunction with the central authorities and the private sector, should carry out research in building materials with a view to making available cheaper but durable materials.
- Research should be carried out regarding existing and possible new standards in housing.
- Implement and simplify land survey and provision of titles.
- Local authority employees should receive training in financial management to enable councils to play a facilitator role adequately.
- Training should be conducted locally, nationally, regionally, as well as internationally. Training institutions should be identified, established or improved where necessary.
- Information obtained in research should be disseminated through organizations such as Local Governments Association and through pamphlets. Better guidelines for operations should be researched and established.
- Make attendance of training programs a necessity for promotion in local governments. Where training is not related to promotion, it is not taken seriously.

Sub-Committee 3:

Establishing Special Focus Institutions/Programs

English language group

Chaired by: Mr. J. Mghweno (Tanzania)

Participants: ten to fifteen individuals; both the public sector and the private sector were represented.

Sub-topics selected for discussion:

- I. How well do the existing institutions/programs meet the assessed needs? What background information is required?
- II. What measures should be used in assessing the performance of the institution?
- III. What objectives are to be achieved by the new institution?
- IV. What form should the new institution/program take? What operating authority should be used?
- V. What training requirements are needed? How can they be met?

Observations

The group discussed the above issues with reference to case studies from several countries in the region. It will be noted that the issues above overlap directly or indirectly and from the discussion that ensued, the following observations were made.

- It was observed that special focus institutions/programs for housing development already exist in sub-Saharan Africa and these include public, private and parastatal forms.
- The following are examples of the institutions that exist:
 - a) central government agencies;
 - b) local government;
 - c) housing corporations;
 - d) low-income housing companies;
 - e) building societies or building finance corporations;
 - f) self-help housing agencies;
 - g) international aid agencies.
- It was observed that these institutions are confronted by several constraints in their endeavor to achieve the objectives for which they were established. Such obstacles include inter alia:
 - a) Land tenure systems - these have a direct bearing on access to land, land prices, land transfer, use regulations and price of houses;
 - b) Limited sources of finance, high cost of borrowing, decapitalization through excessive subsidization, etc.;
 - c) Rigid legal and institutional arrangements;
 - d) Reluctance of the formal private sector to participate in low-income housing investment;
 - e) Inappropriate building standards;
 - f) Resistance to non-conventional approaches to housing development;
 - g) Shortage of trained manpower, e.g. operational, artisan, managerial, technical.

Recommendations

- That special focus institutions for housing development (in particular for low-income housing) be structured in such a way that they are able to harness private sector resources in order to complement public sector efforts in that investment field.
- Public and private sector partnership must be seen as a means to an end and not as an end itself. Such partnership is required to the extent that resources lying in the private sector domain are needed for housing development. Appropriate incentives may be considered.
- Special focus housing institutions for low-income groups should be geared toward supporting the natural housing process, i.e. play an enabling role which recognizes the potential of the people to contribute to the provision of their own housing.
- When measuring the performance of a special focus institution, attention must be paid to the following aspects:
 - a) efficiency - converting inputs into outputs, i.e. ability to mobilize and utilize resources such as land, finance, manpower and materials.
 - b) continuity - ability to operate on a continuous basis.
 - c) effectiveness - the extent to which objectives are achieved.
 - d) adaptability - ability to meet changing needs of the community, i.e., to redefine objectives when necessary.
- A review of land tenure systems, land use regulations and land policies is essential so that land becomes easily accessible for low income housing programs.
- Existing procedures for access to land, credit (e.g. mortgages) and home ownership should be rationalized for the benefit of low income people.
- Appropriate building standards should be developed.
- The special focus institution should identify manpower requirements for efficient housing development and provide for training needs at all levels of the shelter delivery system.



Peter Kimm, Robert Mugabe, Fred Hansen,
and Arcot Ramachandran viewing exhibits.

Sub-Committee 4:
Reinforcing Present Efforts of the Informal Sector

English language group

Chaired by: Ms. Diana Patel (Zimbabwe)

Rapporteur: Mr. R. Craven (Zimbabwe)

Participants: thirty-five to forty individuals predominantly from Zimbabwe, Kenya, Tanzania and Botswana. Many of the participants were public officials, private sector architects, and local government officials.

Sub-topics selected for discussion:

- I. What are the lessons to be learned from present squatter upgrading/site and service projects in relation to formal private/public participation?
- II. How does the land tenure system affect the involvement of the informal/formal private/public sector in low-income housing?
- III. How can formal private/public sector financial institutions become involved in reinforcing the informal sector?
- IV. How can the skills of informal sector builders and self builders be improved by private formal/public sector involvement?
- V. Use and abuse of low-income housing by the informal private sector with reference to regulatory constraints?

Lessons Learned

Discussions commenced with two brief presentations on lessons learned from present schemes from two participants from Zimbabwe and Kenya using the examples of Kuwadzana, Harare, and Dandora, Nairobi, respectively.

Kuwadzana showed the majority of beneficiaries opting for self-help, which meant using small contractors, (no formal sector builders). 81% of the beneficiaries were satisfied with the job done by the informal builders. As well as building the house, the builders frequently provided security for materials, paid the beneficiaries monthly installments for them, obtained plan approval and ordered building materials. There are over 2,000 listed small builders in Kuwadzana. The majority of beneficiaries use more than one builder.

Dandora experienced problems with the reluctance of beneficiaries to follow standard plans; they required many variations. Not all the plots were used by the beneficiaries, many were sold to higher income people despite regulations to the contrary. Financing problems were experienced

by those with a serviced site only. As a result, progress was very slow. Informal financing arrangements by the beneficiaries made more funds available than was anticipated.

Land Tenure:

The committee considered that freehold title is necessary to promote private sector finance to facilitate development. Also, security of tenure is required for the individual to be motivated to develop the stand. Kenya noted that lease and freehold title are required to raise finance. Botswana considered using a Certificate of Right but this was not acceptable to private sector lenders. In Zambia, the occupancy license used was only attractive to low-income families and was not acceptable to domestic financial institutions. Mortgage financing was available only from international donors.

The committee discussed at length the acquisition of unused private sector land on which people squatted; owners frequently exploiting the people without providing services. Is compulsory acquisition possible? Government must buy the land. Furthermore, planning authorities should make contingency plans to forestall uncontrolled squatter settlements by the acquisition of suitable land and through land banking. To allow squatting on this land until funding is available for development would give authorities some measure of control over future developments.

