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**Shelter Strategy Options
for USAID in Botswana**

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USAID Office of Housing Shelter Strategy Options
for Botswana

I. Introduction

This paper attempts to identify options for USAID Office of Housing support of shelter sector development in Botswana over the short run (next 1-3 years) and longer term (the remaining years of Botswana's Fifth National Development Plan, 1983-85).

Options for the Office of Housing are viewed in context of the USAID CDSS and the current Mission program. These documents spell out objectives for shelter itself and its possible role in furthering other goals such as increased employment and geographical decentralization of economic development.

The principal tool for implementing Office of Housing strategy is its Housing Guaranty (HG) program. Loans, grants, technical assistance and training are additional elements that can be included in a program supporting the HG and linking it with overall Mission and country objectives.

II. Shelter Needs

A. Urban and Rural Population Growth

A Presidential Commission on Housing Policy, formed in 1980 to address the need for a coherent shelter policy framework, reported its findings in May 1981 in a far-reaching report. They projected population growth in the 1981-90 period amounting to 350,000 (an average annual rate for the country as a whole of 3.6 per cent). Urban areas are expected to expand at a rate of 8.8 per cent per year; the group of six largest or "major" villages, at 5.7 per cent and the rest of rural Botswana, at a rate of 1.4 per cent.

By 1990 around one-fourth of the country's 1.2 million population will thus be living in towns, 18 per cent in the major villages and 55-60 per cent in other rural settlements.

B. New Household Formation

This pattern of population growth implies that 55 per cent of all new household formation will be in urban areas; almost 25 per cent in the major villages and only 20 per cent, elsewhere. The figures translate into national needs of shelter for 64,500 new households (exclusive of any needs to replace or upgrade dwelling units which house families already present.)

Geographically the estimated ten-year need for new housing is distributed as follows: 35,800 units in the towns; 15,200 in the six major villages; and 13,500 in the smaller villages and the rural hinterland.

C. Income Distribution and Affordable Shelter

Median income for the urban household is something on the order of P 1,260 per year. Rural income is difficult to compare because families receive significant parts of it in non-cash form.

Based on types of shelter solutions available in Botswana today and observation of the proportions and status of households that can afford them, the Presidential Commission proposed the following program:¹ high cost units (3.5 per cent of the total), averaging P 45,000; medium cost units (8.8 per cent of the program), around P 18,000; low cost units (20.1 per cent), at an average cost of P. 7,500; and self-help sites and services plots (67.2 per cent), requiring an average invest of P 2,000.²

D. Investment Requirements

The Presidential Commission estimates that an investment of P 334 million is required to meet the nation's 1981-90 shelter needs at the standards suggested by the unit costs outlined above.³ This level of investment could almost be achieved within the 3.7 per cent of GDP that currently goes into the shelter sector.

The Commission's projection assumes GDP growth will average 6 per cent per annum over the decade and that shelter subsidies (which, according to their report, run 1.1 per cent of the GDP) are reduced to a maximum of 0.6 per cent of the gross domestic produce by 1990.

Given these assumptions, the Commission calls for a nine-year production target of 59,000 dwelling units (new formal sector and

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1. Figures are based on 1980 prices for urban shelter produced by the formal sector. They include the cost of land and secondary/tertiary infrastructure but not primary infrastructure such as trunk line water and sewer facilities or primary roads. The projected numbers of new units correspond with the land areas and densities provided for the respective types on physical plans which have been prepared for the four primary towns (Gaborone, Francistown, Lobatse and Selebi-Phikwe).
 2. One pula was equal to U.S. \$1.25 in mid-1981.
 3. The estimate is based on indices of P 1.23 million per 1,000 population in urban areas, P 800,000 per 1,000 in the major villages, and P 500,000 per 1,000 in other rural areas.

self-help) at an investment level of P 303.7 million. This would mean a production rate of 6,600 units per year through 1990.

III. Domestic Resources and Donor Commitments

A. Domestic Resources

Botswana differs from most developing countries in that it has substantial domestic resources which can be applied to shelter as well as to enterprise generation and other forms of economic development investment.

Surplus liquidity in Botswana's banking system is large -- probably on the order of P 100 million.⁴ Central Government has a very small domestic debt.⁵ The country's foreign exchange position shows a comfortable cushion of reserves.⁶ Debt service on the portfolio of outstanding foreign loans runs but 2 per cent of exports.

Indeed, by the estimates of the Commission on Housing Policy 91 per cent of the nation's shelter needs could be met without increasing the share of gross domestic product going to the shelter sector.

Presumably, the remaining 9-10 per cent of the program could be achieved through donor assistance or economic growth in excess of the fairly conservative 6 per cent annual rate projected.

B. Donor Commitments in the Shelter Sector

GOB's normal practice is to explore the interests of each aid donor, bilateral and multilateral, in supporting items on the Government's schedule of development projects. Those projects not taken up for partial financing by donors are funded with domestic resources to the extent the Government's implementation capacity

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4. Most of it is in short-term deposits, a considerable portion of the surplus lying in the Government's own accounts.
 5. About P 12 million in 90-day notes outstanding.
 6. The current fiscal year is the last for which the Ministry of Finance and Development Planning foresees a trade deficit. Owing to major returns on mining investments expected to begin in 1982-83, continued high copper-nickel exports and high earnings on beef exports in European markets, the balance of external reserves is projected to rise from a level of P 301-339 million in 1979/80 to P 399-898 in 1984/85. This would be enough, they estimate, to cover 8-16 months' import requirements.
 7. These loans range in interest rates from 0.75 percent (OPEC) to 8.5 per cent (IBRD).

permits.

Projects in the shelter and related sectors under the National Development Plan are, for the most part, listed under the purview of the Ministry of Local Government and Lands (MLGL). The total estimated cost of Ministry projects for the current six-year Plan period is P 200 million. Of this, P 127.8 million (64 per cent) represents projects of the highest priority, i.e. either ongoing as of 1979/80 or programmed to begin by 1982.

For the current budget year there are P 12.6 million worth of shelter and related expenditures on the MLGL list⁸. At the opening of the budget year 30 per cent of these projects had funding commitments from domestic resources. Another 44 per cent were pegged for financing through external sources. No source of funding was identified for the remaining 26 per cent of the program.

MLGL's list of project expenditures contains a number of community services and facilities projects totalling P 13.7 million. Commitments of domestic funds for 1981/82 cover 17 per cent of these; external sources, 22 per cent.

The most active donors in the shelter sector have been the IBRD, Canada, Great Britain and the United States.

Two IBRD loans, the first for \$4 million, and the second for \$8 million, have been financing the physical development projects (upgrading and sites and services) in Francistown and Selebi-Phikwe. Terms on Urban II, signed September 1978, are 7 1/2 per cent interest and 20-year repayment period. In addition, IBRD has financed the recent design study for a new farm-to-market road to link the productive Tuli Block agricultural area along the Limpopo River with the market center and railhead in the village of Mahalapye.⁹ Urban II has focused on creating implementation

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3. These include Selebi-Phikwe Physical Development, Francistown Phase III, Lobatse, Gaborone West, Naledi Upgrading, Implementation of Broadhurst II, Tsholofelo (Broadhurst III), Jwaneng Physical Development, District Housing, Local Authority Development Grants, Implementation of Integrated Land Use Plans (for the Major Villages), Village Projects, Major Village Infrastructure, BHC Finance, the Environmental Sanitation Project and the Low-Cost Water and Sanitation Project.
 4. Mahalapye is the village selected by the MLGL as site of a pilot project to build up infrastructure in a major village with the intent of achieving a level of service sufficient to enable the village to compete with urban areas for job-generating economic development investment and migrants.

