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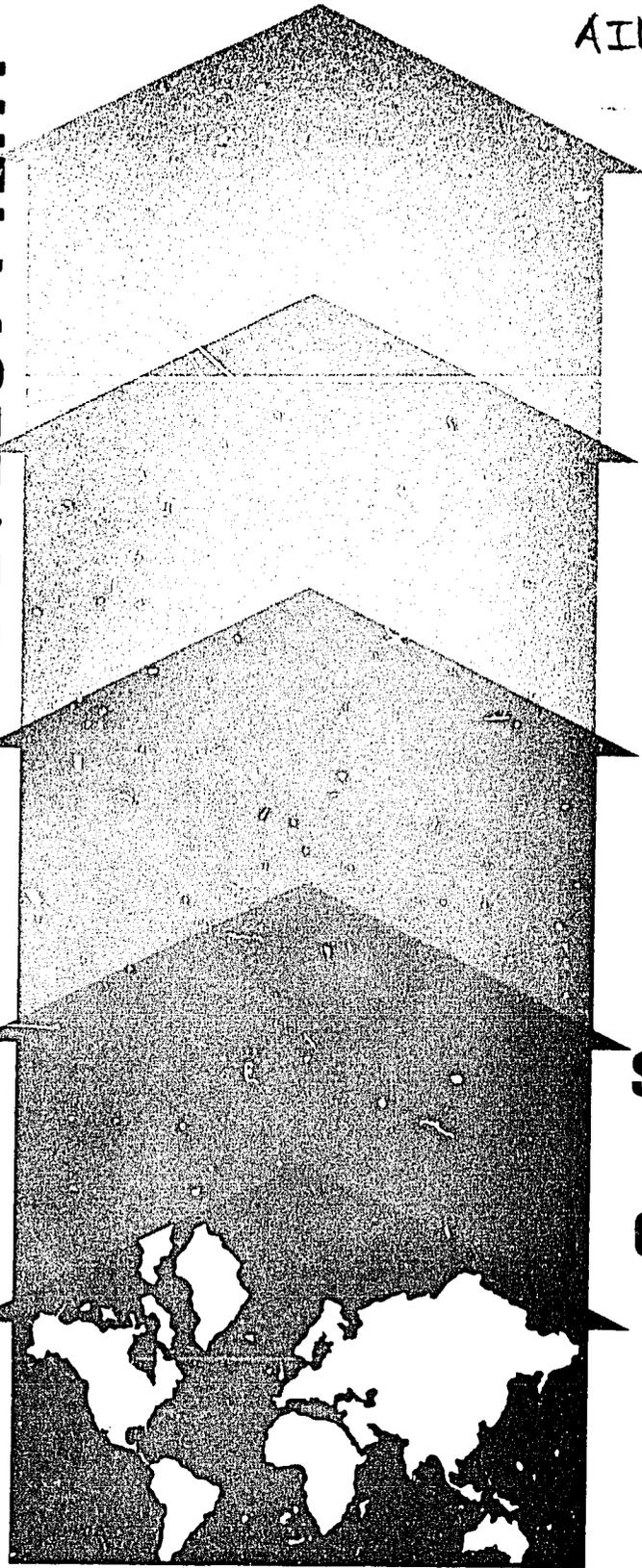
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9. ABSTRACT

This report considers whether or not the African Development Bank (ADB) should undertake activities in support of the housing sector in Africa. The various chapters of this report describe some of the options to be considered in selecting appropriate housing activities for support, as well as the forms of delivering that support by ADB. Since a very wide range of possible housing activities must be considered, the question of resource mobilization is central to the eventual strategy selected. This report concludes that it is desirable for ADB to initiate a further, more detailed inquiry into the feasibility of supporting housing activities on a relatively modest basis. Appendices to this report are entitled: "An Overview of African Housing;" "Overall ADB and ADF Current Commitments and Pipeline of Future Projects and Studies; and "Field Memorandum." In assessing housing problems in Africa, it becomes apparent that differences in the region's climate, resources, cultural heritage, and political institutions make easy solutions impossible. However, some general guidelines and priorities are identified: (1) Urban and rural areas must be developed in harmony; (2) Housing standards and designs must be very modest and adaptable to self-help schemes; (3) Systems of land tenure should be further developed to curtail land speculation and ensure adequate land for the needs of all income groups; (4) Each country must develop a coordinated delivery system for housing and technical, social, and economic institutions; (5) Construction industries should be further developed within the context of existing African conditions; (6) Most Africans will have to build their own homes or plan an active part in their construction.

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**Shelter Sector
Policy
Considerations**

April 1977

FOREWORD

This study was conducted by Mr. Alfred P. Van Huyck of Planning and Development Collaborative International (PADCO) under the auspices of the Office of Housing of the Agency for International Development and through financing provided by this Office. The purpose of the study was to assist the African Development Bank in developing a policy on its entry into the shelter sector and was in response to a request from the African Development Bank.

While the findings and recommendations of the report have been discussed with representatives of the African Development Bank, the report is not to be interpreted as an official position of either the Bank or of the Agency for International Development.

We hope, however, that the African Development Bank will find the report and its recommendations useful to it as it formulates its shelter policy.



Peter M. Kimm
Director
Office of Housing

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PREFACE AND ACKNOWLEDGMENTS

A. TERMS OF REFERENCE

PADCO, Inc. was requested by the Office of Housing, Agency for International Development, to undertake a mission to the African Development Bank. Mr. Alfred P. Van Huyck, President of PADCO, conducted the field mission during the period March 1 through 11, 1977. Mr. Lee Baker assisted by conducting secondary source research on the housing sector in Africa from the PADCO home office in Washington, D.C.

The scope of work for the assignment consisted of the following parts:

1. Preparation of a preliminary statement of internal housing policy for the ADB identifying the kinds of housing programs and possible lending activities which are appropriate.
2. Identification of the kinds of organizational arrangements necessary to undertake the recommended housing program and policy.
3. Completion of a preliminary review of the member countries of the ADB from secondary sources in order to recommend general priorities and possible approaches to advance the recommended housing program and policy of the ADB.
4. Preparation of a work program for the ADB for the next steps in advancing the recommendations.

Given the overall conclusion that the ADB should move with caution in developing its housing sector activities, this report will concentrate on raising the options to be considered in achieving the scope of work and on discussing the pros and cons of the plausible alternatives.

B. ACKNOWLEDGMENTS

PADCO wishes to thank the many people who gave generously of their time to meet and discuss the issues. Special mention should be given to Mr. L.M. Shango who acted effectively as liaison and contributed much to facilitating the work. The conclusions and recommendations of this report, however, are solely the responsibility of PADCO.

1. ADB and ADF

Mr. Kwame D. Fordwor	President
Mr. G.E. Gondwe	Vice President
Mr. N.S. Mohareb	Deputy Director and Adviser
Mr. M. El Helw	Deputy Director, Operations
Mr. C. Kahangi	Assistant Director, Operations
Mr. K.S.M. Nyahe	Head, Follow-Up Section, Operations
Mr. E.C. Goued Njayick	Assistant Director, Finance and Loans
Mr. A.F. Kodock	Deputy Director, Research
Mr. L.M. Shango	Economist, Economic Cooperation Division, Research
Mr. S. Nnebba	Economist, Research

2. U.S. Embassy

Mr. Goodwin Cooke	Counselor
-------------------	-----------

3. U.S. Agency for International Development

Mr. Albert N. Votaw	Director, RHUDO/Abidjan
Mr. Paul Holmes	Regional Housing Officer
Mr. Donald Gardner	Deputy Director, Office of Housing
Mr. Miles Wedeman	Director, Regional Development Staff office, Abidjan, Ivory Coast

Chapter I

THE CASE FOR SUPPORT OF HOUSING SECTOR ACTIVITIES

This report is concerned primarily with the basic decision as to whether or not the African Development Bank (ADB) should undertake activities in support of the housing sector in Africa. This is not a simple or clear-cut decision.

It is the conclusion of this report that it is desirable for ADB to initiate a further, more detailed inquiry into the feasibility of supporting housing activities on a relatively modest basis. Subsequent chapters of this report describe some of the options to be considered in selecting appropriate housing activities for support as well as the forms of delivering that support by ADB.

There is an enormous need for housing in Africa, and that need is likely to grow substantially in the years ahead. Although much can be done by African governments to support a meaningful response to housing need in both the public and private sectors, there will continue to be a requirement for international capital and technical assistance. The housing sector has many favorable aspects for supporting African economic development and responding to the immediate problems of job generation and savings mobilization. These conclusions are documented in Appendix I and summarized below.

Taking the above conclusions for granted, it still remains to be determined whether the ADB can contribute to the housing sector in Africa and if the entrance of ADB into the housing sector can make an impact on the problems of concern.

In making this decision, ADB is faced with two major and immediate constraints. First, the overall resource availability within the ADB and the African Development Fund (ADF) is very limited. Second, the technical and managerial capacity of the ADB is already strained with the existing portfolio, and housing sector activities would require new and different types of skills to be added to the ADB.

If ADB elects to enter the housing sector, these constraints will have to be kept in mind during initial planning and start-up of ADB's housing activities. Nonetheless, certain factors tip the balance in favor of ADB's involvement in housing.

First, ADB and ADF are already committed to a policy of service as a multi-sector regional bank. The management of ADB seeks to create a viable institution responsive to the needs of African member countries as a lender of first choice rather than last resort. It is a logical extension of ADB activity, therefore, to offer selected housing loan support given its other sectoral activities.

Second, ADB is already lending in the related fields of residential water supply, sanitation, roads, drainage, and electricity, and ADF is lending for health and education (see Appendix II). It seems necessary for ADB to achieve a capacity for relating these individual sector activities into an overall understanding of urban development processes and housing.

Third, ADB is beginning to receive direct loan requests for housing (for example, the request for Sierra Leone which is in the pipeline now). Also, ADB has financed some housing as an ancillary part of other sectoral projects. It is likely that there will be an increasing demand on ADB for direct housing support from its member countries as a recognition of the importance of housing in development and as the dimensions of the African housing crisis become better understood and apparent to governments. It may in the near term become untenable for the ADB to simply refuse to consider housing sector activities and still be responsive to member government priorities. Yet, to proceed without a clearly defined ADB housing policy would lead to inappropriate projects (for example, the Sierra Leone request because of its very high unit costs would do little to assist the country in solving its housing problems).

Fourth, housing activities hold the promise, if conducted appropriately, of accomplishing some of ADB's stated objectives better than its lending history in other sectors. The ADB is committed to supporting the development of indigenous African capacity, yet it was reported that more than two-thirds of the funds presently lent end up in Europe and North America. On a technical level the list of present consulting contractors includes only one indigenous African firm. Housing, because it can utilize largely domestic materials and labor, can make a larger contribution to the African economy. In addition, African professional skills in architecture and engineering can be more fully utilized because of the basic nature of the projects to be undertaken.

Fifth, long-term lending for housing projects can help achieve related development objectives in three areas:

1. As a device for spreading the "political risk" of new innovations in housing, in the sense that using external borrowing for demonstration projects sponsored by prestigious international agencies spreads related risks to the international agency rather than concentrating them solely on the host country institution. (An example is use of USAID Housing Guaranty funding to introduce settlement upgrading and sites and services projects in countries where such projects have not been attempted previously.)
2. Through providing seed money to start new host country institutions (such as housing banks) where the international connection adds creditability, if immediate local capital is insufficient.
3. As a support to what is primarily an institution building effort (through technical assistance) by providing additional finance to utilize the expanded capacity of the institution made possible by the technical assistance component. It is important to note here that whereas foreign loans can have no statistical impact on overall African housing needs, they can have a very great impact on the capacity and viability of a specific housing institution in a given country (and therefore allow that institution to perform much more effectively than it otherwise could without the loan).

In considering this case for ADB support of housing activities, three related factors must be discussed: the need for housing in Africa; the role of African governments; and the developmental impact of housing activities.

A. THE NEED FOR HOUSING IN AFRICA

It is often said that housing (along with clothing and food) is one of the basic necessities of human life. Yet the United Nations calculates that during the decade of 1970 to 1980 ADB member countries will require 26.7 million new dwelling units to simply stay abreast of their increasing populations and an additional 4.0 million dwelling units for replacement. If it

is assumed that it will cost an average of only US\$ 1,500 to meet this level of need, this means a total outlay of US\$ 40 billion. It is unlikely that such large resources can be mobilized during this decade from the private and public sectors, so it is safe to assume that overall housing conditions in Africa will continue to deteriorate.

The housing problem is made more difficult because of the relatively low per capita gross national products in most African countries ^{1/} which reduce the aggregate capital that can be assigned to the residential construction sector when weighted against other priority needs. Therefore it is recognized that there is a severe shortage of capital available for housing in Africa.

The real impact of the housing problem has not yet been felt in most ADB member countries because of the low overall level of urban development. In 1970 only 21.5 percent of the population of the African continent lived in urban centers. (This amount compares with percentages of 56.7 and 23.4 for Latin America and Asia respectively.) Whereas rural housing is needed, rural housing is the easiest for an individual household to provide for itself. First, in rural areas there usually are not the problems of land shortage and land speculation such as are found in the urban areas. Second, in rural areas there is a well developed and often excellent rural house building technology which relies on local materials and construction techniques for self-building which has been handed down by each generation. The rural housing problem is much more one of ensuring that essential related facilities are available such as a safe water supply, education and health services, etc.

It is urban housing which presents the more difficult problem for African governments. Between 1960 and 1970 urbanization occurred in Africa at an overall annual rate of 4.8 percent. The forces of urbanization are undoubtedly going to continue as at present or, even more likely, at an accelerated pace to the end of this century and beyond. Shelter is a vital part of the urbanization process.

^{1/} The average GNP per capita for ADB member countries was US\$ 190 in 1972.

Urban shelter differs in several respects from the rural shelter requirements discussed above. The expanding urban population faces severe constraints in obtaining secure land tenure. Land speculation in most urban centers has raised costs per square meter beyond the capacity of low-income households to pay. Urban living requires higher densities of population which in turn requires provision of higher standards of infrastructure and facilities such as roads, water supply, drainage, and sanitation. These types of facilities in most cases must be provided through governmental action. The house structure often cannot be made of the same low-cost materials as in rural areas such as mud, bamboo, thatch, etc. as these materials have been eliminated in the process of urbanization itself. In short, urban housing demands a higher level of support from government and from related private sector enterprises in construction, finance, and the building materials industry.

The rapidly growing phenomenon of squatters or illegal settlements in cities throughout Africa witness the failure of most countries to meet growing demands for urban shelter (see Table I-4 in Appendix I). Unless corrective action is taken soon, these trends will continue with inherent implications of serious social and economic problems for the cities of Africa in the twenty-first century.

This problem of low-income groups in cities has over the last five years or so become a focus of multilateral and bilateral aid agencies operating in the shelter sector. The emphasis on sites and services projects and settlement upgrading are two of the responses frequently attempted with international support. These kinds of programs are being undertaken in Zambia, Tanzania, Kenya, Tunisia, Senegal, and the Ivory Coast, for example. However, shelter problems of low-income groups are so vast that individual projects of the kind receiving international financial support really can have little statistical effect on total needs. The answer must eventually be found in institutionalizing the entire urbanization process through self-financing techniques supported by strong legislative mandates to control the land development process. No African country can yet be said to have achieved this level of activity.

There is another vital area of the urban housing problem which deserves consideration. Even though a high priority must be given to shelter needs of low-income groups, there remains the reality that there is a serious housing deficit for most middle-income households as well. In spite of the fact that these groups have successfully been integrated into the urban economy and have steady regular employment, they are not able

to meet their own housing requirements with their own resources. For the middle-income household the primary need is to gain access to credit in order to finance a house suitable for its needs and aspirations. Here government should focus on ensuring that housing finance is made available at market interest rates with sufficiently long repayment terms to allow the household to meet monthly payments. The individual government cannot, of course, provide all of the capital required from its own resources. It can, however, facilitate mobilization of private resources for housing by providing the proper legislative environment for housing finance institutions and by providing seed capital.

Countries would be well advised to proceed at both levels with meaningful programs if the pending African housing crisis is to be averted. Selected ADB participation in housing could help guide relevant responses by the member countries.

B. THE ROLE OF GOVERNMENTS

Faced with the immense need for housing today and for years to come, most African governments are ill-prepared to deal with the crisis. There are, of course, some notable exceptions, but generally it can be said that African governments share a common set of deficiencies in responding to the housing needs of their people. Among them are the following:

1. The United Nations estimates that only 19 African countries have articulated any form of a national housing policy. Even those articulated are weak and ineffective. The starting point for a rational attack on overall housing needs is a strong, workable national housing policy.
2. The institutional framework is not presently in place or is of insufficient scale. Many African countries do not have agencies and institutions capable of implementing meaningful programs of housing construction, land development, and housing finance. Those that do exist (particularly in East and West Africa) tend to be under-financed and capable of only a limited role.
3. The legislative base conducive to guiding private and individual initiative in housing is either nonexistent or is actually counter

productive to sound housing policy principles. Much of the legislation governing urban development and housing was adopted prior to African independence. Therefore, legislation reflects a concept of the city as the location of the European elite with a primary function of controlling the agricultural hinterland and the raw materials extraction process. This concept has resulted in adoption of high-standard European building codes and zoning regulations, low levels of urban taxation, etc. These standards are not conducive to the needs of African countries today when the function of the city is to stimulate development and achieve social equity and justice for all people.

4. Governments have generally failed to facilitate mobilization of private capital and individual savings for housing investment. It is clear that housing needs cannot be met through public initiative alone, yet little has been done to encourage the private sector to develop its capabilities to contribute to meeting housing needs.

Until these fundamental deficiencies can be overcome, there is little hope that a meaningful attack on the housing crisis can be generated. ADB could contribute technical and capital assistance responsive to these problem areas.

C. THE ECONOMIC IMPACT OF HOUSING

Housing has traditionally received a low priority in the development strategies of nations. In part, this has been the result of the macroeconomist's concern that the theoretical rate of return on capital invested in housing be less than that of investments in industry and agriculture. This trend is now reversing as more economists discover the potential of housing construction as a leading sector of economic development.

The reason for this change in attitude is the realization that a crucial issue in economic development is job generation. Unemployment rates are reaching dangerous proportions in many countries, a situation with grave implications for social unrest. Experience has shown that formal industrial sector capital investment per job created is very high and cannot keep pace with growth of the labor force. Furthermore, most African countries have a growing awareness of the need for social

equity in income distribution, and the benefits of industrial and agricultural investment tend to reward the owners of capital assets disproportionately to the providers of labor.

