The Human Settlements Finance Systems Series

The report focuses on key aspects and innovative instruments/practices that are specific to Zimbabwe. The report is organized into five chapters. Chapter 1 focuses on the Macro-economic and socio-political context of Zimbabwe. Chapter 2 focuses on "The Housing Conditions and Housing Market in Zimbabwe" citing the history and development of the housing finance system in Zimbabwe in the pre- and post independence eras. This chapter provides an overview of the trends in housing as well as highlighting those mechanisms that achieved the best results and which may need revisiting. Chapter 3, "Structure, Patterns, Trends Characteristics and Instruments of Housing Finance" reviews the technical aspects relating to housing finance in Zimbabwe. The chapter presents a review of existing sources of finance and their relative successes in providing housing for the home seeker. Chapter 4 outlines and evaluates the existing credit mechanisms against the background of the prevailing macroeconomic conditions in Zimbabwe. The last chapter outlines the constraints on housing finance and how these can be overcome in the short term and long-term. The report makes recommendations, which involve communities in housing delivery with a firm foundation in the housing cooperative movement and which has achieved a substantial amount of success in Zimbabwe. The report also recommends the active participation of civil society organisations as they have also demonstrated a capacity to employ participatory and rights based approaches in housing delivery.

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UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME
P.O.Box 30030,Nairobi 00100,Kenya;
Tel: +254-20-7623120;
Fax: +254-20-76234266/7 (Central office)
infohabitat@unhabitat.org
www.unhabitat.org

UN HABITAT

HOUSING FINANCE MECHANISMS In Zimbabwe

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UN HABITAT
FOR A BETTER URBAN FUTURE

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Acknowledgements:

Director:	Oyebanji Oyeyinka
Principal Editor and Manager:	Xing Quan Zhang
Principal Authors:	Livison Mutekede and Noah Sigauke
English Editor:	Ingrid Uys
Design and Layout:	Andrew Ondoo

FOREWORD

At the dawn of this new urban era, UN-HABITAT research shows that by 2030, two-thirds of humanity will be living in towns and cities. We thus live at a time of unprecedented, rapid, irreversible urbanisation. The cities growing fastest are those of the developing world. And the fastest growing neighbourhoods are the slums. Indeed, the global number of slum dwellers is now at or close to the 1 billion mark. Excessive levels of urbanization in relation to the economic growth have resulted in high levels of urban poverty and rapid expansion of unplanned urban settlements and slums, which are characterized by a lack of basic infrastructure and services, overcrowding and substandard housing conditions.

Yet housing and the services that should be provided with it are one of the most basic human needs. It is enshrined in various international instruments, including the Habitat Agenda. And reducing the number of slum dwellers around the world is a cornerstone of the Millennium Development Goals set to fight poverty around the world. So if we fail to achieve the Goals in towns and cities, we will simply fail to achieve them at all.

It was with this crisis in mind that the United Nations General Assembly decided in its resolution of 26 February 2002 to transform United Nations Commission on Human Settlements into a fully pledged programme. The General Assembly in its resolution called on UN-HABITAT to take "urgent steps to ensure a better mobilization of financial resources at all levels, to enhance the implementation of the Habitat Agenda, particularly in developing countries." It also stressed "the commitments of member states to promote broad access to appropriate housing financing, increasing the supply of affordable housing and creating an enabling environment for sustainable development that will attract investment".

The Habitat Agenda recognizes that housing finance systems do not always respond adequately to the different needs of large segments of the population, particularly the vulnerable and disadvantaged groups living in poverty and low income people. It calls UN-HABITAT to assist member states to improve the effectiveness, efficiency and accessibility of the existing housing finance systems and to create and devise innovative housing finance mechanisms and instruments and to promote equal and affordable access to housing finance for all people.

In our quest to reach as many people as possible, a cornerstone of our agency's new Medium-term Strategic and Institutional Plan is partnerships. We have no choice but to catalyze new partnerships between government and the private sector. This is the only way to finance housing and infrastructure at the required scale – the scale needed to stabilize the rate of slum formation, and subsequently reduce and ultimately reverse the number of people living in life-threatening slum conditions.

It is clear that in the coming 20 years, conventional sources of funds will simply be unavailable for investment at the scale required to meet the projected demand for housing and urban infrastructure. Many countries around the world continue to face deficits in public budgets and weak financial sectors. Local governments have started to seek finance in national and global markets, but this is only in its initial phase.

New mortgage providers have emerged, including commercial financial institutions and mortgage companies. But only middle and upper income households have access to such finance, while the poor are generally excluded. Although social housing is becoming less important in Europe and in countries with economies in transition, the need to provide shelter that is affordable to low income households still exists, including in developing countries.

This is why the exchange of information and knowledge on human settlements finance systems is so important. It is why it receives increased recognition in facilitating the development of human settlements finance systems and in turning knowledge into action for developing practical human settlements finance methods and systems for these pressing problems.

Our Human Settlements Finance Systems series documents the state, evolution and trends of human settlements finance in member states, and examines the factors and forces which drive the development of human settlements finance systems and the roles of different institutions and actors in shaping the systems and trends, and reviews human settlements finance systems. It presents an interesting review of policies, instruments, processes and practices. It examines the strengths and weakness of these systems and practices, their relations to the housing sector and the broad economic and social sectors, and lessons learned from practices.

Indeed, the country review studies we present are a valuable resource for member States because it is a body of work that also shows how human settlements finance systems and models can be applied to local use and thus provide a wider range of options for human settlements finance. The series also serves as guidebooks for policy makers, practitioners and researchers who have to grapple daily with human settlements finance systems, policies and strategies.

Anna Tibaijuka,
Executive Director, UN-HABITAT
Under-Secretary-General of
the United Nations

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ABBREVIATIONS AND ACRONYMS

BP	British Petroleum
CBO	Community Based Organization
CBU	Community Banking Unit
CBZ	Commercial Bank of Zimbabwe
CBZ	Commercial Bank of Zimbabwe
CDC	Commonwealth Development Corporation
CEM	Credit Enhancement Mechanism
CIDA	Canadian International Development Agency
CM	Credit Mechanism
COHRE	The Centre on Housing Rights and Evictions
CSO	Central Statistical Office
CZI	Confederation of Zimbabwe Industries
DFID	Department for International Development
DRC	Democratic Republic of Congo
EU	European Union
GLF	General Loan Fund
GMB	Grain Marketing Boarding
GOZ	Government of Zimbabwe
GTZ	Deutsche Gessellschaft fur Technische Zusammennarbeit
HGF	Housing Guarantee Fund
HPZ	Housing People of Zimbabwe
IASC	Inter Agency Standing Committee
ILO	International Labour Organization
IMF	International Monetary Fund

IOM	International Office of Migration
ISAL	Internal Savings and Lending
MFI	Multilateral Financial Institutions
MLGNH	Ministry of Local Government and National Housing
MLGRUD	Ministry of Local Government, Rural and Urban Development
MOF	Ministry of Finance
MPCNH	Ministry of Public Construction and National Housing
NGO	Non Governmental Organization
NHF	National Housing Fund
NIC	Neighbourhood Improvement Committee(s)
NOCZIM	National Oil Company of Zimbabwe
NRZ	National Railways of Zimbabwe
OM/ORO	Operation Murambatsvina/Operation Restore Order
PAZ	Privatisation Agency of Zimbabwe
PDL	Poverty Datum Line
PUPS	Paid Up Permanent Shares
RBZ	Reserve Bank of Zimbabwe
SAPP	Southern Africa Power Pool
SBU	Small Business Unit
SEDCO	Small Enterprise Development Corporation
SHHC	Self Help Housing Cooperative
SIDA	Swedish International Development Cooperation Agency
TSO	Technical Service Organisation
UNDP	United Nations Development Programme