Although it is prepared to consider further lending in the shelter sector, the World Bank is awaiting GOB action on the Report of the Presidential Commission on Housing Policy before it makes any new commitments. A new loan, which is quite likely, would probably be at standard IBRD terms -- currently 9.6 per cent interest, 20-year repayment period with 4 to 5 years' grace.¹⁰ Such a loan would probably include funding for a major in-country training component for clerical and para-professional personnel. In addition, the Bank continues to arrange seminars for mid- and upper-level public officials from groups of countries that share common problems, where they can share their experiences. These would, presumably, have relevance and be open to participation by appropriate Batswana shelter officials.

The Commonwealth Development Corporation has made two loans to the Botswana Housing Corporation for construction finance in 1976 and 1978, respectively. The first, for £1 million at 8 per cent is to be repaid by 1995; the second, P 2 million at 8 1/2 per cent is to be repaid 1978-97.

CIDA, the Canadian International Development Agency, has been supporting the Old Naledi Upgrading project and has contributed \$650,000 for infrastructure development in Broadhurst, both Gaborone activities. The work for which this money was allocated has been completed under budget, and the GOB has now requested that the remaining funds be used to build a new school and community center at Broadhurst. No new commitments for shelter sector lending will be considered by CIDA until it has reviewed the evaluation of Naledi which it has commissioned. That will be some time early in 1982.

The United Kingdom has focussed its attention primarily on Lobatse in recent years. It provided a grant of P 1.5 million to finance infrastructure (roads, water, electricity, schools et al) for the Woodhall I Low-Cost, Self-Help Housing project. Some of these funds were also used for building materials loans. A small amount from this loan was made available to finance infrastructure at Broadhurst as well (\$165,000). UK's representative in Gaborone indicated that undertaking any new activities in the shelter sector would be an unlikely prospect for his government.

The European Economic Community's Economic Development Fund (EDF) made a grant of over \$ 2 million to finance the water system for Broadhurst. Interests of EDF appear to lie in the rural sector currently (e.g. major village infrastructure and an industrial buildings leasing program). There has been no indication of new support for urban shelter projects.

10. The interest rate could rise as high as 10.25 per cent by the end of 1981 or early 1982.

buildings leasing program). There has been no indication of new support for urban shelter projects.

USAID, of course, has a continuing interest in the shelter sector. Activities spanning five years of involvement here include support of the Broadhurst sites and services project through a \$ 2.4 million Housing Guaranty loan (now drawn down) and an operational program grant for technical assistance to two of the SHHAs and the Ministry of Local Government and Lands.

A new element in the picture for AID is extension of shelter programs to the major villages. The rationale is that, by providing basic infrastructure in these villages, shelter programs can contribute to their roles as "poles of development". In addition, shelter projects can themselves generate income-producing opportunities for village residents. These jobs, in turn, are the key to a fulfillment of GOB's desire to divert rural migration to locations other than the towns.

Apart from Swedish bilateral agency (SIDA) grants for District Administration and rural civil servants' housing, there have not been other donor activities in the rural shelter field.

There have, however, been several agencies quite actively involved in supporting rural infrastructure, community facilities, capacity-building in local administration, training and enterprise-development/job-creation projects -- all of which have some overlap or significant interrelationship with AID's interests and potential components of a shelter strategy.

SIDA's attention spans a broad range of rural development activities. They have been the chief support of the Batswana Enterprise Development Unit (BEDU), the Pilane Industrial Park (in the village of Mochudi on the Gaborone-Francistown Road), village water supply development and maintenance, rural electrification and efforts to build up the capacity of District Councils. They have helped initiate and support production of a Batswana furniture factory through contributions for rural school construction and equipment purchase. SIDA has also supported remote area development projects and integrated land use planning for the major villages.

Within the past few months a SIDA-funded study of the manpower training needs of the Unified Local Government Service and the Tribal Service was completed by Botswana's Institute of Development Management. The study was a comprehensive review of the skills and education required in the 2,800-person cadre under the MLGL plus the Ministry-paid members of tribal administration staff who administer District and local (village) development. It is likely that SIDA will offer to finance training for District and local administration personnel as a follow-on to the manpower study.

The Norwegian Agency for Development (NORAD) also concentrates

on rural areas, in support of health facilities, roads, water supplies and schools. United Nations Development Programme has provided volunteers who, in several cases, have been assigned as staff to land use and development planning activities in the Districts and villages.

The tendency seems to be toward each agency's carving out its own field of activity and geographical sphere of operations. Earlier experience with multiple-donor projects has apparently shown all participants that variations in their respective funding schedules and conflicting criteria for contractors selection, among other problems, add to the complexity of the work and impede implementation.

IV. Scope of the Problem

A. Background

In the fifteen years since Independence, Botswana's national housing efforts have evolved through responses to a series of pressing problems. Each emerging problem added another program and corresponding institutional arrangements for carrying it out.

The Works Ministry had responsibility for government worker housing in the early days. Within a very short time it was clear that the need for housing not only civil servants but also personnel of contractors and other business enterprises -- many of them expatriates -- had outpaced the ability of this agency and what there was of the private sector to produce. In 1970, the parastatal Botswana Housing Corporation was created to develop and manage estates for them.

Squatter upgrading was initiated the following year with a project in Francistown. This program was expanded to provide basic sanitation and secure tenure affordable by lower income migrants who had installed themselves in the peri-urban squattments around each of the four towns.

Sites and services projects had their origin in conjunction with the upgrading program. Undertaken for resettling displaced squatters and absorbing new migrants on open land, they offered secure tenure, basic services, technical assistance in building simple, standard designs, and access to loans for building materials. The intention was to forestall any recurrence of squatter development.

Self-Help Housing Agencies (SHHAs) were created as arms of the respective Town Councils to implement the upgrading and sites and services schemes.

Provisions of shelter for civil servants in remote areas, and for personnel of District Administration and decentralized

institutional or parastatal enterprises are so far the only Governmental housing activities directed toward rural areas.

A Botswana Building Society (BBS) was created in 1977 to finance home mortgages. Its lending activity picked up considerably when, in 1979, Government instituted a partial mortgage guarantee program enabling families to buy a houses with a 10 per cent down payment rather than the 25 per cent required formerly. The institution is restricted by statute, however, to lending in Botswana's towns. By practice, it lends only on land which is held by the mortgagee with clear title or a long term leasehold. This precludes access to BBS loans by plottolders in the SHHA project areas who have a Certificate of Rights (COR) tenure.

Each of these programs has been effective within its own terms of reference. Yet the over all shelter picture is fragmented. Partly because the various efforts have been so limited in scale and partly because they have not been programmed in context of the full spectrum of national housing need, there are many Batswana whose shelter needs are not addressed by any of the existing assistance programs.

