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1. Project/Subproject Number

2. Contract/Grant Number

3. Publication Date

4. Document Title/Translated Title

Feasibility Report: Private Sector Housing Guaranty subproject
for Togo

5. Author(s)

1. Judith Hermanson
2.
3.

6. Contributing Organization(s)

Cooperative Housing Foundation

7. Pagination

8. Report Number

9. Sponsoring A.I.D. Office

10. Abstract (optional - 250 word limit)

See attached

11. Subject Keywords (optional)

| | |
|-------------------|------------|
| 1. Togo | 4. housing |
| 2. Come | 5. |
| 3. Private sector | 6. |

12. Supplementary Notes

13. Submitting Official

14. Telephone Number

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EXECUTIVE SUMMARY
Feasibility Report: Private Sector Housing Guaranty Subproject for Togo

SUMMARY OVERVIEW

This report concludes that there are a number of institutions in Togo interested in and capable of participating in the development of a private-sector based program for the improvement and construction of housing for low income earners. It further concludes that adequate institutional capacity exists for such a program to be deemed feasible. Moreover, within the current changing and favorable policy environment with respect to shelter delivery, such a program is likely to play a pivotal role in the future direction of housing policy in Togo.

The report recommends that further steps be taken to design a Private Sector Housing Guaranty Subproject for Togo, working with a range of commercial banks and other financial institutions, an indigenous non-governmental organization, and the Peace Corps.

PNABI-644

**FEASIBILITY REPORT:
Private Sector Housing Guaranty Subproject for Togo**

Prepared for RHUDO/WCA

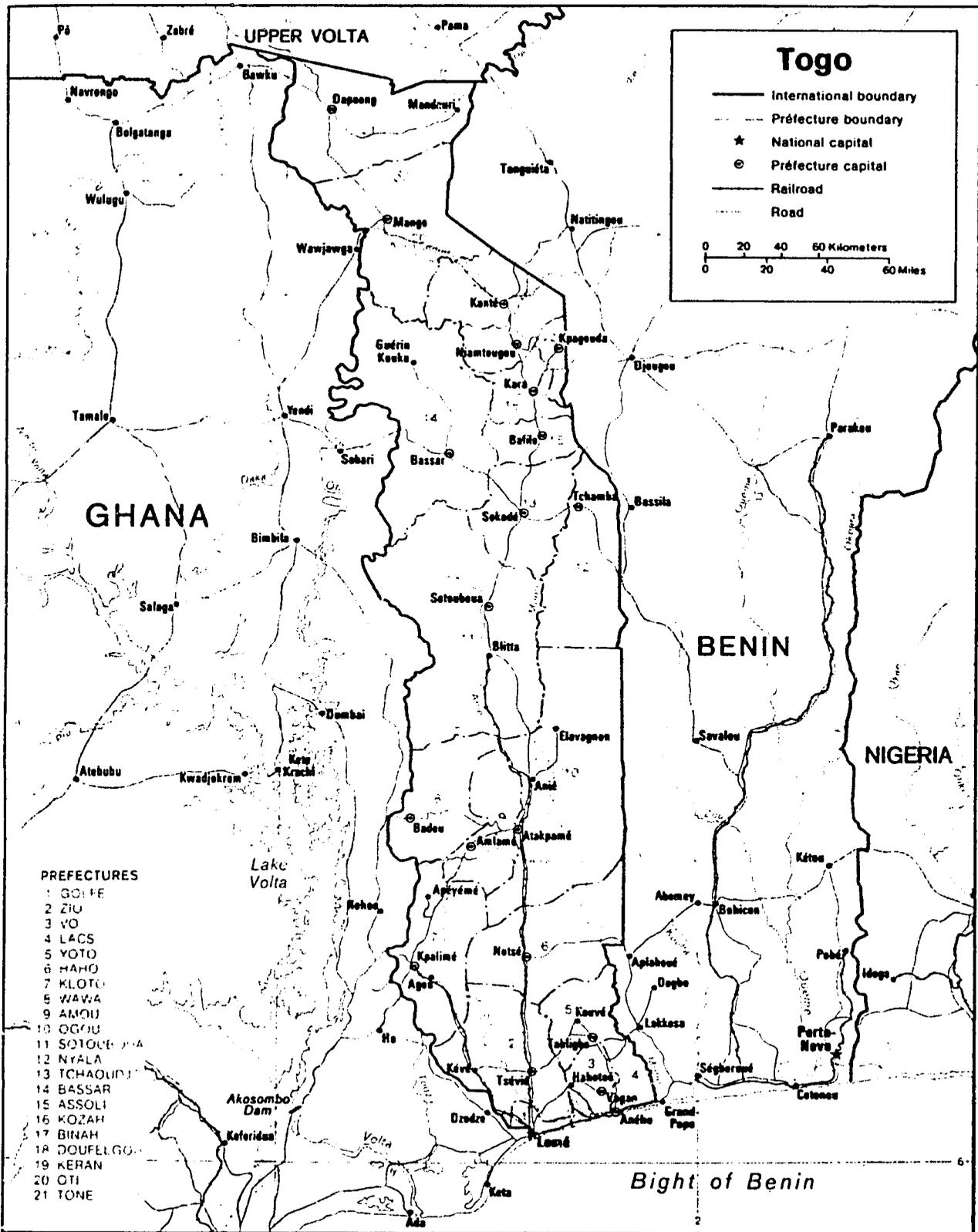
**by
Judith A. Hermanson
Cooperative Housing Foundation**

December 1990



Cooperative Housing Foundation

Mail: P.O. Box 91280, Washington, D.C. 20090-1280 ■ Office: 1010 Wayne Ave., Suite 240, Silver Spring, MD 20910 ■ (301) 587-4700 ■ FAX (301) 587-2626 ■ Telex 440271 CHFUA



Foreword

I would like to acknowledge and express my appreciation for the assistance provided by Gregory Austreng, Associate Peace Corps Director and F. Kokoe Kuevidjen, Consultant in the conduct of this study.

**FEASIBILITY REPORT:
Private Sector Housing Guaranty Subproject for Togo**

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EXECUTIVE SUMMARY
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SUMMARY OVERVIEW

This report concludes that there are a number of institutions in Togo interested in and capable of participating in the development of a private-sector based program for the improvement and construction of housing for low income earners. It further concludes that adequate institutional capacity exists for such a program to be deemed feasible. Moreover, within the current changing and favorable policy environment with respect to shelter delivery, such a program is likely to play a pivotal role in the future direction of housing policy in Togo.

The report recommends that further steps be taken to design a Private Sector Housing Guaranty Subproject for Togo, working with a range of commercial banks and other financial institutions, an indigenous non-governmental organization, and the Peace Corps.

BACKGROUND

Through its Office of Housing and Urban Programs, the U.S. Agency for International Development (USAID) has established a Worldwide Private Sector Housing Guaranty Program (PSHG). Under this program, qualifying subprojects for the delivery of improved shelter to the low income can be financed. One of the key criteria is that the subproject engage the private sector.

This feasibility study was commissioned by the Regional Housing and Urban Development Office for West and Central Africa (RHUODO/WCA) to determine whether existing institutional capability in Togo is adequate to support a PSHG subproject. The study was to review the current shelter finance and delivery mechanisms in place, focusing on the management and organizational structures capable of originating and servicing housing loans for the low income and of implementing a program for the improvement of existing housing or the construction of new housing in Lomé and other urban centers throughout the country. In the course of the study, specific questions bearing on the overall feasibility of a subproject were also to be addressed, including a possible role for the Peace Corps and identification of any training and technical assistance that might be necessary.¹

¹A socio-economic survey was separately commissioned and scheduled for completion by mid-September. A detailed financial analysis was contemplated as a subsequent step in conjunction with program design, should the organizational review prove favorable.

CONTEXT

Togo is urbanizing at a rapid rate. The Government of Togo (GOT) has recognized this fact and its implications for the country as a whole. With half of the population projected to be living in urban centers shortly after the turn of the century, the GOT has identified the shelter sector as a priority area in its 1991-1995 plan. Within that context and its overall policy thrust toward increasing privatization and private sector involvement in all aspects of the country's development, the GOT explicitly welcomed the possibility of a USAID intervention through a PSHG subproject.

At the current time, there is no organized system for the provision of shelter credit to low income borrowers. However, the study shows that the need and demand are substantial, with the acquisition of housing a very high cultural value for the Togolese. Moreover, there is a well developed banking system in Togo, consisting both of completely private commercial banks and quasi-governmental banks, having virtual autonomy and run along private sector lines. These institutions are highly liquid and looking for sound investment opportunities. Indeed, several banks are in the process of developing new products for encouraging savings and loans for housing.

The shelter delivery system in Togo is characterized by the dominance of the private sector. Virtually all housing construction is undertaken by individuals, contracting with small contractors. By and large, direct public sector development has not been successful, and at the present time, there are only one or two private housing developers operating on a small scale.

Housing affordability is an issue in Togo, with rising land prices and relatively high costs of construction. The lack of definitive income information posed a constraint for the study, but based on the information available, it appears that a home improvement loan program and possibly also a new construction program of modest core units can be designed to be affordable to a below the median income population. However, because of various constraints associated with new land development, the major thrust of a PSHG subproject could reasonably be expected to be in the area of home improvements lending.

PROPOSED PSHG SUBPROJECT STRUCTURE

The proposed participants in the potential subproject are as follows:

1. Private Sector Commercial Bank -- PSHG Borrower, on-lending to intermediary organizations;
2. Private Sector Commercial, Non-governmental and Quasi-governmental Financial Institutions -- Intermediary organizations, originating and servicing home improvement and other housing-related loans;
3. NGO -- Borrower for building materials development and provider of technical assistance to low income borrowers;

4. Peace Corps Volunteers -- Providers of technical assistance to NGO and outreach and information to low income borrowers;
5. Beneficiaries -- Low income borrowers, from one of the intermediary organizations, working with small contractors or self-help labor to construct or improve their dwellings, possibly with assistance from the NGO and Peace Corps Volunteers.

The study took as its point of departure, RHUDO/WCA discussions with the privately-owned ECOBANK, which has expressed interest in serving as borrower under a PSHG subproject. However, ECOBANK does not have the capacity for originating and servicing small loans. Therefore, following an assessment of the financial institutions, it is recommended that the borrower on-lend to a cross-section of these, possibly using a phased approach. Initial program implementation is recommended to be undertaken by Banque Togolaise de Développement (BTD), Union Banque Togolaise (UTB), and, possibly, Federation des Unions Coopératives d'Epargne et de Credit (FUCEC). This program would have the advantage of spanning the financial institutional spectrum in Togo and potentially having the significant impact of opening the entire housing finance system to low income borrowers.

In addition, important roles are foreseen in the implementation for the Conseil Gestion Afrique Togo (CONGAT), a grassroots NGO with experience in the area of indigenous materials production, and the Peace Corps, which will assist CONGAT in the implementation of its building materials program and the outreach and education of the lending program to low income borrowers. CONGAT would like to mount an indigenous materials production and technical assistance program in conjunction with the loan program, in order to maximize affordability. It would be willing to take a credit to pre-finance the production of materials. In addition, it would assist in the development of small business enterprises. Peace Corps Volunteers would work with CONGAT to establish a well-founded program, assure the appropriateness and affordability of the materials. Peace Corps Volunteers would also work with both CONGAT and the intermediary financial organizations in the outreach, information and education of beneficiaries with respect to loan application and construction matters.

Eligibility of low income borrowers will be determined according to agreed criteria (to be developed during program design phase). However, although collaboration with CONGAT will be encouraged, it is not envisioned that the lending program will be limited only to those who use indigenous materials.

NEXT STEPS

The findings of the organizational feasibility study are positive. Following the agreement of USAID/Togo and formal consultation with the GOT, the next step is for RHUDO/WCA to initiate a program design, which will address specifically the financial givens of the program, the roles and responsibilities of each of the participants, and the lending program parameters.

Feasibility Report
Private Sector Housing Guaranty Program for Togo

I. Introduction

The U.S. Agency for International Development (USAID) has authorized a \$50 million program in order to increase the participation of the private sector in the solution of shelter and related problems throughout the developing world. This program is the Private Sector Worldwide Housing Guaranty Program (PSHG), and it is designed to encourage efforts to finance and produce housing for the urban poor and, in so doing, "to engage the creative energy of the private sector in all LDCs where . . . [USAID is] working and complement ongoing bilateral efforts in pursuit of policy reform in the shelter sector."¹

It is intended that under the global PSHG, subprojects for individual countries in amounts up to \$5 million would be developed and approved. The subprojects must originate in the private sector and address the shelter needs of those below the median income level in the country concerned. To date, subprojects have taken various forms, consistent with PSHG criteria. Specifically, each subproject must:

- be either a new or expanded pilot effort to finance or produce affordable housing for the urban poor;
- secure the participation of financial institutions capable of originating and servicing mortgage and construction financing in the country where subproject is to be implemented;
- minimize the foreign exchange and the commercial risks attached to the borrowing.

A. Purpose of Study

USAID's Regional Housing and Urban Development Office for West and Central Africa (RHUDO/WCA) is considering the possibility that a PSHG subproject might be developed in Togo.² The purpose of this study is to examine the feasibility of a

¹Peter M. Kimm, ACTION MEMORANDUM, September 29, 1986.