USAID	U.S. Agency for International Development
VIC	Village Improvement Committee(s)
ZAMFI	Zimbabwean Association of Microfinance Institutions
ZB	Zimbabwe Bank
ZCC	Zimbabwe Council of Churches
ZECLOF	Zimbabwe Ecumenical Church Loan Fund
ZESA	Zimbabwe Electricity Supply Authority
ZIMASCO	Zimbabwe Alloys and Steel Company
ZISCO	Zimbabwe Iron and Steel Company
ZPC	Zimbabwe Power Corporation

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CHAPTER 1

MACROECONOMIC CONTEXT OF ZIMBABWE

INTRODUCTION

This chapter analyses the macroeconomic context of Zimbabwe as a way of contextualising Zimbabwe's housing finance mechanisms. The chapter looks at those factors creating the housing need in Zimbabwe. The growth of human settlements is affected by the economic conditions. A closer look at the macroeconomic context shows that despite the importance of shelter, there is a serious scarcity of financial resources to provide shelter. The national budget, private organisations and international multilateral organisations have not been able to sustain funding for housing, especially for low income groups.

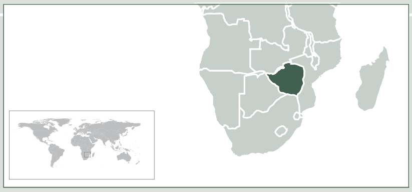
The Zimbabwean economy experienced a rapid decline in the last ten years (1998 - 2008). It has hyper-inflation, which, to a large extent, is a direct result of the continued funding of the fiscal deficit by the Reserve Bank of Zimbabwe. The nation has had to grapple with the subsequent market distortions brought about by an overvalued exchange rate. A serious shortage of foreign currency has occured because of a near collapse in the agricultural and mining sectors, a lack of balance of payments support and a poor performing export sector due to shortages of working capital. In response to these economic imbalances, the authorities have lacked flexibility in undertaking macroeconomic adjustments.

There is serious concern about governance, and a lack of political and press freedom. This has created a lot of mistrust between the government, the business community and civil society. In 2003 the country withdrew from the Commonwealth further isolating itself, and exacerbating an economic recovery. The HIV/AIDS pandemic has taken its toll on the economy with a prevalence rate as high as 23% and affecting people between the ages of 15 and 49. The pandemic has put further pressure on an already rapidly declining health care service. The education system is fast collapsing and as a result there is a shortage of human capital development,made worse by a flight of skills, a direct result of the increased migration of Zimbabwean nationals. An estimated three and half million people (almost a quarter of the population) are estimated to be living abroad.

Later in this chapter we look at the macroeconomic imbalances in the Zimbabwean economy and examine how it has impacted on financing low income housing in the country.

Box 1.1

ZIMBABWE AT A GLANCE



Geographic coordinates:	20 00 S, 30 00 E
Area: total:	390,580 sq km, land: 386,670 sq km and water: 3,910 sq km
Natural Resources:	coal, chromium ore, asbestos, gold, nickel, copper, iron ore, vanadium, lithium, tin, platinum group metals,
Natural Hazards:	Recurring Droughts
Population:	12,382,920
GDP (Purchasing Parity):	$US1.726 billion note: hyperinflation and the plunging value of the Zimbabwean dollar makes Zimbabwe's GDP at the official exchange rate a highly inaccurate statistic (2007 est.)
GDP - real growth rate:	-6.1% (2007 EST.)
GDP - per capita (PPP):	$200 (2007 EST.)
GDP - composition by sector:	agriculture: 18.1% industry: 22.6% services: 59.3% (2007 EST.)
Labor force:	4.032 million (2007 EST.)
Labor force - by occupation:	agriculture: 66%, industry: 10%, services: 24%
Unemployment rate:	80% (2005 EST.)
Population below poverty line:	68% (2004)
Distribution of family income - Gini index:	50.1 (2006)
Inflation rate (consumer prices):	2.2million % official data; private sector estimates are much higher (2008 EST.)
Investment (gross fixed):	16.9% of GDP (2007 EST.)
Budget:	revenues: $2.442 billion expenditures: $3.017 billion (2007 est.)
Public debt:	211.9% of GDP (2007 EST.)
Agriculture - products:	corn, cotton, tobacco, wheat, coffee, sugarcane, peanuts; sheep, goats, pigs
Industries:	mining (coal, gold, platinum, copper, nickel, tin, clay, numerous metallic and nonmetallic ores), steel; wood products, cement, chemicals, fertilizer, clothing and footwear, foodstuffs, beverages
Current account balance:	-$116 million (2005 est.)
Exports:	$1.52 billion f.o.b. (2007 est.)
Exports - commodities:	platinum, cotton, tobacco, gold, ferroalloys, textiles/clothing Machinery and transport equipment, other manufactures, chemicals, fuels
Economic aid - recipient:	$367.7 million (2005 EST.)
Reserves of foreign exchange and gold:	$120 million (31 December 2007 EST.)
Debt - external:	$5.155 billion (31 December 2007 EST.)
Market value of publicly traded shares:	$26.56 billion (2006)
Exchange rates:	Zimbabwean dollars per US dollar - 30,000 (2007), 162.07 (2006), 77.965 (2005), 5.729 (2004), 0.824 (2003) [note: these are official exchange rates; non-official rates vary significantly]
Fiscal year:	calendar year

MACROECONOMIC IMBALANCES

Zimbabwe is currently bedeviled by a macroeconomic imbalance; one that has seriously affected housing finance. The imbalance has been caused by a range issues such as hyperinflation, a deep recession, a chronic shortage of energy, and a lack of basic goods and services.

HYPERINFLATION

Inflation is considered, by the Reserve Bank of Zimbabwe the country's number one enemy. It has been a major challenge facing the country since the turn of the century. Currently, official estimates put the annual rate of inflation at 2, 2 million percent and unofficial estimates by the Confederation of Zimbabwe Industries (CZI) place it much higher at 11 million percent.

Table 1.1 below shows the annual inflation rate for the past two decades. This table shows that Zimbabwe last experienced a single digit inflation rate in 1988. Since then it has been on an upward trend peaking at 42 % in 1992. This peak was attributed to the devastating drought of 1991 to 1992 which led to serious shortages of the staple maize meal and other agricultural commodities which pushed food prices up. The rate went down to 20% in 1997, and then went on an upward spiral consistently to the current levels of more than two million percent (Central Statistical Office 2008).