B. Shelter Production

All existing government programs combined (including self-help) have resulted in housing starts on the order of 2,300-2,400 annually, a rate achieved, however, only within the past two years. New household formation, was occurring at almost double this rate, i.e. something on the order of 4,500-4,600 households per year, for the entire 1971-81 period.

Toward the end of the decade, the pace of shelter production in the urban areas was just beginning to catch up with the numbers of new households added annually. Upgrading efforts were steadily gaining on the squatter areas where the backlog of unmet need had found accommodation in the preceding years. The large bulk of non-urban shelter need, meanwhile, was being provided for through the informal efforts of individual families.

If the shelter program proposed by the Presidential Commission is to be accomplished, it will require for the remainder of the 1980s that formal sector production be stepped up to a rate almost three times its peak level of the past two years. In urban areas the target could be met with an annual rate of production about 70 per cent over that which has been achieved recently. Activity at such a scale will be an immense challenge, likely to strain the delivery system in every respect. Nevertheless, there are institutions in place, personnel who have had some shelter project experience and a generally receptive climate based on the success of earlier efforts.

As for the rural portion of the program the goals call for

Governmental intervention -- whether through upgrading techniques or self-help sites and services approaches -- in the production of approximately 3,200 dwelling units a year. Here there is not yet any base of prior experience on which to build. Given the significant differences between urban and rural administrative organization, household incomes, perceptions of needs and priorities, land tenure arrangements, financial institutions, even availability of data base, it is quite clear that solutions developed for application in the towns are not going to be readily transposed for use in the rural setting.

Much groundwork will need to be laid and institutional arrangements, established before the rural portion of the program can begin to show tangible results.

Some words of caution are in order concerning the projected shelter program at this point.

Both the shelter needs estimates and the urban-rural distribution of projected population growth on which they are based are optimistic about the Government's strategy to build up the major villages as "growth poles". Should the job-generation activities get off to a slow start or be less effective than anticipated, there is a good likelihood that the stream of rural migrants to the towns will not wane as envisioned by the Housing Commission. In this case, part of the shelter need attributed by the Commission to the major villages would actually occur in urban areas instead.

In the process of refining the shelter program over the coming months and years, GOB will need to review and possibly revise the shelter needs projections, scaling them to realistic assessments of the distribution of employment within the country, and individual villages' progress in expanding income-earning opportunities. Other factors to be incorporated in a refined program are data on existing housing conditions and family incomes, especially in the major villages and, of course, some consideration of implementation feasibility.

C. Investment in Relation to the GDP

Shelter sector investment represents approximately 3.7 per cent of the gross domestic product. Most of this is Governmental investment, an estimated 30 per cent of it going toward subsidies of families living in Government-owned housing.

D. Subsidies

Governmental subsidies take the form of below-market-rate Government loans for construction of the BHC projects and sub-economic rentals to the tenant families. BHC estates do, however, cover the costs of land. They also pay rates which contribute to the towns' debt service on Government loans for primary

infrastructure.

Government provides the land for the SHHA schemes and the Towns carry the debt burden incurred in providing primary infrastructure. Costs of the in-site infrastructure, urban services such as lighting and garbage collection and building materials loans are theoretically recovered through monthly service levies in lieu of rates and instalment payments charged the SHHA plot allottees. Given the 40-50 per cent rate of default in the monthly payments and the laxity of official collection efforts, the SHHA area occupants are, in effect, subsidized quite substantially.

E. Role of the Private Sector

There has been very limited private enterprise activity in developing or financing shelter, save in the informal sector efforts of individual families who build their own homes.

One reason is that private developers have oriented their production toward the higher income market and relatively little land has been made available for this sort of new construction. In the Gaborone West program, for example, which will develop by 1990 as much area as the capital occupies now, only 5 per cent of the residential land is allocated for private development. All is assumed to be high cost units.

Where private enterprise has been allotted a tract of land, however, it has been able to organize the planning, subdivision and installation of in-site utilities (water, sewer, streets, etc.) and build the dwellings within fairly short order.

Direct investment in shelter appears to have appeal for certain business operations. In the case of an insurance company whose excess capital could earn only low interest rates at the commercial banks this has been one of the few available investment channels.

Another indicator of potential underutilized capacity in the private sector is the considerable drop in construction employment -- from 9 per cent of the labor force to 5 -- forecast by 1985 as some of the country's major development projects draw to completion.

The massive shelter program outlined by the Presidential Commission could absorb some of this labor. It could also be an important stimulus to local production and distribution of building materials and even assembly of structural components. In view of the immense share of the program slated for self-help schemes (65 per cent in accordance with the Housing Policy's affordability standards) the Commission is appropriately concerned with organizing the SHHA schemes so as to encourage growth of local materials and supplies enterprises.

F. Finance

1. Commercial Banking

Excess liquidity in the system notwithstanding, commercial banks in Botswana have demurred from residential construction finance and long-term lending for home mortgages (and even new enterprise development). In the absence of short-term lending opportunities with the livestock or other major established industries, the banks have even turned away major deposits rather than pay interest on them. Partly they are concerned that short-term depositors could withdraw funds at any time, catching them in a liquidity squeeze if they held extensive long-term loan portfolios. Partly they are conservative in the tradition of British merchant banks, preferring to leave home mortgage finance to the building societies. There is also concern over political uncertainties with respect to countries neighboring Botswana.

There is no stock or bond market except for small Government bond issues. The National Development Bank which lends to small business enterprises, both urban and rural, does not accept deposits as it is capitalized by Government. Potential large depositors (e.g. the parastatals, commercial ranches, insurance companies, etc.) have turned to the Bank of Botswana for placement of their surplus funds in investments overseas, but the central bank has now terminated its service as depository of last resort.

There is need, therefore, to devise means of tapping the substantial domestic resources that are available. This must be done, however, in a manner which can overcome both the basic conservatism and genuine concern over risk on the part of those who control the money.

2. The Botswana Building Society

The BBS has a portfolio of 752 loans totalling P 8.8 million. Most run 20-25 years and bear interest rates of 10½ - 11 per cent. Between 1979/80 and 1980/81 308 new loans were originated for houses in all four of Botswana's towns. Another 201 loans were made to borrowers for upgrading houses in town or building houses in their villages, the latter based on the borrowers' offering urban property as collateral.

Year-end balances at 31 March 1981 were P 11.6 million, up 3.7 million from last year. Building Society officials assert their funds are ample to meet demands from qualified buyers.

G. Constraints against Growing Demand for Home Ownership

1. Land

BBS mortgagee eligibility requirements include freehold tenure or long term leasehold on the property offered as collateral. Fewer than 200 serviced plots were made available for private ownership residential use in Gaborone between 1979 and 1981; fewer than 20 in all other towns combined. Apart from BHC plots and institutional housing sites the remaining plots were all in SHHA areas. BHC sales of houses to its tenants are executed with 99 year leaseholds and are thus eligible for BBS financing. Between 1979 and 1981 there were only 62 such sales in Gaborone and one each in Lobatse and Selebi-Phikwe.