Finance:

If the question of land tenure is sorted out, what adjustments can be made to credit mechanisms? The private sector requires adequate cost recovery and security. Much discussion occurred regarding surveying and conveyancing of land - it was considered very costly for the beneficiaries. Costs can be cut and, where necessary costs are incurred, they can be capitalized. It was considered that the private sector could build the infrastructure but not the houses since to do the latter would make it beyond the reach of low-income families. What is required is financial support for the beneficiaries and an informal sector to build

the houses. Large business houses can guarantee loans for their staff against pension funds.

Tied housing was not recommended. Consideration was given to offering tax incentives to the private sector assisting in housing, but this would be costly to the government. The committee also considered requiring contributions by the private sector to a housing fund, e.g. Mexico, Brazil, but there is no guarantee that it would be used for housing the low-income group. Employers could provide loans for purchasing of materials, etc., creating a trade-off in good personnel relations.

It was recognized that there is a need to reduce constraints on the money market and to free up funds for housing development, by accepting trade-offs in terms of more expensive housing. What is it that people are willing to pay? Why not give access to housing finance at the price it costs to generate the resources? People may well be able and willing to pay more than 25% of their salary on housing. There is a need to investigate how the money market can be deregulated.

Improvement of Skills:

The committee considered that little is required in the way of assistance to improve skills. Rather, attention should be given to building standards and regulations, which in most cases are archaic and inappropriate. Rather than the traditional standards, work to performance criteria related to health standards should be imposed. Zimbabwe noted that presently, as part of a sales promotion exercise, the private sector is providing building advice on roofing, etc., through the use of mobile demonstration units. This should be encouraged. It was generally considered that there is no shortage of skills in the informal sector. There is, however, a need for acceptance by the public sector of less costly forms of shelter.

Use and Abuse of Low-Income Housing by Informal Sector:

This was the most contentious area of discussion, with local government

personnel emphasizing the abuse of housing by the informal sector. Concern was expressed regarding the issue of overcrowding as a result of taking in lodgers. Another area of concern was the noise and dirt created by informal sector activities which are carried out in residential areas. Counter arguments were put forward that lodging was providing the beneficiaries with additional income as well as providing the lodgers with shelter in a situation of acute shortage. Frequently, income from lodgers allows for the extension and completion of housing. A note was made that, when putting infrastructure into low-income housing schemes, allowance should be made for the large lodger population. Further points were made that informal sector activities are a valuable source of income for residents in the area and that provision should be made for informal sector activities to be conducted from the place of residence. Kenya was cited as an example where this is currently being done. Against this was argued that the formal shopkeepers would object to the competition. This point of view was not received sympathetically.

Eventually, there was general support for a revision of the by-laws that limited economic activities in residential areas, and a proposal that housing schemes and plans should be flexible enough to allow residents to operate informal sector activities from their homes.

A general point frequently made throughout the discussion was that, despite regulations imposed on the informal sector, they are doing a good job. Interfering with their activities in the form of "encouragement" is not what is required since this undermines the very basis of the "so-called" informal sector; what is required is a removal of restrictions on their activities.

Recommendations:

- A land tenure system should be formulated that is acceptable to financial institutions to encourage advancing of loans.
- Public sector planning authorities should ensure that sufficient land is available for housing needs by means of land banking.

- Public sector planning authorities should ensure that sufficient land is available for joint housing ventures between the public and private formal sectors.
- Provision for planned, unserviced plots for controlled settlement until funds are available for upgrading.
- The public sector should investigate the means to simplify the procedures in surveying and conveying of plots and where necessary costs are incurred these be capitalized for repayment.
- Public and private sectors should provide guarantees for low-income group housing loans.
- Investigate the means to deregulate and free the money market to allow low-income housing beneficiaries the choice of funding methods and terms.
- Existing building codes should be revised in the form of performance criteria rather than regulatory standards to permit flexibility of house construction which can be improved over time.
- Any attempt to regulate or control the informal sector should be approached with caution in order to ensure that this sector is able to retain the essential flexibility of mode of operation and freedom of action.
- Revision of planning programs should take into account the need for a combined house/workplace for the informal sector to carry out restricted business within residential areas, e.g. cottage industry activities, tailoring, shoe mending, etc.

Sub-Committee 5

Refocusing Efforts of the Formal Sector on Low-Income Housing

English language group

Chaired by: Mr. Ian Lane (Kenya)

Rapporteur: Mr. G. Robertson (Zimbabwe)

Participants: Thirty-five to forty-five delegates, including individuals from Kenya, Zimbabwe, Botswana, Lesotho, and Mozambique.

Sub-topics selected for discussion:

- I. Constraints on Finance
- II. Factors Inhibiting Production
- III. Availability of Land
- IV. Alternative Cost Recovery Approaches
- V. Fiscal Incentives to Lenders and Builders

Our discussions yesterday afternoon were wide ranging, but at the end of the day there was a clear balance of interest in favor of more detailed examination of those factors which inhibit the production of affordable houses, rather than looking into ways and means of facilitating the provision of increased financial resources.

The prevailing view was that provided there existed a guarantee program or similar arrangements to limit the risk of lending to the lowest income sectors and provided that the business showed a reasonable profit margin, then the funds would be available.

Members of the Sub-Committee considered that the commercial banking system should be encouraged to participate more in lending to this sector, and that employers should likewise be encouraged to take more active steps toward providing the means for acceptable housing for their lower income employees.

When reviewing the various factors which serve to inhibit the production of housing affordable by the target income groups, there was consensus that the regulatory authorities should adopt performance criteria instead of specific standards since these offered more flexibility and encouraged an innovative approach to resolving construction problems. Development standards as a whole should be reviewed to remove possibly needless restrictions upon the lower income house builder.

The availability of land was also seen as a constraint. While the principle of full cost recovery was acknowledged to be a condition of many external lenders' finance, it was thought that alternative methods of cost recovery of site infrastructure installation expenses should be examined - for instance, surcharges on the tariffs for water and electricity services, including sewerage charges; and road and surface water drainage costs recovered through a land rating system - in order to alleviate front end costs when the lower income earner acquired the land. It was generally agreed that the cost of the land itself should be

based upon its unimproved value, and that smaller plot sizes should be accepted by the authorities.

The need to encourage both the private sector financiers and the building industry was recognized and it was believed that consideration should be given to fiscal incentives which would perhaps serve to offset some of the higher administrative costs incurred in lower income projects. These incentives could range from earning the stamp duty rates on land transfers to relief from sales taxes upon materials to relief from income taxes upon interest earned on housing bonds, or deposits with building societies and housing finance institutions.