TABLE 1.1: OFFICIAL ANNUAL INFLATION RATE OF THE LAST TWO DECADES (1985 – 2008)(%)

YEAR	INFLATION, AVERAGE CONSUMER PRICES	YEAR	INFLATION, AVERAGE CONSUMER PRICES
1986	15	1998	48
1987	13	1999	58
1988	7	2000	56
1989	13	2001	112
1990	17	2002	199
1991	48	2003	599
1992	42	2004	132
1993	28	2005	586
1994	25	2006	1281
1995	23	2007	66,212
1996	22	2008	231
1997	20		

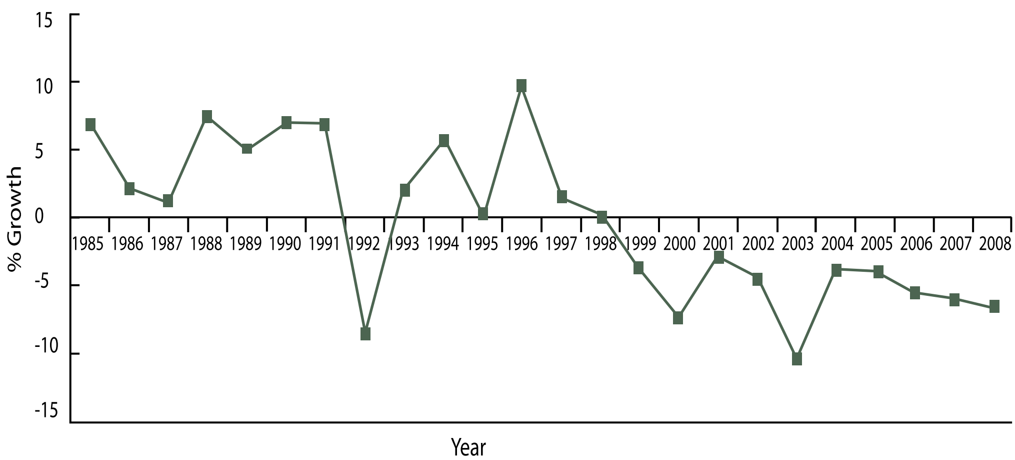
Source: IMF World Economic Outlook (2008), Central Statistical Office and RBZ.

ECONOMIC GROWTH TRENDS

In analyzing Zimbabwe's economic growth trends, it is important to take a longitudinal view so as to make periodic comparisons to housing finance over the years. The last peak in economic growth as measured by the Gross Domestic Product at factor cost was last recorded in 1996 which was 8.3%. This peak can be explained as a result of a good agricultural season as well as a boom in tourism following the successful hosting of the Rugby World Coup in neighbouring South Africa, as well as the successful hosting of the All Africa Games in Harare and Bulawayo.

This growth bubble, however, was soon to burst in three years with the economy recording a 0% growth by April 1999 and a -3% by year end. This rapid decline in the economy has been a result of a sharp increase in public expenditure and a sharp increase in the fiscal deficit.

FIGURE 1.1 THE ANNUAL ECONOMIC GROWTH RATE FOR THE LAST TWO DECADES.

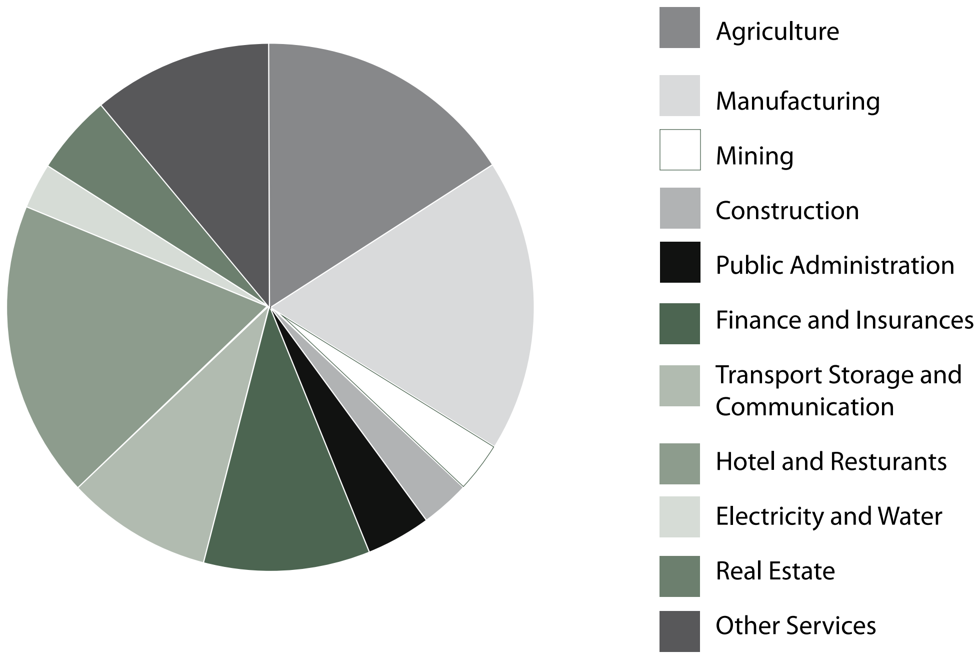


Source: IMF World Economic Outlook and the Central Statistics Office.

In 2000, the economic crisis deepened confounded by a fast track (and often violent) land resettlement programme which led to a contraction of the agricultural sector by 13.5% in 2001 and 24.4% in 2002 (AfDB/OECD, 2004). For a country once regarded as the bread basket of the southern Africa region and an economy that depended on agriculture for its export earnings, (especially tobacco), a land resettlement programme proved catastrophic to an already ailing economy. The resultant food shortages caused a rapid increase in the grain import bill. This worsened the foreign currency shortages as well as a diversion of resources that could have been used for the provision of housing and other social amenities.

GDP contribution by sector in Zimbabwe shows that manufacturing, the hospitality sector and agriculture are the biggest contributors (See Figure 1 below). The data presented is for the year 2002. Statistics for subsequent years are not available from official sources because the Central Statistical Office, itself has been affected by the brain drain.

FIGURE 1.2: ZIMBABWE GDP DISTRIBUTION BY SECTOR



Source: Estimates by Mutekede L. based on Central Statistical Office data

EXCHANGE RATE REGIME

To understand the exchange rate regime in Zimbabwe it is essential to give a brief history of the local currency. The Zimbabwean currency is the dollar, often denoted by the $ symbol or Z$ to distinguish it from other dollar denominated currencies. The first Zimbabwean dollar was introduced in 1980 and replaced the Rhodesian dollar. At the time of its introduction, the Zimbabwean dollar was worth more than the US dollar, with Z$1 = US$1.47. However, the currency's value eroded rapidly over the years. On 26 July 2006, the parallel market value of the currency fell to 1million to the British Pound Sterling (Gumbo, 2006).

A second Zimbabwean dollar was introduced on 1 August 2006 with the redenomination of the 'first dollar' at the rate of 1 revalued dollar = 1000 old dollars. Together with this redenomination, the government devalued the dollar by 60% against the US dollar, from 101,000 old dollars (101 revalued) to 250 revalued dollars.