Housing construction, on the other hand, offers an opportunity for high utilization of labor if appropriate labor intensive technologies are used. Furthermore, the jobs created can to a large measure be filled with unskilled or semiskilled workers. These kinds of jobs, therefore, provide a useful entry point for low-income groups into the organized labor force.

In addition, an expansion of housing construction necessitates an expansion of many related industries such as suppliers of building materials and household goods and services. These kinds of activities also generate jobs.

Since housing traditionally uses local materials and labor, it has been concluded that housing generally contributes directly to deepening the local economy. However, in Africa many countries are still heavily reliant on imported materials for modern sector housing. This represents a considerable drain on foreign exchange. In part this situation is caused by selection of inappropriate and expensive standards for housing, thereby requiring imported materials. It is also due to the relatively limited domestic markets which retard the growth of local industries. Both aspects of the problem need to be addressed by African countries.

Encouragement of housing sector activity also offers opportunity to mobilize savings through creation and development of housing finance institutions. It is recognized that housing capital mobilization must ultimately be generated from individual private savings. In most African countries, private commercial financial institutions are primarily involved in short-term financial transactions for enterprises. There is little incentive for individual households to save in existing financial transactions because these institutions do not respond to the needs of individuals for borrowing. Insofar as individual households keep their savings in the form of physical assets or currency, there is little contribution to the overall savings accumulation in the nation. And such savings as there are cannot be mobilized for effective use in overall national economic development.

Private savings for housing has proven to be successful in Latin America where the savings and loan institution concept has been well developed. There is undoubtedly opportunity for a similar approach in Africa, albeit lower levels of per capita income would make such levels of saving lower overall as well.

The building of viable housing finance institutions to attract savings not now in the institutionalized financial system is bound to have an overall beneficial effect on the economic development of African countries. ADB could help in this effort.

D. SUMMARY CONCLUSION

On balance the case for ADB involvement in housing seems to be persuasive. Nonetheless, given certain very real constraints, ADB must move with caution toward modest objectives after a full study leading to preparation of an ADB Housing Policy has been undertaken.

Chapter II

DEFINING POTENTIAL HOUSING ACTIVITIES

Assuming ADB will wish to pursue an objective of supporting African housing sector activities, it will be necessary to define precisely what housing activities it wishes to support and under what overall policy guidelines. A considerable amount of work beyond what has been possible during this short assignment will need to be undertaken to define an ADB Housing Policy. Nonetheless, it is useful to make a first effort at identifying the direction this work should take.

A. THE DEFINITIONS OF HOUSING

The very title "housing sector" is somewhat misleading because it focuses attention on the house structure as the key element. In fact, the housing sector is defined much more broadly than this by AID, the World Bank, and most specialists in the field.

"Housing sector" has come to mean the total residential living environment. This includes a concern with required infrastructure (water supply, sanitation, roads, drainage, electricity, etc.) and community facilities (schools, health clinics, community centers, recreation, etc.) at the residential or neighborhood level.

Recently an even broader approach has been taken which begins to include under the definition "housing sector" a direct concern with the social and economic services required within the neighborhood community. This includes supplementary services concerned with job generation and income enhancement, community development, supplementary education (adult literacy, vocational education, etc.), and supplementary health services (family planning, nutrition, etc.)

The housing unit and its land plot in whatever form it takes is still a key element of any program. The house unit and site are both a form of capital accumulation and

consumption for the individual household. As a consumption item housing must be viewed as one item among others (such as food, clothing, education, and health) required to sustain a meaningful life. The priority assignment by individual families tends to increase with income because after basic priorities are met housing becomes more and more important. For example, a 1971 study of families living in temporary structures in Nairobi, Kenya, revealed that out of 10 investment choices "a better standard of house to live in" was placed ninth in priority. It is for this reason that many government sponsored subsidized housing programs for low-income people are not suited to the priorities of the people they are intended to benefit.

"For example, if a family with an annual income of US\$ 600 normally allocated 15 percent to housing (US\$ 90 per year), it could afford without subsidy a house worth US\$ 960 (assuming a 10 percent down payment with the balance at 10 percent interest for 20 years). However, if the same household were provided a government house worth US\$ 3,840 and asked to pay the same US\$ 90 per year, it would receive the equivalent of a subsidy of US\$ 270 per year that would be the government's cost annually not recovered from the family.

If the government elected to give the family the US\$ 270 a year in cash and allow it to obtain housing on the open market, the family would have to allocate 31 percent of its total income (now US\$ 870 per year with the subsidy) to obtain an equal house worth US\$ 3,840. It is highly unlikely that the family, still extremely poor even with the subsidy, would elect of its own free will to consume that much housing. It would probably increase consumption of other goods and services such as food and clothing or education for the children. This can be proven by reviewing household income expenditures data which consistently show a very small increase in the percentage spent for housing as incomes rise.

In short, subsidized public housing usually means the government, no matter how well meaning, is forcing higher levels of housing consumption on households than they would wish to make if they had alternative options for use of subsidy money." 2/

2/ Alfred P. Van Huyck, Preparing A National Housing Policy (Washington, D.C.: Office of Housing, Agency for International Development, Revised 1977), page 4.

Housing is also a key component in national capital formation. It is the largest capital asset most families will acquire. A house with secure land tenure is therefore a major incentive to save and invest. Many households are prepared to develop their house units over many years through constant upgrading and improvement. In almost any low-income settlement area, examples of house units at all stages of development can be seen. Starting often with the most crude shack of waste materials, a household will slowly improve the structure through its own initiative until it becomes a modern unit made entirely of permanent materials. In the process the household has accumulated a significant capital asset. It is this very process initiated by the people themselves that is overlooked in the usual government response to housing needs. And it is this natural process which should be recognized and assisted within any government sponsored housing activity.

The broad definition of the housing sector (the crucial role of housing as both a household consumption item and as part of the capital formation process which relate very differently to the immediate needs and priorities of individual households at different levels along the income curve) creates a particular problem in defining which specific aspects of this complex issue the ADB should seek to support. A set of evaluation criteria have been selected to assist in the process.

B. THE EVALUATION CRITERIA

The attached grid (chart 1) has been prepared to provide a framework to evaluate this question. In the vertical column a series of evaluation criteria have been listed responding to current ADB objectives and realities. The horizontal columns represent a listing of all recognized forms of possible ADB participation in housing and housing related activities. The numbers in the boxes represent a very crude effort to relate the evaluation criteria to the particular possible housing activity, using a one to five scale with higher numbers representing a more favorable situation from the ADB point of view than the lower numbers. It should be stressed that use of numbers in this manner is entirely judgmental and not based on fact. One future task would be to take the most promising housing activities and investigate how they would relate to the evaluation criteria in fact, but this was not possible within the present assignment.

CHART 1
Relationships Between Possible Housing Activities and Selected Financial Criteria

Evaluation Criteria	FACILITATING SUPPORT					DIRECT FINANCIAL SUPPORT																									
	HOUSING RESEARCH	HOUSING TECHNICAL ASSISTANCE	TRAINING ASSISTANCE	HOUSING FINANCE INSTITUTIONS	BUILDING MATERIALS INDUSTRY	PROJECT SPECIFIC HOUSING FINANCING	RELATED FACILITIES TO HOUSING AND PROJECTS																								
1. BANKING CRITERIA a. Potential for External Resource Mobilization Low = 1 High = 5 b. Potential for Rapid Project Preparation and Disbursement Low = 1 High = 5 c. Level of Financial Risk High = 1 Low = 5 d. Demand on ADB Administrative and Management Capacity High = 1 Low = 5	Housing Research	Institutional Development	Feasibility Studies	Project Development	Institutional Technological	Seed Capital	Replenishment	Loan Guarantees	Secondary Mortgages	Import Substitution	Foreign Exchange Components	Capacity Expansion	Public Land Purchase	Construction Finance (only)	Basic (No Dwelling Units)	Settlement Upgrading	Sites and Services With Core Housing	Home Improvement Loans	Low-Income Standard Housing	Middle-Income Standard Housing	High-Income Standard Housing	New Settlement	Rural Housing	Scattered (On Farm) Rural Housing	Schools	Health Facilities	Community Centers	Markets	Job Generation and Cottage Industry		
	4	4	4	4	2	3	2	4	2	5	3	4	3	2	5	3	2	2	2	2	5	4	3	3	2	1	3	3	2	1	5
	2. DEVELOPMENT CRITERIA e. Contribution to Overall African Development Strategy and Responsiveness to Real Needs (Potential ADB Impact) Low = 1 High = 5 f. Contribution to Development of Indigenous African Technical Capacity Low = 1 High = 5	4	4	3	3	2	2	5	2	5	2	5	2	5	5	2	2	2	2	3	5	4	4	2	1	3	3	3	1	3	
		4	4	5	5	2	2	4	4	5	2	4	3	4	3	1	1	2	2	3	3	1	5	2	1	2	2	2	2	1	
		1. DEMAND POTENTIAL CRITERIA																													
		2. Identifind Borrowers and Likely Demand																													
		Few = 1 Many = 5																													
		3. Alternative Multilateral and/or Bilateral Support Available																													
		Much = 1 Few = 5																													
		TOTALS																													
			30	27	25	24	20	21	23	32	20	33	27	25	29	28	30	20	22	20	21	34	23	21	15	22	22	13	19	22	

The following evaluation criteria have been selected and divided into three categories: banking criteria which are concerned with the impact of housing activities on the ADB as an institution; developmental criteria which are concerned with the impact of housing activities on the member countries; and borrower demand criteria which are concerned with the responsiveness of potential borrowers to housing activities and with likely alternative sources of lending for the housing activity from other multilateral or bilateral institutions.

1. ADB Banking Criteria

a. The Potential for External Resource Mobilization

It seems apparent that a primary reason (though not the only one) for ADB interest in the housing sector is that it is thought to offer substantial opportunity for increasing the total resources under the influence of the ADB (leaving open for the moment the organizational structure issues involved in utilizing resources mobilized for housing). Therefore it is assumed that those housing activities which offer the most potential for attracting external resources are the most attractive to the ADB. This is reflected in the scale by giving a number one to those activities with the lowest potential and a number five to those with the highest potential. This approach omits for the moment the questions regarding the scale of resources appropriate (for example, lending support for housing requires much higher resources to be effective than, say, provision of technical assistance). While conventional logic suggests that maximizing resources will increase the stature and impact of the ADB, an alternative might be to place the greater emphasis on the contribution to development of indigenous African technical capacity (criteria f). The case for this would be that total resource flows are less important than a long-range impact on the ability of member countries to deal with the housing issue through their own resources (both financial and human).

b. The Potential for Rapid Project Preparation and Disbursement

Various housing activities will take considerably different periods of time for project preparation and execution. Since the ADB is rightly concerned with increasing

the rate of disbursement of its loan commitments, it seems appropriate to consider this time factor in evaluating potential housing activities. The numerical scale assigns one point for likely very slow project preparation and disbursement. It should be recognized that the time for project preparation and the rate of disbursement will vary markedly by individual country as well.

c. Levels of Financial Risk

The ADB will also have to consider levels of financial risk involved in housing loans and activities. The risk factor is primarily related to the individual country borrower, but it can also be assumed that there will be different levels of risk associated with the type of housing project contemplated. Once again the numerical scale reflects the likely level of risk on an increasing scale of one to five.

d. Demand on ADB Administrative and Management Capacity

It is already recognized at ADB that the commencement of housing activities in whatever form they take will involve the Bank in establishing new levels of management support and new technical expertise. It is important, therefore, to assess the likely demand for management and technical expertise related to the possible range of housing activities because they differ markedly. The scale, in this case, uses the number one to indicate that a large demand will be likely on the management and technical expertise. The number five suggests a low level demand. It should also be noted that the selection of specific housing activities for ADB support will determine the specific mix of professional skills to be required for inclusion in its staffing.

2. Developmental Criteria

e. Contribution to Overall African Development Strategy and Responsiveness to Real Needs

This criteria seeks to assess the impact of alternative housing activities on the strategy and real needs of the

member countries. It is a somewhat complicated judgment as it is possible for a country to have a "development strategy" which does not appear to respond to "real needs." Nonetheless, it is obvious that whatever set of housing activities the ADB seeks to pursue, there must be an objective of responding to the development strategy and real needs of member countries if the program is to be successful. The scale suggests a number one for a small contribution potential up to number five for a high contribution potential. (In this case the scale is a particularly crude effort at measuring this critical issue.)

f. Contribution to Development of
Indigenous African Technical Capacity

The ADB recognizes the importance of developing indigenous African technical capacity in both the public and private sectors. More emphasis could be placed on this criteria in the future now that the ADB has firmly established itself as a viable institution utilizing sound traditional lending criteria. A renewed emphasis on strengthening indigenous capacity as a primary prerequisite for a loan in the housing sector would be in harmony with the dramatic commitment to African self-help principles articulated by the founding members of the Bank. It would also serve to distinguish the ADB from other international lending institutions and therefore add a sharper definition to the image of the Bank as having a different commitment and function than other multilateral and bilateral organizations. The scale yields a number one for activities which would do little to strengthen indigenous African capacity up to number five for those which would make a large potential contribution.

3. Borrower Demand Criteria

g. Identified Borrowers and
Likely Demand

It will also be necessary in selecting appropriate housing activities to clarify sufficient likely borrowers and demand for the program. This will require some further research, but when the housing activity of ADB reinforces known typical housing activities in member countries, it is likely that the borrower (for example, national housing corporations or housing finance institutions) is already in

place and that there will be a demand. In some cases in which new technologies and program innovations are proposed, there may be more difficulty in identifying borrowers and establishing demand. The scale uses number one to indicate there are few recognized borrowers and limited demand up to number five to represent many potential borrowers and a high demand.

h. Alternative Multilateral or Bilateral Support Available

As previously indicated, there are already several major international institutions offering housing loans and related activities to ADB member countries. This situation is similar to that found by ADB in other sectors as well. The Bank to date seems to respond by accomplishing either small projects alone or providing a small part of the investment in larger projects with one or more sister lending institutions. A similar pattern could be adopted for housing activities, but an alternative can also be considered. It is suggested in the scale that where there is already extensive capacity provided by other international organizations both financially and through technical assistance, that the ADB should be less interested (hence the assignment of a number one on the scale) in participating and that where there is little or no alternative international support the ADB could make a unique contribution (up to a number five on the scale). The reason for suggesting this alternative, at least for the housing sector, is that the World Bank, the Housing Guaranty Program of AID, and others have extremely narrow criteria definitions for the kind of projects in which they can participate. These projects, which generally emphasize low or no subsidy approaches to the lowest-income people through sites and services and settlement upgrading, are new to the borrowers, difficult to prepare and execute, and traditionally have not had the best disbursement histories. As a result, the international sources of funding for such projects tend to adequately meet the demand of willing and able borrowers from the member countries of the ADB.

It could be argued persuasively that these types of projects respond to the most urgent needs in Africa. Since all housing is in extreme deficit, it can also be argued that the ADB should seek to invest in legitimate and worthy aspects of the housing sector in which other international agencies are presently prohibited by their own guidelines, and therefore areas in which there is little or no international support available except through strictly commercial lines of credit.

C. THE MIX OF POSSIBLE HOUSING SECTOR ACTIVITIES

The horizontal columns in the chart set forth the possible mix of housing activities which the ADB could consider for support. The total of the numbers assigned to each housing activity are simply judgmental at this point and only indicative of the relationship with the evaluation criteria in a general sense. Therefore, the total numbers added together in the columns should not be taken as more than a crude ranking of the housing activities against each other. Furthermore, until relative weights have been assigned to each criteria (they are considered equal here as a starting point), a low total should not be taken as a reason for eliminating an activity from further consideration.

Essentially, it is suggested that the ADB has four major options in providing housing sector support to member countries. ADB can individually or in combination with others undertake the following:

1. Facilitating Support Activities

Facilitating support includes activities such as basic housing research, technical assistance to housing agencies in member countries, and training assistance in housing.

If ADB wished to take up these activities, the capital costs would be low, and financial resources could likely be provided as grants from other international agencies such as the UNDP and AID (both of which are already providing grant support assistance now). Small loans to member countries for technical assistance could be made, but it is unlikely that there would be much borrower demand as this type of support has traditionally been provided by grant money.

Providing housing support of this kind could be undertaken initially as the only ADB housing activity. In any case, ADB will need to develop these capabilities as prerequisites to initiating a lending program in housing. Most likely ADB would not find it worthwhile participating in housing solely at this technical assistance and training level unless the intent was to start a significant lending program eventually.

2. Financial Support to Housing Finance Institutions

The ADB can consider providing loans directly to housing finance institutions in Africa. Essentially this would consist of using the higher borrowing power and credit worthiness of the ADB to mobilize resources which would be unavailable to individual African housing finance agencies. This type of support is perhaps the easiest for ADB to provide initially, working solely with the best managed and most capable of the present housing finance agencies of member countries by providing replenishment loans, or acting essentially as a secondary mortgage market, or possibly providing housing guaranty facilities in a manner similar to the AID Housing Guaranty Program. After experience with housing finance organizations has been achieved, the ADB could expand its range of service by providing seed money loans to member countries in order to establish new housing finance institutions.

Lending to housing finance institutions, especially those already well established, would be less risky and demanding of the management and technical capacity of the ADB among the alternative ways available to it for participating in the housing sector. Borrower demand may be a problem in some cases because many of the individual housing finance institutions are using below market interest rates and are not working on sound financial terms. In fact, the main developmental objective of ADB participation in this housing activity would be to use the leverage of its loans to seek to improve the basic financial practices of borrower institutions.

3. Financial Support to Building Materials Industry

Africa generally is much too dependent on foreign construction materials in the housing sector; this in turn creates unnecessarily high demands on foreign exchange by the member countries to meet their housing construction targets. A major contribution to African development could be made by the systematic development of the building materials industry through ADB lending activities.

Logically, the ADB might consider this activity as a part of its industrial sector rather than part of its potentially new housing sector because the emphasis on housing in this activity is only indirect.

The easiest type of loans to make, but the least productive to African development objectives, would be finance of foreign exchange requirements for housing construction. More difficult, but certainly more important, would be lending for expansion of the building materials industry where some capacity exists already. Even more difficult, but extremely worthwhile, would be lending to establish an indigenous building materials industry to achieve import substitution.