To summarize, our discussions were focused, at least initially, upon the following three topics:

1. As to the provision of finance, the greater involvement of the commercial banking sector and employers in the provision of housing and/or materials loans to the lower income sector. Greater interest by government - greater realization of the importance of problem.
2. When considering factors which inhibit the production of accommodation affordable to the lower income sector, attention will be paid to:
 - Performance criteria and development standards deliberately geared to the requirements of the lower income sector.
 - House design, layout standards and innovative technology combined with labor-intensive production methods.
 - The availability of land, and constraints upon obtaining a title which will provide security for loans.
3. Tax and other fiscal incentives which will encourage lenders, builders and beneficiaries to focus their attention upon construction for the lower income sector.

Recommendations

1. Regarding the provision of more finance for investment in low-income housing, the government and/or local authorities should be willing to

provide guarantees of repayment of at least part of any housing or materials loans made by financial institutions to lower income earners.

- Guarantee of repayment of external loans (also exchange rate risk).
 - Greater lending by the commercial banking sector is often a matter of public policy.
 - National social security funds, pension funds.
 - Need for governments to recognize the importance of housing for the lower income sector as a factor inducing greater stability (property-owning democracy) and generating demand for locally-manufactured consumer durables.
 - Housing bonds raised by housing institutions on favorable terms, e.g. interest tax free.
 - Interest on deposits with housing institutions to be tax free.
 - Possibly interest on mortgages allowed to be offset against income tax.
2. To encourage the production of low-income houses, there is a need for national and local authorities to reassess standards and performance criteria to ensure that greater recognition is given to the limited resources of the lower income sector and to consider alternative means of providing land for low-income housing.

Standards:

- Minimum requirement is observation of health and safety regulations.
- Alternative methods of construction and materials should be approved by the regulatory authorities if found to be sufficient.
- Standards must be acceptable to financial institutions as well as local authorities.
- Condominiums; pre-fabricated systems.
- Lack of international clearinghouse for information on low-income housing.

Land:

- Where possible, land should be made available by the public sector to the developer at minimum, unimproved site value.
 - The area of land and number of units should be sufficiently large to enable the developer to achieve economies of scale.
 - The quality of land should not be such that its basic preparation for housing development adds cost to the houses, e.g. marshy land, very hilly land.
 - The land should be situated so as to offer relatively easy access to employment opportunities for the lower income beneficiaries.
 - The authorities should ensure that there is an efficient land registry, and that subdivision can be achieved quickly and without undue cost.
 - The authorities should give consideration to relieving lower income earners of the full cost of stamp duties and conveyancing charges.
 - The lower income beneficiary should be offered security of tenure, preferably with a land title which will enable him to offer security acceptable for a loan from a local authority or a financial institution.
 - Where possible, consideration should be given to deferring payment for land, or recovering charges over an extended period of time.
3. The authorities should encourage employers to be more active in providing, or assisting in the provision of housing finance for their lower income earners and should explore other incentives for increasing private sector investment in housing.

Employer Incentives:

- Employers should be encouraged to make soft loans to employees without either party being penalized by being charged compensatory tax (make available cash deposit).
- Employers should be encouraged to guarantee loans made to their employees, taking as security the employee's rights in a pension or provident fund, or gratuities.

- Employees should encourage the establishment of employee savings cooperatives, and actively assist its development activities (liquidity).
- Employers should consider negotiating on behalf of their employees the acquisition of land for estate development, and possibly participate in the development process.
- A housing levy on employees might enable a fund to be created specifically to assist in the provision of accommodation for lower income earners.
- Tax or other concessions could be given to employers who either provide housing for their staff at nominal rents or who allow employees to purchase housing on an extended payment plan which may be lower than market rates.
- Employers' associations should use their muscle to assist lower income employees.

Other Incentives:

- Where external funds are made available for the development of lower income housing, and where the donor so requires, the imported materials to be incorporated in the works and any ancillary plant should be imported free of duties or sales tax.
- Consideration should be given to relieving lower income housing estate developments from payment of sales tax on materials.
- Bulk purchase of materials should be encouraged with a distribution store erected on-site in those cases where aided self-help schemes are being arranged.

Sub-Committee 6:

Refocusing Efforts of the Formal Sector in Low-Income Housing

French language group

Chaired by: Mr. Kone Banga (Ivory Coast)

Rapporteur: Mr. Abdoul M'Baye (Senegal)

Participants: twenty to twenty-five delegates, including individuals from Senegal, Ivory Coast, Rwanda, Mauritius, Burkina Faso, Guinea, Zaire, Niger, Djibouti, and Burundi.

Participation from the public and private sector was well balanced in the group which included public officials and bankers.



Sub-topics selected for discussion:

- I. Need to create special institutions for low-income housing - what legal form should they take?
- II. Conditions of finance to lowest income group - what is appropriate level of subsidy and cost recovery?
- III. Incentives for savings and other means of generating resources.
- IV. Opportunities for public/private partnerships - process of housing production.
- V. Flexible approaches to accommodate low income housing - standards and regulations.

Opportunity for the creation of specialized institutions for the financing of low-cost housing. What legal form should they take?

1. Committee 6, recognizing the leadership role of specialized institutions in financing low-cost housing, recommends their creation in countries where they do not yet exist.
2. At the same time, the Committee recognizes the need to combine national banking systems as a whole with financing of the sector by making housing finance systems attractive despite specific risks caused by transformation and immobilization. In this regard, the committee proposes:
 - to guarantee with housing credit a profitability comparable to credits of another kind;
 - to permit and facilitate the refinancing of housing credit either directly through the Central Bank (frequent constraints are a result of maximum term papers eligible for refinancing), or through a market for negotiable mortgage loans;
 - to lift restrictions tied to the financing regulation where finance for low-income housing is concerned.
3. The committee also recommends that the banks involved in the country concerned be held to the minimum reserve standard with respect to their involvement in low-cost housing.

This arrangement should take into account the savings incorporated in the housing scheme which are collected by non-specialized banks, in order to avoid misrepresentation designed to benefit other sectors.

4. Committee 6 considers that the best legal framework for financial institutions would be that of a Semi-Public Corporation.

The privatization of this system would, nevertheless, be controlled by the Government which has the right to monitor private sector activities.

Conditions for financing low-cost housing and State participation in such financing.

1. Committee 6 recommends that in order to attain minimal acceptable conditions, loan terms currently applied in sub-Saharan African countries should be extended.

The committee recommends that if this effort is to be successful, housing finance should be no more than 25% of household income.