On 6 September, the Zimbabwe dollar was devalued by 99.99167%, to give an official exchange rate of ZWD30,000 to USD1, although the parallel market exchange rate was estimated to be ZWD600,000 to USD1. The 'third dollar' was introduced on 1 August 2008, exactly two years after the introduction of the 'second dollar', and the monetary authority removed ten zeros from the monetary value, by a factor of 1 to 10. Old coins from the 'first dollar' became legal tender taking the value of the new currency (thus, effectively increasing their value 10 trillion fold). Table 1.2 below illustrates the history of the Zimbabwean dollar over the past three decades. It should be noted that the rate that is given is recorded at the end of each year

TABLE 1.2: EXCHANGE RATE HISTORY FOR THE LAST THREE DECADES 1978 TO 2008 (ZWD1 TO USD1)

Year	Official	Parallel	Year	Official	Parallel	Year	Official	Parallel
1979	R$0.68	n/a	1989	0.42		1999	36.23	38.30
1980	0.68		1990	0.38		2000	55.00	62.00
1981	0.69		1991	5.05		2001	55.00	340
1982	0.89		1992	5.48		2002	55.00	1400
1983	0.96		1993	6.82		2003	824	6000
1984	0.96		1994	6.82	8.36	2004	5730	6000
1985	0.61		1995	8.26	8.85	2005	84,588	96,000
1986	0.61		1996	9.13	10.52	2006*	250	3000
1987	0.61		1997	10.50	25.00	2007	30000	4,000,000
1988	0.52		1998	18.00	19.00	2008**	45.53	120,000 (04 November)

Notes: *Revalued 'second dollar'. **Revalued third dollar

The Zimbabwean economy has had a dual exchange rate regime for the past eight years (2000 – 2008) since the beginning of the current economic decline. An overvalued official exchange rate has coexisted with a highly unstable parallel market. Inflows of foreign currency in the official market have been very low due to the poor performance of the export sector, particularly depressed tobacco exports and a shrinking mining and manufacturing sector. The exchange rate of the ZWD to the USD was 0.61 in 1985 and the Zimbabwe dollar firmed to an all time post-independence high of 0.38 in 1990. Thereafter, the local currency has depreciated steadily to 5.05 (1991), 5.48 (1992) and the most rapid depreciation was in 1998 when the local currency dropped to 18 against the USD (Central Statistical Office, National Accounts, 2002). From 2000 to 2002, the central bank in Harare maintained the exchange rate at an artificial rate of ZWD55 to USD1 resulting in the emergence of a highly active and profitable “black” market.

The Foreign Exchange Auction began on 12 January 2004, as a way of allocating scarce foreign currency and determining an official exchange rate. The introduction of the Foreign Exchange Auction system brought confidence to the market (RBZ Annual Report, 2004). In an effort to monitor and control parallel market activities, the RBZ’s Exchange Control department instituted policy measures to manage the foreign exchange resources and prioritized allocations to the critical sectors of the economy. Exchange Control legislation and policy measures were aimed at ensuring the efficient allocation of scarce foreign exchange resources and enforcing orderly behaviour in the financial sector.

The various Exchange Control Policy Developments, like the Carrot and Stick Export Incentive Scheme, Foreign Currency Purchase Receipt Books for Authorised Dealers of foreign currency, Money Transfer Agency Licencing, and foreign exchange floor pricing for Diaspora inflows did not achieve significant results as foreign currency inflow into the RBZ coffers was insignificant. The foreign currency shortage continues to hit all sectors of the economy and remains one of the biggest challenges facing the monetary authorities in Harare. This has not been helped by the ceasing of financial disbursements from Multilateral Financial Institutions (MFI) since 2002, as shown in table 1.3 below.

TABLE 1.3: MULTILATERAL FINANCIAL INSTITUTIONS DISBURSEMENTS (USD)

	IMF	WORLD BANK	AFDB
1980	0	0	0
1981	0	104,917,535.80	0
1982	0	45,478,573.51	25,342,914.53
1983	0	133,760,761.05	5,722,913.63
1984	2,058,441.00	36,467,113.09	0
1985	0	9,668,219.07	67,768,983.37
1986	0	10,000,000.00	0
1987	0	0	0
1988	0	130,121,817.97	0
1989	0	0	19,286,995.95
1990	0	127,243,010.98	145,027,034.56
1991	0	62,386,243.86	15,218,604.29
1992	216,150,000.00	299,592,641.86	180,428,222.49
1993	65,656,168.00	226,810,152.15	3,966,823.47
1994	76,642,125.00	0	11,090,644.20
1995	75,492,900.00	0	11,686,232.22
1996	0	32,399,074.25	0
1997	0	4,037,287.79	1,940,910.99
1998	53,802,392.00	5,796,928.56	39,074.27
1999	32,233,993.40	88,856,697.27	0
2000	0	0	0
2001	0	30,526,725.67	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0	0	0
2007	0	0	0
TOTAL	522,036,019.40	1,348,062	524,789,416.76

Source: Reserve Bank of Zimbabwe and Ministry of Finance

PUBLIC DOMESTIC DEBT

Domestic debt stock has risen significantly due to declining external inflows, rolling over of past debt, recurring fiscal deficits and increased borrowing from the banking system. The stock of outstanding government debt at SWD24,7 billion (USD2,65 billion) in 1995, grew to ZWD2 793, 2 billion (USD50, 79 billion) by December 2004. Treasury bills accounted for 83, 7% of total domestic debt. In the early 1990s, however, government stock accounted for about 85%, while 90 day Treasury bills accounted for only 5% of the outstanding domestic debt. The shift to short term dated paper reflects the risks associated with taking up long dated paper in a hyper-inflationary environment.

STRUCTURAL ISSUES

Economic performance in Zimbabwe is hampered by a deteriorating infrastructure due to lack of state funding, inappropriate pricing and acute shortages of foreign currency to buy spares parts and other intermediate goods. The country's only railway company, the National Railways of Zimbabwe can not handle freight efficiently; the Wankie Colliery, another state owned enterprise, lacks the capacity to produce enough coal and electricity to supply the country. Only half the National Railways of Zimbabwe's 60 locomotives were functional at the end of 2003, while 120 were needed to meet national demand. By 2008 only 10 locomotives were functional. Poor maintenance and a lack of qualified personnel have steadily led to a precarious national transport system with mounting delays and accidents.

The Confederation of Zimbabwe Industries reacted in November 2003 to the slowness of reforms, by attempting to pool resources to solve the private sector's most urgent problems. One proposal was that railway users issue bills guaranteed by the Reserve Bank of Zimbabwe to raise local and foreign currency to put locomotives and wagons back into service. But this required a stable cash flow, which could not be guaranteed in the current macroeconomic environment.

ENERGY CRISIS

Currently, Zimbabwe faces a serious energy crisis with production capacities having dropped to low levels. The Wankie colliery company, which currently is operating at half capacity, has only one excavator for use in its open cast mining operations. Despite its vast coal reserves, Zimbabwe imports more expensive coal from Botswana. Since coal is used for tobacco curing, sugar processing, cement production and particularly in electricity generation, the shortages affect the whole economy. Electricity comes in roughly equal shares from thermal plants (Harare, Bulawayo, Munyati, Hwange) the Kariba hydro power plant and imports from Cahora Bassa (Mozambique), SNEL (Democratic Republic of Congo) and ESKOM (South Africa) through the Southern Africa Power Pool.

Zimbabwe has consistently failed to pay its outstanding debts and arrears, forcing Mozambique and South Africa to cut back sharply its supply since January 2003 leaving the Zimbabwe Electricity Supply Authority with no option but to engage in load shedding and cut offs. In order to raise funds to settle external debts, the Zimbabwe Electricity Supply Authority has asked exporters to pay their bills in foreign currency. In addition to these operational problems, the Southern Africa Power Pool's energy surplus has vanished and South Africa itself has been experiencing power shortages. This has left Zimbabwe with the only option left to it to resuscitate its own thermal power plants and expand on inland hydro-power sources, although all these options are seriously limited by the acute shortage of foreign currency. Today over 61% of the population (82 percent in rural areas) has no access to electricity (International Energy Agency, 2001).