²A pre-feasibility study carried out in 1989, ascertained that unmet demand at the low end of the income spectrum exists and that there is at present no organized system to meet that demand. However, the potential for establishing a system appears to be a realistic possibility, by a re-structuring of roles within existing institutions and an appropriate infusion of financial resources. See Cooperative Housing Foundation, "A Pre-Feasibility Study: Private Sector Shelter Program for Peace Corps/Togo," July 11, 1989.

credible organizational structure being created to support a PSHG subproject in Togo. The study therefore, focuses on an assessment of existing institutional capability and interest and on the steps necessary to the establishment of the necessary structure, and on the process whereby it could be established.

The financial arrangements are to be the subject of a further study once the organizational feasibility is established. In addition, a separate socio-economic survey is scheduled for completion in mid-September.

B. Terms of Reference

RHUDO/WCA engaged the services of the Cooperative Housing Foundation (CHF) to conduct this feasibility study, to review the current finance and delivery systems in Togo, identify and assess the capacity of institutions (including the credit union movement) to participate in a PSHG subproject, assess private sector capacity to produce appropriate building materials, to identify potential roles for Peace Corps Volunteers under a PSHG subproject and, based on an overall positive assessment of feasibility, identify the follow-up steps and resources that will be required. The Terms of Reference are appended at Annex A.

C. Methodology

The study was conducted in Togo during August 1990. It was carried out in conjunction with related work being done for Peace Corps/Togo. Thus, although CHF's agreement with RHUDO/WCA called for only one work week in the field, it was possible to collect data over a three week period in Togo.

The methodology used was as follows:

- Interviews were conducted with government officials, private individuals and organizations, and international donor organizations involved in the shelter sector;
- Secondary source material was collected and analyzed, including recent documents prepared by other donors interested in the sector;
- A study of building materials availability and costs was carried out; and
- Interviews were conducted with various participants in the informal housing delivery system, including representatives of the potential target group, moneylenders, entrepreneurs and skilled workers.

The study was carried out in close collaboration with USAID and the Peace Corps. The USAID/Togo Representative was consulted for input and was debriefed at its completion. RHUDO/WCA was consulted by telephone and was debriefed at its completion. Peace Corps/Togo participated at all stages of the study and was also debriefed at the completion of the fieldwork.

II. Implementation Context

The feasibility of a PSHG subproject will depend not only on the institutional capacity of the private sector and the structuring of an acceptable loan agreement. It will also depend on many factors which impact the shelter delivery system and on the socio-economic conditions of the target population. This section therefore identifies and describes these factors and conditions so that they can be considered in relation to the feasibility of any PSHG subproject that might be proposed.

A. National Policy

The Government of Togo's (GOT's) major policy objective is to promote sustained and equitable economic growth that will improve overall conditions of life, including those of the most disadvantaged of Togo's citizens.³ To achieve this objective, the GOT's strategy under its third structural adjustment program⁴ is for Government to step back from direct involvement in most sectors and to encourage private sector initiatives.⁵

The GOT has not yet promulgated a national shelter policy, moreover, there are several areas that require national level policy attention in order for the shelter delivery system in Togo to function with optimal effectiveness and efficiency. (These are described in later sections of this report.) However, the present environment, seems to be very conducive to far-reaching policy changes within the sector.

The present policy environment as it bears upon the feasibility of a PSHG subproject can be characterized as follows:

- 1. GOT Priorities and Objectives:** In the national economic plan for the period 1991-1995, the GOT has identified as one of its major initiatives an improved allocation of resources among major sectors, including a specific

³Government of Togo, Ministère du Plan et des Mines, "Cadre Macro-Economique, 1991-1995," (Deuxième Conference des Bailleurs de Fonds pour le Développement du Togo), April 14, 1990, p. 47.

⁴Togo first began to reorient its economy in 1984; the third structural adjustment program was agreed to with the World Bank in 1988. It includes provisions related to the management of public resources and public enterprises and sectorial policies, focusing on agricultural production and food self-sufficiency.

⁵The USAID-assisted establishment of the Zone Franche is a concrete manifestation of this policy.

program for the shelter sector.⁶ The plan lays out a number of objectives directed toward improving the quality of life for the urban populations of the country.

One of the key objectives is to put in place mechanisms which will help to direct investments toward the production of economical housing.⁷ This objective seems to be fully consistent with the type of approach that would be envisioned under a possible PSHG subproject.

2. GOT Receptiveness: Government officials responsible both for urban development and shelter activities in the Direction Générale de l'Urbanisme de l'Habitat explicitly welcomed the possibility of a USAID intervention that would stimulate a private sector based program for the financing of housing improvement and/or construction for the urban poor, as did virtually every other official contacted. A list of persons met is included at Annex C.

3. GOT Planning: During the period 1991-1995, the GOT intends to define a comprehensive national shelter policy, taking into account all aspects of the sector.⁸

4. GOT Recognition of Policy Issues: Not only has the GOT announced its intention to develop a national shelter policy, it has also taken a step toward these ends by its formal expression of interest in participating in a subregional program to be funded by the United Nations Development Program (UNDP) that will assist in the formulation of appropriate national shelter strategies.⁹

⁶ "Cadre Macro-Economique, 1991-1995," pp. 47 ff.

⁷Other objectives include the implementation of a planned urban improvements project in Lomé to be financed by the World Bank; the development of urban plans for all settlements with more than 5,000 inhabitants; the allocation of resources for the development of social housing; dissemination of local building materials technologies; and continuation of certain urban upgrading activities (particularly with respect to sanitation) that have already been undertaken. (Ibid., p. 98).

⁸Ibid.

⁹The original start date was anticipated to be July 1990; however, project initiation is pending indications of positive interest by the requisite number of countries in the subregion. However, it is expected that the project will move forward in the near future.

Areas of particular interest to the GOT under the UNDP project include housing finance, land management and service provision strategies and analysis of the relationship between the shelter sector and overall development in Togo.

5. GOT Emphasis on Private Sector: Togo's development planning in all sectors, including shelter emphasized the GOT in a facilitating role

In this national policy context, it would seem that a PSHG subproject would provide a timely intervention that would enhance RHUDO/WCA's policy dialogue with the GOT. A PSHG subproject in Togo has the potential to play an important and perhaps pivotal role in Togo's shelter delivery system.

B. Urban Development Trends

With an annual growth rate of 3.2%, the population of Togo is growing rapidly. It doubled during the 20 year period 1960-1981 from 1.5 million to 2.8 million. It seems likely that in the next 20 year period, that is, by the year 2000, it will almost have doubled again to just under 5 million people. (See Figure 1.)

Figure 1

Projected Population of Togo and Its Urban Centers
(population in millions)

| | 1981 | 1992 | 1995 | 2000 |
|---------------|------|------|------|------|
| Togo | 2.7 | 3.7 | 4.2 | 4.8 |
| Urban centers | 0.7 | - | - | 2.8 |

Source: GOT extrapolations from 1980 census in "Cadre Macro-Economique" and United Nations projections in "Etude Sectorielle des Etablissements Humains au Togo."

As Figure 1 also shows, the urban population growth rate is even higher than the overall national rate; although it varies among urban centers, the United Nations (UN) estimates that the average growth rate of Togo's twelve major centers will be 4.3% during this same period.¹⁰ Approximately 30% of Togo's citizens live in urban areas; by the year 2000, it is estimated that this figure will rise to 50%. Even more startling

¹⁰Gilles P. LaHeurte et. al., "Etude Sectorielle des Etablissements Humains au Togo," United Nations Center for Human Settlements, April 1990, p. 32.

perhaps is the fact that by 2000, the number of people living in urban centers will be equal to the entire population of Togo in 1980. This suggests that Togo is a country undergoing a radical social and economic transformation.

1. Lomé

Lomé is the major urban center of Togo. In its preparation for an anticipated urban project, the World Bank has estimated that Lomé is growing at rate of 6% and that it is now home to approximately 450,000.¹¹ It has the greatest concentration of population in Togo, with one of every six citizens living in Lomé and half of the urban population.

In addition to its population growth, Lomé has increased its size considerably, as land further and further from the original town center is subdivided. It is estimated that since the 1970's the area of Lomé has quadrupled from 2,000 hectares to 8,000 hectares.¹² (See Figure 2.)

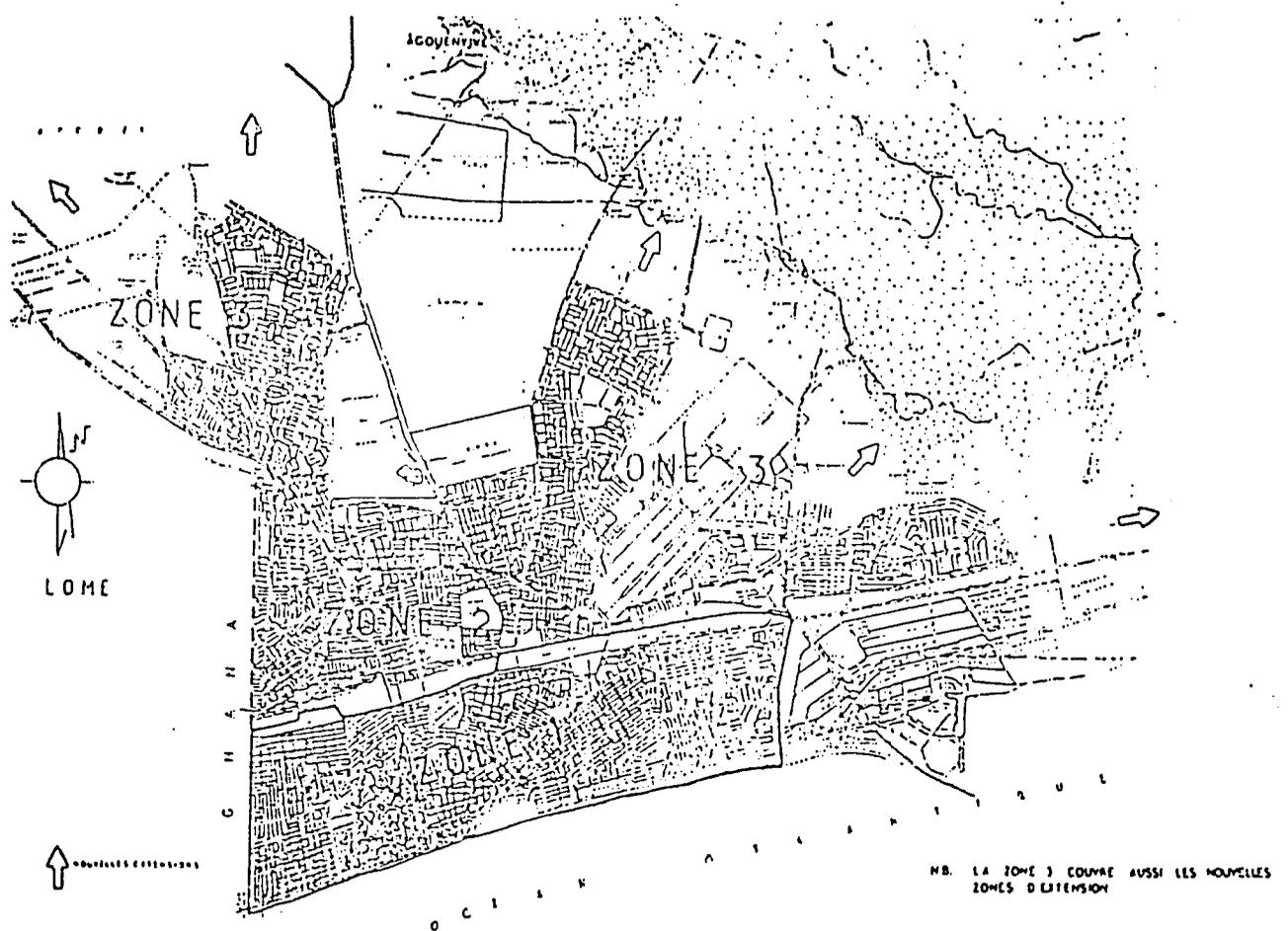
The population pressure and the rapid expansion of the city have outstripped the capacity of the city to provide adequate levels of infrastructure and services. In the absence of a national shelter policy, the bulk of the responsibility for financing and production of housing for many years has devolved to the private sector and, of that, the largest portion has been within the informal sector (see further discussion below). This has meant that the authorized master plan for the city has been largely ignored. Moreover, chiefly because of its weak financial position and lack of urban management systems, such as tax collection, the Municipality of Lomé lacks the means to manage the urban development process.

The GOT is anticipating a program that will assist Lomé to address some of the issues that it is facing through a combined approach of major infrastructure rehabilitation and improvement, upgrading of specific quartiers, strengthening of the Municipality's fiscal position and management ability, and servicing and delivery of plots for low income earners. The program to be financed by the World Bank has undergone extensive study and is still under GOT review.

¹¹The UN estimates that Lomé is growing still at its earlier growth rate of 7% and that the total population of Lomé is in the neighborhood of 650,000. (See "Etude Sectorielle des Etablissements Humains au Togo," p. 45.

¹²Ministère de l'Équipement et Poste et Telecommunications, Direction Générale de l'Urbanisme et de l'Habitat, "Etudes de Développement Urbain de la Ville de Lomé," vol I, Rapport Final de Phase 1, 1989, p. 1.

Figure 2
Lomé and its Periphery



2. Secondary Cities and Other Urban Areas

In Togo, there are eight Communes in addition to Lomé, each with an elected mayor,¹³ and 21 Chefs-Lieux de Préfectures which are considered to be urban areas. In addition, as indicated in the 1991-1995 Plan, urban plans will be developed for all settlements with more than 5,000 residents.