4. Direct Financial Support to Housing Projects

The final major potential area for ADB lending for housing is, of course, direct participation in financing housing projects. Here too there are a number of alternatives, each having different contributions to housing and very different levels of financial resource mobilization, risk, and demand on ADB management and technical capacity. Among the major alternatives to be considered are the following.

a. Finance of Land Purchases

Land is the starting point for housing, yet obtaining land is often one of the major difficulties of housing agencies. Very little support is given by international agencies in this area. For example, the World Bank will not lend for land purchases because it insists that this be a local contribution. Land, of course, is usually the best collateral available, and therefore a land purchase loan would be at low risk. Lending for land would also allow ADB to participate in a joint venture activity with other international lending agencies, and therefore permit ADB to gain experience in housing while leaning on other more experienced agencies for technical direction.

b. Finance of Construction

Construction finance (with others taking up the long-term mortgage finance obligations) has the advantage of carrying higher interest rates and short maturity. These features would make it attractive in light of ADB banking objectives. So long as long-term finance has been committed by others, it is a low risk loan.

c. Mortgage Finance of Specific
Projects for Low-Income Groups

Housing projects directed at low-income groups probably respond to the greatest need in Africa, as of course these are the largest population groups and are least able to meet their own requirements without assistance. It should be noted, however, that traditional house building in Africa is extremely well developed. Indigenous African architecture is well adapted to the climate and economic conditions, particularly of the rural poor. The need therefore is more often for secure land tenure, infrastructure, and community facilities (schools, health services, etc.) rather than for housing units per se.

There are three approaches to housing activity affecting low-income groups:

i) Settlement Upgrading

Settlement upgrading projects provide infrastructure and public facilities to the low-income population where they are living now, often including provision of secure land tenure. This kind of project has the advantage of relatively low per capita costs. It can provide a dramatic increase in the standard of living. Both AID and the World Bank are strong supporters of this approach and have available extensive resources to lend for these kinds of projects. They are, however, difficult to execute and slow to disburse. There is often considerable reluctance on the part of host country governments to participate in these kinds of projects from the point of view that they would prefer to clear these types of settlements.

ii) Sites and Services

Sites and services projects provide land plots with infrastructure services at various alternative standards, sometimes with a partial or core house unit. These have higher per capita costs than settlement upgrading projects but are still considerably less costly than projects which provide a complete housing unit. Once again, the World Bank and AID are enthusiastic supporters of sites and services projects and are actively seeking them throughout Africa.

The reluctance on the part of many governments toward sites and services projects is a concern that sites and services approaches do not meet minimum standards, national aspirations, and various codes and regulations. However, these attitudes are tending to break down in the face of the obvious utility of sites and services projects to the real needs and abilities to pay of low-income people.

These kinds of projects are difficult to establish and execute because they introduce new concepts in housing and require special attention to developing management systems conducive to low-income client populations.

iii) Low-Cost Housing Units

Low-cost housing units provide small standard units with all the interior facilities. They usually range from 40 to 60 square meters in size. This approach has been frequently taken by African countries, but in all cases it requires substantial subsidy to the low-income family to close the gap between the economic cost of the unit and the family's limited ability to pay. Because of the high subsidy element, it is usually impossible for an individual country to make more than a token annual commitment to this type of housing. Furthermore, because the housing units themselves are of a higher standard than available on the market to middle-income families, it is not uncommon to find that the intended beneficiaries of these projects have sold their interest (or been forced out through other means) to higher-income families who then receive the benefit of the subsidy. This type of housing has proven to be a poor response to the needs of low-income groups, and it offers little advantage as an area of ADB participation in the housing sector.

iv) Middle-Income Housing

Middle-income housing provides a standard housing unit with all facilities, often at the same standards as found in typical supposedly low-income housing projects. The main difference is that monthly charges for middle-income housing are higher in response to the higher ability to pay of the middle-income target group. This kind of housing project is most often attempted by house building institutions because it is lower risk (in their opinion) and more nearly reflects the minimum standards for housing considered acceptable by governments. It should be noted that middle-income housing is a legitimate need in most countries as housing is usually

deficient for all income groups. What is important is that no subsidy element be included in middle-income housing because, in principle, that would mean the poorest elements of the population are subsidizing higher-income groups because of indirect taxation. Conceptually, middle-income housing can be thought to serve roughly the income group between the 50th and the 80th percentiles on the household income distribution curve.

v) Upper-Income Housing

Upper-income housing usually provides larger standard houses with better finishes and facilities than found in middle-income housing. Governments do not often build upper-income housing (except for their senior civil servants) as the private market takes care of this need. There is little reason for ADB to participate in financing this type of housing.

vi) Rural Housing

Rural housing provides for rural populations and people in market towns. Rural development is frequently given higher priority in development plans than urban development, although the balance in actual budget allocations of all sectors in fact tends to favor urban development. Therefore, it is argued that there is a strong case for supporting rural housing. However, rural populations are usually better able to meet their own housing needs through traditional means than are urban populations. Secondly, housing finance loans to rural people are frequently out of phase with agricultural credit operations, which can cause difficulty to the debt carrying capacity of the farmer. A stronger case can be made for providing housing loans to new rural settlements (as, say, a part of a project bringing new lands into agricultural production), or to support housing in small market towns which serve the agricultural hinterland. These kinds of projects, however, tend to be very slow in developing and are extremely complicated.

Rural housing must be considered a much more difficult undertaking than urban housing, and probably of lower priority. It would seem premature for ADB to attempt rural housing activities in the immediate future until after considerable experience has been gained with the sector in general, except as such housing may be ancillary to other rural sector projects.

vii) Related Facilities to Housing Projects

The final area of possible ADB housing activity would be in supporting related facilities in housing projects. Often housing projects are developed without providing additional essential facilities such as schools, health clinics, community centers, markets, and cottage industry locations for employment generation. The reasons for this vary, but often it is because the house building institution does not have the capital or the mandate to provide them, and therefore is limited to leaving land plots marked on the plan for their eventual construction by others. Since funds are limited, it is frequently many years before they are built. The result is less than full utilization and satisfaction with the housing project.

The ADB could consider lending for provision of these facilities in housing projects financed by others (local or international) or in conjunction with housing project loans that it makes in its own right. The ADB has, through the ADF, already started lending in the health and education sectors and could relate these loans to housing support activities. However, it should be recognized that these are small-scale loans and difficult to disburse. They also have a high degree of management and technical capacity demand on the ADB, given the small level of funding involved.

D. SUMMARY

It can be seen from the discussion above that the ADB must consider a very wide range of possible housing activities in developing its own housing policy. The following chapter makes an initial effort at stating some preliminary ideas on the form and substance which that housing policy might take.

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Chapter III

SELECTING ADB HOUSING POLICY OPTIONS

The definition of an ADB Housing Policy will have to await a more detailed study of the kind outlined in Chapter VI. It is possible, however, to begin to identify the kinds of issues which will be relevant to that effort.

Chart 2 summarizes the individual scores from Chart 1 in the previous chapter by three categories: banking objectives, development objectives, and demand potential. (Note: for the four banking evaluation criteria used in Chart 1, the combined score has been divided by two to make it of comparable overall weight with the other two categories.) Each of the scores was evaluated in terms of its priority rank: scores below five are assumed to indicate a low priority, six and seven a medium level priority, and scores above eight are assumed to indicate a high priority activity.

The most striking result of this very general analysis is that those potential housing activities which are of high priority for achieving banking objectives are inversely correlated with those having high priority for achieving developmental objectives. The reasons for this result are simply that the most urgent needs for housing development in Africa focus on the urban and rural poor, the creation of indigenous industry and capacity, and the improvement of institutional and management skills. Yet these are the most difficult problem areas, areas which require long-term investment and support, considerable innovation and risk taking, and most importantly deal with sectors of the population and the economy in the least position to repay. In short, they are the least likely projects in terms of sound, traditional banking principles.

This requires a clear ADB management decision. Should the ADB support housing activity which best fits with its banking objectives or with its development objectives? It is likely that this question is one which ADB's management must face in many other sectors as well. In spite of the temptation to follow the natural desire to support ADB development objectives out of a concern with needs, it is more prudent to first concentrate on those housing activities which contribute to

CHART 2

Rank Order of Housing Activities
and Priorities for Immediate Action

	A			B			C			Priority ₂ Rank			C O M M E N T
	Banking Objectives ¹			Development Objectives			Demand Potential			A	B	C	
I. Facilitating Support	-	-	-	-	-	-	-	-	-	-	-	-	-
A. Housing Research	8	8	6	H	H	M	ADB Capacity required						
B. Housing Technical Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutional Development	7	8	5	M	H	L							
Feasibility Studies	6.5	8	6	M	H	M	ADB Capacity required						
Project Development	6.5	8	6	M	H	M							
C. Training Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutional	4	8	4	L	H	L	Potential long-term activity						
Technological	4.5	8	4	L	H	L	Potential long-term activity						
II. Direct Financial Support	-	-	-	-	-	-	-	-	-	-	-	-	-
A. Housing Finance Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Seed Capital	3.5	10	6	L	H	M	Potential long-term activity						
Replenishment	8.5	6	9	H	M	H	Potential immediate activity						
Long Guaranty	5.5	4	5	L	L	L	Not appropriate activity						
Secondary Mortgages	9.5	4	10	H	L	H	Potential immediate activity						
B. Building Materials Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
Import Substitution	4.5	10	8	L	H	H	Potential activities for						
Foreign Exchange Components	8.5	3	5	H	L	L	the industrial sector of						
Capacity Expansion	5.5	10	8	L	H	H	ADB or SIFIDA						

	A			B			C			Priority ₂ Rank			C O M M E N T
	Banking Objectives ¹	Development Objectives	Demand Potential	A	B	C							
II. Direct Financial Support (cont.)													
C. Project Specific Housing Finance	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Land Purchase	8	3	10	H	L	H	Potential <u>immediate</u> activity						
Construction Finance	8	6	8	H	M	H	Potential <u>immediate</u> activity						
Settlement Upgrading	4	9	3	L	H	L	Potential long-term activity						
Sites and Services	4.5	9	4	L	H	L	Potential long-term activity						
Home Improvement Loans	4	7	5	L	M	L	Not appropriate activity						
Low Cost Standard Houses	5	4	7	L	L	M	Not appropriate activity						
Middle Income Houses	9	7	9	H	M	H	Potential <u>immediate</u> activity						
High Income Houses	6.5	2	6	M	L	M	Not appropriate activity						
New Rural Settlements	4	7	6	L	M	M	Not appropriate activity						
Scattered Farm Houses	2	5	6	L	M	M	Not appropriate activity						
D. Related Facilities for Housing	-	-	-	-	-	-	-						
Schools	5.5	6	5	L	M	L							
Health Facilities	5	7	5	L	M	L	Not appropriate activities						
Community Centers	2.5	4	4	L	L	L	Accept in conjunction with						
Markets	3.5	5	5	L	L	L	major housing projects						
Cottage Industry	3.5	10	5	L	H	L							

NOTES: 1) Banking objectives score establish by dividing total by two.
 2) Priority ranking: H = High - Scores 8 and up
 M = Medium - Scores 6 and 7
 L = Low - Scores 5 and below

achieving ADB banking objectives. The reason is that only if the banking objectives are achieved is it certain that any housing activities can survive to be later shifted to focus more directly on the developmental objectives. Even in the initial period, however, substantial contributions to development can be made in secondary, but still very legitimate, areas of priority.

The column on the far right of Chart 2 indicates the recommended conclusion from the analysis as to whether the particular type of housing activity is "not appropriate," potential for "immediate action," or "long-term action" (after the ADB housing activities have begun to mature institutionally). The following generalized conclusions as to possible housing activities for ADB can be stated.

1. ADB will need to ensure that there is a capacity for facilitating support established initially in some appropriate form (see discussion below) to provide essential technical assistance and eventually to provide training support.

2. ADB supported lending activities should be initially focused on established host country public sector institutions in housing finance to provide replenishment loans and possible secondary mortgage markets (although this will require much further study regarding legal constraints). In the long term, consideration can eventually be given to providing seed capital for new housing finance institutions.

3. ADB lending activities can also consider immediate support for essentially middle-income housing projects developed by established public sector housing corporations, either through providing finance for land purchase, construction, or long-term mortgages. It is also possible to seek opportunities for participation with other international lending agencies in sites and services projects and settlement upgrading projects as a means of gaining experience with these types of projects, but ADB participation should be limited initially.

4. ADB should investigate the potential for lending activities in the building materials sector, particularly for indigenous African capacity expansion and seed money for import substitution industry, but as part of the regular industrial sector operations of the Bank (or Fund) rather than as a housing sector activity.

5. In the longer term ADB can consider participation in supporting related facilities for housing projects but only after considerable experience has been gained in housing and capital resources have built up.

In pursuing the above lending objectives, ADB should be working under a firm set of policy guidelines. The final decisions on policy guidelines must wait further verification of resource mobilization and demand feasibility but would likely include the following kinds of points.

1. Initial ADB housing activities should be limited to member countries with a substantial demand for middle-income housing, a tradition of public sector participation in housing, and established viable public sector housing finance and/or construction institutions which have legal status.

2. In order to replenish the Bank's capital more rapidly in the years immediately after the initiation of housing lending activity, the mix of lending activities should include substantial percentages of available funds for relatively short-term loans (for land purchase, construction finance, and replenishment) of (say) three- to 10-year maturities or less rather than solely supporting long-term mortgage finance of (say) 20 years or more.

3. Initial loans should be limited to a maximum unit cost ceiling and given at full market interest rates and for projects which are not subsidized either by the ADB or the host country institution. This is because middle-income housing should not be subsidized in principle as the target group has the ability to pay.

4. The ADB loan should seek to achieve as related conditions specific objectives for improving the host country borrower institution's management, overall financial structure, procedures, local resource mobilization, etc.

5. The ADB should seek opportunities in all loans to ensure participation of African professional talent, African contractors, and African suppliers in the work. Housing offers one of the best sectoral opportunities for building indigenous capacity quickly.

6. The ADB should encourage all potential borrowers to develop an integrated housing policy.

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Chapter IV

ORGANIZATIONAL ALTERNATIVES FOR ADB HOUSING ACTIVITIES

Assuming feasibility is established for the specific content of housing activities to be supported and assuming resource mobilization can be achieved at a satisfactory level (both subjects will need further study than was possible during this initial assignment), there still remains the organizational question of how to achieve the best possible delivery system for the funds to borrowers.

This presents ADB with a critical management decision. Should housing sector activities be established within the structure of the Bank itself or in an outside institution to be created in which the ADB would seek some level of participation? There are a number of arguments both pro and con to be considered for each of the major alternatives.

A. INITIATING HOUSING SECTOR WITHIN THE ADB

The positive argument for an ADB housing sector is that there is nothing unique about the housing sector as opposed to the other traditional sectors of ADB interest such as agriculture, transportation, industry, and infrastructure. In fact, the ADB already has financed some housing when it has been an essential part of other development projects. Furthermore, the ADB is financing urban water supply, electricity, and some sanitation work primarily designed to support residential development. It would therefore be a small and logical step to further expand ADB activities into housing finance lending.

An additional argument for direct ADB sectoral activity in housing is that its management and administrative staff has built considerable lending and project supervision expertise and has established workable procedures. The addition of housing sector activities would only require minimum additional staffing to bring specialized skills in housing market economics, housing finance, architecture, and construction engineering to the existing ADB staff.

Perhaps the most important factor, however, is that including the housing sector within the ADB would allow allocation decisions to be made by the Board of Directors consistent with overall policy. For example, the ADB should carefully study whether or not the initiation of a separate housing fund would possibly weaken the case for mobilizing resources for the ADB itself. It could be construed that a separate housing activity might be competitive for funds directly and possibly lead to potential donor/lender pressure for other separate funds, such as for agriculture, etc. The issue is real enough to deserve thought at ADB's management level. (The ADB experience in launching SIFIDA is not a comparable example as SIFIDA was established to make equity investments as well as loans in industry whereas housing activity will be a straight loan or banking operation).

There are, however, several negative factors relating to why housing activities should not be established within the ADB. First, the overall resource situation of the ADB is very limited, and it is the general opinion of its staff that no substantial resources could be allocated for housing. Therefore, if housing activities are to be undertaken at all they must be financed from additional resources. Second, management and technical staff are already heavily active in traditional work of the ADB, and it would be disruptive to attempt to establish a new major line of activity at this time. Finally, given the total amount of capital required to be mobilized for housing, it is obvious that to mount a significant housing activity would soon result in a disproportionate allocation of resources to housing.

On balance it can be argued that it is unlikely during the next five to 10 years that ADB could take on housing sector activities at a meaningful scale unless fundamental problems of resource mobilization can be overcome.

B. ESTABLISHMENT OF A SEMI-INDEPENDENT AFRICAN HOUSING FINANCE CORPORATION

The other obvious alternative is to establish a new and separate institution for housing. The main argument for such an institution is that it would be able to focus exclusively on housing activities. It would raise capital independently, both equity capital from member country institutions and developed country institutions (assuming this would be considered desirable) as well as obtain loans from international sources. It would have more flexibility in setting its own policies and procedures. It could seek supplemental grants

and technical assistance. It would at least hold the promise of becoming a major African institution which could make a substantial impact on African housing (both by making direct loans and by influencing domestic housing delivery systems in the member countries).

The arguments against forming a new housing institution are primarily those associated with undertaking any new institution. It would require complete staff build up, entirely new procedures of operation, and it would have at least initial difficulty in proving its credit worthiness to international lenders.

It should be noted here that the Commonwealth Development Corporation proposal for an African Housing Fund essentially represents this approach. As such it has the advantages and disadvantages discussed above. It is suggested (given the overall thrust and conclusions of this report) that no action on the CDC proposal be taken until the fundamental feasibility issues identified here regarding housing sector activities in general have been thoroughly studied. This is not to say that the CDC proposal is without merit, but rather that it is not yet developed in sufficient detail necessary to ascertain whether or not it would be in the best interests of ADB to proceed. An independent review of the total potential for ADB involvement in housing should be completed before any action is taken on a specific organizational framework.

C. A COMBINATION APPROACH

Consideration might be given to a combined approach whereby housing sector activities are initially located within the ADB itself to at a later date be spun off into a separate institution. Such an approach would allow a more gradual, less risky start up of Africa-wide housing activities while not precluding the potential advantages of having a separate major institution. The ADB could decide to make some carefully selected small loans in the housing field in order to gain experience and test the market demand for this kind of lending support. Then, if it is felt that a borrower market exists and that resource mobilization can be achieved, a separate institution could be established at a later date.