The Certificate of Rights (COR) tenure offered in the SHHA areas has not yet been accepted as mortgageable. Although the COR guarantees the plotholder right to occupy the home site indefinitely and to pass it on to his heirs, as well as right to compensation for any improvements he puts on the land should Government at some time take the land back for its own use, the COR is not transferable without express permission of the Town Council. Even then there are technicalities concerning the extent of the Town Councils' authority to grant such permission since the SHHA sites are Government land. In short, SHHA plotholders are blocked from access to conventional mortgage credit.

With 65 per cent of all new urban dwelling units between now and 1990 programmed for SHHA plots, non-conventional lending (e.g. the SHHA building materials loans) and quasi-home ownership would appear to be the dominant pattern. Unless sales of BHC units pick up greatly or there are changes in eligibility requirements for conventional mortgages, in the status of COR plots vis a vis mortgageability, and/or in creating a role for BBS in special SHHA-oriented lending, BBS would not appear to have prospects for significantly expanded activity.

2. Household Income

This is the determining factor in the amount of mortgage loan authorized, 25 per cent of monthly salary being the limit of the monthly mortgage payment. Thus, a person earning P 300 per month (about three times the median) can obtain a 25-year loan of P 7,700 at 11 per cent interest and make monthly payments of P 75.

3. Subsidized Rentals in BHC Units

In effect, the Government guarantee program is open only to borrowers who have steady income from regular employment. These

would be mostly civil servants, many of whom continue to occupy subsidized rental units in preference to taking on higher monthly payments for mortgages.

Another factor, though probably less important, is the effect of inflation on the sort of house that can be built even with the maximum loan amount. A BHC tenant who recognizes the house he currently occupies is of a higher standard than one he could afford to build is not encouraged to become a homeowner. Even if he could afford better, the maximum loan amount covered by the Government guarantee (which might have covered construction costs in 1978 when the program started) would be insufficient today.

H. Land

Although the GOB has all necessary powers to expropriate land for shelter projects there may be several serious issues associated with a scaled-up shelter program based on the model of the existing SHHA schemes.

1. Cost

Recent litigation over "just" compensation for land taken by Government for future urban development has resulted in a final cost three times what GOB had reckoned in its project planning. This sets a precedent on the basis for valuing land which could force the GOB to reconsider the cost-effectiveness of acquiring urban land and holding on indefinitely to a large proportion of it. Until now land has not been a cost-recoverable item in SHHA projects. Under the COR form of tenure ploholders in upgrading and sites and services projects have enjoyed the right to use their plots indefinitely provided they build a minimum standard core unit within the specified time and maintain their service levy payments. This arrangement has been viewed as a factor in rendering the plot affordable to families. Yet, the principle of project replicability is compromised at the point where land cost restricts the numbers of units produced.

2. Acquisition, Survey and Registration

The process of acquiring, surveying and registering land has never before been tested at so great a scale as the Commission's shelter program demands. Although the MGL's Department of Surveys and Lands has expanded and streamlined its procedures, the time involved in converting open land from a state of being theoretically, to actually available for development will be another constraint on meeting the schedule of the proposed shelter program.

In the villages, particularly, the land for new shelter

projects is not yet designated, much less assembled and readied for development. Moreover, sites may be involved which are now under tribal jurisdiction. Some political sensitivity can be expected where such sites need to be declared "State Lands" (i.e. under Government jurisdiction so far as authority to lease, sell or allocate among potential users is concerned).

3. Tenure

Neither the COR form of tenure in the towns nor the customary form of rural tenure (which the COR was designed to emulate in the urban areas) may be used as collateral for a home loan. Both offer the plotholder low cost or no-cost use of the land while effectively denying him access to mortgage credit. The Presidential Commission on Housing Policy recommended that freehold land ownership be made available to all Botswana's citizens for residential (or ploughing) purposes — in tribal and urban areas alike. Inasmuch as this idea runs counter to long tradition in the tribal areas and has important ramifications for the towns as well, it is one of the more controversial elements in the Commission's Report. Some sort of practical compromise may resolve the issues but cannot be expected to come quickly.

4. Development Densities

As the price of urban land rises, the unit plot cost of the typical single family detached dwelling characteristic of BHC and sites and services schemes will follow. Lack of legal provision for sectional title (i.e. for ownership of an attached or semi-detached dwelling unit or condominium) is a constraint against higher density developments which can use land more efficiently and thus, reduce the unit land costs for the BHC projects. In the SHEPA areas the use of pit latrines precludes higher development densities.

I. Infrastructure

The Presidential Commission's shelter program is predicated on availability of primary infrastructure (arterial roads, trunk line water and sewerage, water supply and treatment facilities etc.). Planning for provision of these facilities will have to keep pace of the shelter program if they are to be ready where, and when, they are needed. The lead time necessary for getting these facilities into place could be a critical constraining element in implementation of the shelter program.

Possibly even more critical than the issue of coordinating planning and implementation, however, is the matter of financing these basic supporting facilities. In the towns there are real questions of the fiscal capacity to carry the debt that will be involved. If 65 per cent of all new residential development between

now and 1990 is to be in non-rate-paying SHHA areas and new industrial development is to be steered toward the major villages, either the towns are going to need some major new sources of revenue or some revisions are going to be necessary in the method of financing the installation of new infrastructure.

In the major villages the system will be different. Construction and maintenance of infrastructure are paid for by Government, either directly or through grants to the District Councils. Cost recovery has not been a factor. Indeed, the National Development Plan expresses very explicitly the policy of Government to subsidize rural services as a means of redressing the imbalance between urban and rural living conditions. This subsidy policy makes it crucial to recognize the extent to which constraints on capital and recurrent budgets will limit the scope and speed of implementing a rural shelter program, as well as the applicability of program approaches that depend on cost recovery.

J. Manpower

All the new shelter initiatives proposed for the GOB -- from policy implementation to project development -- will require a quantum leap in the number of trained Batswana personnel at every level: from planning and surveying to administration, community organization and construction. None of the activities in the Commission's shelter program represents incremental extension or expansion of past or ongoing efforts that could rely on the adequacy of an existing cadre, except perhaps some extension of the Broadhurst projects in Gaborone. The emphasis on rural shelter and economic development, both planning and implementation for Mahalapye and other villages, and the enormous scale of Gaborone West all confront a seriously insufficient indigenous professional labor pool.

The constraint is, of course, not limited to shelter production, but steps to remove it by providing more numerous trained personnel must be considered essential prerequisites to performane in the shelter sector.

The recently complete manpower study already referred to, reviews manpower training needs for local administration. It calls for overseas training of substantial proportions -- as many as 10 per cent of the 3,500 to 4,000 expected personnel at a time -- while bilateral and multilateral agency volunteers temporarily fill their positions. BHC has proposed a major technical training program (in-country) which would be open to employees of other organizations in the shelter field in addition to its own personnel. These training needs reflect the failure of the GOB to provide counterparts for "temporary" senior-level expatriate advisers along with the understaffing, high turnover, and low pay scales within the present SHHAs.

In light of this severe manpower constraint it is difficult to conceive of any new donor program in the shelter field that does not include manpower training as a component of -- or a prerequisite to -- financial assistance in production.