In an effort to solve its problems, the Zimbabwean government initiated a reform programme to open up the power sector to private capital. Under the January 2002 Electricity Act, Zimbabwe Electricity Supply Authority was unbundled into three companies (generation, transmission, and distribution). In mid 2003, the cabinet approved dilution of state control of the generating company Zimbabwe Power Company, though the Act limits private participation up to 49%. Other provisions of the Act – establishment of an Electricity Regulatory Commission, a pricing study and unbundling generation, transmission and distribution tariffs and their regulations – have been greatly delayed. Uncertainty over the structure and current levels of tariffs also increases the regulatory risks faced by potential investors. Appointing a regulator, doing the pricing study and clarifying the tariff structure are immediate priorities for obtaining badly needed financing to increase Zimbabwe's energy capacity. In the long run, the government intends to acquire a 25% stake in the Cahora Bassa dam and expand the Hwange power station.

LIQUID FUEL CRISIS

Liquid fuel supplies have also been under pressure since 1999, as foreign exchange started to dry up. Libya, a long time ally of the Zimbabwean government, ended its special agreement to barter oil for Zimbabwe's physical assets (including land) and equities after Harare failed to keep its side of the deal. In an effort to fight the rapidly increasing black market in fuel, the government, in 2003, introduced a dual pricing system. Public sector entities and other critical economic operators were entitled to buy fuel at a regulated price from the National Oil Company of Zimbabwe, whereas private sector companies (BP, Caltex, Mobil, Shell, Total, Exor, Engen and Comoil) were given the right to import and distribute their own supplies independently. Although the government has gradually eased the rules, controlled pricing remains far too low to clear the market. The dual pricing has not helped in terms of product availability as the key factor was availability of foreign currency. Beneficiaries of the regulated National Oil Company of Zimbabwe fuel facility have been channelling the acquired fuel to the black market where it has given them better returns instead of venturing into farming or some such enterprise for which fuel was acquired.

PRIVATISATION OF STATE OWNED ENTERPRISES

In early 2002, 30 state-owned enterprises were awaiting privatisation, after the sale of 15 since 1999. Selling off the commercial portion of the Grain Marketing Board was planned and the Privatisation Agency of Zimbabwe presented for cabinet approval a concession agreement for the National Railways of Zimbabwe. However, the Privatisation Agency of Zimbabwe does not have autonomous powers and can only execute cabinet decisions, a predicament that favours political interference in state-owned enterprises management. Privatisation came to a complete halt in 2003 because of the poor economic climate and the withdrawal of donor support. In November, the government said it would suspend it indefinitely and instead restructure the National Oil Company of Zimbabwe and Air Zimbabwe and create a regulatory agency for the oil industry.

LAND DELIVERY SYSTEM

Highly unequal land distribution has threatened social cohesion since independence. About 4 500 large scale commercial farms were owned, mainly by whites, on 11 million hectares of the most fertile and best-irrigated land, while 1.2 million households (half of the then population) lived on 16.3 million hectares of poor quality, drought prone land. From 1980 to 1990, the process of land acquisition was stalled largely by Section 16 of the Lancaster House Constitution. The Constitution was amended in 1990 culminating in the promulgation of the Land Acquisition Act of 1992 and Statutory Instrument 297 of 1992. These two pieces of legislation in a way accelerated the process of land acquisition. It enabled the government to acquire a number of farms for urban expansion. Peri urban land was acquired to facilitate the growth of cities and towns.

Land was handed over to local authorities who in turn would prepare plans for the development of that land for housing purposes. The plans were then pegged in terms of the Land Survey Act and submitted to the department of the Surveyor-General for authentication before land titles could be issued. Once the titles were issued to the stand owners, the land became freehold tenure. The allocation of land for housing purposes in Zimbabwe is on a freehold basis. This is in line with the government's policy which seeks to ensure security of tenure for homeseekers. The land delivery process has been a serious cause for concern as local authorities have met with serious delays in the approval of plans by the Surveyor General's office, mainly as a result of manpower shortages.

CHAPTER 2

THE HOUSING CONDITIONS AND HOUSING MARKET IN ZIMBABWE

INTRODUCTION

The need for shelter means protection from weather elements, a place to bring up families, a place to work from and a place to call home. It means, in essence, a more stable society if people are adequately sheltered.

Yet, over a billion people or one fifth of the world's population, are either homeless or living in poor housing. The situation in Zimbabwe has been no exception and housing has been a priority for the Zimbabwean government's development programmes since independence from Britain in 1980. To this end, a Ministry of Housing was created in 1982, to spearhead housing development in both the urban and rural areas. The main thrust has been to provide housing for all and distribute it equally. Home ownership schemes were extended to everyone, so that those with the means could buy homes in urban areas. A housing fund was set up, to provide affordable loans to local authorities for housing developments. Public finance was also made available to rural people to enable them to improve their housing conditions.

Improving human settlements, however, is not achievable by the public sector alone. The government of Zimbabwe therefore encouraged the participation of the private sector, individuals and community based organisations in the provision of shelter in line with the United Nations Habitat Agenda which was formulated and signed in Istanbul, Turkey in 1996.

In 1988, the government introduced paid-up-permanent shares to encourage savings in building societies. It was hoped that mortgage loans would become available for low-income housing. In line with the UN-HABITAT agenda, government, through the newly formed Ministry of Local Government and National Housing, called for a National Housing Convention at Victoria Falls in 1997. It had been noted with melancholy at that stage that the efforts that had been made by government in the housing sector were not yielding many results.

This chapter focuses on the historical background to housing development in Zimbabwe, the development of the housing finance system, key issues in the housing market and a definition of the housing problem in Zimbabwe today. These are covered in the four sections that follow.

HISTORICAL BACKGROUND TO HOUSING DEVELOPMENT IN ZIMBABWE

The developments of housing in Zimbabwe span two distinct eras, pre-independence and post-independence periods. The background review is based on the experiences of the city of Harare. Similar developments also took place in other towns and cities, notably Bulawayo, Gweru, Mutare, Kwekwe, Kadoma and Masvingo. Housing development patterns followed the same path in all the major urban areas.

PRE – INDEPENDENCE ERA

The history of formal housing development dates to pre-independence times. In the urban areas there has always been a distinction between high and low-density residential areas that are attributable to early separatist policies of the British colonial government. These policies were explicated through the Land Apportionment Act No. 30 of 1930 and the Land Tenure Act of 1969. In terms of these Acts, Africans (blacks) were not regarded as permanent residents of urban areas. They were regarded purely as migrant labourers. The type of accommodation provided for these migrant labourers therefore was of a temporary nature and not suitable for family habitation. Provision was made for government to provide urban housing for Africans and for the parastatals, such as the then Rhodesia Railways and other statutory bodies, to establish and manage townships for their African labour force. Although local authorities (town and city councils) were authorized (and later required) to provide housing for the African population, provision of housing for Africans was limited and mostly it was single accommodation - mainly two roomed multi-family flats such as the Hostels in Mbare, Harare.