2. The committee recommends that the Government, through appropriate legislation, organize the flow of appropriate resources toward the financing of low-cost housing.
Of specific concern are the deposits and consignments executed for administrative legal obligations and notaries, etc., as well as the resources from retirement funds and various insurance funds.
3. The committee recommends that external resources should be, first, loans from the State. These in turn could be on-lended to institutions involved in financing low-cost housing. Another mechanism would be State loan guarantees contracted by these institutions which would involve a State obligation to cover exchange rate variations.
4. The committee, aware of the difficult economic context in which sub-Saharan African countries function, did not feel it realistic to ask the government to subsidize low-cost housing.

The State should, however, revoke certain taxes which are burdensome for low-income individuals. These adjustments would, among other things, involve taxes relating to interest payment on construction contracts and income from savings and loans

Some of these tax deductions should, in addition, encourage investment by individuals and businesses in low-cost housing for their own profit or that of their employees.

Methods of production of low-cost housing.

1. Committee 6 recommends that when the State is considering the donation of land for the construction of low-cost housing, it should take into consideration the need to limit the costs of site preparation, and future expenses connected with the production of housing.
2. Committee 6 recommends that legislation should be enacted to facilitate appropriate reimbursement when developers buy property. In addition, fiscal exemptions for non-speculative property title transfers should be considered.

3. The committee recommends the provision of basic equipment for utilities to decrease the initial investment required by the low-cost housing participants. This provision of basic equipment could change over time.
4. Committee 6 emphasizes the importance of coordinating the action of various parties involved in the management of the land to be used.
5. Free architectural assistance related to development of low-cost housing is recommended.
The committee recommends an overall lowering of consulting fees by means of sliding scales.
6. Mixed research centers should be developed to use local and low-cost construction materials and explore appropriate architectural styles. The State should play a key role as motivator and promoter of the use of local materials.
7. In an effort to lower the cost of construction, incentives should be offered to small- and medium-sized enterprises as a means of providing them with appropriate training. Obviously, the selection of these firms is a prime consideration. A key negative would be bad conduct on the worksite which causes cost overruns.
8. Servicing of the buildings should be institutionalized as would have been required by existing administrative regulations.
9. Competition and particular bids should not only be called for but systematized to lower the cost of housing production. While the State should abstain from direct intervention, it should streamline administrative restrictions which could result in an increase in production costs.

Standards and regulations for the production of low-cost housing.

1. The public and private sectors should work together to adapt imported construction standards so that they are appropriate to the local environment. Flexibility is the key, particularly in the context of the financial constraints of the recipients of low-cost housing.
2. The administrative agencies should decrease their level of intervention and consequent charges involved. This would include any potential negative action, as long as the quality of the mortgage contract is not threatened.
3. The State must play a primary role in defining the technical and financial standards for the dwellings financed for low-income groups. Recognized standards of construction required for obtaining relevant authorizations must be upheld.

Sub-Committee 7 - Topics 2, 3 and 4

French language group

Chaired by: Mr. M. Kiakite (Mali)

Participants: five delegates

Topics for discussion:

Topic 2 - Strengthening Local Government Efforts

Topic 3 - Creating Special Focus Institutions

Topic 4 - Reinforcing the Informal Sector

Recommendations:

Topic 2 - Assist Local Authorities in Organizing for Greater Effectiveness.

1. Set up a truly decentralized system. This would be the sole means of delegating responsibility to all parties involved in construction. At the same time, bring these parties - elected officials, administrators, implementers - together with active representatives from the community (associations, cooperatives, etc.) to work on coordination and extension activities. These activities should be implemented at the grassroots level.
2. Develop land reform measures which, with maximum flexibility, would give the decentralized authorities the capacity to control housing development.
3. Afford the decentralized authorities the financial and technical means to develop housing: (1) by way of on-lending of fiscal resources; (2) by developing housing programs directed toward families of varied incomes which would allow for equal distribution of expenses, thus lightening the load for the poorest; and (3) State loan guarantee for local authorities.
4. Establish a sound plan at the local level in accordance with plans on a wider level (county, district, province, nation). The use of local resources - human, financial, material, general know-how, etc. - would be given priority in developing this plan.
5. Identify the responsibilities of each party involved, public or private, formal or informal, and establish priorities for intervention. In particular, redefine the role of small- and medium-sized enterprises, streamline administrative functions, allow local authorities greater autonomy.

Topic 3 - Create Institutions and Specific Programs

1. Limit the creation of new institutions, but enhance those which already exist by coordinating the efforts of local, regional and national governments.
2. Grant privileges to local programs of integrated development (housing, agriculture, crafts, etc.), and programs emphasizing use of local resources (human, financial, and material).
3. Implement a program to reform regulations and standards. This will permit the adaptation of regulations to the needs of low-cost housing production. This reform plan would be based upon a research program on appropriate technology as well as an employee training program.

Topic 4 - Reinforce the Current Efforts of the Informal Private Sector.

1. Upgrade the informal sector which is well-integrated in the local economy and which could not be replaced by the private formal sector or the public sector in sheltering the poorest. This upgrading will be accomplished by training provided by technicians and supervisors to jobbers and self-help builders. The mechanism used will be on-site workshops in the context of constructing community buildings in association with housing programs, and by the use of jobbers in formal private sector programs.
2. Generate voluntary savings programs within the informal sector for the benefit of the low-cost housing projects, and create "Incentive Banks" (Banques d'Effort), comparable, for example, to Project Food for Work. Those participating in the construction of community buildings will be compensated by the allocation of building materials. The generation of savings should allow for a greater degree of flexibility in the payment schedule for the parties involved. The administration of these programs (voluntary savings plans, incentive banks) would be the responsibility of the formal private sector, with the guarantee of the public sector.
3. Create "purchasing houses" for building materials, and "lending houses" for tools and equipment used by self-help contractors and jobbers.
4. Aid families in establishing a construction budget and drawing up housing plans, and ensure technical follow-up during the principal phases of construction. This initiative is designed to guarantee quality housing to both the beneficiaries and lending organizations.
5. Obtain basic building materials from the private formal sector to facilitate the informal sector's involvement. This equipment could include all the basics - the foundation, the core and structure, and other special elements such as bathrooms and kitchens.



Mike Kiposi, Tropical Building Society, Kenya; Dick Collier, Beverly Building Society, Zimbabwe; and Victor Likaku, Chairman of the African Union of Building Societies and Housing Finance Institutions.



A Conference delegate from Zaire.

COMMITTEE REPORTS

The Urban Development Committee

Chaired by: Jonathan Zamchia (Zimbabwe)
Deputy Chairperson: Macki Sall (Senegal)
Speaker and Resource Person: Al Van Huyk, U.S. AID consultant

The Urban Development Committee began its deliberations by reviewing the concepts set forth in the speeches of the first plenary session of the Conference.