K. Additional Factors Bearing on Rural Shelter Programming

1. Role of Shelter in Attracting Industry and Investment

It is unlikely that the availability of shelter projects in a major village -- SHHA-type or any other -- would induce parastatal enterprises or other investment in private sector industrial development to locate there absent other important reasons. What might be affected, however, is the balance sheet in their feasibility analyses. There are significant advantages to the potential investor who does not need to put a large amount of "front-end" capital into township development to support his enterprise, but can instead draw labor from nearby communities and even house executives in those communities. At Jwaneng, for example, township development costs are estimated by MLGL to amount to 14 per cent of the mining company's capital costs. Even if the settlements are not immediately adjacent to the workplaces, public transport can be arranged for commutation and can, itself, be a good opportunity for small enterprise. Swaziland has had a most successful experience in this respect.

2. Integrating New Village Development with the Old

The Presidential Commission Report calls for establishing a national rural SHHA program under the MLGL. SHHAs in the major villages would offer services similar to those in the towns, with some variations to accommodate specifically rural conditions (e.g. payment schedules on a seasonal rather than a monthly basis and decentralized units of the Department of Town and Regional Planning staff to help plan and implement the programs.)

They recognize that many village residents and tribal leaders do not share the Commission's concern over sanitation conditions or the costs of extending water reticulation systems where typically low density village settlement patterns prevail or over sprawl development at the village fringes. Nor do they understand the implications of "becoming a growth pole" for economic development. Thus, the proposal recommends that the SHHA be offered by Government "when local authorities are ready for it".

Meanwhile Central Government should take on the task of village development planning and intensify local capacity to implement the plans.

Certainly one of the early tasks will have to be

formulation of criteria for selecting project locations. Neither financial resources nor manpower is so plentiful that the GOB can afford to invest efforts in a scatter-shot manner. They need to think about where the needs are greatest and the conditions most promising for successful projects. It may well be that the villages where economic development investments are currently being made will be the ones experiencing the most rapid growth and, hence, the greatest strains on their tradition system of accommodating settlement. These may be the most receptive to the introduction of new approaches.

The Government planners will almost certainly have to reconcile conflicts over shifting loci of power between Government and tribal authorities in the village development process, for the customary tribal land allocation system is the base of power for a whole complex system of social, administrative and rural economic organization. They will need to devise means whereby projects can foster economic growth objectives and serve newcomers to the village while, at the same time, perceptibly improve conditions for long time village residents.

They will also need to pay attention to implications for marketability of SHHA-type plots in a major village community where a family can still get a plot allocation from the Land Board or Sub-Land Board (the local body which acts under MLGL supervision but is nonetheless an agent of tribal authority), put up a self-built house of locally available materials, and draw water free of charge from a standpipe provided by the District Council within a quarter-mile of home.

L. Next Steps

Botswana has received both project funding and technical assistance from a variety of donors to demonstrate shelter solutions. USAID's Office of Housing has been particularly instrumental in the efforts respecting sites and services, aided self-help construction and building materials loans, affordability standards, principles of cost recovery, policy formulation, and national shelter programming and creation of institutional capacity to implement projects. Others have contributed to the transmission of knowledge about squatter upgrading techniques, new town planning, comprehensive land use planning, and parastatal housing estate development and management, among other subjects.

The country now needs to move away from the problem-by-problem and project-by-project approach which it has taken in past years, responding to emerging crises or specific donors' solutions. It is time that Botswana take responsibility for providing for its national shelter needs by mounting a program of appropriate scope and scale and committing its own resources thereto.

The Presidential Commission advocates that the GOB elevate shelter to the status of a "basic human need" and establish a designated share of the development budget for the shelter sector. Shelter sector expenditures are not now clearly identified in the National Development Plan, and must be derived from the information on local government and lands development plus allocations of various different ministries.

They recommend further that an institution be created to manage a pool of funds for shelter development, ensuring a flow of financing necessary to sustain production. External donors would be asked to endow the pool by grant or loan, supplementing internal funds from public or private sources.

Available external resources could then be distributed as needed and where needed in accordance with an over all program mainly carried, however, on domestic resources.

Provided that consensus is reached on the main elements of the Commission report, the following are expected to be the primary activities of the MLGL in respect to shelter within the near future:

1. preparation of a national implementation plan for shelter,
2. establishment of a middle income housing scheme,
3. formulation of implementation procedures for rural self-help shelter projects,
4. advancing a program for upgrading sanitation for 80 per cent of Batswana households by 1986,
5. reorganization of the Ministry to form a National Housing Division and a program for shelter sector manpower training, and
6. developing procedures for better use of internal finance for shelter investment.

V. Areas for AID Response

A. General

As the GOB amasses increasing resources to deal with its own development problems, including shelter provision, AID's over all country objective is to phase out direct development support and technical assistance funding. Currently the Mission anticipates that most of its operations will terminate within the next five years. In consonance with this objective, any new AID programs in the shelter field should stimulate application of Botswana's own financial and institutional resources, laying the groundwork for the transition to increasing self-reliance that will occur.

New Office of Housing commitments should be of sufficient magnitude (\$25 million) to command attention of the GOB if it is to provide leverage in moving Botswana toward a new level of shelter programming as well as action against the major constraints to progress in this field. By focussing on important institutional and financial sector changes within the next five years rather than conventional shelter project support, US/PRE/H could be in a unique

position to influence this larger strategy -- a strategy which would, in turn, be the framework within which other donor assistance would fit.

The risk associated with new support of conventional shelter projects at this time is that the basically conservative Botswana will be tempted to postpone the big steps toward their own commitment that must eventually be taken. Indeed, a new PRE/H program in Botswana should be made conditional on GOB's taking these first steps, at the minimum: adopting a national shelter policy, starting MLGL on the task of refining a national shelter program, and funding the first phase of the now-delayed but much-needed project for Gaborone West.

There is, however, potential opportunity for impact with a demonstration project. That would be a village shelter scheme, but the requisite preparation sets that a few years off.

Although the loan commitment proposed is a large one, proceeds should be arranged for payment in annual tranches over the next five years, authorization of each, dependent on AID's assessment of the degree to which the program objectives to be outlined in the implementation agreement have been met.

B. Primary Objectives and Central Strategy

Once GOB commits itself to shelter policy and a national program it must shift focus onto implementation, with emphasis on increasing production and sustaining it at the necessary levels. The pivotal issue is mobilizing domestic resources -- both public sector and private -- for shelter sector investment.

On the public side AID could work with Government in two important areas: 1. implementation of the proposed program for phased reduction of the rental housing or "consumer-oriented" subsidies, and 2. setting up institutional arrangements for managing a pool of shelter funds from Government, external donors and private domestic sources.

AID's chief thrust, however, should be on helping Botswana devise means for drawing private sector resources into shelter sector investment. A HG loan applied in this connection could have a far greater impact on generating some momentum in housing production and taking up the slack in construction employment than a development loan furnished for specific projects.

The proposal is that proceeds of a HG loan be used by the Government of Botswana for investment in long term bonds (possibly U.S. Treasury bonds or others which may pay higher rates of return) that match the term of the HG loan itself. This investment would stand as a reserve fund which could be used to back up a "discount window" or secondary mortgage market operation in which Government

(probably through the Bank of Botswana) would guarantee to buy mortgage "paper" issued by commercial banks or the Botswana Building Society. The objective in this case would be to induce the lending institutions into the field of construction financing.