This more cautious approach would also permit ADB to explore more carefully the ways in which it might want to participate in any form of housing finance corporation. At the moment ADB staff members seem to be thinking in terms of a mere five percent equity interest and a seat on the Board of Directors of the new housing institution. A question might be

raised as to whether such modest involvement would warrant the demand on ADB management and technical staff time it would require. There are, of course, the precedents of SIFIDA and the soon to be established Reinsurance Corporation, but whether this approach should be continued with housing (and perhaps other agencies) seems to warrant careful ADB management review. For example, such participations do not have any significant impact on the ADB balance sheet and profit and loss situation. Therefore, they do nothing for increasing the essential banking objectives of the ADB and could even prove to be a substantially negative factor if the new organizations fall into disrepute with international financiers, thereby damaging ADB's reputation as the sponsoring institution.

An alternative to nominal participation would be to establish a wholly-owned Housing Bank as a special housing fund within the ADB itself. This would allow consolidation of the balance sheet with the ADB proper and add financial muscle to the organization. It might also increase the ability of the Housing Finance Corporation to mobilize resources because it might be possible to establish an ADB guarantee for borrowings. A wholly-owned subsidiary would keep all the unique advantages of having the housing activity outside the Bank proper (obtaining specialized funds, etc.) without incurring the disadvantages (from ADB's point of view).

Naturally there are other potential levels of ADB participation which would have specialized effect. For example, some minority participation from either housing institutions in African member countries or from developed country donors might be possible and still allow consolidation (depending on local accounting practices, in the United States if a subsidiary is 80 percent owned or more consolidation is permitted). Minority participation in this manner might well have advantages in bringing more creditability and expertise to the Board of Directors, therefore increasing borrowing capacity. All of this remains to be tested and is presented here solely to underscore the existence of other alternatives other than those contained in the CDC proposal which is now under consideration.

D. SUMMARY

It is the conclusion of this report that the ADB would be advised to first explore all possible ways to make its housing sector activities take place within its direct control. The establishment of a semi-independent African Housing Fund or African Finance Corporation should be viewed with extreme caution. The final decision on the most appropriate form of organization should be a major output of the feasibility study discussed in Chapter VI.

Chapter V

FINANCIAL RESOURCE MOBILIZATION

It seems clear that unless the ADB identifies major new sources of resource mobilization, it will be extremely difficult to initiate any housing sector activities on a scale necessary to justify the effort. Resource mobilization is, of course, one of the primary concerns of the ADB required to support the full range of sector lending activities. It should be recognized at the outset that if housing is no different from other sectors, the same resource constraints will affect it as well.

The key question then becomes whether housing sector lending could bring to the ADB any special or unique attraction to private or public sector lenders which would allow more rapid total resource mobilization than would be possible without housing activities. The answer to this question must await the full feasibility study outlined in Chapter VI. It is clearly beyond the scope of this present assignment. Nonetheless, certain factors which will affect resource mobilization can be identified now.

A. SOURCES OF POTENTIAL RESOURCE MOBILIZATION

The sources of potential resource mobilization would appear, pending further study, to be fairly limited. Among the possibilities to be explored would appear to be the following:

1. Use of the ADB's Own Resources

If the ADB elects to initiate housing activities within the regular structure of the Bank, there is no special issue on capital resource mobilization other than the basic need for the ADB to increase its overall resource availability. It is recognized, however, that given the already high demand from

all sectors for the available resources and the requirements of housing for relatively large allocations to achieve a minimum effective scale, that this approach will be difficult.

Nonetheless, it is a viable way to start a modest program and gain experience. For example, if ADB so elected it would be possible to allocate (say) UA 10 million to finance two projects as a means of demonstrating the intent of the Bank to pursue this form of activity. This demonstration of intent might be beneficial in creating lender interest by showing ADB capacity to undertake such loans and generate the needed expertise. For the reasons stated in Chapter I, it could be argued that such lending for the housing sector is well within the overall mandate of the ADB and in fact would be a contribution to upgrading the impact of ADB in Africa.

2. Obtaining Specialized Housing Resources

There are potentially two types of specialized resources which might be available if the ADB set up either a specialized fund for housing within the Bank or a wholly-owned, or nearly wholly-owned, subsidiary Housing Finance Corporation. There are in the developed countries a number of financial institutions which have been created to only provide housing loans. The Federal Home Loan Bank system in the United States and the Building Societies in Europe are examples. These institutions probably could not participate directly in the financial resource mobilization of ADB in general but might be able to support a special ADB housing fund. This possibility remains to be tested. Such loans as could be generated from these sources would, of course, carry commercial interest rate terms. Given the recent concern in international money markets that private lending to developing countries is reaching dangerous proportions, it might prove attractive to private lenders to funnel their funds through multinational institutions such as ADB in order to lower the overall risk.

Many bilateral aid institutions in the developed countries are concerned to a greater or lesser extent about housing. The United States, Britain, France, and many European countries have some form of related housing support programs financed by either grants or development assistance loans with below market terms. These sources should be contacted in order to ascertain their interest in supporting ADB housing sector initiatives. To date most bilaterals have supported developing country governments directly, but some support for a multinational regional bank such as ADB might be forthcoming as a contribution to the ADF.

One possible related avenue which might be explored would be to organize a housing guaranty program modeled after the program sponsored by the Office of Housing, AID. In this program ADB would "guarantee" a lender the return of its principle for a fee (the AID program fee is three-fourths of one percent of the principle amount plus a disbursement fee). The lender would provide the funds directly to a developing country housing institution. This approach would not be as useful to ADB as generating its own lending program because the reinvestable surplus from a housing guaranty scheme would be modest. On the other hand, it might facilitate the flow of capital to African housing which would, of course, have a significant impact on the member countries. This approach is worthy of further consideration within the overall framework of financial resource mobilization.

3. Mobilizing Equity for a Housing Finance Corporation

The general bias of this report has been toward integration of ADB supported housing sector activities within the basic structure of the Bank. The establishment of a specialized Housing Finance Corporation along the lines outlined in the CDC proposal does not, on the surface, offer ADB sufficient incentive to participate. The exception to this would be if it were possible to raise significant amounts of equity finance through the vehicle of a Housing Corporation in which ADB would have only a minor share. This, too, is an issue to be studied.

The obvious advantage of equity capital is that it does not require a schedule of repayment and carries no interest rate. Therefore, if substantial amounts of equity capital can be mobilized, the possibility is created of generating additional borrowing capacity and keeping the relending interest rates below those which will probably be required if ADB utilizes only commercial sources of funds.

There are three types of sources of potential equity participation in a Housing Finance Corporation to be investigated.

a. Bilateral Aid Giving Institutions or Developed Country Governments

The greatest potential for substantial equity participation rests with developed country governments. It remains

doubtful whether or not there would be much interest, however, as the demand from alternative agencies (including the ADF) is already great. It would seem to be counterproductive for funds to simply be reallocated from the ADF to a special Housing Finance Corporation even though this might well be the obvious reaction to such a request on the part of ADB to developed country governments. On the other hand, if (for example) Arab nations or one particular developed country wished to give a substantial contribution, and if it were determined that the scale of that contribution would jeopardize the voting participation in the ADF, then creation of an alternative depository of those funds might be an attractive vehicle. The possible Housing Finance Corporation could prove to be such an alternative if that eventuality arose.

b. Private Institution Participation

The ADB already has had the experience of launching SIFIDA, which involved organizing equity and participation from a large number of private banking and industrial organizations. It is not improbable that, if a Housing Finance Corporation were appropriately designed, a similar organization could be set up. The major problem would be that the scale of housing activities requires a much larger level of funding to be viable. In 1974 SIFIDA had total assets of US\$ 18 million. Whereas this permits a modest but meaningful scale of operation for an organization oriented to the support of private industry, it would be meaningless in the housing sector. It remains to be seen whether the kind of substantial equity required could be generated through private sector initiative alone, but it would appear doubtful.

c. Participation by Institutions in the Member Countries

A more intriguing approach might be to stimulate equity participation by housing institutions in the member countries. This would be in keeping with ADB's basic mandate to be solely an African controlled regional bank. It would have the ancillary and perhaps very important advantage of bringing the African housing institutions together within an organizational framework which would create a vehicle for influencing policy and programming of the African housing institutions in a positive and constructive manner.

It is unlikely, however, that initial equity participation from this could generate substantial funds given the very weak financial condition of most potential participants. One way to overcome this difficulty might be to include within the loan itself a component for the purchase of an equity participation. For example, five percent of a loan could be represented by shares in the Housing Finance Corporation. This would have the result of building equity participation over time. The Federal Farm Land Bank in the United States utilizes a similar technique in its lending to individual households.

4. Mobilizing Technical Assistance Support for Housing

If ADB elects to proceed with some form of housing sector activities, there will definitely be a requirement for the addition of specialized expertise to ADB's staff. It will be necessary, of course, to build up permanent expertise through direct hire of staff, but technical assistance during an interim period will probably be essential also. Capital grant funding for such technical assistance also will require further investigation. It would appear likely, based on past experience, that the ADB should be able to obtain the required technical assistance either through the United Nations or from bilateral sources. The kinds and amounts of such technical assistance should be determined during the full study discussed in Chapter VI.

B. THE SCALE OF FINANCIAL RESOURCES TO BE MOBILIZED

As previously stated, the scale of financial resource mobilization does not become an issue if ADB merely decides to include housing sector activities within its present operations framework utilizing its own resources. However, if ADB elects to attempt to formalize a new entity (either a wholly or majority-owned Housing Finance Corporation, or a largely independent entity similar to that proposed by the CDC), then scale becomes a matter of major importance. In this case there are three major questions to be dealt with prior to taking a decision to proceed with establishing a new institution:

1. *What is the minimum resource pool required for a viable activity?* There is little point in initiating housing activities if some minimum critical level of resources cannot be mobilized. This is a judgmental point, but should depend on: some analysis of

the number of potential borrowers (to achieve regional balance among countries); the minimum size of a loan which is sufficient to have an impact on the host country institution; and the overall number of housing units to be financed in a given time period.

For example, merely financing 1,000 units at an average cost of US\$ 3,500 each would require US\$ 3,500,000. A 10-year target (1980 to 1990) of 100,000 units (not allowing for likely inflation) would require US\$ 350 million.

To operate on that modest scale suggests an initial minimum resource mobilization in equity and/or borrowing of at least US\$ 21 million before any operations could start. Equity would be required if the housing activity is separate from ADB, but possibly borrowing could suffice if the ADB gave some appropriate loan guaranty.

2. *What is the potential for rapidly expanding the resource pool through replenishment on a regular annual basis?* Even if initial capital can be mobilized, it would still be highly risky to proceed unless there were firm potentials for making ever increasing annual contributions to the resource pool. In the previous example of a 100,000 housing unit target in 10 years, it is likely that it would be necessary to build up to an annual replenishment of about US\$ 50 million per year. In addition, it should be recognized that because of disbursement rates and grace periods the sector will probably have initial losses until positive cash flows develop.

3. *At what terms and conditions can capital be mobilized?* It is essential for capital for housing activities to be mobilized on a long-term basis because it must be lent on a long-term basis. To borrow short and lend long is, of course, a formula for financial disaster. A second need is for the capital to be mobilized at interest rates which will allow for a sufficient margin in relending to cover the expenses of the sponsoring institution and the build up of sufficient reserves. It is likely that at least a two percent spread will be required, and possibly even a three percent spread, in the early years.

Unless these questions can be satisfactorily answered, it would be unwise to proceed. It should be clearly understood that any ADB housing support must be on a firm commercial basis without reliance on soft loans or grants. There are, of course, funds offered as soft loans and grants, and indeed any housing activity should seek them out as much as possible (particularly to support the technical assistance and facilitating

support activities). Nonetheless, these funds will never be sufficient to have a substantial impact on ADB's housing activities and should not be relied upon but considered only as supplementary when and if they materialize.

D. SUMMARY

The entire question of resource mobilization is central to the eventual strategy which will be appropriate for ADB in supporting housing sector activities. It has not been possible in this short assignment to do the field work and analysis which must be completed before a realistic assessment of this issue can be made. This will have to await the results of the full study discussed in the next chapter.

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Chapter VI

RECOMMENDATIONS FOR NEXT STEPS

This report has not been able to conclusively determine whether or not ADB should initiate housing sector activities. A conclusion has been drawn, however, that a prima facie case does exist to justify a more detailed full feasibility study. Such a feasibility study should deal with the four fundamental questions posed in this report:

1. Should the ADB support housing sector activities (Chapter I)?
2. If yes, what housing sector activities should be supported and under what overall ADB housing policy guidelines (Chapters II and III)?
3. What organizational form should ADB participation take (Chapter IV)?
4. What are the capital mobilization potentials and requirements (Chapter V)?

It is hoped that the discussion in this report under each of these main topics will be helpful in defining the scope of work of the feasibility study required.

The study suggested should, however, go beyond merely determining the feasibility issues. It should, if feasibility is demonstrated, result in preparation of an ADB Housing Policy setting forth terms and conditions concerning member countries.

A. THE SEQUENCE OF STEPS REQUIRED TO UNDERTAKE THE FEASIBILITY STUDY AND ADB HOUSING POLICY PREPARATION

There are four main aspects to work required: review and preparation; field visits to potential borrowers; field visits to potential sources of capital and technical assistance resources; and analysis and report preparation.

1. Review and Preparation

The conclusions and recommendations of the present report should be reviewed by a task force in ADB. A preliminary recommendation to proceed should be taken by the Board of Directors or ADB management. Once the decision to proceed is taken, the task force should prepare detailed terms of reference for the study and mobilize such technical assistance as deemed necessary. Of particular importance will be sharply defining the key questions to ask during the field missions.

2. Field Missions to Potential Borrowers

A series of missions will be required to potential borrowers in selected member countries. The institutions selected should be public sector housing finance and housing building institutions, preferably ones with substantial previous experience. The field missions should seek to verify the attitudes of these institutions regarding possible ADB entrance into housing activities along the following lines:

1. What is their existing mix of housing programs?
2. What are their existing sources of finance?
3. What are their future activity plans?
4. Have they had experience with international borrowing? What has been their experience?
5. Under what terms and conditions are they providing housing finance now?
6. Would they be interested in borrowing from ADB? For what types of activities? At what interest rates and repayment terms?
7. What scale of borrowing would be attractive concerning the minimum size of a loan and the frequency of borrowing in time?
8. Would they be interested in participating on an equity basis in some form of ADB sponsored housing finance corporation?

For each potential borrower agency visited, a brief field report should be prepared which summarizes the findings and

identifies any particular problems which might affect ADB's decision to proceed.

The selection of specific agencies to be visited should be based on an effort to achieve a regional balance among member countries after recognizing the need to visit countries with known operating housing programs supported by the public sector. In each country selected interviews should also be arranged with ministries responsible for the housing agencies selected and with the Ministry of Finance and Ministry for Development Planning to obtain their views as well. As a starting point, visits to the following countries might be considered (the actual number of countries visited will depend on budget and time availability). Each of these countries has a significant housing program underway through public sector housing institutions.

Central Africa	Zaire, Cameroon
East Africa	Kenya, Zambia, Botswana
North Africa	Morocco, Tunisia
West Africa I	Sierra Leone, Liberia
West Africa II	Ivory Coast, Senegal

The field missions to potential borrowers should be conducted prior to visiting potential sources of capital and technical assistance resources. This is to allow the ADB staff to develop more familiarity with the issues of concern and to verify that demand can be generated at terms and conditions which international financiers will find attractive.

3. Field Missions to Potential Sources of Capital and Technical Assistance

After the ADB has defined more specifically the kinds of support it will need, a series of field missions should be undertaken to visit possible sources of that support. At the same time, the opportunity of talking with other multilateral lending organizations and bilateral aid giving agencies should be utilized to learn more of the procedures and problems associated with international support for housing activities. The following kinds of organizations might be visited:

a. Commercial Banking Institutions

A selection of private commercial banking institutions in Europe and North America should be canvassed in order to ascertain their interest in supporting ADB housing activities and

their views on the form they would like to see that support take. The institutions to be contacted might be drawn from those that have participated in SIFIDA or previous ADB activities as they will be most familiar with ADB operations. Of particular concern would be the size of their potential participation and their inclination to provide a series of loans in order to allow for essential replenishment of the housing funds available. The interest rate and loan criteria which they might apply would also be important to establish.

b. Arab Development Funds

The Arab Funds would be an important potential source, particularly after the recent announcement of support for Africa. The Arab Funds have been used to support housing activities in the past in Egypt and elsewhere, so they should be familiar with this type of lending.

c. Commonwealth Development Corporation and Caisse Centrale de Cooperation Economique

The CDC and CCCE have already expressed interest in supporting the housing activities in Africa. Discussions with these important agencies should take place as part of the overall study.

d. Multinational Banks

It will be important to visit and discuss housing activities with the World Bank, the Inter-American Development Bank, and the Asian Development Bank. Each has had a different experience with housing and has developed different policy guidelines. The World Bank is very active in providing settlement upgrading and sites and services project finance for low-income people. It is firmly opposed to lending for middle-income housing. The Inter-American Development Bank was for a time very active in financing lower-middle-income housing in Latin America, but in recent years it has moved away from housing finance activities in general. It will be useful to find their reasoning for this action. The Asian Development Bank is just commencing lending in the housing sector, and it will be useful to understand the process whereby they have developed this new policy and how they expect to implement it.

e. Technical Assistance
Giving Agencies

The bilateral aid giving agencies probably will not be sources of major financial participation, but they could be useful in providing the long-term technical assistance that will probably be required if ADB proceeds with housing sector activities. Among the more obvious potentials are the United States Agency for International Development's Office of Housing; the British Ministry for Overseas Development (which is particularly concerned with supporting training in housing sector activities); and the Scandinavian countries which have traditionally been active in providing technical assistance to housing sector activities in the developing countries. The United Nations Center for Housing, Building, and Planning is another potential source for technical assistance support. ^{4/} In addition, the UNDP, UNEP Human Settlements Foundation and ECA participate in aid assistance programs.

4. Analysis and Report Preparation

A final report on the feasibility of ADB participation in housing sector activities should, of course, be prepared based on field visits and internal analysis by the task force team. A clear statement of ADB's Housing Policy should be developed as a part of this work. The report should answer the basic questions posed at the beginning of this chapter in operational terms. Until this work has been completed, no firm decisions can be taken as to the advisability of ADB's participation in housing.