The estimated average growth rate of urban areas other than Lomé is approximately 4%.¹⁴ Although growing quickly, these towns do not rival Lomé in size: Sokodé, the second largest town has between 80,000 and 100,000 residents.

¹³These are Dapaong, Kara, Bassar, Sokodé, Atakpamé, Kpalimé, Tsevié, and Aného.

¹⁴Ibid., p. 45.

C. Building Materials Situation

Most of the house construction that takes place today in Lomé and indeed throughout the urban areas uses imported materials. Although costs are considered high, with transport making construction in secondary towns relatively more expensive, supply appears to meet demand and no history of shortages was uncovered.

In its recent study of the human settlement situation in Togo, the U.N. was able to discern four price categories with respect to average costs per square meter of construction. These are shown in Figure 3.

Figure 3

Average Construction Costs in Togo (in CFA)

| House Category | Square Meter Cost |
|--|-------------------|
| Modest house; no running water; no electricity | 15,000 - 20,000* |
| Modest house; minimum standards | 30,000 |
| Average house | 50,000 - 60,000 |
| Luxury house | 100,000+ |

Source: "Etude Sectorielle des Etablissements Humains au Togo."

*No one interviewed during the course of the feasibility study would accept this range; CFA 25,000 is the minimal figure heard more often.

1. Materials Used and Representative Costs

An informal survey of building supply stores, material construction centers, electricians, plumbers, and masons was undertaken to determine the prices and availability of housing construction materials which would be required for either new construction or upgrading in Lomé. A list of common items used in new construction and upgrading, as well as their prices, and origins can be found as Annex B. It should be noted that lower costs in the purchase of many of these materials (cement being an exception) can be negotiated by individuals.

With several large suppliers of most materials and smaller, specialized stores, Lomé suppliers are able to keep up with local construction demand. Shortages, when they occur, tend to be for imported goods such as tile and bathroom fixtures, and are short term.

Given that the size of the loans for housing construction and upgrading would be relatively small and targeted to those people with incomes below the median (CFA 60,000/month) only materials for construction of simple, basic houses were priced. A "basic" house is one of about 55-65 m² with two bedrooms, a living area, covered terrasse, and a latrine and shower stall in the courtyard. The standard plot size in the city is 600 m² and is typically enclosed by a cement brick wall.

As the loans under this program could also be used for upgrading existing structures, the costs of services and supplies for such things as installing electricity, a septic tank, indoor plumbing, or improving the roof have also been included in the materials price list.

The majority of housing in Lomé is built by small-enterprise masons, carpenters, and laborers hired by the proprietor, although auto-construction is not uncommon for low-income families.¹⁵ Brick presses can be bought or rented and bricks made on the site if a water source is available. The sales price for a press was found to vary between CFA 6,000-12,000 (\$24-\$48) and the rental price between CFA 200-400/day (\$.80-\$1.60). Where water is not available or is expensive to import, pre-made bricks can be bought for about CFA 150 (\$.60) each.

2. Local Building Materials Availability

Development and dissemination of local building materials production technologies and promotion of their use is a stated objective of the 1991-1995 Plan. Although this area is promising with respect to its potential to reduce costs, there is not now a market or a ready supply of locally produced materials.¹⁶ However, the GOT has identified the development of indigenously produced building materials as one of its priority areas for the shelter sector.¹⁷

¹⁵Ministère de l'Urbanisme du Logement et des Transport, Plan Construction et Habitat, "Economie de la Construction a Lomé" Rapport Final, Contrat No. 84 61 501, p.134

¹⁶It should be noted also that other approaches to reducing construction costs may have equal applicability in Togo, such as designs that reduce the wood content.

¹⁷"Cadre Macro-Economique, 1991-1995" p.48

Limited experimentation has already taken place in the production of stabilized earth blocks and fiber-cement roofing materials.

a. Stabilized Earth Blocks: With respect to stabilized earth, however, current capacity is constrained by the limited availability of presses and the relatively few people trained; in addition, and perhaps more importantly, experience to date has shown that construction in Lomé with stabilized earth has been more expensive than construction with concrete block. However, one Togolese research organization which has been experimenting with stabilized earth construction has shown that much of the soil in Togo is suitable for this type of brick and is able to sell these bricks for CFA 45 (\$.20) each. Impediments to its use include the higher costs of the press and labor due to the newness of the technique, and the social barriers to its use, as people believe a cement-brick structure is more modern than one made of soil bricks. A different approach to production will need to be developed before the technology will be widely used. In addition, promotion of this technology is likely to be more successful in areas of the country where, unlike Lomé the soil will not have to be trucked in. Further exploration of these issues is well-merited as there is a great deal of interest in this technology.

b. Fiber Cement Roofing: At the present time, fiber cement roofing sheets are imported from Ghana. These are accepted and liked, but they are relatively expensive and, in addition, because of their weight, require greater structural support (usually wood) than other roofing systems. Currently limited production of roofing tiles is taking place in Togo.

Additional experimentation is being carried out by private groups in the area of adapted sanitary facility construction and reduction of wood content in house construction. Over the past several years, a good deal of research work has been carried out by the Centre de Construction et Logements, which could provide a good basis for dissemination and application.

D. Land Situation

In March 1990, the GOT established an interministerial commission to find solutions to review all existing regulations relating to land titling and subdivision policies in both the urban and rural areas and to find solutions to the multiplicity of problems being experienced.¹⁸ The Interministerial Commission has not yet made its recommendations.

¹⁸Commission Interministerielle de la Reforme Fonciere et Domaniale (CIRFD), created by Decree No. 90-32, March 23, 1990.

There is consensus, however, among both public and private sector representatives that the availability and cost of land both pose serious obstacles to the shelter delivery system. It is hoped that some reforms will be forthcoming as a result of the Commission's work. In the interim, however, it was agreed by most people that improvement of existing stock is also important and that a program designed to assist with this process would be more easily implemented than one, focused on new construction.

1. Lomé

Lomé's development has been characterized from the beginning by private property. Unlike many other African countries, the state (in both colonial and post-independence times) has played a minimal role with respect to land. Moreover, Marguerat points out that the traditional reluctance of the Togolese to sell their patrimony or use land for speculative purposes kept prices at a reasonable level for many years.¹⁹

However, some of that seems to be changing. At the present time, the costs of land are very high and have been inflated over the past several years as land has become increasingly scarce. However, land transactions are not followed systematically by any institution and so defining the existing situation with precision is not possible.

a. **Availability:** Approximately 30% of the land within the limits of Lomé is unbuilt,²⁰ but not necessarily available for sale. Densities in Lomé vary considerably from quartier to quartier,²¹ but for the most part land transactions appear to be taking place at the periphery of the city.

¹⁹Historically, land in Lomé has been concentrated in the hands of early residents and of the original inhabitants. However, this situation is beginning to change. Land owned by early owners (merchants who came from elsewhere in the late 19th century) has gradually been subdivided among various descendants and, occasionally, sold to long-time resident renters. Much of the land belonging to original residents is communally owned. This land is largely at the periphery of the town and is frequently sold to individuals by the collectivities.

A detailed history and analysis of the evolution of land title in Lomé through the mid-1980's can be found in Yves Marguerat, "Le Capitalisme Perversi du Cent Ans de Production de l'Espace Urbain a Lomé," ORSTOM, International Colloquium of Saint Riquier, France, December 5-9, 1983 and "Logiques et Pratiques des Acteurs Fonciers a Lomé," ORSTOM, Colloquium on Urban Strategies in Developing Countries, Paris, France, June 1985.

²⁰Interview, DGUH.

²¹One of Lomé's interesting characteristics is that there are no "rich" and "poor" quartiers, but rather households at all income groups are interspersed in all of the quartiers.

b. **Costs:** There are officially established prices for three different zones in Lomé, as shown in Figure 4. These prices were established in the 1970's and have not been adjusted since. The official price does not seem to have any bearing on the current market price and it appears to have relevance only in the rare cases of expropriation of property.

Figure 4

Unserviced Land Prices in Lomé, 1990
(in CFA for a 600-square-meter lot)

| Price Type | Zone 1 | Zone 2 | Zone 3 | Periphery* |
|------------|------------|------------|-----------|------------|
| Official | 360,000 | 180,000 | 90,000 | — |
| Real | 3,000,000+ | 2,000,000+ | 1,000,000 | 200,000 |
| Assessed | 360,000 | 300,000 | 300,000 | 200,000 |

Sources: Interviews and "Etude Sectorielle des Etablissements Humains au Togo."

*Beyond the planning area approved by the Direction Général de l'Urbanisme et l'Habitat.

In practice, land now sells for 10 to 20 times the official price. The major factors in determining the price are location (proximity to center of Lomé), planning approval by the Direction Général de l'Urbanisme et l'Habitat (DGUH), meaning that the land should some day be serviced, and the proximity of infrastructure.

A further anomaly presents itself in that the Service des Domaines has established yet another price: that of the assessed value. The assessed value is the basis on which taxes are levied at time of title registration. In practice, the Service des Domaines usually establishes a figure that comes somewhere in between the official and the market prices. This practice is a tacit recognition by the GOT that the official prices are no longer relevant.

Preference for the unusually large 600m² lots that characterize Lomé also introduces problems associated with costs. "Demi-lots" of 300 m² are available, however, and appear to be an acceptable alternative at least at some income levels.

c. **Titling Practices:** Additional obstacles in the land acquisition process in Lomé are created by the complicated title history of parcels of land, in which customary and modern procedures have been intermingled. Acquiring title to land is complicated even further by the fact that the same plot of land is often sold to two or three different people by the traditional owners resulting in protracted legal proceedings.²² Nonetheless, it remains common for people to purchase land and not to register it.²³

2. Other Urban Centers

As Togo's other urban areas grow, the costs of land will increase and some of the same issues that exist in Lomé will begin to appear. However, it appears that these will not be as complex to unravel and master, given the rather more straightforward ownership histories and the less severe pressure on the land.

Market prices in other urban areas are beginning to reflect the growth being experienced and the differential between land there and that in Lomé is not as great as might be expected. Lots of 600 m² in Kara are estimated to range as high as CFA 600,000 and in Kpalimé and Sokodé as high as CFA 500,000.²⁴

E. Socio-Economic Situation and Affordability Issues

An important question that poses itself with respect to the feasibility of a PSHG subproject is that of affordability. What can people afford? What are they willing to pay for housing? And what can they expect to be able to buy for that amount?

The people of Togo, more than in many countries, place a high value on owning a house. An expression heard again and again is "La propriété c'est la reve des

²² Typically, the purchaser will agree on a price and monthly payments over a period of a year or two against a bill of sale. As soon as the purchaser is able, h/she begins construction of a wall to enclose the space ("cloture"); this is seen as a defense against a further sale of the plot by the traditional owner. The land is surveyed to legalize the sale, registered with the Direction Général de l'Habitat et l'Urbanisme (DGUH) and the Direction de la Cartographie Nationale et du Cadastre (DCNC) for stamps, and, finally with the Services des Domaines for the "certificat administratif," and, eventually, legal title. See "Etude Sectorielle des Etablissements Humains au Togo," pp. 62-64.

²³"Etudes de Développement Urbain de la Ville de Lome," Vol. 1, pp. 91-92.

²⁴"Etude Sectorielle des Etablissements Humains au Togo," p. 64.

Togolais."²⁵ Acquiring his own house is deemed part of a man's responsibility, is a measure of his success, and marks his ability to assume his rightful place in society. The importance of home ownership can be ascertained in part by the virtual absence of a re-sale market; once a family has a house, it holds onto it. Thus, a family is willing to make considerable sacrifices in order to buy land and build a house.

1. Income Levels

At the time of this study, a socio-economic survey of 500 Lomé households was being completed for RHUDO/WCA to ascertain income levels and tenure status. Although the final results of the survey were unavailable to this study, the preliminary indications were that at least with respect to income levels, findings of previous studies and analyses would be confirmed.

A recent study conducted by the DGUH in preparation for an urban project to be financed by the World Bank reviewed current salary figures and concluded that the average monthly salaries are as shown in Figure 5.

Figure 5

Average Monthly Salaries for Togo (in CFA)

| | |
|--------------------|--------|
| Public Sector* | 76,137 |
| Private Sector | 52,129 |
| Public and Private | 60,487 |

Source: "Etudes de Développement Urbain de la Ville de Lomé."

*Includes so-called *personnels hors categorie*, such as contractors, which skew the figures upward.

While these figures are the most precise that are available, they provide only an initial indication of affordability. They reflect the incomes of those people earning regular salaries and not the earning power of the non-salaried and informal sector population. Neither do they indicate distribution of income across households, as in some cases, two or more salaries may be received by a

²⁵Can be translated: Property (in the sense of one's own place) is the dream of all Togolese.

single household and, in most cases, additional income is received from informal sources.

The DGUH, however, extrapolating from a USAID study carried out in 1979, another study carried out in 1986, which indicated a median household income of CFA 39,000, concludes that something in the order of CFA 60,000 is not an unreasonable figure to assume as a median monthly household revenue for Lomé.