The ambitious shelter production program outlined in the Presidential Commission Report implies a significantly increasing demand for production financing. Although the Report indicated the general level of investment required to accomplish its program recommendations, it did not specifically identify sources of the requisite capital. Some mention was made of increasing need to draw on private sector financial resources for high cost housing to be produced by private contractors, and possibly, some of the medium cost units which the Botswana Housing Corporation would be expected to build.

It is clear, however, that even the Government-led portion of the housing program will not be able to achieve and sustain the production flow envisioned at the scale indicated if it must rely wholly on domestic public sector resources and external loans at concessional rates. It will be most important to develop means of attracting funds from the private sector if Government, parastatals and the construction industry are to do the job laid out for them. This means that lending institutions must be induced to undertake more long-term lending than they have heretofore.

The sort of secondary mortgage market proposed here is directed toward lending institutions' concerns about liquidity, i.e. their fears of a cash shortage in the event of a heavy demand for withdrawals from depositors' accounts. It would feature just enough built-in penalty to discourage the banks from divesting their long-term portfolios unless they truly need to raise cash, and cannot find other buyers (e.g. the insurance companies, pension funds, or other banks) for enough of their paper to generate the cash they need.

Borrowers would not be, in this case, individual families seeking numerous relatively small loans. They would be entities such as the BHC (probably, principally, the BHC at first) which have considerable real property assets, respectable credit rating and experience in project development and management. These borrowers would be securing loans few in number but substantial in size. Servicing fewer, larger construction loans would involve much less cost to the banks than the demands of servicing a more consumer-oriented home ownership loan program. A reserve fund of \$50 million would cover 25-30 per cent of the 1981-90 production targeted for the BHC. Over time, as banks' confidence grows, the reserve-to-loan ratio may not need to be so large to induce the longer term bank lending.

The sort of discounting scheme envisioned here is a logical extension of the Bank of Botswana's current discount program for

banks. BoB now buys notes that are within six months of maturity.

As an added inducement to the commercial banks to lengthen the terms of their lending portfolios, the Bank of Botswana might, simultaneously with the institution of the secondary mortgage operation, increase the reserve requirements of the banks from the 20 per cent level now in effect to something on the order of 30 per cent. This could be done with the proviso that loans with a repayment period in excess of, say, 15 years, might be counted toward the last 10 per cent of that reserve requirement in some appropriate ratio, or on a pula for pula basis. Banks would thus have the choice of either sterilizing an additional 10 per cent of their deposits or using these funds to make long-term loans at the prevailing interest rate. Since the discount arrangement would guarantee that the originating bank could liquidate these long-term loans (so long as they are current) and since the mortgagees would be good, solid credit risks, it is reasonable that such loans be given due credit in calculating the banks' reserve requirements.

How would such a scheme offer benefits related to the principles embodied by the Presidential Commission's recommendations?

As regards distribution between urban and rural shelter units, we can consider the production targets set for the BHC, assuming this parastatal would be the main borrower of shelter construction capital from the private sector between now and 1990. Eventually, as the private residential construction industry expands the role of BHC can be expected to diminish, but that will be some time in the future.

The Commission's construction targets for BHC are as shown on the following page. Altogether the program represent investment (in 1980 prices) of P 144.9 million (\$181.1 million), 51 per cent of it directed toward low cost units (for households at or just above the median income level) and 28 per cent of it, rural.

By thus providing means for BHC to secure its financing through the private sector, Government will be able to direct a larger proportion of its own capital resources to the functions and the target groups most in need of subsidy, in accordance with the recommendations of the Commission.

BHC is in a crucial position with respect to Government's objective of weaning tenants from subsidized rentals and onto home ownership. There is no question of mortgageable tenure when BHC sells one of its units, for they offer a long-term (99 year) leasehold. Consequently a staged program of gradually reducing urban rental subsidies would be matched with the increased production of ownership alternatives for the tenants. As rents rise closer to economic levels, these tenants would have more incentive

1981-90 BHC Production Targets

Location .	No. Units Low Cost	Unit Cost P	Total Investment Including Land and In-Site Infrastructure P million	No. Units Medium Cost	Unit Cost P	Total Investment Including Land and In-Site Infrastructure P million
Urban	6,880	7,500	51.6	2,935	18,000	52.83
Rural	3,000	7,500	22.5	1,000	18,000	18.0
Total	9,880		74.1	3,935		70.83

99

* As per proposal of the Report of the Presidential Commission on Housing Policy in Botswana.

for buying their homes. Thus the preconditions would be present for stimulating more activity on the part of the Botswana Building Society: greater numbers of mortgageable units and greater numbers of eligible buyers.

To a certain extent the purchase prices of the new BHC housing would be higher as result of construction financing at market, rather than subsidized interest rates.

In order to bring the monthly payment costs within affordable range of more families, some variations could be introduced. One of these might be for BHC to offer a fully-serviced plot on which the purchaser could build his own house (or contract independently for parts of the construction work). Payments on such a lot with a P 3,000 building materials loan could be covered within 25 per cent of the income of a household at the P 2,000 per year level.¹¹ This is the bottom of the range to be served by the BHC under the Commission's recommendations.

C. Substrategies

1. AID should continue its efforts to strengthen GOB's programming and implementation capacity through supporting development of a new (in-country) shelter sector manpower training program plus some specialized overseas training.
2. In addition AID should include in its ongoing program of technical assistance to the MLGL and the SHHAs, or augment it with, several special short-term studies directed toward removal of specific constraints cited in the foregoing analysis, for example:
 - a. improving the data base for shelter planning by incorporating new Census output and findings of the National Migration Study when they become available
 - b. developing program ideas for expanding middle income home ownership (e.g. analyzing the feasibility of offering, as suggested above, a fully serviced plot of modest standard, developed in by BHC in conjunction with site development for its lower cost housing, which would have a long-term leasehold and therefore be mortgageable and would permit the "owner" to put up a self-built or partially contractor-built unit to such specifications as he could afford)
 - c. formulating approaches for village shelter projects, including criteria for pilot project selection, procedures for linking them to job-generating activities and basic

11. Assuming current (1980) costs of P 1,600 for land and infrastructure on a low-cost house plot and a 25-year mortgage on P 4,370 (95 per cent of P4,600 total value) at 10.5 to 11 per cent interest.

- sanitation upgrading, and
- d. proposing and testing new management ideas geared to improving the efficiency of the SHHAs and preparing them for the larger scale operations ahead of them.

D. Long Term Objectives

1. Program/Project Support

At some time in the future, once Botswana's over all national shelter program is under way, the country's liquidity situation or foreign exchange position may be different from what it is today and there may be specific projects or groups of projects where AID's HG could play a strategic role -- perhaps to sustain momentum which would otherwise flag or to demonstrate new techniques. Then use of the HG in the more conventional project or program might be desirable.

Gaborone West could be such a development, perhaps combined with a village p'lot shelter project. The combination would address the Mission objectives articulated in the FY 1983 CDSS. It would contribute to meeting shelter needs in Gaborone while also supporting the GOB's policy of decentralizing development. The land will have been assembled, the designs prepared and much of the infrastructure, installed. The program meets AID's incomes criteria. It also includes a serviced industrial estate as well as community facilities, and would thus contribute to job generation objectives. Such a program would be a logical extension of USAID activity in Gaborone, providing an opportunity to strengthen further the SHHA's management capabilities.