1. The Honorable Prime Minister R. G. Mugabe noted the serious economic problems facing sub-Saharan Africa in the mid-1980s:
 - declining commodity prices
 - drought and natural disasters which have adversely affected agricultural production
 - the heavy foreign debt burden
 - the growth in population.
2. Dr. Jack Carlson, in his keynote speech, highlighted the enormous expected growth in urban population from a 1980 level of 90 million to a year 2000 estimate of 260 million.
3. It was noted that labor force growth rates will be even higher and the cities of sub-Saharan Africa must develop four million jobs annually.
4. The resources available from the public sector are not sufficient to meet the needs of the urban areas for infrastructure services and jobs at the scale required. The Urban Development Committee recognized the importance of urban places in contributing to the achievement of national development objectives in both agriculture and industrialization.
5. It concluded that public/private partnerships were a useful concept to explore in seeking solutions to these massive problems.

After a full committee meeting, with an introductory key speech by the resource person, five major issues were identified and the committee divided into the following five subcommittees:

- Urban Policies and Planning

- Central/Local Government Roles
- Urban Infrastructure and Community Services
- Urban Land
- Urban Employment Generation

Before going into detailed discussions and recommendations of the above subcommittees, the committee highlighted the following scenario on urban development trends and problems of sub-Saharan Africa:

1. Within this region, there is a great diversity in political and administrative systems as well as different stages of development, production capacity and natural resources.
2. The private sector not only has a role to play in urban development, but it has always been present in performing this role under different conditions and forms.
3. When public and private capacity (both of national and foreign origins) join in partnership to develop productive managerial, administrative, technical and financial tasks and operations, there are political implications.
4. The responsibility of the private sector in urban development is important and should at this stage be reinforced. However, the colonial experience that the region suffered makes it necessary for each country to clearly establish the political mechanisms within which public/private partnerships can evolve.
5. Key issues in the central/local government roles in urban development revolve around strong central control which tends to leave limited possibilities for local initiative and community participation. Local governments do not have adequate resources to match their ever-growing responsibilities.
6. With the high rate of urbanization in the region, the majority of the cities and urban centers are unable to cope with the demand for various infrastructure and community services, especially for the poor.
7. Land tenure problems have critical implications for the urban development process in sub-Saharan countries. Land represents the basis, and one of the major instruments, for urban development. The complex procedures and the costs of land development hinder effective collaboration between the public and private sectors.
8. Both the public and private sectors have been unable to generate enough productive job opportunities in both the urban and rural areas. The public sector alone has not been able to meet its growing responsibilities.



Committee in deliberation.

Policy and Planning Committee

Bilingual group
Chaired by: J. Forzaz
Participants: 15 persons

This committee was intended to discuss the relationship between public sector policy and planning activities and the stimulation of the private sector, as well as the formation of partnerships.

It was agreed at the organizational meeting of the committee that the adoption of appropriate national urban policies and effective planning

procedures was an important prerequisite in stimulating viable public and private partnerships.

It was expected that the subcommittee would discuss such topics at the national level as:

- The need for urban policies to reflect the location preferences of the private sector rather than attempting to force the private sector to invest in locations they would consider undesirable or inefficient.
- The balance required between economic efficiency for the private sector and social equity concerns of the public sector.
- Rural/urban linkages as a form of public and private partnership between urban centers providing services and facilities to private small-scale farmers.

At the planning level, it was expected that the committee would discuss issues such as:

- The relationship between public sector regulations and the stimulation of the private sector, recognizing that arbitrary, unrealistic, and costly regulations have a negative effect on private initiative.
- The need to have the physical standards for development reasonable in relationship to the private sector's ability to meet the standards.
- The physical urban plans for cities and towns need to reflect the financial resources available to implement them and not be idealistic proposals.

The committee discussion, as it actually developed, touched on these issues, but eventually stressed the need to preserve public sector "control" over the development process, even while agreeing that the private sector needed to play a more substantial role in African urban development.

The debate was more imprecise than with the other committees, perhaps

because the topics were broader. This was the only bilingual group and the need for translation perhaps made it more difficult to fully understand the points of view expressed. It also reflected very different development philosophies between the French-speaking and the English-speaking countries which hampered the development of recommendations.

The committee listed approximately 30 sub-issues for discussion, but was unable to reach consensus on a narrow list of critical issues. As a result, the final set of "recommendations" was very much influenced by the Chairperson who made a valiant effort to summarize the general views expressed. The result was not particularly satisfactory to the Chairperson who indicated in his oral report to the full committee the difficulties this committee encountered.

The committee report of recommendations is quoted below:

1. Establish limits for the action and the scope of the public-private partnerships for the provision of social services and urban infrastructure by the creation of an appropriate legal framework and sets of rules and regulations.
2. Establish the necessary mechanisms effectively able to control the activities and performance of the public-private partnerships in aspects of quality and distribution of services.
3. Create stimuli for the establishment of partnerships with a geographical distribution coherent with the national as well as regional development priorities and equitable distribution of social benefits.
4. Prevent the formation of both public and private monopolies.
5. Motivate, stimulate and organize the participation of community groups and other organizations for urban development.