2. Costs and Affordability

The practice in Lomé is to acquire housing over a long period of time. First, a piece of land is bought. Then, more often than not, it is enclosed. Finally, construction begins -- sometimes of a "maison évolutif," which will be added to as and when time and resources permit. With respect to the house itself, the first priorities seem to be to have a salon and at least two bedrooms. The average time between land acquisition and house construction is estimated to be ten years.²⁶

Based on a recent household expenditure survey, it is estimated that approximately 55% of the residents of Lomé are homeowners occupying their own houses. However, most of these are not paying off a housing debt, having developed the housing in the way described above. For those that are paying off a housing debt, the average monthly payment was found to be CFA 45,800.²⁷

The average rent payment in Lomé is CFA 13,500 in the center of the city and CFA 9,000 - 9,500 in Zones 2 and 3.²⁸ More relevant to an assessment of affordability is the finding of the Household Expenditure Survey that the average monthly expenditure for housing in Lomé is 13.4% of revenue and 9.2% in other urban areas.²⁹

In Togo, the banking practice is to allow up to one third of a household's income to be accorded to payments on a housing loan. However, this allowance seems to be considerably higher than the established expenditure pattern for housing.

²⁶Yves Marguerat, interview, August 17, 1990.

²⁷See "Etudes de Développement Urbain de la Ville de Lomé," pp. 111-115.

²⁸Ibid., p.112.

²⁹"Telegramme/Enquete Budget Consommation, MPM -- Direction de la Statistique, 1989, cited "Etude des Etablissements Humains au Togo," p. 5.

3. PSHG Subproject Implications

Although the revenue information is not reliable enough to use for program design, looked at in relation to housing costs and expenditure patterns, it can provide a preliminary indication of feasibility -- of whether a loan program could be tailored to the target population requirements. The initial indications of this study are that a PSHG subproject affordable to the target group can be designed.

This conclusion is arrived at as follows: we work backward and assume the lowest reasonable standards (minimal cost for "demi-lot" and CFA 25,000 per square meter) the cost for the acquisition of land and construction of a 3-room 50 m² house at the lowest standards is CFA 1,250,000.³⁰ With an 85% loan over a 15 year period at 15%,³¹ repayments would be CFA 14,000 per month. This repayment would represent an average household expenditure of 23% of a monthly median revenue of CFA 60,000. This figure would seem to represent the high end of a PSHG subproject (representing both land acquisition and house construction) and would be affordable only by those in the highest qualifying income brackets. A program for improvements therefore would also be affordable and would allow the PSHG to reach lower on the income spectrum.

More precise information will allow the appropriate adjustment of various parameters (such as, loan life, interest rates, and percentage of income allocated to reimbursement) in order to tailor a PSHG subproject to the situation in Togo.

³⁰Many people interviewed would believe that this projection is optimistic. It is important to begin to define the standard that is contemplated and the associated costs. This should be a step that follows shortly on the completion of this feasibility study.

³¹Working assumption: borrowing rate @ 10%, with 5 point spread to cover administrative costs.

III. Housing Finance System in Togo

There was a great deal of interest and, indeed, eagerness to be a participant in a PSHG subproject.³² Of course, the translation of that interest into a viable proposal will depend upon many factors, among which the degree of risk that the intermediary financial institution will have to assume.

This section reviews the existing housing finance system in Togo, looking at individual institutions and indicating their interest and suitability for participation in a potential PSHG subproject.

A. Overview

The banking system in Togo provides an favorable environment for the further development of housing finance instruments. It has nine commercial banks, a major GOT-controlled development bank and savings bank, and a system of savings cooperatives (credit unions). In general, the system is characterized by a high degree of liquidity, fostered in part by deposits from neighboring countries, as well as relatively conservative investment policies on the part of the institutions concerned.

1. Formal Sector

In the past, the banks have tended to stay away from the housing market. With the exception of the programs of the Caisse d'Épargne and the Banque Togolaise de Développement (see description below), there has not been any significant lending for housing, except at the upper end of the income spectrum. It is all the more striking therefore that at least three commercial banks have either just launched or are the verge of launching lending programs specifically tailored for housing lending, suggesting not only that a market is there but also that it is now seen as potentially profitable area.

A further indication of the favorable atmosphere is that the senior officers of all financial institutions interviewed (see description following) indicated a strong interest in participating in a potential PSHG subproject -- depending, of course, on the terms. The structure and parameters of the lending program in any PSHG subproject that might be developed will be a critical element in its ability to succeed and will require an ability to balance the conservative tendencies of

³²The review of institutions focused on their willingness and ability to serve as financial intermediaries. In conversations with RHUDO/WCA, EcoBank had indicated its interest in being the borrower. The representatives of most institutions interviewed indicated a willingness to consider assuming some or all of the commercial risk but not the exchange risk.

the banks themselves (forms of guaranty required) with the desire to reach the below-median income populations who have not previously been able to access financing for housing. The constraint posed by the formal permit and titling systems was recognized by the institutions interviewed and if underwriting standards that would provide sufficient protection, they would be willing to consider these home improvement lending probably offers the greater possibility for flexibility.

2. Informal Sector

For the most part, the formal sector institutions require that a person be salaried in order to have access to credit.³³ This requirement, of course, excludes a large number of people. There is a well-developed informal credit system in Togo -- consisting of tontines and gadingas; however, because of the exorbitantly high interest rates, these forms of credit tend to be used for short turn-around investments (days or weeks) rather than for the longer term borrowing for housing-related purposes. It is common, however, for people to borrow from relatives for land acquisition.

B. Government Sector

Three government sector finance institutions were identified as having potential to participate in a PSHG subproject. All three indicated interest in so doing. A description of each, together with its interest and experience in the housing sector follows.

1. Banque Togolaise pour le Commerce et l'Industrie (BTCI)

a. Characteristics: The BTCI is a Société Anonyme, with a 51% share owned by GOT and the balance by European banks (Banque Nationale de Paris, Dresdner Bank, and Banque Bruxelles-Lambert). It has capital in the order of CFA 1.7 billion and, in addition to its four offices in Lomé, branches in four major towns: Kpalimé, Tsevié, Sokodé and Kara.

b. Housing Activity/Experience: With the exception of a few loans to upper income clients, the BTCI is a newcomer to housing lending. On June 15, 1990 it launched two housing lending programs (épargne-logement), based on the French model of a period of savings prior to access to credit.

³³Exceptions to this are discussed below, but may include the demonstrated ability to save/deposit regularly.

The two programs, Programme d'Epargne-Logement (PEL) and Compte d'Epargne-Logement (CEL), are open to all who can demonstrate that they are capable of regular savings. The parameters of each are set out below:

- **PEL:** An initial deposit of CFA 100,000 is required and a savings amounting to CFA 10,000 per month for four years, on which a 3% interest is paid during the savings period and augmented to 6% retroactively at the end of the period. Once the savings requirements have been met, participants have access to a credit of up to CFA 15 million, depending upon their savings abilities cum demonstrated revenue. The lending is to be at 9.5% interest rate for a maximum period of 10 years. To date, 67 PEL accounts have been opened.
- **CEL:** The initial deposit for CEL is CFA 50,000 and the savings period is 18 months. At the end of the savings period, on which a 3% interest is paid, the participant is eligible for a loan up to 10 times the saved amount up to a maximum credit of CFA 7.5 million. Lending in this program is to be at 8.5% and the loan life is also a maximum of 10 years. There are currently 102 CEL accounts.

In both the PEL and CEL programs a registered title and a life insurance policy in favor of the bank are required in order to be eligible for a loan.

c. **Comments:** BTCI's experience with housing lending is too new to be assessed. However, it is clear from the program parameters that the loans will not be made to low income earners.

The BTCI has the reputation of being an efficiently run bank and the preparatory studies for anticipated urban project to be financed by the World Bank recommended that BTCI be the intermediary financial organization for the sites and services component because ". . .[it] seems the best prepared of the financial institutions [in Togo] both because of its structure and its experience to assume the role of financial intermediary."³⁴

At the present time, however, the BTCI does not have technical or other staff to inspect construction activity. Loans are not disbursed in tranches,

³⁴"Etudes de Développement Urbain de la Ville de Lome," p. VIII.

but rather once qualified, a borrower has access to the entire credit amount immediately.

2. Caisse d'Epargne de Togo (CET)

a. Characteristics: Société d'Etat under the Direction des Etablissements Publics et des Sociétés d'Etat of the Ministère de l'Industrie et des Sociétés d'Etat. It has two offices in Lomé and its program also operates throughout Togo through the post office.

b. Housing Activity/Experience: The CET's intervention in the housing sector is currently through its "savings for housing" (épargne-logement) program established in 1973.³⁵ Its goal is to provide a source of financing for a person's first, principal residence.

The program requires an initial deposit of CFA 10,000 and that savings take place over a period of at least 24 months. At the end of that period or when there is an accrued interest balance of at least CFA 18,000, the saver is given an "attestation d'épargne-intérêts acquis," which gives him or her the right to obtain a credit up to a ceiling of CFA 5 million.³⁶ In order to obtain a housing loan, however, the saver must have a registered title, an approved house plan, a building permit, and a life insurance policy in favor of the CET.

Interest is paid on savings at a rate of 5%; credit is accorded at a rate of 11% for construction financing and 14.5% for mortgage financing, rates that are currently lower than those that might be available at commercial banks. The maximum length of the long term financing is 15 years; the average loan life is 10-12 years.

Currently, the CET also provides short term credit for housing related purposes. The short term lending program is for housing improvement or servicing (for example, water hook-up). For a first time borrower, there is a required savings period of six months, after which the saver has access to credit of up to CFA 3 million (CFA 1-2 million is average accorded) for a period of 36 months at an interest rate of 14.5%. Subsequent borrowings require a reduced savings period.

³⁵Decree No. 73-104, April 1973.

³⁶In order to obtain the maximum credit, the saver must have demonstrated revenues of CFA 150,000 per month.

c. Comments: CET has a technical department and inspects construction (which must be completed in three months) before giving out each of the four tranches of the credit. In the 1980's, the CET ventured into property development with an ill-fated housing scheme in Baguida, in which six model houses for low income earners were developed, each showing different stages of development of a "logement évolutif." There proved not to be a market for these models; however, the CET does not rule out future development activity.

With respect to its major role in housing, the CET's record is not good. During the period 1973-1990, only 387 houses have been financed through the CET's épargne-logement program, representing loans made to only 18% of those who have met the savings requirements and received an "attestation" of their eligibility. Loans made to date total CFA 1,200,000,000.³⁷

There have been 4,120 participants in the program, who, assuming that they have met only the minimum requirements, together have accumulated a total of CFA 1,557,360,000 in interest and savings. This is more than the credit that has been accorded. The principal obstacle to the obtaining of credit has been the requirement that legally registered title be produced. It is clear from the figures that the CET has not had a significant impact in the area of housing finance and that, despite its theoretical accessibility by people of relatively low income, it is not really reaching a low income population.

3. Banque Togolaise de Développement (BTD)

a. Characteristics: BTD is a GOT-owned bank under direction of Ministère des Finances et de l'Economie; it was chartered to assist the economic and social development of Togo and considers itself as a "banque populaire." Its head office is in Lomé and it has a branch at Lomé Port as well as branches in six other major urban areas (Kpalimé, Atakpamé, Badou, Sokodé, Kara, Dapoang). Correspondant banks include Société Générale (France); BHF and DG Banks (Germany); Boston and Chase Manhattan Banks (USA).

b. Housing Activity/Experience: The BTD has had considerable experience in the housing sector, including housing development. At the present time, even though there is no specific housing lending program

³⁷"Etude Sectorielle des Etablissements Humains au Togo," p.98.

established, it is estimated by the BTD that of its 30,800 loans outstanding, 70% are for housing-related purposes.

Long term loans are available for a period of 10 years, with a maximum loan of CFA 3 million and an interest rate of 14%. Short term credit (used mostly for the acquisition of land or housing improvements) is available for 36 months in the maximum amount of CFA 600,000 at an interest rate of 16%. Most loans are made to salaried people. The BTD has a technical staff and disburses construction loans by tranches.

Current repayment patterns are good, including those for small loans. However, BTD has had bad experience with long term housing lending and housing development in the past, particularly in the 1980's, during which period, the BTD drew back from such lending. In 1982, the BTD was lending approximately CFA 800,000,000 for housing purposes; in 1989, this amount had dropped by almost 50% to CFA 450,000,000.

It is recognized today that BTD's negative experience in housing lending was in large part attributable to a lack of basic controls and direction in the program (eg., there was no requirement that the borrower maintain an account at the BTD); such controls have now been put in place. Undoubtedly some of the repayment problems were also related to the difficult economic situation in which Togo found itself in the mid-1980's.

c. Comments: A new management team has recently been assembled at the BTD (late-1989), with direction and apparent latitude from the GOT to revitalize and refocus the BTD. Included in the mandate is to extend lending to the informal sector in recognition of the fact that Togo's future economic growth is dependent to a large extent upon the growth of that sector and its ability to develop new or to transform current commercial activity into productive enterprises.

Interviews revealed not only a great deal of interest in the type of program being contemplated under the PSHG but also an understanding of both the flexibility and controls that will be required to be successful and, importantly, an interest in reaching the target population.

C. Private Sector

Three private financial organizations expressed an interest in and offer potential as participants in a PSHG subproject. These are described below.

1. Union Togolaise de Banque (UTB)

a. Characteristics: With capital of CFA 1.5 billion, UTB is Togo's largest bank. The GOT has a 35% ownership share, with the balance held as follows by Credit Lyonnais (France) -- 35%; Deutsche Bank (Germany) -- 18%; and Banca Commerciale Italiana (Italy) -- 12%. It has four offices in Lomé and branches in six other urban areas (Aného, Atakpamé, Kpalimé, Sokodé, Kara, Dapaong). Its U.S. correspondent banks include Citibank.

b. Housing Experience/Activity: The UTB makes long term loans for the upper end of the market. To be eligible for the loan, a person must have demonstrated the existence of a steady income over a period of time, have an approved house plan, a registered title, and a construction permit. The plan is examined by an architect on behalf of the UTB to ensure that the credit requested is in accord with the house plan and construction is followed by that same architect. The construction loan is disbursed in tranches, but there are no constraints imposed. The mortgage loan is made for a first house for a maximum period of 10 years at 14%.