Principally, however, given the scale of the Gaborone West project, intervention here could be leveraged to encourage a greater role for the private sector (e.g. through establishing with the GOB and banks new mortgage instruments which would permit bank lending for shelter on COR plots, and creating a market for local firms who produce or supply building materials and components.

As for the rural component, a major village pilot project could offer a mixture of shelter and job-creation features, with upgrading (probably of sanitation) and extension of infrastructure or some form of community services to already-settled areas as well.

2. A National Rural SHHA Program

In the long term the need to rationalize settlement in the major villages will become increasingly apparent to all concerned as the problems of continuing along present patterns grow more severe. By then much will have been learned from

pilot efforts that can be applied in extending a shelter program to major villages, and then, perhaps smaller ones, throughout the country. This is an area where AID can consider offering loan support in the future.

3. A Secondary Mortgage Market for Government-Guaranteed Home Mortgages

Another long range option for AID support, once shelter production has reached a sufficient level and other conditions for an active market for mortgage finance are present, is lending to help establish a Government mortgage guarantee or mortgage insurance program similar to that of the U.S. Federal Housing Administration.

The idea would be to permit extending the present Government guarantee on individual mortgages beyond 25 per cent of mortgage value, with a maximum loan threshold figure pegged to affordable shelter solutions for urban median income households. The objective of such a program would be to widen the spectrum of families eligible for borrowing, thereby broadening access to credit for home ownership or improvement. For below-median income households the guarantee could be applied to building materials loans.

It would be designed to circumvent the present constraints of land tenure on mortgage lending by substituting Government guarantee of the mortgage value for the fully and freely redeemable real property collateral that the lending institutions now require to cover their risks in the event of a mortgage default. Thus SHHA property would, in effect, become mortgageable and defaults would revert to the Government for redistribution or sale.

Expanding mortgage credit more broadly without such a program would require development of a new form of mortgage agreement that permits CORs to be acceptable as basis for mortgage lending (by including a place in the loan agreement forms where Town Councils and/or Government can sign off their right of approval of property transfer at the time the mortgage is negotiated for an individual plot) or reforms in the the tenure system through legislation, if necessary, along the lines discussed in the Presidential Commission Report, i.e. converting CORs to freehold tenure.

Taking steps to create a secondary market in home mortgages would be warranted at the point when the BBS (and other lending institutions that may enter the field by then) have come quite close to lending out the capital they have available, and need more in order to satisfy still-unmet demand for shelter financing. Another precondition is the establishment of greater discipline on the part of Batswana borrowers and collection

agents with respect to prompt repayment of loan installments.

A \$20-25 million HG fund could back up P 160-200 million worth of mortgage guarantees, assuming a 10 per cent reserves-to-loan ratio. Such an amount would finance home mortgages on one-half to one-third of Botswana's projected 1981-90 shelter investment program.

VI. Phased Program of Action for AID

A. Next Steps toward a HG

If AID believes the main strategy options spelled out above are worth pursuing two elemental actions need to be taken: one is for AID to explore with the GOB whether they would accept a short-term consultancy of a finance specialist very knowledgeable about the technical aspects of setting up a reserve fund and "discount window" sort of operation, and alternative means of mobilizing private sector resources for shelter investment. If so, then it would be in order to arrange such a mission.

The expert should be asked to consult with the Standard Bank and Barclays, with the Bank of Botswana and the Botswana Building Society as well as with officials of the BHC, MLGL and Ministry of Finance and Development Planning, and advise US/PRE/H/RHUDO on:

precisely how, assuming such a program were to be pursued, it could be organized

what, more precisely, should be the size of a reserve fund in order for it to have the intended impact

what, more precisely, would be the levels of private sector construction financing that could be raised

what would be the implications for BHC construction costs and rental rate structure of shifting to conventional financing at market rates

whether there are legal constraints that would have to be overcome and how that might be accomplished

whether there are more feasible alternative approaches to achieving similar results in stepping up production of housing (Government-backed housing bonds or securities etc.)

whether sites could be made ready and available for BHC to develop at the rate targeted for it

whether, indeed, this approach to shifting the parastatal onto private sector financing will induce the GOB to commit the resources that would have gone to BHC for other, lower income shelter

projects.

On receiving the report of the consultant, AID should determine whether this line of approach still appears promising. If so, it would be in order for RHUDO or an AID Mission official to sound out officials in the relevant organizations (i.e. BHC, the banks, MLGL, Bank of Botswana and MFDP) about their receptivity to borrowing a HG loan for this sort of program, and willingness to work out an implementation agreement.

In general, very preliminary efforts to sound out a few of these people during the field mission of May 1980 elicited enough indication of interest to inspire our presentation of the "option" as a chief strategy recommendation. With favorable response to a more developed proposal, it should be possible to go directly into drafting a PID for this program. If, on the other hand, conditions have changed considerably in the interim, and one of the alternative strategy options appears potentially more fruitful, the more promising option should surely be made the subject of the PID.

B. Technical Assistance

An offer of a Housing Guaranty Loan should be coupled with offers of technical assistance and training support directed at improving key aspects of Botswana's shelter sector performance. Even if a HG offer is not made or accepted, these technical assistance and training activities will represent a logical extension of AID's present commitments. They will be within the framework of Mission and PRE/H objectives. They will address the fundamental objective of improving Botswana's capacity in this field once direct U.S. funding is ultimately terminated. In the area of new technical assistance, the following should be undertaken:

1. Establishing the Data Base and Providing an Analytic Framework

The Presidential Commission, as well as AID's recent field mission, was hampered considerably by the lack of data on important aspects of population and income characteristics. Commitments to obtain these data have been made, and no effective housing policy or program can be sustained without their translation into usable form. The new Census, and the National Migration Study will be available for analysis by early 1982. Therefore, AID should finance one or two short-term experts (demographer, shelter economist) during early 1982 to work with the MLGL and Census authorities in tabulating and analyzing the results of these surveys. They would prepare a framework for arraying the data into household income distribution profiles and shelter affordability guidelines. These should be prepared for national analysis and should also be disaggregated into series for each of the 10 primary centers (towns and major villages), secondary centers and the remaining rural hinterland.

2. Preparing Village Economic Development and Implementation Studies

No village development program should be initiated without these studies. There is no indication that the GOB has yet established (through domestic or foreign resources) the means to conduct such studies. AID should finance either short-term experts or a multidisciplinary consultant mission to conduct such studies for the village selected for a pilot project in early 1982. The studies would break new ground and serve as a model for extended village-decentralization investigations. They would not be undertaken until the preliminary census results were available (to aid in the selection of the pilot site).

The studies themselves should deal with:

- a. analysis of economic development potential (jobs and enterprise creation, timing, wages, labor/skills requirements and the capacity of village residents for occupational training)
- b. shelter sector needs, market and affordability analysis
- c. cost financing and cost recovery analyses of proposed infrastructure and development plans
- d. community facilities needs (e.g. schools, health centers, recreation, commercial centers etc.) and financing analyses
- e. socioeconomic and environmental impact analyses
- f. implementation plans, including phasing and scheduling and distribution of responsibilities.