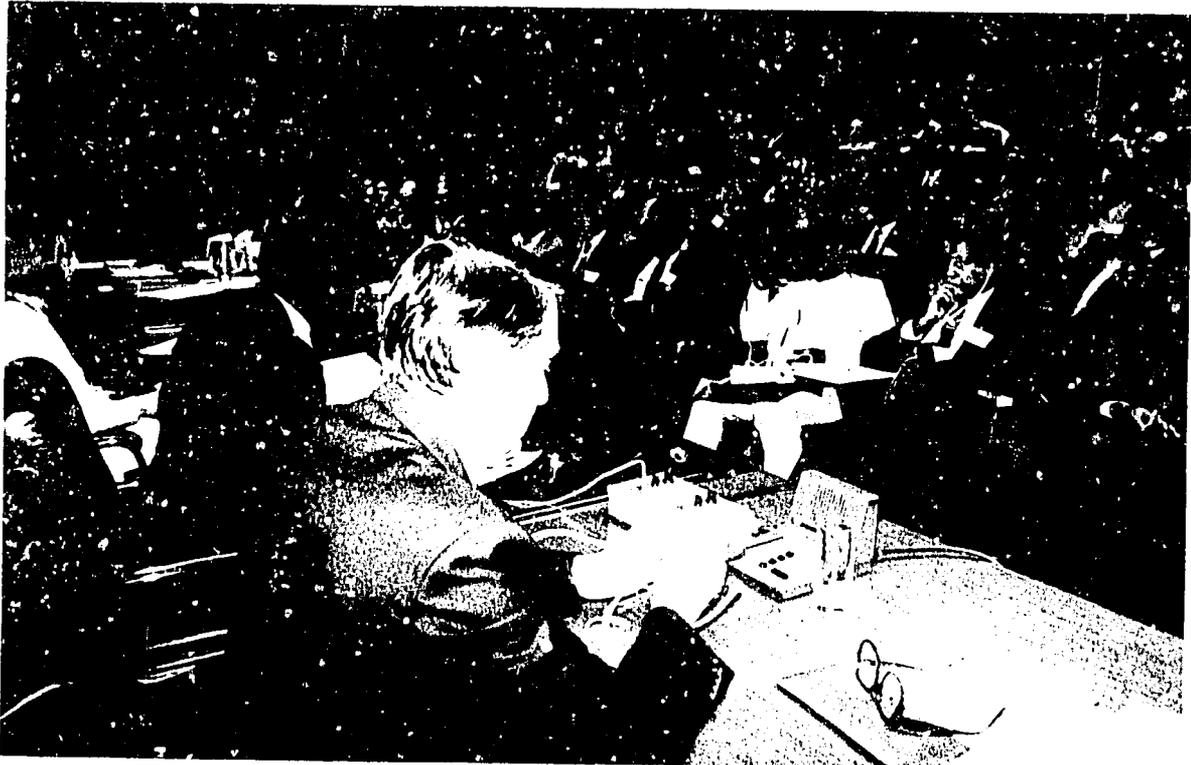
Job Generation Committee

Chaired by: Jere Harrington (Zambia)
Participants: 25 persons

The Job Generation Committee was to consider public and private partnerships to generate urban jobs. It covered both formal and informal sector enterprises. As a result of its broad mandate, the discussion was varied and active as many persons proposed specific issues and recommendations. The committee developed a broad array of specific recommendations in support of public and private partnerships. The full committee report is quoted below:

Government Policies

Government should enhance opportunities for job creation, especially for the private sector (both formal and informal).



Delegates in committee session.

The following points from the original list have been identified as areas which the government should focus on:

- Easing restrictions and regulations on both formal and informal sectors.
- A positive policy on the informal sector and small-scale enterprises.
- Investment and wage policies.
- Joint venture policies to encourage private/public investment.
- Infrastructure.
- Consideration of tenure and land use policies by easing zoning restrictions for both small- and large-scale industry.
- Industrial location policy with reference to urban centres.
- Policy or incentive to foreign investors; policy to encourage labour intensive foreign enterprises.
- Taxation and pricing policies.
- Appropriate technology.
- Import versus export promotion/import control.
- Exchange rate policies.
- Expatriate labour localization policies.
- Labour intensification: methods of promoting.
- Government pronouncements which support the private sector.
- Government studies of the impact of policies on private sector development.
- Government should establish a domestic/foreign investment promotion centre.

Role of the Private Sector

- Promotion of co-ops and self-help groups: permissive policies (as opposed to harassment); improve access to credit, etc. The role of private sector could be to liaise with government on matters of training input mechanisms (as an intermediary).

- Acceptance by local private sector of joint ventures with the state (e.g., to create enterprises which neither private/public could do alone).
- NGOs/PVOs to be encouraged to set up employment generating projects plus the easing of government restrictions on their operations (e.g., standards).
- Encouragement of informal and formal private sector to be involved in infrastructure development.
- Strong promotion of private sector enterprise in low-income housing (especially the informal sector).
- A communication mechanism to facilitate discussion and interchange between the public and private sectors should be established.
- Tax policy changes should include:
 - increasing capital allowances
 - increasing tax incentives to specifically identified industrial activities
 - allowing tax deductible contributions
 - consideration of changing capital gains and corporate tax policies.

Access to Finance

- Establish intermediaries from private sector to provide credit to small-scale enterprises.
- Encouragement of local business to provide credit for linked small-scale enterprises (e.g., when their production is complementary).
- Encourage co-ops and non-governmental organizations to provide guarantees for small-scale enterprises, or to set up banks, local savings clubs.
- Formal sector businessmen can form foundations to provide credit and technical assistance to less fortunate micro-level businessmen in the formal sector.

- High transaction costs reduce bank lending to the small borrower. To overcome this:
 - Borrowers could group, for example, in co-ops.
 - The procurement of the borrower of credit would require participation in an Advisory Service (which may perhaps be community-based and include training, bookkeeping, product and marketing techniques).
 - Governments should encourage banks to establish different criteria for lending to the small entrepreneurs, perhaps by utilizing international assistance funds as bank guarantees.
- Market interest should be charged for productive employment activities. These rates will likely be lower than informal rates now available to the small borrower.
- Credit must be increased. One way to do this is to reduce the "crowding out" of private borrowers by the public sector. Therefore, the government sector should undertake to reduce its domestic borrowing by a given amount, e.g., 1% per year to give room to the private sector.
- Foreign investors should not insist on government guarantees of investment.
- Governments should consider establishing a Unit Trust Fund which could be used for local development activities.

Education and Training

- Ensure relevance of education to potential job opportunities (taking into account age, etc., of trainees and location of job opportunities).
- Training-of-trainers to facilitate co-ops.
- Vocational training in primary schools and adult education classes.
- Skills training for small businesses, e.g., marketing, management.
- Strengthening of training for communities involved in income-generating projects, e.g., to enable members to identify and analyse projects to ensure they are viable and fulfill their objectives.

- Exchange of experiences at the urban-regional level.
- The private sector should be allowed to establish a tax deductible training fund directed at the future skill requirements of the firms participating in the fund.

SPECIAL NOTE: Governments should recognize that attitudes toward the disenfranchised, especially women, are culturally determined. Thus, the private and public sectors have a responsibility to initiate policies that enhance social and economic equity, especially for women. This means increasing women's access to: 1) technology transfer; and 2) access to credit and financial assistance which will maximize opportunities for employment and income generation.

Socio-cultural Aspects

- Promote awareness of the needs of women/youth/disabled since they are the most vulnerable.
- Educate to promote acceptance of locally-produced products instead of imported products (because small-scale employment generation projects may otherwise be weakened).
- Consider changing attitudes to face the reality of the job market, e.g., "not aspire to impossible heights."

Urban Infrastructure and Community Services Committee

Chaired by: Tara Chana (UNCHS, Zimbabwe) and Peter Hornblow (Zimbabwe)
Participants: 40 persons

This committee proceeded systematically through a very large agenda of issues and subjects. Each of the major components of infrastructure was discussed in terms of its potential for public and private partnerships.