UTB is in the process of developing a new housing lending product: a housing savings program (épargne-logement). This program is being developed so as to allow UTB to reach a more diverse clientele and is anticipated to be launched by the end of next year.

c. Comment: The UTB is apparently a well-run, efficient and profitable bank. Senior officials expressed an interest in possible participation in a PSHG subproject and saw no problem in principal with a line of credit reserved for a special project. However, this would be an entirely new type of venture for UTB.

2. Banque Internationale pour l'Afrique Occidentale au Togo (BIAO)

a. Characteristics: One of the oldest banks in Togo, the BIAO has until recently been held by French interests, with participation by GOT. These have recently been sold to the BNP and the BIAO Togo is in the

process of being restructured.³⁸ The BIAO has four offices in Lomé and branches in Kara and Atakpamé.

b. Housing Activity/Experience: The BIAO currently lends to a limited extent for housing, usually with short term credit for the purchase of land and then of building materials for construction. Although it has had a commercial orientation, the BIAO is interested in expanding its activities in the housing sector.

To this end it has designed and is in the process of launching a housing savings program (épargne-logement). The program includes a three-year savings program, after which the saver is eligible for a credit of from two to three times the amount saved. In order to make the program attractive, the BIAO will offer a favorable interest rate of 4.5% over the banking rate. Thus, in today's market with the banking rate at 7%, the credit would be extended at 11.5%. The maximum length of the loan life is 10 years and a registered title to participate. If a person is not salaried, a co-signer is required.

c. Comments: With the current restructuring, there remains an element of uncertainty with respect to BIAO and any role that it might be able to play under a PSHG subproject. However, senior official expressed interest in participating and even suggested a scheme whereby it would mix its own resources in order to provide lower interest rates.

3. Fédération des Unions Coopératives d'Épargne et de Credit du Togo (FUCEC)

a. Characteristics: The non-profit, apex organization to which over 100 credit unions (coopératives d'épargne et credit -- COOPECs) belong. COOPECs are found throughout Togo and vary considerably in size and resources. (The largest COOPEC in Togo has mobilized over CFA 100 million in savings with a 500 membership base. Membership can be based on place of residence, professional association (eg., place of employment), or other social or cultural association (eg., a religious group); in Togo, the most common basis of association is that of the workplace.

³⁸It is the apparent intention of GOT that it remain an independent and functioning entity, although there were rumors that it might be annexed to BTCL.

In addition to its Lomé office and its member COOPECS throughout the country, FUCEC has nine regional offices (Vogan, Tabligbo, Kéve, Kpalimé, Atakpamé, Badou, Kara, Bassar, Dapaong).

b. Housing Activity/Experience: In 1989, of the total loans made (CFA 722,390,190), 20% (approximately CFA 145 million) were made for housing related purposes. With approximately 2,000 loans, in the period, this represents the single largest lending category. It is believed by FUCEC officials that the category is understated for that at least some loans made by COOPECS for which no purpose was recorded are likely to have gone for housing as well.

Consistent with the purpose of the credit union movement, which is to provide short term credit to its members, the loans made for housing purposes are for periods of two to three years. Interest rates are very high -- now in the order of 24%.

c. Comments: One of FUCEC's major goals is to provide services to its member organizations. In light of the magnitude of the housing demand, it remains interested in possible participation in a PSHG subproject. However, the lending program would have to be structured so that it would not compromise its ability to carry out its ongoing activities.

FUCEC does not have technical capacity with respect to housing. Its services are limited to its membership.

IV. Housing Delivery System in Togo

The United Nations estimates that 8,000 new housing units per year are required to meet the needs of the urban population.³⁹ Current production falls far short of that requirement. This section identifies and describes the major elements of the housing delivery system as it is operating today in Togo.

A. Overview

Togo's housing delivery system is characterized by the dominance of individual construction by private individuals. Much of this construction, at all points on the income spectrum, takes place informally -- that is, using informal sector labor and usually without officially registered title (although with a bill of sale for the land and customary title) or a construction permit. The GOT's approach has been one of *laissez faire* and, more recently, has indicated its interest in defining an enabling strategy which will allow it, consistent with its major development objective, at once to rationalize urban development and to foster equitable access to housing, based on a continuation of private efforts.

B. Government Sector

Through the Ministère de l'Équipement et des Postes et Télécommunications, the GOT establishes the overall framework for shelter delivery within the formal sector through the DGUH. This office establishes the approved urban plans and, in principal, also controls construction through the issuance of building permits. In practice, however, the building permit requirement is honored in the breach, sometimes because of the difficulty in producing acceptable title and even more often because of the long and complicated process involved.⁴⁰ In 1989, fewer than 500 permits were issued.⁴¹

In addition to overall regulatory and planning authority, the GOT has from time to time undertaken development of housing projects -- most of which have served middle to upper income clientele, even if that was not their original intention, and generally have

³⁹"Etude des Etablissements Humains au Togo," p. 105.

⁴⁰This process includes approval by seven different offices (DGUH, DCNC, Direction des Travaux Publics, Service d'Hygiène, Service National de l'Assainissement, Service de la Voirie de la Commune and finally the Mairie for the mayor's signature. Moreover, in order for the application for a construction permit to be considered, an equally long process must be gone through in order to get an acceptable title.

⁴¹"Etude des Etablissements Humains au Togo," p. 65.

not been viewed in a favorable light. The number of housing units produced in this way has been very low: an estimated 2,000 units (a quarter of the current estimated annual requirement) over the last 35 years.⁴²

At the present time, the GOT is not taking an active, direct role in the shelter sector. However, it possesses two major instruments for direct intervention in the housing sector. These are described below.⁴³

1. La Société Immobilière Togolaise (SITO)

a. Characteristics: This organization was first established by the BTD in 1970. Since that time it has been restructured. It is a parastatal housing developer and now is expected to function like a private organization. Under the authority of the Ministère de l'Industrie et des Sociétés d'Etat, SITO's mission is to assist in meeting the housing needs of low income people and to develop housing of all types in order to satisfy overall demand. In reality, SITO has catered for middle and higher income clientele.

b. Housing Activity/Experience: SITO has more experience than any other organization in Togo with respect to housing development, having completed somewhere in the neighborhood of 400 units since its inception.

At the current time, it is developing a project of 64 villas termed "économique-moyen standing," on the outskirts of Lomé. These are fully-equipped two and three bedroom houses being sold for from CFA 5 - 10 million. The project was marketed and downpayments (of CFA 400,000) were received before construction began. Construction is well underway and should be completed by the end of 1990.

c. Comments: Although SITO would like to reach a lower income group than it is currently able to do, it is constrained by land availability and costs. Moreover, given the demand (there were 220 people who qualified and wished to buy the 64 houses now under construction and who are awaiting a follow-on project), there seems little incentive for

⁴²Ibid., p. 81.

⁴³Up until 1990, when a decision was made to disengage it from the housing sector, the Caisse Nationale de Sécurité Sociale (CNSS) had played a role in the delivery system with the production of about 600 units since the 1970's. Whether it will re-engage at some future time is unclear.

SITO to assume any additional risks that might be involved in trying to reach that market.

2. Fonds Spécial pour le Développement de l'Habitat (FSDH)

a. **Characteristics:** Established by law in November 1988,⁴⁴ this special fund comes under the direction of the Ministère de l'Équipement, des Postes et Télécommunications, specifically under the auspices of the Director of Housing under the DGUH. However, it is administered by seven member committee, including among others the Minister of Finance, the Treasurer, the Director General of the Ministry of Plan.

The purpose of the fund is to provide financial assistance to organizations involved in land development (servicing) and the construction of low income housing ("logements sociaux") by bearing the costs, in all or in part, of primary and social infrastructure installation.

The fund is composed of a required 1% tax on all salaries and also has the possibility of being augmented by other contributions.⁴⁵

b. **Housing Activity/Experience:** Implementing regulations for the FSDH were promulgated on August 23, 1989 and on December 18, 1989.⁴⁶ To date, no infrastructure has been financed with the assistance of the fund.

The August regulations among other things, set out funding priorities. Those applications that are to be given preference are those for land development projects, for development of a minimum of 10 housing units for average or low income earners, and for projects engaged in building materials research.

The December regulations set out requirements for an organization wishing to acquire the assistance of the FSDH. The financial well-being of the applying organization and the viability of the project are determining factors. In addition, analyses are required to show the

⁴⁴Loi no. 88-15, Potant Création d'un Fonds Spécial pour le Développement de l'Habitat.

⁴⁵"Des ressources diverses."

⁴⁶Decret No. 89-141, "Portant application de la Loi no. 88-15 du 8 Novembre, 1988 créant le Fonds Spécial pour le Développement de l'Habitat (FSDH)," and Arrete No. 036 of the Ministère de l'Équipement et des Postes et Télécommunication, "Fixant la Composition des Dossiers de Demande d'Appui Financier du Fonds Spécial pour le Développement de l'Habitat (FSDH)."

beneficial impact for the buyer on ultimate house (or land) cost that assistance from the FSDH will have.

c. Comments: It is too early to tell how effective the FSDH will be. However, its establishment is an important step on the part of the GOT toward assuming an enabling role in the delivery of housing, assisting with the provision of infrastructure while leaving the development itself in the hands of the private sector. Moreover, it indicates an awareness of the affordability problems now facing the sector.

The FSDH seems to provide a stimulus to low cost housing production in the private sector, although at the present time, the general view is that the only entity that is in a position to tap into the FSDH is SITO. (See also private sector discussion below.) However, the existence of the FSDH might very well provide impetus to private development. In fact, a private developer will be attracted to developing housing for a lower income population (something now seen as not profitable) by the availability of these resources in combination with those from a PSHG subproject.

What happens with the FSDH remains to be seen. However, every indication is that it will be activated. In the near term, it appears that SITO will make application to FSDH. It also appears that agreement will be sought by the urban development project to be financed under a World Bank loan (to be implemented by SITO) that the FSDH be drawn upon to finance primary infrastructure for the sites and services component of the project.

C. Private Sector

Private initiative is encouraged in Togo. However, barriers in the housing delivery process (outlined earlier) have inhibited the emergence of a housing development industry.

1. Major Enterprises

There are virtually no major enterprises engaged in housing development for any income level. There appear to be two recent exceptions, for a total of 36 units. One of these enterprises (Baka) apparently has run into serious trouble (inability to negotiate the correct financing) and the other (Grunitzky) seems to be progressing well.

There are several major construction companies in Togo -- both Togolese and foreign-owned. However, they have been engaged in large public construction

projects (eg., ECOWAS building, etc.) It is possible that they might re-orient to enter the housing field; however, with their relatively heavy overhead and the affordability problems described earlier, it seems unlikely that they will interest themselves in projects for the low income earner. More likely is their entry at the high end of the market (if land is made available) to develop housing to cater for any influx of expatriate personnel that might occur in connection with the establishment of the Zone Franche.

There are several Togolese architectural firms that are interested in low cost housing development. However, for them, as for others, it has to offer a potential for profit. One such group (ATARU) is currently engaged in the construction of a group of houses in a secondary town for the employees of a production cooperative.

2. Individual Entrepreneurs

This aspect of the private sector is well-developed. Housing development takes one of two forms:

a. Development of Primary Residential Unit: The owner hires and supervises individual skilled workers ("tacherons") and, sometimes in the case of lower income earners, contributes his own labor in the building of his primary residence.

b. Development of Individual Rental Unit: Rental housing is a profitable investment for many Togolese. At the high end of the income spectrum, villas are constructed (using the same process as described above, but in consultation with and/or under the supervision of an architect), primarily for rental to expatriates. However, there is also a market for rental to low income earners (45% of Lomé residents are renters) and individual investment in modest dwellings for rental purposes. In many cases, the designs are such that no architect or outside consultant is used, and the owner manages the construction process himself.

3. Non-governmental Organizations

There are approximately 50 voluntary or non-governmental organizations (NGO's) in Togo -- both international and indigenous. GOT policy is supportive of their work. However, the great preponderance of these work in the rural areas and only two have experience in the housing sector.

a. Société de Conseils Gestion Afrique Togo -- Initiatives des Communautés de Base (CONGAT)

The original purpose of this group was to provide technical assistance to various types of community level development projects, including rural development, artisanal enterprises, and infrastructure. It has also undertaken the direction and management of pilot projects in each of these areas. It currently has projects throughout Togo.

Although it does not have a highly developed technical competence in housing related matters, it has worked in an upgrading project (funded by European donors) for the densely populated quartier in Lomé called Bé.⁴⁷ Work included community development and physical improvements related to sanitation, potable water, employment generation, and improved accessibility.

One of the innovative aspects of the work was the use and attempted popularization of stabilized earth in construction. Since that time, it has established a Civil Engineering Department and has plans to expand its activities in the area of indigenous, affordable materials production and dissemination.

Although its experience in housing per se is limited, CONGAT is well-established, has a dynamic Executive Director, and what appears to be a well-managed operation. It is very interested in being a participant in a potential PSHG subproject.

b. Groupe de Recherche et Application Habitat Social (GRA/HS): This group worked with CONGAT on the Bé project, and is really a spin-off of CONGAT's technical staff on the project, who decided to go out on their own. As such, it is the non-profit arm of the architectural firm ATARU (engaged in housing development and urban consulting activities) and has engaged itself in the promotion of stabilized earth construction and fiber cement roof tile production.