B. POSSIBLE TIME SCHEDULE

It is recommended that ADB consider the following time schedule for proceeding with development of housing activities. The time schedule assumes a continued positive response to the feasibility of housing activities. If this does not materialize, ADB could cut off the work at any time.

^{4/} During 1973-1974 the United Nations Centre for Housing, Building, and Planning had 36 projects in housing and urban planning actively underway in 21 of the ADB member countries at a total cost of US\$ 6,654,000.

- April 1977 AID delivers the final report by this consultant for Bank management review.
- April 1977 The Board of Directors of ADB determines whether or not to proceed with a full feasibility study regarding housing sector activities.
- May 1977 ADB forms a small task force to develop terms of reference for a full feasibility study and prepares a budget estimate. (Note: ADB must be prepared to provide at least two staff members full time as well as some travel and per diem costs for visits to selected member countries and international institutions in Europe and North America.)
- July 1977 ADB management approves the scope of work for the feasibility study and budget. A task force team is assigned for six months. (Note: Technical assistance will be extremely useful, perhaps essential, for undertaking the feasibility study, but at least two ADB staff members will be required full time as well. This will ensure ADB's direct involvement and provide a local African expertise.
- September 1977 The feasibility study commences for an estimated six months. The delay in the starting date is to allow mobilization of the internationally recruited technical assistance component. (Note: The technical assistance need not be full time but should involve appropriate trips to Abidjan and member countries as required during the six-month period. A total of six man months is required involving one housing economist/housing finance specialist (three months), one architect to assist in determining appropriate design standards and cost limitations (one month), and one housing bank organizational specialist (two months.)
- March 1978 Feasibility study is completed and reviewed by ADB management. The appropriate recommendations are forwarded to the ADB Board of Directors for their action.
- April 1978 Assuming a favorable decision on the part of the Board of Directors, the ADB 1) initiates project preparation for several small loans

for housing projects or housing finance agencies in accordance with the criteria established by the feasibility study; 2) starts to develop the permanent organization which has been recommended and begins mobilization of initial resources.

January 1979 The new ADB sponsored housing organization commences operations.

C. SUMMARY

It might appear that the recommended next steps for ADB are complex, time consuming, and expensive. They are, however, essential given the fundamental constraints on ADB discussed earlier -- namely the limited available resources and technical capacity. Until satisfactory answers to the basic questions have been developed in operational terms which justify the initiative of ADB in the housing sector, it would be unwise to proceed with specific lending activities. Given the specialized nature of housing, the large capital requirements for a meaningful scale of activity, and the specialized technical expertise needed, a premature commitment on the part of ADB could lead to a most unsatisfactory experience for the Bank and to the borrower institutions.

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Appendix I

AN OVERVIEW OF AFRICAN HOUSING

A. INTRODUCTION

The right of everyone to a decent living environment was recognized in the 1948 Universal Declaration of Human Rights and was recently reinforced at the United Nations Habitat Conference on Human Settlement. The components that influence the provision of decent shelter are many. African experience has shown that concerted efforts of the central, regional, and local governments; of the building and building materials industries; of the local and world financial institutions; and of the people in need of shelter will be necessary to provide a living environment that offers physical as well as economic, social, cultural, and recreational opportunities. 1/

Past experiences of the developing countries have demonstrated that the solution to provision of a decent living environment will not be an easy task; that the eventual solution will not flow directly from experiences of Western industrial societies. The African continent currently finds itself in the position of striving to mobilize its natural, human, and financial resources in order to solve its shelter problem. Its efforts are being conducted in a way that enhances and reaffirms the uniqueness of African culture and tradition.

Within the context of Africa's attempt to kindle interest in solving its housing and urbanization problems, the United Nations in its World Housing Survey concludes that housing conditions continue to deteriorate in most urbanizing parts of the continent. The study goes on to state, however,

1/ Leonard M. Shango. Multilateral Action On Housing and Shelter Sector in Africa: Case for the Establishment of an African Housing Development Fund. (Abidjan: African Development Bank Research Department, 1976), page 6.

that much important work is being accomplished in many African countries to improve the living environment of the African people. More and more it is recognized that participation of the people themselves will have to be a major component in satisfying housing needs. Africa has the potential to develop its housing in a way that corresponds to its own special needs and in a way that will make use of African design methods, building materials, financial institutions, and land use patterns.

However, tremendous efforts will be needed to achieve this goal. The economic picture of Africa is not a bright one (See Table I-1). The average GNP per capita for the region was US\$ 240 in 1972. This amount compares with GNPs per capita for the industrialized world of US\$ 5,480 for North America (excluding Mexico), US\$ 2,320 for Japan, US\$ 2,190 for Europe, and US\$ 1,530 for the Soviet Union. When the member nations of the African Development Bank are grouped separately, the GNP per capita for the region falls to US\$ 190. In addition, rapid average annual population growth (27 percent for the continent over the decade 1960-1970) has tended to erode possible gains in GNP per capita. Another indication of the low level of economic activity prevailing in Africa is given by the generally small proportion of wage employment within the estimated total labor force. With the exception of Egypt (where 62.7 percent of the labor force is composed of wage earners), most African nations have less than 30 percent of their labor force employed as wage earners. The existing economic and demographic structure of the African region will necessitate housing solutions within reach of the financial capabilities of its future occupants. These economic constraints will compel proposed shelter programs to utilize the most modest housing and design standards.

The sooner the African nations embark on the road to solving their shelter problems, the easier it will be to overcome the present physical, economic, and social deficiencies. This brief overview will attempt to appraise the present housing situation in Africa in such a way that the principal components within the fabric of African housing will be discussed. The areas covered will include urbanization trends, housing conditions and housing requirements, land use and development policy, housing finance, housing construction and building sectors, and human resources.

B. URBANIZATION TRENDS

The overall population of Africa has grown greatly since 1950 (See Table II-2). In the 20-year period between 1950 and

TABLE I-1

Economic and Demographic Data For Member Nations of the African Development Bank

ADB Section	1/ Country	Per Capita GNP at 1972 Market Prices 2/ (US\$)	1972 Population 2/ (000)	Total GNP at 1972 Market Prices 2/ (Millions of US\$)	Percent Growth Rates 1965 to 1972 2/		1970 Urban Population 3/ (Percent)	1965 to 1970 Annual Rates of Urban Growth 3/ (Percent)	Wage Earners to Total Labor Force 4/		Percent 1970 GDP From Construction 4/
					Popu- lation	GNP per Capita			Percent	Year	
CENTRAL AFRICA	Gabon	880	494	440	1.0	10.8	32.0	7.50	31.7	1969	6.6
	São Tomé & Príncipe	430	65	30	0.9	0.3	NA	NA	NA		NA
	Congo	300	1,151	340	2.2	1.4	31.0	4.80	NA		7.3
	Eq. Guinea	240	301	70	1.7	-1.5	NA	NA	NA		5.1
	Cameroon	200	6,084	1,230	1.9	3.8	20.3	6.18	NA		6.9
	C.A.R.	160	1,673	260	2.2	2.3	26.6	3.30	NA		2.9
	Zaire	100	19,091	1,920	2.6	3.9	26.4	4.96	13.3	1967	5.0
	Chad	80	3,790	320	1.8	1.6	13.9	8.40	NA		6.4
	Burundi	70	3,506	230	2.0	1.1	2.2	8.70	NA		3.1
	Rwanda	60	3,904	250	3.2	2.1	3.4	NA	6.2	1967	4.9
ALL		127	40,059	5,090							
EASTERN AFRICA	Zambia	380	4,515	1,730	2.9	-0.1	34.3	8.58	22.5	1970	11.8
	Mozambique	300	7,962	2,400	2.0	5.6	NA	NA	NA		NA
	Mauritius	300	849	250	1.6	0.0	43.9	1.45	36.5	1970	5.6
	Swaziland	260	446	120	3.0	5.3	7.9	NA	30.0	1969	4.5
	Botswana	240	629	150	1.9	10.0	12.3	NA	11.7	1968	5.3
	Kenya	170	12,070	2,050	3.3	4.1	9.9	6.48	23.8	1970	6.0
	Uganda	150	10,479	1,560	2.9	2.0	7.1	6.88	7.7	1970	2.3
	Comoro Is.	150	255	40	2.1	3.2	NA	NA	NA		NA
	Madagascar (Malagasy)	140	7,400	1,030	2.5	1.4	10.5	2.90	NA		NA
	Tanzania	120	13,606	1,580	2.8	2.9	7.3	5.35	7.0	1969	4.8
	Malawi	100	4,711	460	2.6	2.9	9.2*	NA	8.5	1970	4.7
	Lesotho	90	959	80	2.0	1.1	2.4	NA	5.5	1969	2.7
	Ethiopia	80	25,930	2,140	2.4	1.2	11.3	7.03	NA		5.4
	Somalia	80	2,964	240	2.5	1.1	23.0	5.63	NA		NA
ALL		149	92,775	13,830							

TABLE I-1, page 2

ADB Section 1/	Country	Per Capita GNP at 1972 Market Prices 2/ (US\$)	1972 Popula- tion 2/ (000)	Total GNP at 1972 Market Prices 2/ (Millions of US\$)	Percent Growth Rates 1965 to 1972 2/ Popu- GNP per lation Capita		1970 Urban Popula- tion 3/ (Percent)	1965 to 1970 Annual Rates of Urban Growth 3/ (Percent)	Wage Earners to Total Labor Force 4/ Percent Year		Percent 1970 GDP From Con- struction 4/
NORTHERN AFRICA	Libya	1,830	2,084	3,820	3.7	8.1	29.8	5.53	NA		5.3
	Algeria	430	14,260	6,120	3.5	3.5	52.0	6.78	22.0	1968	10.7
	Tunisia	380	5,340	2,040	3.0	3.7	40.1	4.78	NA		8.6
	Morocco	270	15,840	4,260	2.5	3.0	37.9	4.42	NA		5.2
	Egypt	240	34,840	8,340	2.5	0.6	44.3	4.20	62.7	1969	3.1
	Mauritania	180	1,210	210	1.9	2.0	21.7	NA	3.7	1970	8.5
	Sudan	120	16,586	2,030	2.8	-1.1	13.2	6.10	NA		5.1
ALL		297	90,160	26,820							
WESTERN AFRICA I	Ghana	300	9,086	2,700	2.6	1.0	31.4	4.64	NA		5.8
	Liberia	250	1,617	410	3.1	4.0	27.6	9.00	NA		5.3
	Sierra Leone	190	2,727	520	2.2	1.8	13.2	3.76	NA		5.0
	Gambia	140	377	50	1.9	1.4	14.2	1.60	11.2	1969	0.5
	Nigeria	130	69,524	9,350	2.5	5.4	16.0	4.67	7.2	1970	4.7
	ALL		156	83,331	13,030						
WESTERN AFRICA II	Ivory Coast	340	5,400	1,840	3.3	4.1	13.0	7.02	13.8	1969	5.1
	Senegal	260	3,990	1,050	2.2	-0.7	27.3	3.89	9.0	1968	2.6
	Cape Verde	240	265	60	2.4	7.0	NA	NA	NA		NA
	Guinea Bissau	230	568	130	0.9	3.4	NA	NA	NA		NA
	Togo	160	2,052	330	2.7	3.3	15.2	8.50	4.5	1970	2.8
	Benin	110	2,860	300	2.8	1.7	13.1	6.20	3.0	1967	7.5
	Guinea	90	5,100	440	2.8	-0.3	10.7	7.00	NA		5.7
	Niger	90	4,250	400	2.8	-5.1	4.3	9.00	4.5	1969	6.7
	Mali	80	5,260	400	2.1	1.3	12.1	4.29	NA		4.1
	Upper Volta	70	5,613	400	2.1	0.6	8.0	7.10	NA		6.1
	ALL		151	35,358	5,350						

NOTE: *1966 data.

SOURCES: 1/ African Development Bank, Report on Loan Administration and Project Execution as of December 31, 1976 (Abidjan, 1977). 2/ International Bank for Reconstruction and Development, World Bank Atlas (Washington, D.C., 1974). 3/ United Nations, World Housing Survey 1974 (New York, 1976) -- United Nations Economic Commission for Africa, Survey of Economic Conditions in Africa (Addis Ababa, 1974). 4/ United Nations, Survey of Economic Conditions in Africa, 1971 (Part I) (New York, 1972).

TABLE I-2

Urban and Rural Population
And Percentage Urban Population in Eight
Major Areas of the World, 1950 and 1970

(in millions)

Major Area	Urban Population		Rural Population		Percent Urban	
	1950	1970	1950	1970	1950	1970
Africa	28	75	191	276	12.8	21.5
Latin America	67	161	97	123	40.9	56.7
North America	106	168	60	59	63.6	74.2
East Asia	99	245	574	681	14.7	26.5
South Asia	108	232	591	879	15.4	20.9
Europe	215	297	177	162	54.8	64.6
Oceania	8	14	4	6	64.8	69.9
USSR	71	137	109	105	39.4	56.6

SOURCE: World Housing Survey 1974 (ST/ESA/30).

1970, Africa's total population has grown from 219 million to 351 million, an average annual increase of 2.4 percent. Over the same 20-year period, the urban population grew from 28 million to 75 million. In 1950 the urban population constituted 12.8 percent of the continent's total; by 1970 this figure had increased to 21.4 percent. This increase in the urban population represented an average annual rate of growth for Africa of 4.9 percent. By 1970 the continent of Africa had seven cities with populations of at least one million inhabitants, six cities with populations between 500,000 and one million inhabitants, and 66 cities with populations between 100,000 and 500,000. (See Table I-3 for a summary of the urban centers of African Development Bank member nations.) On the other hand, the rural population in Africa increased by 85 million between 1950 and 1970, an average annual rate of 1.8 percent. As a result of this large increase in the total population of Africa (especially in its urban component), the fabric of the existing urban housing market has been severely strained.

One of the by-products of this increased rate of urbanization has been the expansion of slums and squatter settlements. These settlements, formed largely by rural-to-urban migration and high population growth rates, are characteristic of the large, rapidly developing urban centers of Africa. These settlements are growing at rates of up to 12 percent per year, or double the population growth rates of the fastest growing urban centers. Table I-4, which was compiled by the United Nations, gives estimates on the growth of slums and squatter settlements in selected African Development Bank countries and cities. Ibadan, Nigeria, with a population of 1.2 million in 1971, has 75 percent of its inhabitants living in squatter settlements. In 1970, 60 percent of the two million population of Kinshasa lived in squatter settlements. In six cities with populations between 500,000 and one million inhabitants, an average of 62 percent of the population lives in slums and squatter settlements. In 15 of the 66 African cities with populations between 100,000 and 500,000, the percentage of squatter settlement occupancy is consistently high (only two are below 48 percent with the highest at 90 percent). For example, squatter settlements constitute 90 percent of the population of Addis Ababa, 61 percent of Accra, 33 percent of Nairobi, and 50 percent of Monrovia. The presence of these slums and squatter settlements in the developing urban centers of Africa forms a major component of the demand for urban housing and housing-related services.

It is felt that a dynamic and self-sustaining national housing policy cognizant of the shelter problems of low-income families should be an integral part of an African nation's

TABLE I-3

Summary of Urban Centers of African
Development Bank Member Nations

Country	Year	Major Urban Centers (Capital Underlined)
Algeria	1967	<u>Algiers</u> (943,000); Oran (325,000); Constantine (255,000); Annaba (165,000)
Benin (Dahomey)	1965	<u>Porto Novo</u> (74,500); Cotonou (111,000); Abomey (42,100)
Botswana	1971	<u>Gaborones</u> (18,436); Serowe (43,136); Kanye (39,200); Molepolole (31,986); Mochudi (21,382); Francistown (19,903)
Burundi	1970	<u>Bujumbura</u> (78,810)
Cameroon	1974	<u>Yaounde</u> (250,000); Douala (350,000); N'Kongsamba (100,000)
Cape Verde Islands	1970	<u>Praia</u> (21,494)
Central African Republic	1971	<u>Bangui</u> (187,000)
Chad	1972	<u>N'Djamena</u> (formerly Fort-Lamy, 179,000) Sarh (43,700); Mondou (39,600)
Comoro Islands	1970	<u>Moroni</u> (14,000)
Congo	1971	<u>Brazzaville</u> (200,000); Pointe-Noire (100,000)
Egypt	1972	<u>Cairo</u> (5,384,000); Alexandria (2,146,000)
Equatorial Guinea	1973	<u>Malabo</u> (formerly Santa Isabel, 23,000); Bata (50,000)
Ethiopia	1971	<u>Addis Ababa</u> (795,900); Asmara (178,537); Dire Dawa (50,733)
Gabon	1970	<u>Libreville</u> (75,000); Port-Gentil (30,000) Lambarene (7,000)
Gambia	1970	<u>Banjul</u> (formerly Bathurst, 33,000)
Ghana	1970	<u>Accra</u> (663,880); Kumasi (342,986); Sekonoi-Takoradi (161,071); Asamankese (101,144); Tamale (98,818)
Guinea	1972	<u>Conakry</u> (525,671)

TABLE I-3, page 2

Country	Year	Major Urban Centers (Capital Underlined)
Guinea-Bissau	1973	<u>Madina do Boe</u> (4,000); Bissau (60,000)
Ivory Coast	1972	<u>Abidjan</u> (700,000)
Kenya	1972	<u>Nairobi</u> (597,000)
Lesotho	1971	<u>Maseru</u> (29,049)
Liberia	1971	<u>Monrovia</u> (180,000)
Libya	1971	<u>Tripoli</u> (247,000); Benghazi (137,000)
Malagasy Republic		<u>Tananarive</u> (347,466); Tamatave (53,000); Majunga (44,370)
Malawi	1972	<u>Zomba</u> (20,000); Lilongwe (Capital Designate, 20,000); Blantyre-Limbe (120,000)
Mali	1971	<u>Bamako</u> (200,000); Mopti (32,000); Segou (27,000); Kayes (24,000)
Mauritania	1972	<u>Nouakchott</u> (48,000)
Mauritius	1971	<u>Port Louis</u> (142,300)
Morocco	1971	<u>Rabat</u> (641,174); Casablanca (1,719,412); Marrakesh (1,558,541); Kenitra (1,345,975); Fez (1,071,416)
Mozambique	1970	<u>Lourenco Marques</u> (354,684); Beira (113,770)
Niger	1972	<u>Niamey</u> (85,000)
Nigeria	1970	<u>Lagos</u> (875,417); Ibadan (745,756); Ogbomosho (380,239); Kano (351,175); Oshogbo (249,394); Ilorin (247,896)
Rwanda	1973	<u>Kigali</u> (32,000)
São Tomé & Príncipe	1974	<u>São Tomé</u> (8,000)
Senegal	1970	<u>Dakar</u> (436,000); Kaolack (96,000); Thies (91,000); Saint-Louis (81,000)
Sierra Leone	1970	<u>Freetown</u> (178,600)
Somalia	1973	<u>Mogadisu</u> (350,000)
Sudan	1971	<u>Khartoum</u> (261,840); Omdurman (258,532); North Khartoum (127,672); Port Sudan (110,091)

TABLE I-3, page 3

Country	Year	Major Urban Centers (Capital Underlined)
Swaziland	1971	<u>Mbabane</u> (Administrative Capital, 15,000) Lobamba (Royal & Legislative Capital, 2,000)
Tanzania	1970	<u>Dar es Salaam</u> (343,911)
Toqo	1970	<u>Lome</u> (148,443)
Tunisia	1967	<u>Tunis</u> (680,000); Sfax (65,635); Sousse (48,172) Bizerte (44,681)
Uganda	1970	<u>Kampala</u> (331,900)
Upper Volta		<u>Ouagadougou</u> (110,000); Bobo-Dioulasso (68,000)
Zaire	1970	<u>Kinshasa</u> (1,323,039); Kanaga (428,960); Lumumbashi (319,000)
Zambia	1971	<u>Lusaka</u> (381,000); Kitwe (311,000); Ndola (216,000)

SOURCE: Political Handbook of the World: 1975, Governments and Intergovernmental Organizations as of January 1, 1975 (New York: McGraw-Hill Company, 1975).