Most of the housing provided for Africans was rental accommodation. It was public housing provided by the municipalities. Private rental housing was initially found in the then white residential areas. Single accommodation was provided because the colonial labour force consisted of African males. Wives and children were expected to reside in the then designated Native reserves to which men were expected to retire. There was no government provided housing in the Native reserves and the population in these areas resided in traditional pole and dagga structures. Table 2.1 shows the development of Black Urban Residential Areas in Salisbury (Harare) during the pre-independence period.

European families were allowed to accommodate their domestic workers at their places of residence until 1969, when a census reflected that in some "white" suburbs such as Highlands in Harare (then Salisbury), "blacks" were outnumbering whites. According to the British colonial government, this posed a security threat for whites. The Land Tenure Act was passed that same year and black domestic workers were moved from their place of work to the then newly created African Townships of Tafara and Dzivarasekwa. The housing in these townships were rental accommodation, built from the profits of the municipality's traditional beer undertaking and there was no full cost recovery in the rentals. The accommodation was subsidised from the services levied on employers by local authorities. The 1970s saw the escalation of civil war resulting in a rapid rural to urban migration rate as people sought refuge in towns. This resulted in the growth of squatter camps such as Epworth in Harare, Chirambahuyo in Chitungwiza, Umguza in Bulawayo and Tangwena in Rusape to name but a few. The rural to urban migration impetus continued even after independence, as the separatist policies of the colonial government were repealed by the new independent black majority government.

TABLE 2.1: DEVELOPMENT OF BLACK URBAN RESIDENTIAL AREAS IN SALISBURY (HARARE) DURING THE PRE-INDEPENDENCE ERA.

Residential Area	First Occupied	Brief summary of scheme
Mbare	1907	The oldest black suburb; only one which started with hostels for single males; only a small section known as Native Location B opened in 1922 to accommodate married urban workers in three roomed cottages; otherwise policy emphasized single housing in the Old Location. Home Ownership was first introduced in the Beatrice Road Cottages section in the early 1960s
Highfield	1935	First and only government township; developed on Highfield farm; homeownership started in 1955; later site-and –service and core housing schemes were introduced.
Mabvuku	1959	Developed on Donnybrook Farm bought by City Council in 1942 and from the outset mainly conventional housing for married couples.
Mufakose		Developed on Crowborough Farm bought by City Council in 1951; detached and semi detached housing for married couples, catering for higher income groups than Mbare, Mabvuku or Highfield
Rugare	Mid 1950s	Developed by the Rhodesian Railways company for its black employees; detached and semi detached conventional housing.
Dzivarasekwa	1961	Second government township established mainly for domestic workers employed in north-western White suburbs
Marimba Park	1961	Small low density, high income government housing scheme; freehold title available from the outset.
Kambuzuma	1964	Middle income site-and-service and core government housing scheme; freehold tenure available after purchase price was paid and approved extensions completed
Tafara	1967	Developed by Greendale Town Management Board for domestic workers employed in the north-eastern white suburbs
Glen Norah	1971	Developed by government; some houses were employer tied for letting to their married employees; others handed over to the City Council for letting
Glen View	1979	Site and service scheme with a few conventional houses for renting; the only 'wet core' scheme implemented; materials were provided on loan by City Council.

Source: City of Harare, Department of Housing and Community Services, 2008.

From table 2.1, it can be gleaned that the early housing schemes were primarily public rental housing schemes provided by government and municipalities for low income families. Later, home ownership programmes were introduced in low-income residential areas, converting houses in the high density suburbs to owner occupied housing. While the home-ownership programmes began as far back as 1955, in the government-sponsored Highfield residential scheme, the full conversion to owner occupied housing was mainly a post independence phenomenon, especially in the small towns such as Mutare, Gweru, Masvingo and Kwekwe (Interview with Director of Housing in The Ministry of Local Government, 04 September 2008). The following are some examples of pre-colonial housing schemes.

a) Mbare

Harare, Mbare was established in 1907 on the site of the original native location, south of the Central Business District. In 1972, its population was estimated to be under 34,000 (Davies, 1975) of which two thirds were 'single' men accommodated in four large hostels. Houses for married persons to rent were six types ranging from two-roomed flats to six-roomed semi-detached houses. For people of a higher income bracket, home ownership schemes were started in 1963, with either a freehold or a 99-year leasehold tenure. The original communal lavatories were replaced by individual house ones, as late as 1972-76.

In Bulawayo, Mpopoma Township was developed to provide a 99-year leasehold on mainly four-roomed semi detached houses, with lavatories outside the house. A sprinkle of three to four storey walk-up flats was provided in the township, as rental accommodation.

b) Marimba Park

This was a 766-acre high class African township, some ten miles from the Central Business District. It was established in 1961 to cater for the demand for low-density high-cost housing for Africans in the higher income bracket. The original scheme had only two-acre plots; later smaller plots were sold with a building clause of ten thousand pounds. Later, even smaller plots were sold off also with a building clause. The scheme proved very successful.

c) Kambuzuma

Kambuzuma started in 1964. It is less than 8 kilometres from the Central Business District of Harare. As a response to the 'explosion' of the African population, the government experimented with both site-and service and buy-and-extent schemes with the aim of providing home ownership schemes for Africans of the middle-income group. The 620-acre scheme intended to build the nucleus of a house on a plot of 2.800 sq. feet comprising a living room, kitchen, water closet and shower with a metered water supply and water-borne sewerage reticulation. Electricity was to be installed by the purchaser. The core house was sold for two hundred and seventy-five pounds. An initial deposit of ten pounds was required and repayments were to be made over a period of thirty years. When full payment was made, the freehold title was given to the owner, provided that the house had been extended by a minimum of two rooms within a period of ten years. The would-be purchasers were required to earn a minimum of 16 pounds a month. If extensions were not done as required (within the first ten years), the agreement would be cancelled; the monthly repayments were taken as rent and the house transferred to another purchaser. By the end of 1966, Kambuzuma was fully developed, with a total of 2,365 houses.

d) Glen Norah

By 1971, the number of Africans in known accommodation totalled 249,000. In an attempt to reduce the burden of housing due to the ever-increasing population, the government came up with yet another strategy. This new scheme developed for Glen Norah required that large employers of labour could build and lease houses to their African employees. Companies could build six thousand houses with infrastructure provided by government. The scheme had a slow start due to government conditions on married persons being the only eligible tenants and the non-involvement of building societies. By May 1973, 4,500 houses had been built and only 1,000 of these had been leased by industrialists and the balance was handed over to the municipality so that it could lease them to deserving tenants on its long waiting list.

e) Other Townships

Highfield, a former government township, had a similar scheme to that of Kambuzuma, but it was designed for the lower income group while Dzivaresekwa was a site and service scheme. In July 1972, the then Minister of Local Government and Housing revealed that there were 32 home-ownership schemes with a total of 734 plots operated by local authorities throughout the country.

In other urban centres similar schemes were developed. In Bulawayo, the Makokoba township, was developed along the same lines as Mbare, as well as old Mucheke and Sakubva in Masvingo and Mutare respectively. Mzilikazi, Nguboyenja and Barboiurfields, in Bulawayo, were developed along the same principles as that of Kambuzuma and Highfield townships.