GRA/HS has not yet been able to develop a market for either of the products (see earlier discussion on indigenous materials), at least in part because of the costs associated with the experimental nature of the program and the terms under which the Belgian presses (Testaram) were acquired. However, they are continuing to work with the cooperatives of

⁴⁷ In 1979, USAID and GOT had identified this quartier, one of the oldest in Lomé, for major upgrading. Unfortunately, that has not yet occurred; however, it is envisioned under the project now being planned for World Bank financing.

brickmakers which were formed, and have completed a major project around the French Embassy and French Ambassador's residence.

Although its principals have technical housing knowledge and are associated with at least some organized workers, GRA/HS is still a very new organization with weak management capability.

V. Proposed Low Cost Housing Program

The review of the shelter finance and delivery systems currently operating in Togo as well as an analysis of the relevant contextual issues, suggest that the development of a PSHG subproject is feasible. The elements of a workable system are indeed present, as indicated in the 1989 pre-feasibility study. Interest in participating in a possible PSHG subproject is extremely high among institutions previously consulted and, importantly, among financial institutions.

It is not an overstatement to say that in light of the urban growth trends, Togo will be facing intractable urban problems by the beginning of the next century if preventive measures are not taken soon.

The GOT itself has begun to recognize and respond in policy terms to the issues arising from the shelter sector. Much remains to be done. A PSHG subproject establishing a shelter credit program directed toward those below the median income level, and directed primarily toward home improvements in order to overcome some of the affordability and land titling issues, would be a timely intervention.

A. Overview

The Terms of Reference for this feasibility study called for recommendations about a workable organizational structure by means of which a PSHG subproject could be implemented. This section proposes such a structure, setting out the roles and responsibilities of each participant and their relationship to each other.

This structure is envisioned and described within the context of a potential PSHG subproject which is fully supportive of the GOT's overall objective to improve the living conditions of the urban as well as rural population and consistent with the specific objectives:

- to encourage private investment in housing
- to develop an approach to home improvements and housing delivery for the low income population, and
- to encourage the production of local building materials and the use of adapted technologies.

1. Purpose

The PSHG subproject for Togo would serve several purposes at once:

- a. Make the current finance and delivery system more responsive to the immediate needs of the low income;
- b. Provide a concrete demonstration of the effectiveness of a private sector based shelter strategy;
- c. Support continuing policy dialogue with the GOT at a time when critical changes are being contemplated in its approach both to shelter delivery and urban development issues.

2. Scope

The subproject would be implemented in Lome and in selected major urban centers throughout the country. It would serve a below median income population not now able to access credit for shelter.

3. Goals

The subproject would seek to achieve the following goals:

- a. To provide low income earners a source of credit for improvements in their shelter;
- b. To strengthen and reinforce private sector institutional capacity in the area of low cost, affordable housing delivery;

4. PSHG Participants

The review of institutional capacity and interest during the feasibility study, indicated that there are several potential partners from which to choose. Sections III and IV of this report present the findings of this review.

Based on this review, three viable structures are presented below,⁴⁴ assuming in each case that the private EcoBank would serve as borrower and would, in turn,

⁴⁴Each of these alternatives assumes that the financial intermediary will assume the commercial risk but not the exchange risk.

on lend to the other institutions, each of which is capable of originating and servicing loans and is interested in doing so under a PSHG subproject.

The three are presented as alternatives in order of preference, if a single intermediary is to be chosen. However, if it is possible to make appropriate financial arrangements, simultaneous or a phased implementation of all three alternatives would maximize the positive institutional and beneficiary impact.⁴⁵

a. Preferred alternative: BTD serves as financial intermediary, with NGO CONGAT executing the program with assistance from Peace Corps Volunteers.

Advantages: Project is consistent with BTD mission and CONGAT's initial forays into the shelter sector. Existing organizational structures within each are a sufficient base on which to build a program. Moreover, both organizations are receptive to new approaches to reach the low income population and the management of both organizations have the necessary latitude to put them into action. The clientele served include the low income earner.

Disadvantages: The major disadvantage is that although it has private sector participation, BTD is government controlled.

b. Second alternative: UTB serves as financial intermediary, with NGO CONGAT executing the program with assistance from Peace Corps Volunteers.

Advantages: Project would be implemented entirely by private sector organizations. UTB has an effective organizational structure.

Disadvantages: Depending upon how much risk UTB is asked to share, resulting ability/willingness to reach a low income clientele could be problematic. Also because of its inexperience with the client population, repayments may become an issue and fees required by UTB to mitigate perceived risks might be disproportionately high.

⁴⁵If the participation of three financial intermediaries is possible, then the subproject structure could minimize some of the disadvantages associated with the second and third alternatives. Once positive experience with the program is demonstrated, UTB is likely to be more receptive to its innovations. Once a program is reaching a wide population, then the more limited clientele represented by FUCEC could be included without fear of inequity.

c. **Third alternative:** FUCEC serves as financial intermediary and executes program with assistance from CONGAT and Peace Corps Volunteers.

Advantages: Project would be implemented entirely by private sector organizations. FUCEC already has a known population and built-in controls to help to ensure repayment exist. The clientele served by FUCEC include the low income earners.

Disadvantages: The primary disadvantage here is that FUCEC activities are limited only to its membership, thus open to perceptions of preferential treatment as well as restricting potential program impact. Cost of money to borrower may be higher, as it will pass through both FUCEC and COPEC structures.

B. Institutional Arrangements and Roles

This section sets out the recommended structure for the preferred alternative described in the preceding section. This structure with respect to the flow of resources is represented in graphic form in Figure 6. In Figure 7, immediately following, the implementation relationships are shown.

Figure 6

Proposed Organizational Structure and Resource Flow
PSHG Subproject for Togo

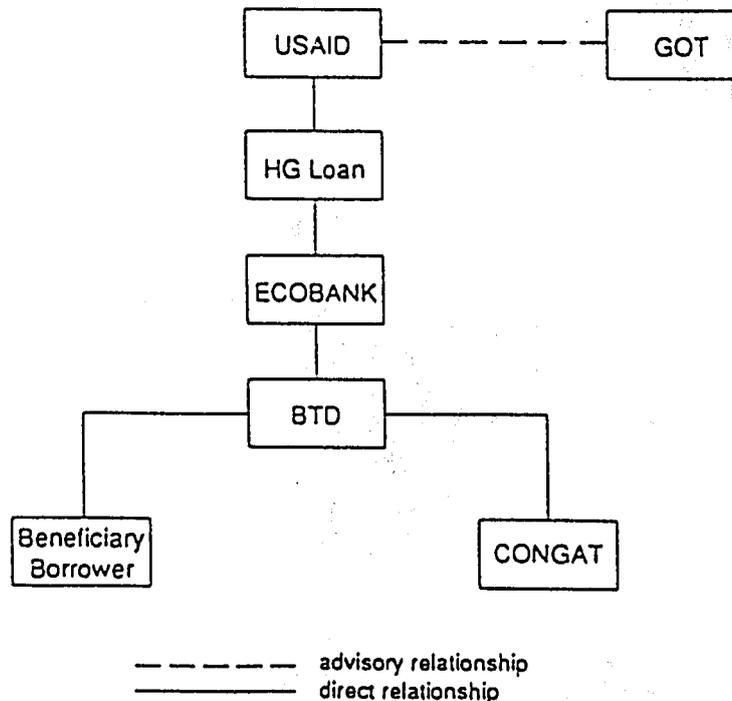
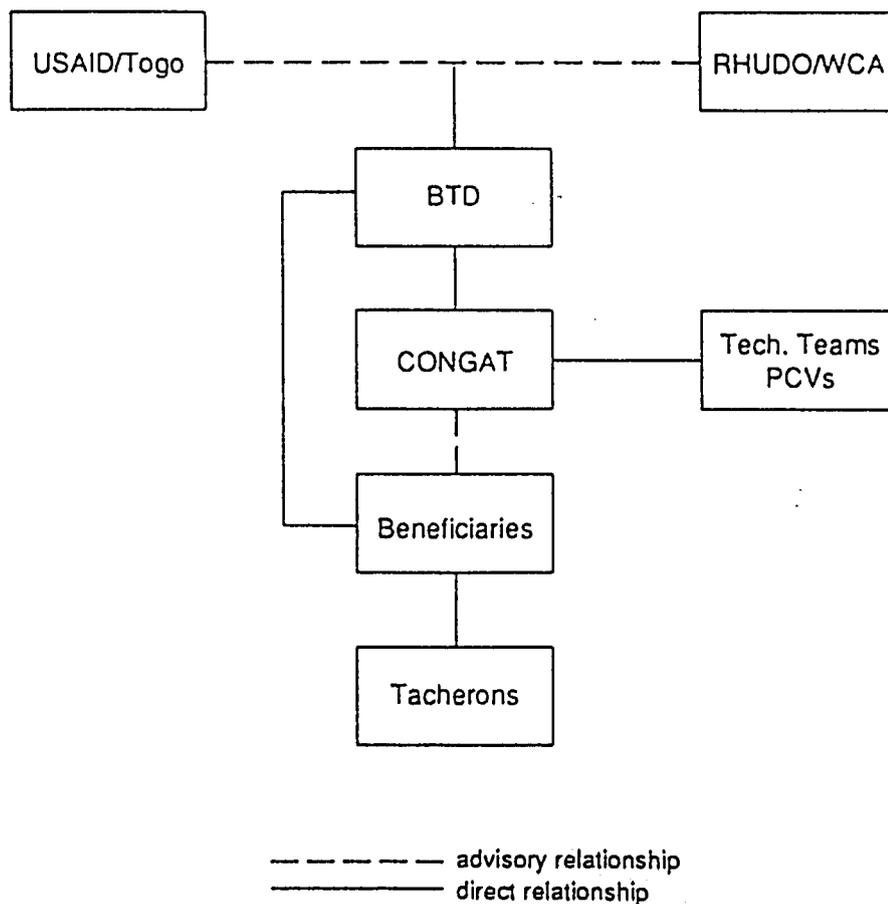


Figure 7

Implementation Relationships
PSHG Subproject for Togo



These arrangements would be applicable whether or not a decision is taken to allow participation by three different types of financial intermediaries at different stages in the life of the subproject.

1. Banque Togolaise de Développement (BTD)

BTD is to serve as financial intermediary. PSHG funds would be on-lent to BTD, which would:

- Establish a line of credit to be made available as loans to low income earners who (1) wish to improve existing houses (construction finance) or (2) wish to construct modest new houses (construction and long term finance), and

- Provide credit to CONGAT to establish a revolving fund to pre-finance materials production, the cost of which would be repaid to CONGAT when mortgage finance is obtained by the borrower from BTD under 1.a above.

These activities would take place as follows:

a. Individual loans

Nature of Activity: Credit would be given to individuals according to program criteria to be mutually agreed by all participants at the time of subproject design. These criteria will strive to reach an appropriate balance between minimizing the commercial risk while at the same time maximizing the ability of the program to reach populations not now able to access such credit. Therefore, various program parameters will be analyzed in this light, including the loan life, the form of guaranties to be required, and the means by which credit-worthiness is to be established.

Loans will be made on an individual basis and each individual will be responsible for his/her repayment to BTD.

b. Loan to CONGAT:

Nature of Activity: Under the PSHG loan, BTD will negotiate a loan to CONGAT to establish a revolving fund for the production of building materials to be used, on an individual choice basis, by beneficiaries in house construction or improvements. The loan will prefinance the fabrication of stabilized earth blocks, sisal cement roofing tiles, improved roof support systems, and septic tanks. CONGAT will recapture its loan monies upon completion of construction by means of credit accorded by the BTD to the individual borrower.

Prerequisites to participation: BTD will agree to do the following:

- Establish the PSHG subproject as a priority program within the BTD structure, with a senior level staff person responsible for its management and oversight;
- Maintain a separate account and keep separate records for the line of credit;
- Observe the mutually-agreed PSHG subproject lending parameters (one of next steps in project design) in according the credit;

- Abide by mutually agreed to turn-around times for loan processing;
- Allow the BTM staff working on the program to participate in joint orientation and training programs with other participating institutions to ensure that all subproject objectives and operating procedures are fully understood and accepted.

2. Société de Conseils Gestion Afrique Togo (CONGAT)

CONGAT will be the provider of technical assistance and help to assure the effective implementation of the project, serving as a liaison between the beneficiaries and the BTM.

Nature of activity: CONGAT will carry out the following types of activities in furtherance of the PSHG subprojects objectives:

- Mount an outreach and education program for potential beneficiaries;
- Assist beneficiaries in making loan application to BTM;
- Demonstrate and promote the use of reduced cost materials and technologies by beneficiaries;
- Assist beneficiaries with technical issues;
- Make available skilled teams of workers to assist in the construction process, as requested by beneficiaries;
- Inspect construction activity;
- As and when necessary facilitate communications between BTM and beneficiaries.

Prerequisites to Participation: CONGAT will agree to the following:

- Establish a "Unité/Habitat" within its existing Genie-Civil Division;
- Negotiate a loan with BTM for the prefinancing of appropriate construction materials;
- In collaboration with Peace Corps/Togo and RHUDO/WCA, develop two to three acceptable low cost standard house plans and develop associated costs, using locally produced and imported materials;

- Participate in the design of project operating procedures;
- Participate in the training of and supervise Peace Corps Volunteers assigned to the project (see discussion following);
- Maintain adequate and separate accounting records for any monies (grant or loan) that might be made available to CONGAT under the PSHG subproject;
- Monitor and report on construction progress;
- Allow the CONGAT staff working on the program to participate in joint orientation and training programs with other participating institutions to ensure that all subproject objectives and operating procedures are fully understood and accepted.