TABLE I-4

Growth of Slums and Squatter Settlements in
Selected African Development Bank Countries and Cities

ADB Section	Country/City	Year	City Population		Slum and Squatter Settlement Population			City Percent Urban	Urban Percent Total	
			Inhabitants (000)	Growth Rate (Percent)	Inhabitants (000)	Growth Rate (Percent)	Percent City Population			
CENTRAL AFRICA	<u>Cameroon</u>	1965	870		-		-		17	
		1970	1,185	6.2	-	-	-		20	
	Douala	1965	195		-		-	22		
		1970	250	5.1	218	-	87	21		
	Yaonde	1965	115		-		-	13		
		1970	165	7.5	149	-	90	14		
	01-I	<u>Zaire</u>	1965	2,499		-		-		16
			1969	3,051	5.0	-	-	-		15
		Kinshasa	1965	848		-		-	34	
			1969	1,288	11.0	773	-	60	42	
EASTERN AFRICA	<u>Zambia</u>	1965	860		-		-		23	
		1969	1,217	8.6	243	-	20		30	
	Lusaka	1965	167		29		17	19		
		1969	262	12.0	126	45.0	48	22		
	<u>Kenya</u>	1965	805		-		-		9	
		1970	1,113	6.5	-	-	-	10		
	Nairobi	1965	332		64		19	41		
		1960	535	10.0	177	22.5	33	48		
	Mombasa	1965	202		-		-	25		
		1970	255	4.7	170	-	67	23		
<u>Madagascar</u>	1965	821		-		-		14		
	1969	1,031	5.2	-	-	-		15		

TABLE I-4, page 2

ADB Section	Country/City	Year	City Population		Slum and Squatter Settlement Population			City Percent Urban	Urban Percent Total
			Inhabitants (000)	Growth Rate (Percent)	Inhabitants (000)	Growth Rate (Percent)	Percent City Population		
II-I	Tanzania	Tanarive	1965	262	-	-	-	32	
		1969	339	6.7	112	-	33	33	
	Tanzania	1968	713	-	-	-	-		6
		1970	792	5.4	-	-	-		6
	Dar-es-Salaam	1968	273	-	93	-	34	38	
		1970	344	7.0	172	35.7	50	43	
	Malawi	1965	194	-	-	-	-		4
		1966	203	4.5	-	-	-		5
	Blantyre	1965	103	-	-	-	-	51	
		1966	109	6.0	61	-	56	54	
	Ethiopia	1965	1,682	-	-	-	-		7
		1966	1,800	7.0	-	-	-		8
	Addis Ababa	1965	645	-	-	-	-	38	
		1966	680	5.5	612	-	90	38	
	Somalia	1965	538	-	-	-	-		22
		1967	600	5.6	-	-	-		23
	Mogadiscio	1965	147	-	-	-	-	27	
		1967	173	8.5	133	-	77	29	
	NORTHERN AFRICA	Libya	1964	387	-	-	-		24
1968			483	5.5	-	-	21	27	
Tripoli		1964	297	-	-	-	-	77	
		1968	364	5.2	73	-	20	75	
Morocco	1970	5,183	-	2,935	-	57		33	
	1971	5,460	5.3	3,140	7.0	58		34	
Casablanca	1970	1,424	-	-	-	-	27		
	1971	1,506	5.7	1,054	-	70	28		

TABLE I-4, page 3

ADB Section	Country/City	Year	City Population		Slum and Squatter Settlement Population			Percent Urban	Percent Total
			Inhabitants (000)	Growth Rate (Percent)	Inhabitants (000)	Growth Rate (Percent)	Percent City Population		
WESTERN AFRICA I	Rabat	1970	500		-		-	10	
		1971	530	6.0	293	-	60	10	
	<u>Sudan</u>	1970	1,848		-		-		12
		1971	1,945	5.2	-		-		12
	Port Sudan	1971	110	-	61	-	55	6	12
	<u>Ghana</u>	1968	2,239		532		24		27
		1970	2,450	4.6	735	17.5	30		28
	Accra	1968	661		402		61	30	
		1970	738	6.2	-	-	-	31	
	<u>Liberia</u>	1960	108		-		-		11
		1962	122	5.9	-		-		12
	Monrovia	1960	81		-		-	75	
		1962	96	8.0	48		50	79	
	<u>Nigeria</u>	1970	8,957		-		-		16
1971		9,292	4.9	-		-		16	
Ibadan	1971	758	-	569		75	8		
WESTERN AFRICA II	<u>Ivory Coast</u>	1960	359		-		-		10
		1964	484	7.1	-		-		13
	Abidjan	1964	282	-	169		60	59	
	<u>Senegal</u>	1970	1,024		-		-		4
		1971	1,067	4.2	-		-		4
	Dakar	1970	648		-		-	63	
		1971	690	6.5	414		60	65	
	<u>Togo</u>	1965	181		-		-		11
		1970	238	5.5	-		-		12

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TABLE I-4, page 4

ADB Section	Country/City	Year	City Population		Slum and Squatter Settlement Population			Percent Urban	Percent Total
			Inhabitants (000)	Growth Rate (Percent)	Inhabitants (000)	Growth Rate (Percent)	Percent City Population		
	Lome	1970	148		111	-	75	62	
	Upper Volta	1970	388		-	-	-		7
		1972	432	5.2	-	-	-		8
	Ouagadougou	1970	118		-	-	-	30	
		1972	135	7.0	70	-	52	31	

SOURCE: United Nations, World Housing Survey 1974 (New York, 1976).

overall economic development plan. ^{2/} The integration of slums and squatter settlements within the development process is becoming a challenging goal to those countries presently formulating national development plans. Several such development policies have recognized the potential for improvement and social integration inherent in many squatter settlements. One manifestation of this outlook has been the attempt to control and direct the spread of squatter settlements rather than simply oppose them. In addition to the upgrading of slums and squatter settlements that are already in place, squatters are now being diverted to areas where basic services can most readily be provided (the sites and services approach). Attempts are also being made to involve squatters in the life of the community, utilizing their own efforts to improve the physical dwelling unit and its environs.

Many countries of Africa have applied such an approach to the spread of uncontrolled settlements. For example, slum and squatter settlement upgrading can be found in Rabat, Dakar, Dar-es-Salaam, and Fusaka. Sites and services projects are under construction in Botswana, Kenya, Senegal, Tanzania, and Zambia. Self-help programs of housing construction, using labor supplied by the future occupants, are underway in Ethiopia, Senegal, Sudan, and Upper Volta. The Ivory Coast is soon to embark on a major sites and services and settlement upgrading program with a housing guaranty provided by AID. Similar AID housing guaranty programs are getting underway in Tunisia and the Cameroon.

C. HOUSING CONDITIONS
AND HOUSING REQUIREMENTS

Housing conditions have significantly worsened in Africa over the past decade according to the United Nations World Housing Survey. Three indicators of housing condition (levels of occupancy, availability of housing facilities, and rate of dwelling construction) will be briefly examined in this section. While these indicators demonstrate the relative condition of the African housing sector vis-a-vis the industrialized world's, differences in Africa's climactic conditions, environmental characteristics, and building materials availability compared

^{2/} Shango, page 1.

to the developed nations should persuade one to proceed cautiously in proposing too high a quality standard for future shelter projects. 3/

A simple rough measure of overcrowding is provided by the percentage of occupied dwellings with three or more persons per room. Even though there exist scant available data on a country-wide basis, it is apparent that areas of excessive overcrowding exist in Africa. Kenya had 41.1 percent of its urban housing occupied at levels of three or more persons per room in 1962; Morocco in 1971 had 42.3 percent of its total dwelling units with three or more persons per room; and Zambia had 47.4 percent of its total dwelling units in this overcrowded category.

Another indicator of housing conditions is the extent to which living quarters are provided with piped water, toilets and electricity. Many of the African countries for which data are available report that less than one-half of their dwelling units had piped water. Examples of this fact include: Algeria 62.1 percent; Egypt 60.5 percent; Tunisia 85.2 percent; and Zambia 72.4 percent. The deficiency of toilet facilities appears to be most critical in the rural areas of Africa. The utilization of electric lighting in the rural areas of the less developed African nations is extremely low, in some cases less than 10 percent.

The rate of construction in the African countries varies from about two to five dwellings per thousand inhabitants. This present rate of construction will not drastically reduce the deficit in the total housing requirements for the area. 4/ A housing program producing eight to 10 dwelling units per

3/ Shaugo, page 1.

4/ A convenient definition of housing need, Delta (Δ), is defined as

$$\Delta = \frac{1}{K} \left(\frac{p}{h_s} \right),$$

where p = population, h_s = average size of household, and K = number of households occupying a single Delta.

1,000 inhabitants per year will therefore be required for the region (See Table I-5). As of 1972, none of the African countries had attained that output target level.

In examining the rates of dwelling construction, investments in the construction sector of the economy should also be considered. The data show that in most countries residential construction should represent approximately 4.0 percent of the gross domestic product, 20 percent of fixed capital formation, and 35.0 percent of total construction. Available data on the developing nations of Africa show that between 2.0 to 3.5 percent of gross domestic product is for residential construction.

D. LAND USE AND DEVELOPMENT

The use of land and its availability are key factors related to urban housing conditions. While African countries still possess much raw land for the expansion of their urban centers, the supply of developed land is not adequate to keep pace with the ever increasing needs of urban development.

In Africa the cultural variations inherent to the continent in addition to the degrees of influence of Western and Islamic land ownership patterns define the present state of land use and tenure. The Moslem patterns that influence land ownership in Northern Africa are defined within the context of Moslem land law, which in turn have been modified to accommodate local African customs. The nations of Africa south of the Sahara, however, still retain a moderated communal system of land tenure which "insures that the rights of individual members coexist with those of the group at large ... individuals are permitted to possess parcels of land for farming, building, etc., but they do not have the absolute right of ownership." 5/

The present trend in Africa is to modify this communal system to permit individual holdings within the context of a system of title registration. The considerations that will influence this modification to the African system of land tenure,

5/ Human Settlements in Africa (New York: The United Nations, 1976), page 100.

TABLE I-5

Estimated Quantitative Housing Requirements For Selected
Member Countries of African Development Bank, 1970-1980

ADB Section	Country	Estimated 1980 Population (000)	Estimated Increase 1970-1980 (000)	Estimated Household Size 1980	Thousand Delta (Δ) 1970-1980			Annual Average Rates to Meet Housing Requirement (per 1,000 inhabitants)
					Total	Population Increase 1/	Replacement Requirement 2/	
CENTRAL	Gabon	546	46	3.9	45	29	16	8.6
AFRICA	Congo	1,204	268	4.9	94	68	26	8.9
	Eq. Guinea	339	54	4.9	25	17	8	8.1
	Cameroon	7,088	1,252	4.9	525	369	156	8.2
	C.A.R.	2,003	391	4.9	153	109	44	8.6
	Zaire	27,952	6,314	4.9	2,196	1,595	601	9.0
	Chad	4,843	1,203	4.9	391	288	103	9.3
	Burundi	4,058	732	5.0	291	203	88	8.0
	Rwanda	4,865	1,186	5.0	376	274	102	9.0
EASTERN	Zambia	5,875	1,580	4.5	519	383	136	10.3
AFRICA	Mauritius	969	45	5.0	66	45	21	7.3
	Swaziland	543	134	5.2	40	29	11	8.5
	Botswana	795	178	5.2	58	42	16	8.4
	Kenya	15,501	4,254	5.6	1,110	823	287	8.5
	Uganda	13,292	3,489	5.0	1,049	772	277	9.2
	Madagascar (Malagasy)	9,081	2,149	5.0	696	504	192	8.8
	Tanzania	17,522	4,249	3.2	2,088	1,509	579	13.8
	Malawi	5,578	1,218	5.0	418	299	119	8.5
	Lesotho	1,284	241	5.2	90	63	27	7.8
	Ethiopia	32,639	7,784	5.0	2,505	1,816	689	8.9
	Somalia	3,731	942	5.0	290	212	78	9.0

TABLE I-5, page 2

ADB Section	Country	Estimated 1980 Population (000)	Estimated Increase 1970-1980 (000)	Estimated Household Size 1980	Thousand Delta (Δ) 1970-1980			Annual Average Rates to Meet Housing Requirement (per 1,000 inhabitants)
					Total	Population Increase 1/	Replacement Requirement 2/	
NORTHERN AFRICA	Libya	2,638	700	5.2	201	148	53	8.9
	Algeria	20,014	5,684	5.2	1,582	1,188	394	9.4
	Tunisia	6,825	1,688	5.1	528	388	140	9.0
	Morocco	21,590	6,070	4.9	1,805	1,353	452	9.8
	Egypt	41,966	8,637	4.9	3,220	2,309	911	8.6
	Mauritania	1,518	347	5.0	115	83	32	8.6
	Sudan	21,239	5,544	5.7	1,493	1,107	386	8.2
WESTERN AFRICA I	Ghana	11,448	2,820	5.0	687	646	241	7.0
	Liberia	2,015	492	5.0	156	114	42	7.4
	Sierra Leone	3,318	674	5.0	243	172	71	8.2
	Gambia	539	110	5.0	42	28	14	8.8
	Nigeria	72,607	17,534	5.0	5,591	4,061	1,530	8.9
	WESTERN AFRICA II	Ivory Coast	5,579	1,269	5.0	422	304	118
Senegal		5,086	1,161	5.0	385	277	108	8.6
Togo		2,595	635	5.0	201	146	55	8.9
Benin		3,534	848	4.6	295	214	81	9.6
Guinea		5,014	1,093	5.0	376	269	107	8.5
Niger		5,287	1,271	5.0	407	295	112	8.9
Mali		6,488	1,441	5.4	453	325	128	8.0
Upper Volta		6,883	1,499	5.0	516	369	147	8.5

NOTES: 1/ Requirements arising from population increase have been calculated assuming a K of 1.5 households per Delta during 1970-1980. 2/ To replace the existing stock at the rate of 2 per cent per annum.

SOURCE: United Nations, World Housing Survey (New York, 1976).

in addition to other policy decisions concerning land use and development, are the following:

1. Patterns of urban land ownership influence the location and distribution of housing, commerce, and industry.
2. The legal concept of ownership will be challenged due to accelerated urbanization and population growth.
3. Differences between the price and the value of urban land give rise to a speculative land market which threatens the purchase of land for low-income projects.
4. The demands for urban land depend upon the growth and changing density of the urban population, the increase in individual and collective investment resource, technological changes, changes in urban land use, and changes in individual living/housing preferences.
5. The controlled development of urban land has been instituted by government entities in the form of master plans, nationalization of land, creation of new towns, land banking, tax benefits, and other development bonuses.

E. HOUSING FINANCE

In Africa the past decade has been one of remarkable, though uneven, development in housing finance. With the exception of the least developed countries, all have shared in this growth. Even in some of these countries, especially since 1970, governments have established important financial institutions.

In many of the African nations governments have established a national institution for financing low-income housing, while the private sector has developed its own means for financing middle- and upper-income housing. The number of households served, however, is still very limited. The lending capacity of the institutions is often still too weak to cope with more than a fraction of the housing need. However, considerable progress has been made since 1960, with some countries now possessing a relatively advanced housing finance system. The Ivory Coast, Kenya, and Tunisia are notable examples.

The major problems encountered in Africa in the field of housing finance include:

1. Most loans are available only to middle- and higher-income groups.
2. Repayment periods are short in comparison to the physical life of the dwelling units.
3. Where communal land ownership exists, mortgage loans are difficult to obtain due to a lack of collateral.
4. Schemes established with starting capital to be used as revolving funds have often lost momentum due to inflation.
5. Financial institutions to serve sites and services projects, aided self-help housing, and similar approaches have yet to be developed on a major scale.
6. There is a lack of an institutional framework necessary to finance the infrastructure (roads, schools, health clinics, community centers, etc.) of existing or proposed habitational settlements.

Two major sets of forces have tended to retard progress in the development of housing finance in Africa. One set is related to the fact that Africa is still basically a rural continent. Despite recent growth in the region's urban centers the proportion of the population in rural areas is still quite high. The degree to which the countries of Africa have been able to develop their own financial institutions has therefore been necessarily limited by the fact that development efforts, in general, are still in their infancy in many countries. The second set of forces retarding the development of an adequate housing finance system in Africa is related to the fact that current concentrated efforts in nation building have channeled the scarce economic, institutional, and human resources in other directions. The construction of a country's productive capacity, administrative and educational systems, and national infrastructure networks (transportation, hydroelectric and irrigation projects) have absorbed a large percentage of available capital.