Although the 1969 Census Report indicates that the number of African domestic servants who lived in the European areas in Harare exceeded the number of whites, under the Africans (Urban Areas) Accommodation and Registration Act, servants were allowed to be accommodated by their employers on these stands or on council-owned land in the townships, but were prohibited from accommodating dependants of servants.

Despite these housing schemes, the urban poor were not catered for in the emergence of an increasingly market-oriented housing sector particularly after independence in 1980.

f) Squatter upgrading

The only known case of squatter upgrading is that of St. Mary's townships in Chitungwiza. The settlement was established in the early 1960s, after thriving squatter settlements had been relocated from Derbyshire, near Waterfalls. The squatters were actually resettled in what were then Seki (Seke) Communal Lands on the southern banks of Manyame (Hunyani as it was known then). The township operated on pit latrines (sometimes referred to as the bucket system). The water borne system was only introduced in the early 1970s. The St. Mary's high-density suburb of today started from these humble beginnings.

Post Independence (1980 – 2000) epoch

During the first two decades of independence the new black majority government faced with a number of challenges, mainly dealing with high expectations. The government was also obsessed or blinded by its liberation nationalist socialist ideals. The new government lacked a clear policy on housing: it sent some of its senior officials from the then Ministry of Local Government and Housing to socialist countries like Cuba for ideas. This attempt brought few results because there were no policies in those countries. It was soon clear the new government would have to carry out a review of the colonialists housing policies and strategies as a way of determining the weaknesses and effectiveness in the colonial housing scheme. The review included a study of the types and standards of housing, land tenure systems and housing finance, resulting in consultations being made with public and private organisations in housing development.

Based on this review, in 1982, the government came up with a policy framework that gave rise to a home ownership policy. These policies were aimed at redressing the homelessness and promoting homeownership to formerly marginalised Africans in the urban areas while keeping housing affordable. Employers were discouraged from providing housing in the form of loans to purchase or build houses. Local authorities were instructed by government to convert rented accommodation in to homeownership and houses were sold to sitting tenants.

TABLE 2.2: POST INDEPENDENCE LOW INCOME HOUSING DEVELOPMENT IN HARARE

Residential	First Occupied	Brief Summary of the scheme
Warren Park	1981	Core housing scheme; some conventional housing available
Kuwadzana	1984	Mainly site and service scheme; funded by USAID; City council provided building material on loan
Hatcliffe	1984	Site-and-service scheme for those employed in the northern suburbs; cash loans from City council
Budiriro	1988	Site-and-service scheme with cash loans from city council; sponsored by world bank; local building societies advanced mortgages for low-income housing for the first time

Source: City of Harare, Department pf Housing and Community Services, 2008-07-24

In respect of low income housing programmes funded by the government, the authorities encouraged the use of labour intensive and cost effective modes of housing construction such as self-help building brigades and cooperatives. Aided self-help entailed the construction of houses by prospective home-owners with technical training, and administrative and financial assistance from central government and local authorities. Using this approach, the beneficiaries could build their houses at their own pace. In 1990, an act of parliament provided for the formation of housing cooperatives for members' houses through the pooling of financial resources. Housing cooperative funds were, however, taxed by the authorities even though individual income's were not taxable.

POPULATION GROWTH/ URBANISATION

This section looks at population size, structure, growth and distribution in Zimbabwe. The analysis is based on the population based on the last census of August 2002. The author has also used estimated data for the post census period. Zimbabwe had a population of 11, 631 657. The proportion of males and females was 48% and 52% respectively. This represents a sex ratio of almost 94. The sex ratio is the average number of males per 100 females. 20% of the total population is found in the urbanized Harare metropolitan province.

HOUSING DEMAND AND SUPPLY

In the early 1980s after independence, some progress was made in housing provision for low-income families. For a period, when central government and donor resources were available - mainly from the World Bank and USAID - local authorities engaged in site and services schemes. These programmes were managed and implemented jointly by a local authority, developers, banks and building societies. Local authorities either initiated their own development plans or received and approved plans from private developers. Commercial banks or (MLGRUD) provided loan finance for bulk services and/or land acquisition. Families on the waiting lists were allocated properties developed under these schemes. New towns grew up on the city outskirts, for example, Warren Park, Kuwadzana, Hatcliffe and Budiriro. Annual production of between 15,000 to 20,000 housing units was sustained for a number of years.

The pace of urbanization, however, could not respond to the demand and put pressue on central and local government's capacity to provide housing and infrastructure. In 2002, according to the National Housing Policy estimates, over one million residential plots were required, while annual housing production had fallen to 5,500 serviced plots. The projected target for housing production was 250,000 units. When donors funding ceased the site and services schemes were discontinued. In several cases, the infrastructure and services were left incomplete. At the same time, it was evident that the waiting list system was not working for the poorest families.

Today, in these under-serviced, peri-urban neighbourhoods, the problems faced by the poor are related less to a lack of space than to the physical isolation from the urban centres, from sources of employment opportunities, and from health and education services. The distance from the city is posing a major constraint on people especially since public transport services are unreliable. Poor people have to seek alternative ways of housing themselves, and pressure for housing has led to an increase in occupancy in the existing housing stock. The construction of backyard shacks for rental became an option both for the urban dweller in the high-density suburbs, as a key source of income, and as a way for the new arrivals to gain a foothold in the city.

The weight of the rental market is reflected in tenure patterns. According to the 2002 National Census, in the capital city, 29% of households were owner-occupiers and 55% were lodgers. In Bulawayo, the second largest city, 40% were lodgers. The level of overcrowding in backyard shacks is alarmingly high. Occupancy levels of 12 persons per unit, and, in some cases, as high as 27 people, can be living in one stand according to records (Brown, 2001). Poor urban dwellers are concentrated in a small area of urban space. Local authorities began to "semi legalize" these backyard properties by giving '"lodgers"' cards to register as dwellers and levying a fee for each unit.

In May 2005, the urban landscape throughout Zimbabwe's major cities and urban centres was abruptly transformed because of a government crack down on illegal structures - dubbed Operation Murambatsvina (Clean-UP Restore Order). In Zimbabwe, and throughout the African region, forced evictions have been commonplace. What distinguished this one was the scale of the demolitions, and the number of dwellings, informal trading stalls and small- to-medium production units that were destroyed. The impact of the forced eviction was widely documented by various authors, including an extensive Special Envoy Report by the UN Secretary General, and other non-governmental organisations' assessments that covered the effects of the eviction on specific groups. It was estimated that over 700,000 people lost their homes and a further estimated 2 million people were indirectly affected by loss of assets and livelihoods.

The impact of this massive reduction in the housing stock, exacerbating an already critical housing storage will have major consequences on Zimbabwe's shelter and living conditions for many years to come. The gravity of this loss is underscored by the fact that generally the quality of construction of the backyard properties is judged to have been as good as the original dwellings, and rates were being paid. These properties were not spared.

Officially, government's housing policy was to have an enabling role. However the events of Murambatsvina, and subsequent interventions in land acquisition and housing provision, suggest a shift by government from a facilitating role to direct control over housing delivery.

After Operation Murambatsvina, the government embarked upon a reconstruction programme, named *""Garikai/Hlalani Kuhle"* which sought to promote large-scale delivery of low-cost housing, vending spaces as well as small and medium business sites. Due to under-resourcing, among other factors, progress in this regard has been limited. About 3,500 units have been completed, but occupancy rates are low, mainly due to a lack of basic services. Tension between local authorities and central government has developed, because properties have failed to come up to the required building codes and standards, making many properties illegal.