C. Peace Corps Volunteer Roles

The Peace Corps Volunteers will play an important role within the overall PSHG subproject. Specifically, their activities will be geared to the achievement of the following objectives:

- To build the capacity of the NGO CONGAT to work in the shelter sector with an appropriate program to address the needs of the low income earner;
- To work with the beneficiary population to help them to improve their overall living conditions; and
- To assist in the dissemination of affordable building materials and reduced cost construction technology.

Volunteers will work for CONGAT under the direction of the Genie-Civile Department. There will be three different types of assistance provided:

1. Low Cost Housing Architect: Working with CONGAT's technical staff, the Volunteer will be responsible for developing affordable and acceptable house designs for the beneficiaries of the PSHG subproject. These designs will include use of the indigenous materials and technologies promoted by CONGAT as well as more conventional construction materials and approaches. The goal of his or her assignment will be to provide a manageable array of standard options, together with the establishment of the related quantities, costs, and construction methods. These designs will be used by the Volunteers and CONGAT staff in working with the beneficiary families as they seek credit for housing.

2. Construction Management Advisor: This Volunteer will focus on the business aspect of the construction program. He will assist the staff of CONGAT to develop the procedures and install the systems for purchasing and controlling materials for the production of the stabilized earth blocks, the sisal cement roofing tiles, and the improved roof technology component parts that CONGAT is developing. The Volunteer will also develop a management and control system for production stockpiles and an additional system for tracking and accounting for materials loans to individual beneficiaries. He or she will work in close collaboration with CONGAT accounting and management staff and the management of the Genie Civile Department and will train all appropriate personnel in the implementation of the systems and procedures.

3. Low Cost Housing and Community Development Advisor: These Volunteers will work with the beneficiary families. They will play an active role in the community outreach and information activities, to ensure as full an understanding of the PSHG program as possible on the part of beneficiary families. The Volunteers will assist the families with the application process and counsel them with respect to their credit and construction options. Volunteers will also help to educate families about the alternative construction methods and technologies that are available to them and about the services that CONGAT can provide. After the families have obtained their loans, the Volunteers will work as liaison with CONGAT technical staff and mobile teams of skilled workers to facilitate the construction process with respect to the use of the improved and reduced cost technologies.

The services of the Low Cost Housing Architect and the Construction Management Advisor will be required to begin prior to the inception of the PSHG. The Low Cost Housing and Community Development Advisors will be required once the PSHG has been put in place. In addition to their regular Peace Corps pre-service training program, they will participate in the training program for all staff (BTD and CONGAT) who will be directly involved in the implementation of the PSHG subproject.

D. Technical Assistance and Training Requirements

The basic organization and management capability -- that is, the ability to originate and service housing loans -- exists within the institutions identified. The broad outlines of a PSHG subproject, as set forth in the preceding section of this report, require the following modifications in current practices:

- Definition of a new program activity and
- Establishment of new relationships with existing institutions.

It appears that a minimal amount of technical assistance will be required in order to ensure the readiness of the institutions to implement the PSHG subproject. However, additional requirements might become evident once the subproject has been designed.

At the outset, the following types of interventions will be required:

1. **Program Design Assistance** -- This will be required in order to assure that the risks are anticipated and provided for and that the resources will be properly targeted to the intended beneficiary population.
2. **Intermittent Program Technical Assistance to financial intermediaries** -- This will be required to assist the institutions involved in targeting borrowers (information and promotion), monitoring program performance, adjusting program requirements (within pre-established limits) to meet changing conditions, and troubleshooting any unanticipated difficulties.
3. **On-going Technical Assistance to NGO** -- This will be required (and in large part fulfilled by the envisioned Peace Corps' role described above) to assist the NGO participant to work effectively with the beneficiary population.

A critical element of the PSHG subproject will be the efficiency and effectiveness of the loan process: management, processing, monitoring, collection, and the like. The capability for all of these exists in the financial intermediaries identified; however, because of the specialized nature of the PSHG subproject and the unfamiliarity of the clientele, an intensive orientation for all program managers and an on-the-job training program for those responsible for the subproject in each of the participating institutions should be planned. This type of preparation will ensure that the objectives of the program are understood and "bought into" from the outset, that the program parameters are clear, and that motivation to serve the program goals is fostered.

VI. Next Steps

Because of the high level of interest in the possibility of a PSHG subproject, RHUDO/WCA should move as quickly as possible into program design. Prior to this, however, formal contact with GOT and EcoBank should be made to alert them to the positive indications of feasibility and to ensure their continuing interest and support.

A. Program Design

The program design will consist of all aspects of the system that will be required to mount a PSHG subproject. These are as follows:

1. Financial Analysis: This detailed study will examine the economics of the PSHG loans under current conditions on the U.S. capital market and in Togo. It will determine the ultimate costs of the loans to the beneficiaries, taking into account the necessary fees payable to the borrowing and intermediary institutions to cover the costs of lending.

2. Credit Parameter Establishment: This analysis will be based on the preceding financial analysis, as well as on the results of the socio-economic survey, current housing market conditions in Togo and other relevant information. The parameters will establish the income levels, the loan amounts, the repayment periods, the lending criteria, and other dimensions of the program. This aspect of the program design must be developed in close coordination with the financial intermediaries.

3. Detailed Implementation Planning: This aspect of program design will be based on a detailed analysis of the functioning of the participating institutions and the definition of the internal functioning/ administration of the PSHG subproject and the nature of the liaison required (as well as methods for achieving it) with other participating institutions. This planning will serve as the basis for the Project Agreements.

4. Sustainability Analysis: The ability of the PSHG subproject to contribute to sustainable development should be analyzed from the point of view of the participating NGO (i.e., how the program can be designed to contribute to its continuing involvement in the shelter sector servicing a low income clientele) as well as from that of the financial intermediaries (i.e., how the program can be designed to cover costs and contribute to the overall financial health of the organizations). An initial analysis should be made during program design and

should set out indicators to be monitored during the life of the subproject. The successful implementation of the PSHG subproject is likely to attract other lenders into the low income housing field.

5. Project Agreements: This is the final stage of program design and would represent the ground rules agreed to by all participants.

B. Implementation Planning

The PSHG subproject could proceed rapidly toward implementation. A certain momentum has already been established, the climate for the subproject is right, and the PSHG itself has been designed so as to minimize red tape. However, it is important to the project that all players and their constraints be taken into account.

Projected Timeline: An estimated timeline for the PSHG subproject, setting out the steps in implementation planning is shown in Figure 8.

C. Other Inputs

1. Peace Corps Inputs: The Peace Corps input into the PSHG subproject has been anticipated and planned for from the outset. However, as Figure 8 shows, optimal coordination of this input with the initiation of the subproject will require (1) further discussion with Peace Corps/Togo with respect to its planning and (2) making available additional resources for Volunteer Training so that adjustments in the cycle can be made.

2. Other Donor Inputs: Both the World Bank and the UNDP Resident Missions in Togo were extremely cooperative and supportive during the Organizational Feasibility Study. They both indicated considerable interest in the projected activity and expressed a desire to coordinate should a PSHG subproject be mounted.

Possible areas for cooperation and coordination with these two organizations include the following:

- **World Bank:** The sites and services and upgrading components of the projected World Bank project for Lome, as currently envisioned, do not include any credit for house construction or home improvements. The PSHG subproject might be a useful complement to that project.
- **UNDP:** The shelter strategy and national shelter policy development work that the UN is anticipating undertaking for the GOT should be harmonized with the PSHG subproject. In addition, the UN is strongly

Figure 8
Timeline
 PSHG Subproject for Togo

| Activity | 9/90 | 10/90 | 11/90 | 12/90 | 1/91 | 2/91 | 3/91 | 4/91 | 5/91 | 6/91 | 7/91 | 8/91 | 9/91 | 10/91 | 11/91 | 12/91 | 9/1/92 | 12/1/92 |
|---|------|-------|-------|-------|------|------|------|------|------|------|------|------|------|-------|-------|-------|--------|---------|
| Draft organizational feasibility report _____ | | | | | | | | | | | | | | | | | | |
| RHUDO review/comments _____ | | | | | | | | | | | | | | | | | | |
| Final organizational feasibility report _____ | | | | | | | | | | | | | | | | | | |
| USAID/Togo & PC/Togo review/comments _____ | | | | | | | | | | | | | | | | | | |
| RHUDO follow-up mission to Togo _____ | | | | | | | | | | | | | | | | | | |
| Program design team SOW _____ | | | | | | | | | | | | | | | | | | |
| Program design team selection/contracting _____ | | | | | | | | | | | | | | | | | | |
| PC VADs for 2 specialist PCVs _____ | | | | | | | | | | | | | | | | | | |
| Program design team to the field _____ | | | | | | | | | | | | | | | | | | |
| Program design team report _____ | | | | | | | | | | | | | | | | | | |
| PC project design/VADs _____ | | | | | | | | | | | | | | | | | | |
| Project agreement _____ | | | | | | | | | | | | | | | | | | |
| PSHG borrowing _____ | | | | | | | | | | | | | | | | | | |
| Technical assistance mission _____ | | | | | | | | | | | | | | | | | | |
| Start-up/On-lending/Orientation _____ | | | | | | | | | | | | | | | | | | |
| Specialist PCVs in training _____ | | | | | | | | | | | | | | | | | | |
| Beneficiary lending program begins _____ | | | | | | | | | | | | | | | | | | |
| VADs for UCD PCVs _____ | | | | | | | | | | | | | | | | | | |
| Specialist PCVs begin work at CONGAT _____ | | | | | | | | | | | | | | | | | | |
| UCD PCVs in training _____ | | | | | | | | | | | | | | | | | | |
| UCD PCVs begin work in field _____ | | | | | | | | | | | | | | | | | | |

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7/1/92

12/1/92

interested in the promotion of indigenous materials and might prove a good partner for this aspect of the proposed subproject.

3. Training Inputs: As discussed in the preceding section, RHUDO/WCA should plan to design and mount an orientation and training program for the participants in the PSHG subproject. This training activity would have two major components:

- **Orientation** to the overall PSHG subproject: This would include information about its purposes, objectives, and institutional relationships; participants would include the responsible staff of the financial intermediaries, the participating NGO and the Peace Corps.
- **Implementation Training:** This would be hands-on, on-the-job training effort, working with each of the staff members of the intermediary organizations, to ensure that the systems designed are in place and understood by those responsible for implementation. In addition, Peace Corps Volunteers would receive specialized training for their roles in the subproject and the NGO staff, in turn, would receive training from the Peace Corps Volunteers.

4. Technical Assistance Inputs: Intermittent technical assistance appears to viable. However, following program design, inputs with respect to program management and coordination are anticipated. An initial short term (say six months) advisor might be advisable to assist in the working through of the inevitable start-up difficulties, with continuing monitoring and inputs at strategic points (say every four to six months) during the life of the subproject.

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ANNEX A

Terms of Reference

TOGO PRIVATE SECTOR HOUSING GUARANTY PROGRAM DESIGN
TERMS OF REFERENCE
(Revised July 16, 1990)

I. BACKGROUND

In 1986, USAID authorized a \$50 million Worldwide Private Sector Housing Guaranty Program. The goal of the program is to increase the role of the private sector in the economic development of participating countries.

From the \$50 million global authorization, individual countries are able to develop sub-projects, limited to a \$5 million maximum each, which, if approved by the Agency can be authorized through an expedited approval process. In essence, individual countries can buy into the worldwide authorization.

Criteria for the selection of sub-projects are as follows:

1. The proposal must come from the private sector.
2. The proposal must represent new territory or the expansion of pilot efforts by the private sector to produce and/or finance housing affordable by the urban poor.
3. Local financial institutions must be available to originate and service both the construction and the mortgage financing.
4. The proposal must include viable mechanisms to address both the foreign exchange risk involved in repaying the HG dollar loan and the commercial risk of the local currency mortgage financing.

During the past year, at the initiative of the Peace Corps in Togo, discussions were begun amongst RHUDO/WCA, USAID/Togo, and Peace Corps/Togo regarding the possibility of a USAID intervention in the shelter sector in Lomé through the Private Sector Housing Guaranty Program. Although there are a variety of credit programs currently functioning in Togo, there is no operating program to address the issues of new shelter delivery or upgrading of existing shelter for low income people in either the rural or the urban sectors. However, based on the preliminary discussions amongst RHUDO, Peace Corps, and USAID/Togo, there would appear to exist an institutional framework which could be built upon to create a functioning housing finance and delivery system for low income people in Togo.

This institutional framework includes the Government Ministries of Equipment, Post and Telecommunications and of Planning and Mines, and several NGO's including the Federation of Savings and Credit Cooperative Unions which represents over 100 individual credit unions. In addition, there appears to be interest in the formal private sector financial community in investing in the shelter sector. With respect to low-cost basic building materials, there would also appear to be no shortage of capable small scale enterprises in the private sector which could become part of a well functioning shelter delivery system. Thus, although there is currently no private sector based affordable shelter program in Togo, the existence of an institutional structure and a governmental policy of encouraging NGO involvement in productive sectors has created an environment conducive to such a pilot effort in the shelter sector.