F. HOUSING CONSTRUCTION AND BUILDING SECTORS

The building and the building materials industry plays a key role in implementating the economic and social objectives of the African developing countries. Population growth, general industrial development, and the efforts to raise the standard of living impose increasing demands on the capacity and efficiency of the entire construction industry, including house construction. The construction industry is crucial to the development process not only through the provision of housing, community facilities, and infrastructure, but also as a substantial source of employment for semiskilled and unskilled labor.

Available data indicate that the African countries still produce only a small proportion of the building materials necessary to meet their housing needs. These figures demonstrate the efforts made by these countries to expand the national production of building materials in order to develop the construction industry and reduce the foreign exchange bill. However, the insufficient amount of locally produced building materials is due mainly to the lack of investment capital, limited markets, transportation problems, and scarcity of fuel and electrical energy. In this context, Table I-6 details the existence of African production facilities for building materials and related industries.

In the developing countries of Africa, imported building materials represent a significant percentage of total imports. The value of imported building materials ranges from 5.0 to 8.0 percent of the total value of all imports. In addition, these imports may account for a large percentage of the building materials used. Many African countries import from 50 to 60 percent of the building materials used domestically. Most often, imported building materials include metal products, timber, cement, sheet glass, sanitary and electrical equipment, paint, and hardware.

A frequent complaint voiced by the Economic Commission for Africa (ECA) is that the marketing arrangements of the local building materials industry are always linked with those of imported materials and that this linkage acts as a deterrent to the development of locally produced building materials.

In the less developed countries of Africa, building activity is generally characterized by the existence of two sectors: a multitude of very small enterprises of an artisan character operating in the rural and peripheral urban areas; and a small number of large firms using modern techniques and organizations

TABLE I-6

Domestic Production of Building Materials and Related African Industries

Country	Cement	Cement Products	Asbestos Cement Products	Clay Products	Iron and Steel Works (Integrated Plants)	Iron and Steel Products	Non-ferrous Metals	Worked Wood	Plywood	Paints and Varnishes (Mixing and Production)	Sheet Glass	Electrical Fittings, Fixtures	Sanitary Ware	Sanitary Fittings
Northern Africa														
Algeria	X	X	X	X	--	X	X	X	--	X	X	X	--	NA
Egypt	X	X	X	X	X	X	X	X	--	X	X	X	NA	NA
Libyan Arab Republic	NA	X	--	X	--	NA	NA	NA	--	NA	--	--	NA	NA
Morocco	X	X	X	X	NA	X	X	X	X	NA	--	--	--	--
Sudan	X	X	--	X	--	NA	X	X	--	X	--	X	X	X
Tunisia	X	X	X	X	X	X	NA	X	--	NA	--	--	--	--
Subtotal	5	6	4	6	2	4	4	5	1	3	3	3	2	1
Western Africa														
Dahomey	--	NA	--	X	--	NA	--	X	--	--	--	--	--	--
Gambia	--	X	--	X	--	NA	NA	X	--	--	--	--	--	--
Ghana	--	X	--	X	--	NA	NA	X	X	--	--	--	--	--
Guinea	--	X	--	X	--	NA	X	X	X	X	--	--	--	--
Ivory Coast	--	X	--	X	--	X	--	X	--	NA	NA	NA	NA	NA
Liberia	--	X	--	X	--	--	--	X	X	--	--	--	--	--
Mali	--	X	--	X	--	NA	--	NA	--	--	--	--	--	--
Mauritania	--	NA	--	NA	--	NA	NA	NA	--	--	--	--	--	--
Niger	--	--	--	X	--	NA	NA	NA	NA	NA	--	--	--	--
Nigeria	X	X	X	X	--	X	--	X	X	--	--	X	--	--
Senegal	X	X	NA	X	--	X	--	X	--	--	--	--	--	--
Sierra Leone	--	X	--	X	--	--	--	X	--	X	--	--	--	--
Togo	--	NA	--	X	--	NA	--	X	--	X	--	--	--	--
Upper Volta	--	NA	--	X	--	NA	--	NA	--	NA	--	--	--	--
Subtotal	2	9	1	13	0	4	2	10	3	3	0	1	0	0
Middle Africa														
Angola	X	X	NA	X	--	X	X	X	NA	NA	--	--	--	--
Central African Republic	--	NA	--	X	--	NA	--	NA	--	--	--	--	--	--
Chad	--	NA	--	NA	--	NA	--	NA	--	--	--	--	--	--
Congo	--	X	--	X	--	NA	--	NA	--	--	--	--	--	--
United Rep. of Cameroon	--	X	--	X	--	X	X	X	X	X	--	--	--	--
Gabon	--	NA	--	X	--	--	--	X	X	--	--	--	--	--
Zaire	X	X	NA	X	--	X	X	X	X	X	--	NA	NA	NA
Subtotal	2	4	0	6	0	4	4	5	4	2	0	0	0	0
Eastern Africa														
Burundi	--	X	--	X	--	NA	NA	NA	NA	--	--	--	--	--
Ethiopia	X	X	--	X	--	X	--	X	X	--	--	X	--	--
Kenya	X	X	X	X	--	X	X	X	--	X	--	X	--	--
Madagascar	X	X	NA	X	--	NA	NA	X	--	NA	--	--	--	--
Mauritius	--	X	--	X	--	--	--	--	--	--	--	--	--	--
Mozambique	X	X	NA	X	--	NA	NA	X	X	NA	--	NA	NA	NA
Rwanda	--	X	--	X	--	NA	NA	NA	NA	--	--	--	--	--
Somalia	--	X	--	NA	--	--	--	X	--	--	--	--	--	--
Uganda	X	X	X	X	--	X	--	X	X	--	--	--	--	--
United Rep. of Tanzania	--	X	--	X	--	--	X	X	X	X	--	--	--	--
Subtotal	8	13	4	12	1	5	4	10	4	3	0	4	2	0
GRAND TOTAL	17	32	9	37	3	17	14	30	12	11	3	8	4	1

NOTES: X indicates presence of building material. -- indicates absence of building material. NA indicates no information.

SOURCE: The African Building Materials Industries. (E/CN.14/HOU/34).

undertaking a major share of the work in urban centers including the large infrastructure projects. In addition to the above mentioned traditional and modern sectors, a third sector of intermediate character is rapidly emerging in the more developed African countries. These firms are usually in the hands of nationals and undertake smaller projects using mostly local skills and materials.

G. HUMAN RESOURCES

The human resources required and the monetary and non-monetary benefits generated by the construction and maintenance of housing are only recently receiving attention in the national development plans of Africa. For example, housing is gaining recognition as a major generator of employment opportunities for unskilled and semiskilled labor. In Kenya it was estimated that housing construction currently supplies 12,000 man years of employment annually, and 2,000 man years of work are generated for each US\$ 2.8 million of investment in housing. These figures do not include the multiplier effect of housing construction in employment in subsectors such as building materials and suppliers, furniture making, transport services, and infrastructure construction, etc.

Finally, the role that human resources play in the construction of the great majority of rural housing units and urban squatter settlement units in Africa has not been fully appreciated. These dwellings are constructed primarily by their owners on a self-help basis. The fact that reliable data generally do not exist on employment generated nor on the capital formation created by human resources engaged in self-help housing does not deny their economic and social importance.

H. CONCLUSION

In the previous pages an attempt was made to appraise the components of the present state of African housing. As initially set forth in the introduction, differences in the region's climate, resources (both economic and physical), cultural heritage, and political institutions make facile solutions to the region's shelter problems impossible. However, some fairly general guidelines and priorities in the area of housing can be identified. The underlying principle of these guidelines and priorities include:

1. Recognition that urban development (including strategies to cope with the region's rapid urbanization) is actively dependent on rural development and that both must be developed in harmony.
2. In order to provide the most dwelling units to serve the needs of the greatest possible number of people, including the lowest-income groups, housing standards and designs will have to be very modest and adaptable to self-help schemes.
3. Systems of land tenure, cognizant of the cultural variations inherent to the African continent, should be further developed in order to curtail land speculation and ensure an adequate supply of land for meeting the needs of all income groups.
4. Each country should develop a delivery system for provision of housing which is capable of coordinating the services of qualified institutions in the delivery of the technical, social, and economic components of a given project.
5. The construction and building materials industries of the African nations should be further developed within the context of existing African conditions. This approach should include the utilization of local artisans and small indigenous contractors, domestic building materials, and traditional design methods.
6. Given the scarce economic resources of the majority of the African nations, most Africans will have to build their own homes (self-help method) or at least will have to play an active part in the construction process.

Far from being only a technical problem, the provision of housing in Africa is also a problem of social and economic development encompassing legal, educational, financial, employment generation, and community development aspects. Some of the pieces for solution of Africa's shelter problems are already available; others will have to be found. While the African nations will undoubtedly be severely challenged to solve these shelter problems, the sooner they embark on the road to solving their shelter problems, the easier it will be to overcome the present physical, economic, and social deficiencies.

Appendix II

OVERALL ADB AND ADF CURRENT COMMITMENTS AND PIPELINE OF FUTURE PROJECTS AND STUDIES

A. AFRICAN DEVELOPMENT BANK (ADB)

From its inception in 1967 through 1976 the ADB has approved 137 loans amounting to UA 346,958,241. The public utilities and transport sectors have accounted for 34.3 and 31.0 percent of ADB's total lending activity while the industry/finance and agriculture sectors have accounted for 21.6 and 13.1 percent. Total disbursement for the period ending December 31, 1976, totaled UA 139,629,701 (40.2 percent) of ADB commitments.

Of the UA 346,958,241 in total commitments made by ADB, UA 106,632,000 (30.7 percent) appear to have been sited within the region's urban centers. These urban projects (see Table II-1) have included the purchase/installation of electrical generation and telecommunications equipment, the upgrading of airport facilities, and the provision of residential support facilities. The residential support component of ADB's urban projects has generally taken the form of construction/expansion of water supply and sewerage treatment systems. As of December 31, 1976, 35.1 percent of its commitment to projects classified as oriented toward the region's urban centers had been disbursed.

B. AFRICAN DEVELOPMENT FUND (ADF)

Since its creation in 1972 through 1976 the ADF committed UA 197,630,000 in loans to 58 projects. In addition to the traditional ADB sectors of agriculture, transport, and public utilities which accounted for percentage shares of total ADF commitments of 33.6, 21.4, and 27.3 respectively, two new sectors (health and education) which entered the lending program in 1975 had shares of 11.0 and 6.7 percent. Total disbursements for the period ending December 31, 1976, equaled UA 13,072,411 (6.6 percent) of all loans committed. In 1976 the ADF committed UA 71.95 million on 18 projects.

As of December 31, 1976, the urban project component of ADF's total commitment amounted to UA 83,750,000. This commitment to the urban centers of the region appears to represent 42.4 percent of ADF's total loans. The majority of ADF's loans to urban projects were residential support oriented (see Table II-2). The urban projects included construction/expansion of water supply and sewerage treatment facilities, provision of drainage networks, construction of education and health facilities, and a communicable disease immunization program. As of December 31, 1976, total disbursements of ADF's lending activity in projects earmarked for the region's urban centers amounted to only 1.7 percent of total commitments.

C. ADB PIPELINE OF PROJECTS AND STUDIES

The ADB pipeline contains a total of 60 projects and studies involving an expected commitment of UA 276.8 million. The transport and public utilities sectors represent 38.0 and 33.0 percent of this amount while commitments to the sectors of agriculture and industry account for 15 and 14 percent. The urban project component (see Table II-3) of ADB's projected commitments continues to be heavily weighted on the side of airport construction and modernization, telecommunications and electrical power generation equipment, and provision of residentially supportive water supply and sewerage treatment systems.

D. ADF PIPELINE OF PROJECTS AND STUDIES

There are a total of 87 projects and studies in the ADF pipeline for financing during the 1977-1979 period for an estimated commitment of UA 409.3 million. Agriculture and transport will claim 48 and 34 percent of this total. The balance of earmarked loans is divided between public utilities (9.0 percent), health (8.0 percent), and education (1.0 percent).

The urban project component of ADF's pipeline commitments (see Table II-4) continues to place heavy emphasis on residential support oriented projects. As in past fiscal periods, ADF's future lending activities will finance building, equipping, and staffing of health centers and hospitals and the extension/construction of urban water supply and sewerage treatment facilities. In addition, the ADF will be involved in upgrading the street systems of Bujumbura, Burundi, and it is presently considering the possibilities of constructing low-cost housing in Sierra Leone.

TABLE II-1

African Development Bank
Urban Project Loans 1967 Through 1976

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
ALGERIA	Supply electricity through connection of Algerian-Moroccan network.		5,000,000	-
BENIN	Purchase/installation of equipment for power distribution networks for Cotonov, Porto Novo, Ouidah, Abomey-Cagui.		1,600,000	16,734
			1,900,000	-
	Construction of bridge and dam in Cotonov.		4,000,000	943,511
BOTSWANA	Extension and modernization of urban telecommunications network.		2,200,000	244,652
BURUNDI	Construction of first class hotel in Bujumbura (capital).		4,000,000	2,178,482
CAMEROON	Construction of new air passenger terminal at Poala (largest city). Upgrade port facilities at Douala.		3,000,000	3,000,000
			1,110,000	561,859
			650,000	-
		5,000,000	-	
C.A.R.	Equipment to expand Bangui (capital) power station capacity.		1,000,000	640,224

TABLE II-1, page 2

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
CONGO		Brazzaville water supply.	1,210,000	1,163,861
	Telecommunications link connecting Brazzaville with N'Djamena (Chad) via Bangui (C.A.R.).		2,500,000	-
EGYPT	Installation of power plant - Port Said; installation of gas turbines - Ismalia and Marsa Matroum.		5,000,000	5,000,000
	Construction of transformer stations for Kantara, Fayed, Port Said, and Port Fouad.		5,000,000	-
GABON		Port Gentil - Water intake, pumping station, treatment plant.	5,000,000	-
GAMBIA		Extension and modernization of electric generation and distribution - Banjul (capital).	2,000,000	-
GHANA		Water treatment plant, pipe laying, reservoir, transmission and distribution systems - Accra.	4,000,000	84,196
GUINEA		Water treatment plant, storage tanks, transmission mains, study of long-term water plan - Conakry (capital).	2,700,000 502,000	2,474,307

TABLE II-1, page 3

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
IVORY COAST	Construction of fertilizer plant in Abidjan.		360,000	357,446
		Water treatment plants, pumping stations, drilling and engineering works - urban centers of Gagnoa, Daloa, Adzope, Toumedi and Bondoukou.	5,000,000	2,749,405
LIBERIA	Purchase/installation of gas turbine - Monrovia.		1,350,000	1,343,526
		Improvement/enlargement of water supply system - Monrovia.	950,000	710,303
MALAWI	Engineering studies for proposed airport - Li- longwe (capital designate).		500,000	500,000
MAURITIUS		Construction of reservoir, treatment plant and trans- mission mains - Port Louis (capital).	4,000,000	173,402
	Widening of Port Louis entrance road to a 4-lane highway.		2,700,000	-

TABLE II-1, page 4

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
NIGERIA	Construction of runway, taxiways, terminal buildings, access roads for Enuau airport.		3,400,000	2,040,562
	Construction of runway, taxiways, parking apron, terminal building, and access roads for Calabar airport.		4,750,000	1,012,733
SENEGAL	Installation of 2 diesel electric generators and improvements to the LL KV network - St. Louis.		2,900,000	-
SIERRA LEONE		Water expansion program - Freetown.	1,500,000	1,321,810
SUDAN	Construction of 3 livestock export quarantine stations at North Khartoum, Port Sudan, and Wadi Halfa.		800,000	660,898
	Extension of 3 existing power plants and the construction of 2 new ones - 5 urban centers.		4,000,000	2,268,929
SWAZILAND	Extension/modernization of urban telecommunications network - Mbabane (capital).		1,500,000	1,500,000
			700,000	176,643

TABLE II-1, page 5

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
TOGO	Extension of power station capacity, installation of transmission lines, substations at Lome and Tsevie, improvement of network in Lome.		2,800,000	728,983
TUNISIA	Construction of gas turbine power plant at Ghannough.		3,750,000	2,500,906
UGANDA		Engineering studies for urban water supply and sewerage schemes.	300,000	236,598
		Engineering services, procurement/construction of 18 water supply schemes and 5 sewerage schemes in 20 urban centers.	3,000,000	2,836,384
ZAIRE		Construction of dam, pumping station, treatment plant, transmission mains, and distribution.		
TOTALS			106,632,000	37,426,354 ^{1/}

NOTE: ^{1/} 35.10 percent of all committed loans have been disbursed.

SOURCE: African Development Bank, Report on Loan Administration and Project Execution as of December 31, 1976 (Abidjan, 1977).

TABLE II-2

African Development Fund
Urban Project Loans 1974 Through 1976

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
BOTSWANA	Expansion of national health institute in Gaborone, expansion of nurses programs in 4 other urban centers.		4,500,000	-
BURUNDI		Purchase/installation of pipes, accessories and valves for Bujumbura water system.	2,000,000	48,978
		Construction of main sewers, pumping station, sewer treatment plant, public toilets, administrative building and equipment for Bujumbura sewerage and drainage system.	4,500,000	-
C.A.R.		Provision of detailed designs, construction of drainage system, maintenance of refuse collection vehicles, management consultancy services for Bangui (capital).	5,000,000	102,148
CHAD		Rainwater drainage system for N'Djamena (capital).	5,000,000	-
		Construction of educational facilities, office furniture and teaching materials for N'Djamena.	4,290,000	-

TABLE II-2, page 2

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
ETHIOPIA		Sewerage collectors, sewerage pumping station, and sewerage treatment plant for Addis Ababa.	5,000,000	1,246,384
GUINEA BISSAU		Educational material, construction of training institute and other educational facilities in Bissau.	4,000,000	-
LESOTHO		Immunization program against communicable diseases, addition to hospital, construction of new nurse teaching facilities in Maseru.	2,500,000	-
MALAWI		Improvement/expansion of water supply for 30 district centers.	5,000,000	-
MAURITANIA		Extension of water distribution and sewerage systems in Nouakchott (capital).	3,600,000	-
		Extension of existing national nursing and midwifery school at Nouakchott.	1,300,000	-
NIGER	Construction and provision of equipment for health science school		4,000,000	-

TABLE II-2, page 3

Country	Project Sited in an Urban Center	Residential Support Oriented	Loan Amount (UA)	Disbursement (UA)
RWANDA		Construction of water supply system for Kigali.	5,100,000	-
		Construction/expansion of water supply system for Butare.	2,560,000	-
SENEGAL		Construction of open culverts of existing sewerage purification plants in Cape Verde.	5,000,000	-
SOMALIA		Construction and purchase of equipment for 150-bed hospital and 5 health centers in Dujuma area.	5,000,000	-
SUDAN		Augmentation of water supply system for Port Sudan.	5,000,000	-
TANZANIA		Construction of water transmission and distribution mains, pumping stations, reservoirs for Shinyanga and Lindi.	5,000,000	-
UPPER VOLTA		Development of health services in the Koupela development region.	4,500,000	-
TOTALS			83,750,000	1,397,510 <u>1/</u>

NOTE: 1/ 1.67 percent of all loans committed have been disbursed.