The discussion was active and serious. Many of the African participants had broad practical experience in infrastructure in their respective countries. Extensive ground was covered by this committee.

The Urban Infrastructure committee initially identified six major premises which were believed to influence all of the specific components. These were:

- Lack of well-defined policies on public and private partnerships in urban infrastructure and services to guide their development.
- Outdated and inappropriate planning regulations, by-laws and standards discourage private investors and increase costs of both public and private projects.
- Major factors of affordability and cost recovery are not adequately considered at the project planning stage.
- Conflict of financial goals with private sector seeking to maximize profits and public sector seeking to minimize costs of urban services (even through the use of extensive subsidies).
- Inadequate coordination between and within public and private sector agencies and also with multi-lateral and bilateral donors.
- Shortages of skilled manpower in both the public and private sectors and limited training programs adversely affect planning, programming, implementation, and maintenance of urban infrastructure and services.

The committee identified the constraints of each of the individual infrastructure and services components that need to be addressed. The committee then proposed their recommendations as follows:

Water Supply Recommendations

- 1) Joint public/private ventures in financing and construction and management of water supply systems need to be promoted.
- 2) Full-cost recovery vis-a-vis affordability should be achieved at all times.
- 3) Low-income families should be encouraged to utilize rainwater where available (bearing in mind health implications).
- 4) Community participation, especially through PVOs should be promoted at different stages in the development of water supply systems.

Sanitation Recommendations

- 1) Final products of waste water and sludge have important commercial

values and this should be explored.

- 2) Equilibrium between pollution, health regulations and industrialized loads should be achieved.
- 3) Local Authorities should play a major role in the planning of sewerage plants and networks.
- 4) Combinations of conventional and new appropriate sanitation systems should be explored.
- 5) More applied research on standards, densities, political/social acceptability, etc., is urgently needed. Training in appropriate sanitation systems should be undertaken by both the public and private sectors.

Transportation Recommendations

- 1) Coordinated public and private (both formal and informal) transportation should be promoted.
- 2) Physical planning authorities need to fully involve the respective transportation agencies from initial planning stages.
- 3) Staggered working hours should be introduced to overcome traffic congestion.
- 4) Adequate and timely supply of foreign exchange to procure appropriate vehicles and spares is critical for both public and private transportation modes.
- 5) Revenues from existing taxes on private transportation companies should be made available to local authorities for improvement of road networks.

Refuse Collection/Disposal Recommendations

- 1) Public/private agencies involved in refuse collection/disposal should be allocated adequate foreign exchange for appropriate vehicles, spare parts, etc.
- 2) Recycling of waste through proper disposal plants involving private sector should be promoted.
- 3) Increase research and development in refuse.
- 4) Promote community participation in refuse collection/disposal, including pressure on public sector inefficiency in collection.
- 5) Draft new legislation to enable private sector to deal with industrial waste.



A Nigerian representative to the conference.



Gabriel Razafindrainibe, Madagascar, participates in a committee session

Electricity/Energy Supply Recommendations

- 1) Develop ways and means to deal effectively with supply and use of wood fuel.
- 2) Seek transfer of science and technology on alternative and new and renewable sources of energy from developed countries.
- 3) Promote public/private partnership in both conventional and non-conventional energy supply systems, especially financing, research and development.

Community Services Recommendations

- 1) Strengthen the public sector's role as a facilitator in policy, planning and programming of community services.
- 2) Promote private sector and joint ventures in supply, management and maintenance of community services.
- 3) Joint ventures in production of local equipment, furniture and supplies including use of PVOs and NGOs.
- 4) Planning (public) agencies should make concerted efforts in developing and implementing indigenous planning models (including training at schools of planning).
- 5) Employer-provided (private) community services should be encouraged.
- 6) Private sector to provide grants/training facilities for health workers.
- 7) Review existing legislation to improve public/private partnership.
- 8) Tax incentives for social, charitable, religious contributions should be encouraged.

The Committee on Central and Local Government Roles

Chaired by: Charles Ntwaagae (Botswana)

Participants: 15 persons, largely from local government.

The recommendations of the Committee are as follows.

- Local governments have more potential to promote private sector development than central governments. Planning responsibility should be devolved from the central to the local level.

- The role of central governments is seen as being one of facilitator and guarantor -- setting overall national policy, direction and legislation and providing basic physical infrastructure.
- Community participation in urban development is viewed as important. Accordingly, central governments should formulate policies which are responsive to needs of the people. Such policies should allow a bottom-up approach.
- Communication between the community and local authority and between the private and public sectors should be improved.
- It is desirable that central governments create opportunities for their local authorities to raise revenues, invest in viable enterprise, engage in meaningful partnerships with the private sector, and have access to capital, especially the domestic open market.
- It is considered important that every undertaking of local government should be self-financing; for example, water charges should be sufficient to recover construction and maintenance costs of water undertakings.
- It is necessary that local authorities have training and skilled personnel. Where there are shortages, local authorities could tap expertise from the private sector. Staff could also be seconded from the private sector to the public sector and vice versa.

Urban Land Committee

French language group
Chaired by: Phillipe Harding (Ivory Coast)
Participants: 12 persons

The Urban Land Committee consisted only of participants from French-speaking countries. This was unfortunate as the English-speaking countries have significantly different land laws and the opportunity for interchange was lost.

Nonetheless, the Urban Land Committee was among the most serious and

hardworking of the groups. They began with the participants describing the land issues in their respective countries in order to prepare a context for the recommendations. The report was written in French and was translated into English after the Conference. The translation is presented below.

Introduction

Land-related problems are today one of the most important issues in African countries. Due to complex procedures and cost implementation, efforts need to be sustained for efficient collaboration between the private and public sectors.

Topic No.1

National Land Policy--Security of Land Ownership

From information provided by different countries the common features are:

- Our countries have known colonization that did not leave behind a workable legal framework for land.
- Our young states have been conscious early on of the situation and have realized the importance of land policy in the country development process. Soon after independence, they implanted rules and management methods to improve land-related problems.

It should be noted that these regulations are too complex to be applied easily. There is also a lack of judicial and technical instruments, which renders land difficult to acquire and ownership is not secured.

This is the reason why we see more citizen groups, neighborhood and municipal bodies organizing themselves to defeat these restrictive laws and procedures.

To reach their objectives, it is essential that governments collaborate and reaffirm their intent to eliminate land use problems. The collaboration between the public and private sectors should ease private access to land.

Topic No. 2

Supply of Urbanized Land

There are a variety of ways in which land is made available:

- Direct state supply: land given to private individual or agency under:
 - a free allocation or a paying contribution.
 - a lease.
- Supply public or "semi-public" Developing Agencies.
- Free market or real estate transactions under different forms. It should be noted that, in large urban centres, free market has the tendency to become a speculative enterprise.
- Squatters or illegal land development migrants and poor urban families.