3. Essential Follow-Through Analyses to Assist the Formulation of an Implementation Plan for the National Shelter Program

At present, disposition of the Presidential Commission Report by the Cabinet is not known. Assuming that the Cabinet will act during the next few weeks to endorse at least some of the major Commission recommendations and to establish a mechanism for continuing housing policy and program formulation, it is important for AID to consider helping fill some of the significant gaps in the Commission's analyses. The work could be done by short-term experts or a consultant team in 1982 asked to address the following:

- a. Land Matters

Estimates are needed of three-to-five year and five-to-ten year land needs implications of the proposed shelter program. These estimates should cover scale and location of sites needed, availability, cost implications, survey and registration issues, acquisition issues (who will acquire it, how and when), methods of streamlining acquisition procedures, relationships with Tribal Land Boards. This study could be conducted in association with

further review of the tenure question as called for in the Commission Report.

b. Infrastructure Matters

A consultant study should review and estimate requirements for water supply and trunk distribution lines, sewage treatment, landfill facilities, primary roads, etc. It should examine the means by which town councils, or Government, will pay for primary infrastructure, given their existing and prospective revenue base. It should examine the extent to which provision of primary infrastructure is a constraint to program implementation, and should identify areas for GOB and foreign donor financial support.

4. Training

More critical than any short-term financial or technical assistance is the iron necessity of supporting the training of skilled Batswana professional, technical and administrative personnel in the shelter field. The lack of trained cadres is more severe than issues of tenure. The absence of counterparts able to perform when expatriates depart is more serious than shortfalls in shelter finance. AID is in an excellent position to help design and support training activities.

a. In-Country

In-country training is the most effective. It reaches the largest number of people, provides examples ready to hand, and does not incur the loss of capable individuals for an extended length of time. The first step for AID and for the GOB itself is to establish a curriculum for training, a task that could be accomplished by short-term expert(s) in 1982. These experts would work with the CHF team already in Botswana who have been asked to identify the specific skills needed for SHHA performance. Working with the CHF adviser to the MLGL the consultants should prepare a curriculum for a new shelter sector training program that could be centered in the Institute for Development Management.

The objective would be to prepare the materials and organization for a program that could commence by the end of calendar year 1982, and the short-term curriculum adviser(s) could include an individual who would remain as the expatriate director (with a Motswana counterpart) of the program for its first year of operation.

The most effective approach would be to begin with month-long modules of intensive training individual fields (e.g. planning, project design, project administration, land acquisition, etc.) geared to existing employees of

the SHHAs, the BHC, the MLGL, District Councils and other agencies. These individuals would be seconded to the training program for a brief period and could thereafter return to their responsibilities without leaving a major gap. Case study materials and work-study problems could be formulated from the Botswana experience, using Botswana situations and data. The programs themselves could also be repeated, on a periodic basis, at increasing levels of sophistication so that the same trainees could return for continual upgrading of skills.

In addition to U.S. personnel to staff the program, nationals from third world countries with special experience could be recruited for faculty. Indeed, in initiating such a training activity, AID might wish to confer with other international donors (such as the Dutch) who have experience and interests in the training field and might be interested in producing additional support.

b. Overseas

AID intends to continue its annual Shelter Training Workshop for senior professionals in Washington. This is a month-long program which has included three Botswana during its first two years. Evaluation of the program has indicated that the maximum benefits (to the participants and to the program itself) are derived when teams of two to three representatives of a given country are in attendance. The program emphasizes team performance as well as shelter development techniques. AID should encourage Botswana to send representatives to these workshops, but stipulate that two-to-three person groups comprised of individuals from more than a single agency should be nominated.

The Office of Housing is also setting up programs within specific American universities that would permit AID-sponsored professionals to take one or two years of advance degree work. Botswana should be encouraged to participate in these programs as well.

5. Building on the Work of the Present OPG Advisers

The options suggested above for technical assistance and training reflect new program ideas that would require AID financing or arranging for Botswana-financed new personnel and activities. The Agency has a superb resource, however, in the present OPG advisory groups within Botswana with personnel from the Cooperative Housing Foundation. Below are proposals for utilizing these advisers to extend their activities.

- a. Advisers to the SHHAs Could Undertake the Following:
- (1) develop a program to utilize project residents

- (1) develop a program to utilize project residents (preferably women) in assisting the SHHA staff technical assistance operating on-site. These women would be ones who have demonstrated skill in building their own houses. They could help in training others who are preparing to build self-help units on sites and services plots. Arrangements could be made to pay these "paratrainers" with vouchers that permit their services to be defrayed against their own service levies or against outstanding building material loans.
- (2) develop a program with the SHHAs to permit wider latitude for room rentals in new projects. By removing constraints against families renting accommodations to others on their SHHA plots (i.e. waiving the present requirement that individuals secure Town Council approval) more rapid construction of many units would be encouraged, and the stepped-up pace of construction will permit savings on building materials costs by avoiding the effects of inflation. AID-sponsored studies of experience in Kenya and elsewhere have indicated that the prospects of additional income through greater freedom in rentals can have this expediting effect.
- (3) organize (and train participants in) a building materials supply co-operative to serve the SHHAs. The successful AID-sponsored experience with a building components co-op in Lesotho merits examination for its application to Botswana, and AID might well send SHHA personnel on a visit to examine the LEHCOOP operations.
- (4) experiment with collections arrangements. Defaults are becoming increasingly serious in the SHHA areas. Experiments should be tried with the collection system to determine whether improvements could produce increased collections on a sustained basis. One approach would be to try door-to-door collections of monthly service levies and building materials loans payments. A similar effort (on land tax) was conducted by students in Tamale, Ghana who were trained and supervised by an AID-sponsored consultant. It led to significant increases in revenues. A second possibility would be for SHHA "Village Development Councils" to organize teams of collectors who, in return for performance, could receive fees in the form of voucher credits against their own payments.

One of the most important continuing activities of the SHHA advisers should be to press the Ministry especially hard and often to assign counterparts, or

at least not to reassign staff who have had on-the-job training. If the present AID commitment to phase out CHF activity by the summer of 1983 is carried out, the lack of counterparts committed to remain with the SHHA program looms as a critical problem.

- b. The Low Cost Housing Officer at the MLGL should begin to identify necessary skills for the training program. Along with the SHHA advisers the Housing Officer should assemble (from all relevant departments within the Ministry) lists of critical and desirable skills in shelter sector work. He will thus be able to contribute to the curriculum development for an eventual training program.

Pressure for counterpart appointment should also be a continuing responsibility, providing sufficient time for the Officer to train his successor prior to departure and termination of the OPG assistance in 1983.

6. Loans and Grants

Botswana currently offers few opportunities (or needs) for direct Mission-provided concessional loans or grants. Perhaps when the village development program is further along, small loans from Mission sources will be appropriate to assist in community facilities provision or small enterprise equipment program. At present, the most desirable option, if small loan or grant funding is available from Mission sources, is to offer this form of assistance in conjunction with the shelter training program. Funds on the order of magnitude of \$150,000-\$200,000 or less could be used to purchase supplies and equipment needed in support of such a program.