SOURCE: African Development Fund, Report on Loan Administration and Project Execution as of December 31, 1976 (Abidjan, 1977).

TABLE II-3

African Development Bank
Pipeline of Projects and Studies
As of December 31, 1976

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
BOTSWANA	Design and construction of a new airport for Gaborone.		To be determined	-
CAMEROON	Douala Airport access roads.		To be determined	-
	Road and railway services in the Douala port area.		5,000,000	-
C.A.R.	Telecommunications link between Bossembele and Gore and extension of Bangui telephone network.		5,000,000	-
GABON		Libreville sewerage system.	5,000,000	-
		Extension of electrical distribution network in some residential areas of Libreville.	To be determined	-
GUINEA	Construction of a factory at Kouroussa for the manufacturer of bags from kenaf fibers.		4,000,000	-

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TABLE II-3, page 2

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
GUINEA BISSAU	Extension/modernization of Bissau power station.		To be deter- mined	-
	Bissau sewerage and water supply (study).		400,000	-
IVORY COAST		Laying of water pipe in Abidjan.	5,000,000	-
	Construction of small dams to supply water to the town of Bowake.		5,000,000	-
KENYA	Expansion of runway and other facilities to cater to medium haul aircraft at Malindi airport.		To be deter- mined	-
LESOTHO		Extension of water supply system in Maseru city to meet anticipated 1990 demand.	3,500,000	-
LIBERIA		Monrovia water supply	To be deter- mined	-
MALAWI	Construction in phases of a new international airport for Lilonawe.		5,000,000	-
MALI		Water supply systems for 5 urban centers.	2,500,000	-

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TABLE II-3, page 3

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
MAURITIUS		Extension of treatment works and pumping station. Construction of trunk sewers and reticulation network for Port Louis sewerage system.	5,000,000	-
MOROCCO	Installation of gas turbines at Tetouan.		5,000,000	-
SOMALIA	Construction of new runway and related facilities for Hargeisa Airport.		To be determined	-
SWAZILAND	Engineering study for new airport near Matsapa (study).		600,000	-
ZAIRE	Purchase/installation of 5 telephone exchanges in Kinshasa and 4 other towns.		5,000,000	-
		Extension of treatment plant and distribution network for Kinshasa water supply system.	5,000,000	-
ZAMBIA	Lusaka and Kitwe water leakage (study).		384,615	-

SOURCE: African Development Bank, Pipeline of Projects and Studies as of December 31, 1976 (Abidjan, 1977).

TABLE II-4

African Development Fund
Pipeline of Projects and Studies
As of December 31, 1976

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
BOTSWANA		The building and equipment of a new hospital at Francistown.	3,500,000	-
BURUNDI		Paving of the streets in Bujumbura and its suburbs.	To be determined	-
C.A.R.		Provision of training facilities for health personnel.	2,000,000	-
CAPE VERDE		Extension of the water supply distribution network, the construction of drainage structures and the treatment of waste water.	5,000,000	-
	Replace generators of the Praia power station in order to meet the needs of the emerging industrial sector, public lighting and the Sal international airport.		To be determined	-
CHAD	Microwave radio relay links between N'Djamena and Gore.		5,000,000	-
ETHIOPIA		An extension of a previous ADF loan for providing modern sewerage facilities to more areas of Addis Ababa.	5,000,000	-

TABLE II-4, page 2

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
ETHIOPIA		Development of health infrastructure with the construction of a 50-bed health center, 10-bed clinic and 8 outpatient clinics in Awash Valley.	3,000,000	-
GAMBIA		Construction of a new sewerage system in Banjul and its suburbs and the rehabilitation of existing drainage network in same city.	3,000,000	-
GUINEA		Conakey sewerage master plan (study).	To be determined	-
MALAWI		Extension of treatment works and distribution network of water supply system of Blantyre.	3,000,000	-
MALI		Development of health centers in the urban centers of Bamako, Kayes, Sikasso.	3,000,000	-
MOZAMBIQUE	Proposed dam project will serve as water supply for Maputo and for irrigation.		5,000,000	-
		Water supply network for Maputo.	5,000,000	-

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TABLE II-4, page 3

Country	Urban Projects		Loan Amount (UA)	Disbursement (UA)
	Project Sited in an Urban Center	Residential Support Oriented		
RWANDA		Extension & equipping of Butare University Hospital and establishment of a pharmaceutical plant.	To be determined	-
SAO TOME	Feasibility study for extension of international airport.		To be determined	-
SIERRA LEONE		Construction of low-cost housing.	4,500,000	-
		Freetown sewerage and drainage system master plan (study).	404,166	-
SOMALIA		Mogadishu sewerage and storm water drainage project.	5,000,000	-
TOGO	Completing the construction of the teaching hospital and of training health staff at all levels.		To be determined	-

SOURCE: African Development Fund, Pipeline of Projects and Studies as of December 31, 1976 (Abidjan, 1977).

Appendix III

FIELD MEMORANDUM

The attached memorandum was prepared in the field during the mission and was submitted to President Kwame D. Fordwor after discussions with Vice President Gondwe. The conclusions and recommendations presented have formed the basis for the full report, with slight modifications of emphasis.

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To: Mr. Kwame D. Fordwor
President
African Development Bank

From: Alfred P. Van Huyck
Consultant
Office of Housing
Agency for International
Development

March 11, 1977

Subject: Preliminary Conclusions and
Recommendations Regarding
Possible Housing Sector
Activities to be Sponsored
by the African Development
Bank

I am pleased to submit this memorandum which sets forth my preliminary conclusions and recommendations based on my mission to the African Development Bank March 1-12, 1977. My full report will be forwarded via AID around April 10, 1977.

This memorandum has not been reviewed or cleared with AID; therefore, the views expressed are entirely my own.

I have very much appreciated the excellent cooperation extended to me during my mission. The staff of ADB has given generously of its time for interviews and discussions. I particularly wish to thank Mr. Shango for his support throughout the work and for his insights regarding the housing issues of concern to ADB.

In undertaking this assignment I have been aware that the nature of the work has taken me away from the technical aspects of housing and housing policy formulation into the field of basic management and decision making. The latter is not my field of expertise, and

therefore my conclusions in this area should be viewed with caution. Nonetheless, it is necessary to first determine the broader management issues regarding ADB policy with regard to housing before appropriate strategy can be formulated. I hope that my excursion into these areas will as a minimum be useful in formulating the questions to be addressed, if not the answers.

Summary of the Consultant's Conclusions

There is no doubt that in principle housing is a legitimate sector for ADB lending activities as it can be responsive not only to traditional banking objectives but also to the development objectives of the African member countries.

There are, however, several major management issues which must be addressed before the ADB should become committed to any particular approach to participation in the housing sector. These decisions cover:

1. The content of the program to be offered.
2. The organizational requirements for delivering the program.
3. The resources required to support the program on a meaningful scale.

The final decisions by ADB management regarding these issues will need additional research and thought. It is therefore recommended that the Bank undertake a feasibility study on the potential for participation in the housing sector.

It is recommended that no action be taken on the Commonwealth Development Corporation proposal for an African Housing Fund until after the feasibility study is complete.

Finally, I would state my personal conclusions regarding ADB participation in housing as follows:

1. The housing sector is a logical area of ADB participation in African development.

2. The ADB should move cautiously to explore the potentials because there are many serious constraints to be overcome.
3. The initial housing sector activities to be supported should be selected on the basis, primarily, of sound banking principles.
4. The ADB should initiate housing activities within the existing bank structure on a very modest scale, and later consider formulation of a wholly owned or nearly wholly owned subsidiary Housing Finance Corporation.
5. I doubt that a large African Housing Fund independent of ADB is a viable undertaking at a scale sufficient to justify its existence (but this should be proven one way or the other by the feasibility study).

The Basic Decision Required by ADB

The central decision for ADB is whether or not the Bank should initiate any housing sector activities. It is suggested that criteria used in making this decision primarily focus on what potential housing activities will contribute to ADB rather than on what the ADB can contribute to solving housing problems in the member countries. (This involves a recognition that prerequisite to achieving ADB's objectives is the necessity of providing loans and services which potential borrowers will desire.)

The Evaluation Criteria

A very crude, judgmental analysis was made during the course of the work which related a series of evaluation criteria to all of the traditional forms of housing sector support. (A full explanation of the process and the results will be given in the final report.) The evaluation criteria used were as follows:

1. Banking Criteria -- potential for resource mobilization; potential for rapid project preparation and disbursements; level of financial risk; and demand on administration and management capacity.

2. African Development Criteria -- contribution to overall African development strategy and real needs; and contribution to development of indigenous African technical capacity.
3. Potential Demand Criteria -- identified borrowers and likely demand; and competitive multi-lateral or bilateral support available.

Each of the criteria was applied on a scale of one to 10 with the higher numbers indicating a more favorable situation. The results are summarized in Chart 2 (pages 28 and 29). The full report contains a full description of the housing activities and an explanation of the chart beginning on page 27 of the full report to which this is attached.

Selected ADB Housing Policy Options

The most striking conclusion from this very general analysis is that those potential housing activities which are of high priority in achieving banking objectives tend to be inversely correlated with those having highest priority for achieving African development objectives.

The reasons for these results are simply that the most urgent needs for housing in Africa focus on the urban and rural poor; the creation for indigenous industry and capacity; and the improvement of institutional and management skills. Yet these are the most difficult problem areas which require long-term investment and support, considerable innovation and risk taking, and most importantly deal with sectors of the population and the economy in the worst position to repay loans. In short, the least likely project areas in terms of sound, traditional banking principles.

This requires a clear ADB management decision. Should ADB support housing activity which best fits with its banking objectives or with its African development objectives? It is suggested here that it is more prudent to first concentrate on those housing activities which contribute to achieving ADB banking objectives.

The column on the far right of the chart indicates the recommended conclusion from the analysis as to whether the particular type of housing activity is "not appropriate" or potentially appropriate for "immediate action"

or "long-term action." The following generalized conclusions for ADB can be stated:

1. ADB will need to ensure that there is capacity created for facilitating support.
2. ADB supported lending activities should be initially focused on established member country housing finance institutions in the public sector with replenishment loans and possibly, after further study, secondary mortgage market activity. Later, consideration should be given to providing seed money to new housing finance institutions.
3. ADB lending activities can also consider immediate support for essentially lower middle income housing projects sponsored by public sector national housing corporations (through providing finance for land purchase, construction, or to a limited extent long-term mortgage money).
4. ADB can also consider joint venture with other international housing finance institutions for sites and services projects and settlement upgrading projects as a means of gaining experience, but initial participation should be limited.
5. ADB should investigate the potential for lending activities in the building materials sector particularly for indigenous African capacity expansion and seed money for import substitution industry. This should be done, however, as part of the industrial sector of ADB and not the potential housing sector.

In pursuing the above lending areas ADB should be working under a firm set of policy guidelines. The following are tentatively suggested:

1. Initial ADB housing activities should be limited to member countries with a substantial demand for middle-income housing, a tradition of public sector participation in housing, and established, viable public sector housing finance and/or construction institutions.

2. The mix of lending activities should include substantial allocations of available resources for relatively short-term loans (for land purchase, construction finance, and replenishment) with (say) 10-year maximum maturities rather than providing solely long-term mortgage finance of (say) 20 years or more.
3. Initial loans should be limited to a maximum unit cost ceiling and be given at full market interest rates and only for projects which are not subsidized (as people should be able to pay the full costs if the standards used are appropriate).
4. The ADB loans should seek to achieve as related conditions specific objectives such as encouraging preparation of national housing policies, improving the borrowers management and technical capacity, encouraging domestic resource mobilization, reduction of subsidies in non-ADB financed projects, improved cost recovery from purchase, etc.
5. The ADB should seek opportunities in all loans to ensure participation of African professional talent, and African contractors and suppliers in the work.

Organization Alternatives for Housing Activities

Assuming feasibility is established for the specific content of the housing activities to be supported, there remains the organizational question of how to achieve the best possible delivery system for the funds to the borrowers.

Once again ADB is faced with a critical management decision. Should housing sector activities be established within the structure of ADB itself or is an outside institution to be created? There are pros and cons to both options.

Initiating a Housing Sector Within ADB

The positive arguments for initiating a housing sector within ADB are that there is nothing unique about the housing

sector as opposed to traditional ADB lending sectors. It would be easier to start since ADB has an established management capacity and procedures and since only a limited amount of additional housing expertise need be added. Allocation decisions could be made according to overall ADB policy, as capital mobilization outside the Bank might prove to be competitive with Bank needs.

The negative arguments are that ADB resources are already limited. Housing must generate new resources, and the ADB management structure is already loaded with an expanding workload in its traditional lending areas.

Establishing an African Housing Finance Corporation

The positive arguments for establishing an African Housing Finance Corporation are that it would be able to focus exclusively on housing; raise capital independently (both equity and loan capital); have developed country participation as well as African housing agency participation on the Board of Directors; have broader flexibility to set its own policy and procedures; seek special grants and technical assistance. In short it would have greater growth potential.

The arguments against a new housing institution are primarily those associated with undertaking any new institution. It would require complete staff build up, entirely new procedures for operation and management, and it would have initial difficulty in proving its creditworthiness to international lenders.

It should be noted here that the Commonwealth Development Corporation proposal for an African Housing Fund now under review by ADB is essentially this approach. Therefore it has the same advantages and disadvantages. It is strongly recommended that no action be taken by ADB on the CDC proposal until after a full feasibility study of the housing sector potential has been completed as discussed under "next steps."

Possible Combined Approach

Consideration might be given to a combination approach whereby housing sector activities are initially located within the ADB itself but later spin-off into a separate institution.

Such an approach would allow a more gradual, less risky, start up while not precluding the potential advantages of a separate housing finance agency.

A question might well be raised as to what level of participation ADB should seek if a separate housing finance institution were to be established. The present thinking of ADB seems to be that a mere five percent of the equity and a seat on the Board of Directors is desired. This minimal involvement does not seem worthwhile given the ADB management time required, nor does it yield any substantial improvement to the Bank's balance sheet and profit and loss statement. In fact, if the new housing finance agency fails, it could even have a negative backlash on ADB because of its sponsorship. Therefore, having a wholly owned organization seems worth considering. Or, if it is felt desirable to have developed country donors or other African housing agency representation in the equity and on the Board, a minimal participation could be granted that would still allow consolidation of the housing finance agency financial statements with the ADB.

Capital Resource Mobilization

The next major area for management decision is concerned with capital resource mobilization -- how much, from where, and on what terms? These issues cannot be dealt with until a full feasibility study is accomplished, but the essential issues can be listed as follows:

1. If the ADB elects to initiate housing activities within the regular structure of the Bank, there is no special issue with capital resource mobilization other than the basic need for the Bank to increase its overall resource availability. It is recognized, however, that given the already high demand from all sectors for the available resources and requirements of housing for relatively large allocations for projects, that this approach will be difficult. Nonetheless, it is a viable way to start a modest program and to gain experience.

2. If the ADB elects to form a wholly owned, or nearly wholly owned subsidiary Housing Finance Corporation, it will need its own resources. The level of resource required, however, can be approached flexibly since the overhead of the HFC will be low because it will be physically a part of the ADB structure. The resources mobilized will be those which would not otherwise be available to the ADB, and therefore

the scale of activity can be balanced efficiently against whatever level of resources are mobilized beyond a certain minimum level (which I would guess to be somewhere around UA 50,000,000).

3. If the ADB elects to form a large Housing Corporation independent from ADB, then the resource mobilization issue becomes of major significance because it must be large enough to justify its independent existence and meet its essential overheads. The key questions for the feasibility study to determine are as follows:

a. What is the minimum resource pool required initially for a viable start up of the activity?

There is little point in initiating housing sector activities unless some minimum critical level of resources can be mobilized at the outset. To operate on even a modest effective scale suggests a minimum initial commitment in loans or equity of UA 25 million.

b. What is the potential for rapidly expanding the resource pool through annual replenishment?

A ten-year target of financing 100,000 units at an average of UA 3,500 per unit would require capital investment of UA 350 million. Unless a clear potential exists of UA 30 million, it would be highly risky to initiate a major housing sector effort.

c. At what terms and conditions can capital be mobilized?

It is essential that capital for housing be mobilized on a long-term basis as it must be lent over the long term. To borrow short and lend long is a formula for financial disaster. Secondly, can capital be mobilized at interest rates which will allow for a sufficient margin in replenishing funds to cover costs of the sponsoring institution and allow for sufficient reserves? It is likely that a two percent spread will be required with perhaps a three percent spread in the early years.

It should be clearly accepted that any ADB housing support must be on a firm, commercial basis with no reliance on soft loans or grants. Such funds will never be sufficient

to sustain a housing lending program and should only be considered supplemental when and if they materialize.

Next Steps for ADB

The final report will present more fully than has been possible here the essential arguments why ADB should explore potentials for becoming involved in housing sector activities. There has not been time to build this case here. In other words, I do not wish this interim report to be unduly negative. There is a good case for ADB involvement in African housing, but there are many significant constraints to be overcome and the feasibility for ADB involvement is far from being conclusively established.

It is recommended, therefore, that the next logical step is for ADB to authorize a full feasibility study of the issue. This will require the assignment of at least two full-time staff members to the work for a period of four months. In addition, technical assistance should be sought for a four man month level of effort involving a housing finance specialist (two months), an architect (one month) and a housing finance organization specialist during the study. A budget will be required which will permit travel to selected member countries as well as to Europe and North America.

After review and consideration of the AID/ADB Housing Report, a decision on the feasibility study should be taken and technical assistance mobilized to start around September 1977 with the final report due in March 1978.

It should be anticipated that if the feasibility study is positive and the decision to move ahead with an appropriate housing sector program is taken, that a realistic starting date for full-scale activities will be early 1980.