Topic No. 3

Land Management

These are various ways of managing land, including the establishment of:

- Land reserves.
- Zones under coordinated development, ZAC (Zones d'Amenagement Concerte).
- Zones of postponed development, ZAP (Zones d'Amenagement Prioritaire).
- Zones of postponed development, ZAD (Zones d'Amenagement Differe).

Urban land management in some countries is inefficient. The participation of local authorities in land management is non-existent.

Topic No. 4

Financing of Urban Land

In this field, some countries have made an effort through financial agencies such as the Savings Bank and Bank of Habitat, etc. However, this effort does not cover all financial need and some of the land subdivisions are sold without facilities or basic infrastructure.

Recommendations

Land Development:

- Governments should reaffirm their policies on land development by:
 - simplifying the procedures
 - facilitating access to urban lands
 - securing land ownership for private sector and other land developing agencies.
- Governments should provide information about the new urban policies in order that land developing agencies (developers) may take advantage of these new laws.

For the Supply of Urban Land:

In view of the population increase in urban centers; in view of the difficulty for low-income groups to have access to a plot, and to avoid squatter settlement in peripheral urban zones; and in view of the need for serviced land by developers, the Subcommittee recommends:

- the creation of sites and services with minimal equipment;
- a differential level of infrastructure in order to permit different income groups to have access to an affordable plot;
- land reserves for industrial and commercial zones permitting the development of the urban environment.

For Land Taxation:

In view of the poor resources of local authorities, and in view of the need for a better monitoring of taxation, the Subcommittee recommends the development of a fiscal cadaster plan to increase the resources of local authorities.

Further, the Subcommittee believes that fiscal procedures should be more relaxed in order to encourage the private sector to participate in the urban development process.

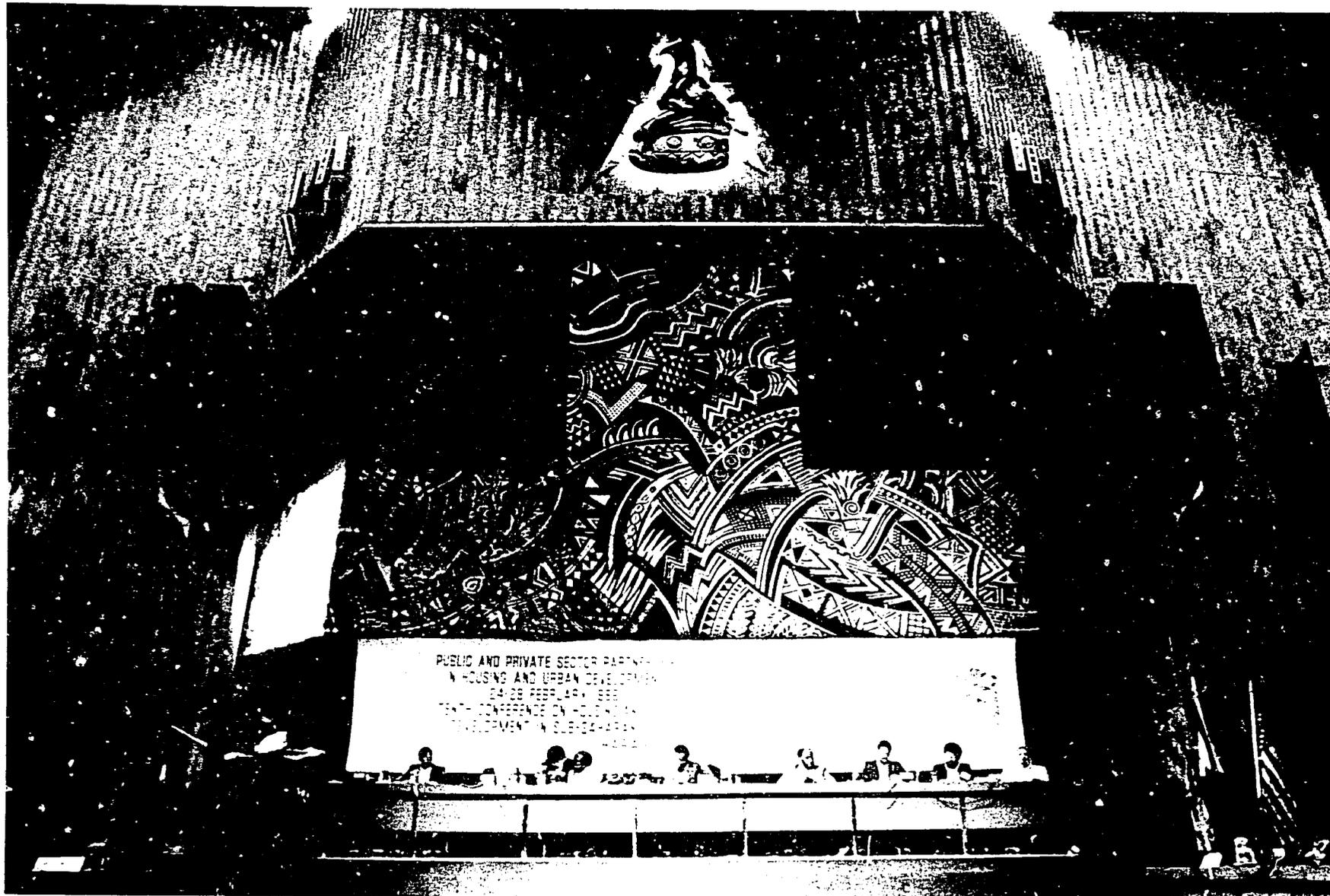
For Fiscal Management:

In view of the lack of tools for urban planification and management, the Subcommittee recommends the creation of those tools, and the participation of local authorities in urban management.

For Financing:

Despite the efforts some of the states have made either directly or through financial organizations -- i.e., the Savings Bank, Bank of Habitat, etc.-- and knowing that those efforts cannot cover all financial needs inasmuch as urban lands are given without equipment and basic infrastructure, the Subcommittee recommends that those countries define a financial policy that will permit financial institutions of the private sector and private citizens to take part in urban development.

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The closing ceremony.

SYNOPSIS OF THE TWENTY SIX PAPERS PREPARED FOR THE CONFERENCE

AND

A REPORT ON THE DELEGATES' EVALUATION OF THE CONFERENCE

ARE AVAILABLE FROM

THE REGIONAL HOUSING AND URBAN PROGRAM OFFICE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
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