The basic ingredients necessary to mount a viable private sector based shelter finance and delivery system would therefore appear to exist. Two fundamental constraints remain however to establishing such a self-sustaining system, insufficient resources at the level of credit unions and other potential financial intermediaries and a lack of an effective organizational and management structure to develop and implement a credible and replicable program in the shelter sector. The financing constraint could be addressed through a Private Sector Housing Guaranty Loan Program from an eligible United States investor to a financial intermediary in Togo which would work with local community groups or NGO's to finance new low-cost shelter and improvements to existing dwellings. The organizational and management constraint can be addressed by structuring a model which takes into account the strengths of each of the potential collaborators in the effort and through appropriate technical assistance in both the finance and housing delivery sides of the coin. The U.S. Peace Corps can play a very helpful role in the housing delivery or construction part of the process, identifying community needs, counselling families on completing their houses and in meeting their new financial obligations, assisting in local building material production, etc. The Peace Corps has already expressed serious interest in a program for low-cost housing.

What is required at this juncture is the structuring of a program in low cost shelter involving those Togolese bilateral and international institutions and organizations which can most effectively participate. Only if a credible program structure can be created, can an assessment of AID's risk in guaranteeing a loan to the private sector in Togo be established.

The structuring and management of a program for a low cost housing finance and development in which USAID would participate would require a commitment of time, effort and resources, the bulk of which would have to be borne by RHUDO. Therefore, prior to pursuing this potential intervention, RHUDO requires the services of an experienced housing specialist to prepare a feasibility study which would focus on a realistic assessment of the possibilities of a credible organizational structure being created and on the process whereby it could be established.

Finally, to provide some basic information on household incomes which will be critical in establishing program financial feasibility in light of USAID's mandate to target below median income families, RHUDO has already engaged a qualified consultant to study income levels in Lome and to establish a median income level for purposes of a potential HG program. The results of the study will be available by early August 1990.

II. SCOPE OF SERVICES

A. OBJECTIVES

The objective of this consultancy is to prepare a feasibility study for a potential Housing Guaranty Loan Program to be implemented through the private sector in Togo, to identify and define the responsibilities of the various participants in such a program, and to identify the actions which must be undertaken by each of the participants to create ~~the conditions whereby~~ a USAID guaranty could be made to a loan from an eligible U.S. financial institution to a financial institution active in Togo for the purpose of financing and implementing a low cost shelter program. a. Credible

B. STATEMENT OF WORK

Specifically, the consultant will:

1. Review the current shelter finance and delivery systems in Togo in both the formal and the informal sectors.
2. Identify and assess the capacity of those institutions and organizations, public and non-governmental and international, which can most effectively and competently implement a Private Sector Housing Guaranty Loan Program in Togo.
3. Assess the capacity of the private sector to produce suitable building materials to be used in constructing and upgrading shelter for lower-income families

4. Evaluate the means, if any, by which the credit union movement in Togo can most effectively participate in a low cost shelter program.

~~4. In collaboration with the Peace Corps administration, identify the most appropriate ways in which Peace Corps Volunteers can assist in the design and implementation of a low cost shelter program.~~

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5. Assess the overall feasibility of a low-cost housing program in Lomé whose primary emphasis will be on upgrading existing structures (home improvements), but which would allow for new construction, to be financed through AID's Private Sector Housing Guaranty program. Propose an organizational structure to guide the design and implementation of a low cost shelter program in Lomé. Consideration of the most appropriate legal structure, i.e. an NGO, a private organization, etc... must be taken into account and the difficulties involved in formally establishing such an implementing institution or in expanding the mandate of an already existing institution should be assessed. Cognizance must be taken of the very limited technical and financial support which USAID/Togo will be able to provide to the program and of the fact that the overall project manager, RHUDO/WCA, based in Abidjan, will not have a permanent representative in Togo. RHUDO management will be through periodic TDY missions. Hence, there will be a need for strong on the ground local administrative and financial management. Although the consultant will focus on the administrative and technical aspects of a possible private sector Housing Guaranty Loan Program, preliminary consideration must be made of the financial aspects of eventual program. However, a more detailed financial analysis will be conducted if the initial feasibility study is positive

6. Define any technical assistance and training needs which may be essential to the successful functioning of the implementing agency and of the other partners affiliated with the proposed program with special attention to the potential role of the Peace Corps.

Undertake preliminary discussions with bilateral, multi-lateral, or local funding agencies, which might be interested in participating in such an effort.

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7. Undertake preliminary discussions with potential private sector financial intermediaries operating in Togo, in addition to those associated with the credit union movement (addressed in Item No. 3), which could serve as a borrower of HG funds.
8. Lay out the critical next steps which should be undertaken by the probable participants in order for a HG guaranty loan program to be designed and implemented. The consultant will also identify any areas which might require further study before a final decision would be made by USAID to proceed with a HG loan program.

III. BRIEFINGS AND REPORTS

The consultant shall debrief USAID/Togo, Peace Corps/Togo, and RHUDO/WCA upon completion of the field assignment in Lomé on his/her findings and recommendations. The consultant will debrief US Peace Corps/OTAPS upon his/her return to the United States. Within two weeks after the consultant's return to the United States, he/she shall prepare a Draft Feasibility Study in English (four copies) containing a summary of all major findings and recommendations regarding program design. Within three weeks of the comments on the draft report from USAID/Togo, Peace Corps/Togo, RHUDO/WCA and U.S. Peace Corps/OTAPS, the final report (in English) shall be submitted to RHUDO/WCA. Ten (10) copies of the final report shall be submitted.

IV. RELATIONSHIPS AND RESPONSIBILITIES

The consultant shall work under the general supervision of the Regional Housing and Urban Development Office (RHUDO/WCA) which will be primarily responsible for providing guidance on relevant issues and on parameters of the Private Sector Housing Guaranty Program. While in Togo, the consultant will report periodically to USAID/Togo on the progress of the consultancy. RHUDO staff will be available in Togo during the last few days of the consultancy.

V. LEVEL OF EFFORT

It is estimated that the services requested above will require the services of a senior housing development expert for 11 work days distributed as follows: 6 days in Lomé, Togo, 3 days in the United States for write up of initial draft, and 2 days for preparation of the final report. This consultancy is to be done in conjunction with a related Peace Corps consultancy in Togo.

VI. QUALIFICATIONS OF CONSULTANT

The consultant must be an experienced housing development specialist with at least 10 years of experience in the field. Consultant must have extensive experience in developing country shelter and urban development programs and must have a particular knowledge of community based (e.g cooperative) housing programs. Prior experience in West Africa is highly desirable. The consultant must have French oral/written fluency at least equivalent to an FSI 3/3 rating.

VII. TIME OF PERFORMANCE

This consultancy is expected to begin on/about August 20, 1990 with the field work in Togo. Field work is expected to end on August 25.

Submission of the draft report shall occur no later than September 21, 1990. Submission of the final report is estimated to occur no later than November 2, 1990.

VIII. MISCELLANEOUS

A. Duty Post

Lomé, Togo

B. Access to Classified Information

None

C. Authorized work week

A six day work week is authorized during the field assignment. No premium pay is authorized.

C. USAID/Togo will provide airport pick up and drop off. Minimal office space will also be made available by AID. Access to pouch facilities for first class letter mail under one kilogram in weight shall be provided. Access to Embassy currency exchange accommodation will be provided. USAID will also provide access to relevant background documents as available. No further logistic support will be available.

ANNEX B

Materials and Costs

Materials and Costs

The following chart lists items commonly found in housing construction and upgrading in Lomé. A range of prices per unit is given based on the moderate comparison shopping which was done.

| <u>MATERIAL</u> | <u>UNIT</u> | <u>PRICE (CFA)</u> | <u>ORIGIN</u> |
|-----------------------------|-------------|----------------------|----------------|
| Cement | ton | 31,800 | Togo |
| Sand* | m3 | 5,000-8,000 | Togo |
| Gravel* | m3 | 5,000-8,000 | Togo |
| Wood | | | |
| doors & windows | m2 | 9,500 | Ghana |
| door & window frames | m | 1,300-3,700 | |
| roofing cross beams | 5m | 4,500 | |
| roofing supports | 5m | 900-2,500 | |
| Roofing plaques | | | |
| fibrocement | 1 | 1,212-2,860 | Portugal |
| Toles (aluminum) | 1 | 2,650 | Côte d'Ivoire |
| BacAlu | 1 | 2,865-3,376 | Côte d'Ivoire |
| Ceiling plaque | 1 | 1,865-5,495 | |
| Nails | | | |
| (varying lengths) | 5 kg | 2,050-2,475 | Germany & Togo |
| Roofing Nails | 1 kg | 835 | |
| Washers | 1 pkt | 600 | |
| Fer de Beton | 6m | 406-2,823 | Togo |
| (reinforcing bar) | | (depending on width) | |
| Whitewash (exterior) | 20 kg | 3,065-3,600 | Togo & France |
| Paint (interior & exterior) | 25 kg | 8,000-11,560 | Togo |
| Ceramic tile | m2 | 2,700-7,000 | Italy |
| Window panes | | | |
| (clear, opaque, tinted) | 1 | 420-1,220 | |
| (varying length 60cm-1.2m) | | | |

| <u>MATERIAL</u> | <u>UNIT</u> | <u>PRICE (CFA)</u> | <u>ORIGIN</u> |
|---|-------------|--------------------|------------------|
| Window pane frames (varying length 44 cm-1.42) | pair | 2,005-6,395 | Singapore |
| Lights | | | |
| 30 cm long | 1 | 2,675 | |
| 60 cm long | 1 | 5,150 | |
| Toilet | | | |
| European | 1 | 37,000-70,905 | Germany & France |
| Turkish | 1 | 46,065 | |
| Wash basin w/o spigot | 1 | 11,063-13,004 | |
| Spigot | 1 | 6,279-9,500 | |
| Sink with spigot | | | |
| hot & cold water mixed | | 42,750 | |
| hot & cold water separate | | 37,150 | |
| cold water | | 30,650 | |
| Shower | | | |
| hand held w/hose | 1 | 2,405-12,175 | |
| shower column w/head | 1 | 5,354-8,790 | |

*Price varies according to transport distance

One estimate for the installation of a Turkish-style latrine, simple shower, and sink basin for a house which could connect to the city's water lines was CFA 30,000 (about \$120), not including the cost of materials. The cost of a septic tank with dimensions 4m x 1.5m x 2m is about CFA 50,000 (\$200).

One electrician's estimate of the cost of wiring a two room house and a terrasse ranged from CFA 25,000-35,000 (\$100-\$140), while another electrician's quote for wiring two rooms and a terrasse (five lamps) was CFA 200,000 (\$800).

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ANNEX C

List of People and Institutions Contacted

List of People and Institutions Contacted

Financial Institutions:

Banque Internationale pour l'Afrique Occidentale au Togo (BIAO)
Jean-Louis Chapuis, Administrateur Directeur Général Adjoint

Banque Togolaise pour le Commerce et l'Industrie (BTCI)
Dagbovie W. Sissi, Attaché de Direction

Banque Togolaise de Développement (BTD)
Joachim W. Kratz, Directeur Général
M. Baji
M. Mensa

Caisse d'Épargne de Togo (CET)
Djagbare Lorempo, Economiste Directeur Général

Fédération de Unions Coopératives d'Épargne et de Crédit du Togo (FUCEC)
Directeur Général
Chet Aschelman, Conseiller Technique

Union Togolaise de Banque (UTB)
Akolly Echrigan, Directeur

Government of Togo Shelter-Related Institutions:

Centre de Construction et Logements
M. Somah

Fonds Spécial pour le Développement de l'Habitat (FSDH)

La Société Immobilière Togolaise (SITO)
M. Anthony, Directeur Général

Ministère de l'Économie et Finance, Directeur du Cabinet

Ministère de l'Équipement Poste et Télécommunications, Direction Générale de l'Urbanisme et de l'Habitat (DGUH)
Aklesso Aquitème, Architecte D.E.S.A., Directeur DGUH
Awesso M. Paa-Leh, Directeur l'Habitat

Société Togolaise d'Études de Développement (SOTED)
Dr. Tignokpa Badate, Directeur Technique
Abalo Gbessimidé Edoth, Ingénieur des Sciences Appliquées Directeur d'Études

Private Sector Institutions:

Atelier Architecture et Urbanisme (ATARU)
Adjamagbo Comlan, Architecte-Urbaniste, (also with GRA/HS)

Brigitte Ahodi, Architect, Lomé Tel. 21-57-89 (O)

M. Ignasius, Lomé (Gentleman whose house could be used as a model.), Tel: 21-24-43 (O)

Société des Etudes de Construction et Batiments (SECOBAT)
Jacques Baron, Directeur

NGOs:

Société de Conseils Gestion Afrique Togo (CONGAT)

Groupe de Recherche et Application Habitat Social (GRA/HS)
Adjamagbo Comlan, Architecte-Urbaniste

Other International Donors:

L'Orstom (Government of France)
Jean-Louis Lierdeman, Directeur du Centre Orstom de Lomé
Yves Marguerat, Géographe

United Nations Development Programme (UNDP), New York
Jean-Pierre Gernay, Senior Area Officer for West Africa, Regional Bureau for Africa

World Bank/Togo
Ayité-Fily d'Almeida, Senior Operations Officer

PC/Togo:

Erica Eng, PCD
Gregory Austreng, APCD
Sam Dykama PCV
F. Kokoe Kuevidjen, Consultant

USAID/ Togo: Mark Wentling, AID/Representative

USAID/RHUDO/WCA:

Carlene Dei
Scott Johnson