To date, donor responses to housing has been limited to the provision of temporary shelter and re-installation of basic services, water and latrines, within the humanitarian assistance framework, coordinated through the UN´s Consolidated Appeals Process. The Consolidated Appeals Process is a common planning, programming, advocacy and fundraising document aimed at coordinating response produced by the collective efforts of the humanitarian community – the UN, aid agencies and non-governmental programmes.

There is considerable shortfall in funding targets for housing and services. According to the Consolidated Appeals Process Country Review for 2006, of the original amount requested for these sectors, 18% and 15% respectively were pledged. The original amount requested was USD 20 million, later revised to USD10 million of which USD2 million became available. (Consolidated Appeals

Process Mid-Year Review, 2006, page. 9)

Despite funding constraints, and a highly politicized environment, humanitarian agencies were able to provide over 1,000 transitional shelters and approximately 300 permanent structures. Exact figures of those in need of shelter nationwide were unknown, although tentative estimates of selected cities revealed that some 5,500 families required emergency shelter in mid-2006.

The need for temporary shelter and permanent units is acute. Shelter needs assessments carried out post-Murambatsvina indicate that there are a number of vulnerable groups who are homeless, including ex-farm workers. Over 7,000 former farm workers have no access to land, (Consolidated Appeals Process Mid-Year Review, 2006, page. 12) and deportees from neighbouring countries, and HIV/AIDS victims among others, also require shelter and services. These special needs are in addition to the demand for new units to meet an annual growth.

Apart from the support to the Consolidated Appeals Process, donors have also contributed to shelter and services provision, via church organizations and non-governmental organizations. For example, the Joint Initiative Group for urban Zimbabwe, is a co-ordinated multi-agency, formed by seven non-governmental organizations to address the short and medium term humanitarian needs of vulnerable urban communities. They have pooled their capacities and resources, and through their in-country networks with local non-governmental organizations and church based groups, have worked together to give livelihood support, food security, social and child protection, HIV/AIDS support, education and shelter in six major main urban centres of Harare, Bulawayo, Mutare, Gweru, Kwekwe and Masvingo. The 18-month programme is aimed at assisting 12,000 urban households, with support from various donor organizations.

Practical Action Southern Africa was a lead agency for the provision of shelter within the JIG Initiative, covering three areas – Harare, Chitungwiza and Mutare - and benefiting 500 households. Activities include: clarification of ownership of existing stands and houses, construction, and use of low-cost technologies, income-generation through building materials production, and training of 30 groups by Zimbabwean Women in Construction. The organization, Practical Action, has experience in housing project implementation throughout Southern African and applies participatory methodologies, training and community capacity building (Practical Action, 2008).

HOUSING SHORTAGE

The 2000 National Housing Delivery Policy acknowledged a cumulative backlog of over one million housing units. Due to this shortage, many Zimbabweans were forced to build makeshift structures, such as 'backyard extensions.' These became the target of the clean-up operation Restore Order in 2005 ('Operation Murambatsvina').The Combined Harare Residents Association estimated that, prior to Operation Murambatsvina, over half of Harare's estimated 3 million residents had been living in makeshift housing. Government officials lent tacit approval to the growth of these informal settlements. The combination of economic decline, rapid urbanization, and the growth of poverty was also evident in the housing sector. (UN, July 2005, p.24). The National Housing Delivery Policy further recognized the need to adopt a more flexible approach to housing delivery and that the lack of security of tenure was one causal factor of the housing crisis in Zimbabwe. A subsequent policy document – the National Housing Programme of 2003 - further acknowledged the inability of government to provide decent and affordable housing. It noted that the government's plans for housing fell far short of its annual target of 162,000 units between 1985 and 2000 with actual production ranging between 15,000 and 20,000 units a year. It further noted, that the formal sector housing production rate was decreasing and that by 2002 only 5,500 plots were being serviced in eight major urban areas, compared to an estimated annual demand of 250,000 units. Government reiterated the need for a broader response, including incremental housing production as a means of responding to the demand not foreseen in law.

TABLE 2.3: SUMMARY OF HOUSING DATA IN THE URBAN AREAS OF ZIMBABWE

TOWN	POPULATION SIZE (CSO 2002)	POPULATION SIZE (PROJECTED BY CSO, 2007))	AVERAGE HOUSEHOLD SIZE	EXPECTED HOUSING UNITS	EXISTING HOUSING STOCK	OCCUPANCY RATE	EFFECTIVE DEMAND (WAITING LIST)	PROJECTED BACKLOG
Harare	1435784	1554139	4	403672	178659	9	186681	225013
Bulawayo	676650	1022000	4	249878	146000	7	85000	103878
Chitungwiza	323260	867136	4	214638	39674	22	75490	174964
Mutare	170466	179161	4	47148	95867	2	47118	-48719
Gweru	140806	147989	4	37090	26728	6	14009	10362
Epworth	114067	119886	3	34549	6010	20	20000	28539
Kwekwe	93608	98383	4	24352	14656	7	12600	9696
Kadoma	76346	80240	4	19429	14000	6	11000	5429
Masvingo	69490	73035	4	18631	11334	6	16000	7297
Marondera	51847	54492	4	14340	10544	5	16896	3796
Chinhoyi	49330	51846	4	12170	10000	5	19421	2170
Norton	44397	46662	4	11521	17640	3	16577	-6119
Chegutu	43424	45639	4	11297	6525	7	3400	4772
Hwange	36733	39543	4	10379	8000	5	4320	2379
Zvishavane	35128	40783	4	10847	10555	4	1790	292
Bindura	33637	35353	4	8729	5045	7	13332	3684
Redcliff	32453	34108	4	8905	8036	4	2401	869
Victoria Falls	31519	33127	4	10193	6821	5	12110	3372

TABLE 2.3: SUMMARY OF HOUSING DATA IN THE URBAN AREAS OF ZIMBABWE

TOWN	POPULATION SIZE (CSO 2002)	POPULATION SIZE (PROJECTED BY CSO, 2007))	AVERAGE HOUSEHOLD SIZE	EXPECTED HOUSING UNITS	EXISTING HOUSING STOCK	OCCUPANCY RATE	EFFECTIVE DEMAND (WAITING LIST)	PROJECTED BACKLOG
Chiredzi	25849	27168	4	7264	4120	7	3771	3144
Kariba	23820	25035	4	6712	3490	7	5200	3222
Ruwa	23681	24889	4	6191	9000	3	11326	-2809
Rusape	22741	23901	4	6425	7257	3	1409	-832
Shamva	22635	28295	3	7545	747	20	479	6798
Karoi	22383	23525	4	5986	5861	4	4114	125
Beitbridge	22136	23265	4	6572	4372	5	10664	2200
Chipinge	17420	18309	4	5072	4590	4	8000	482
Shurugwi	16863	17723	4	4498	3453	5	5011	1045
Gwanda	13363	14045	4	3735	2313	6	6700	1422
Plumtree	9948	10455	4	2431	6274	2	1524	-3843

Source: Zimbabwe Urban Housing Database, 2007

CHARACTERISTICS OF EXISTING HOUSING STOCK

Housing units in Zimbabwe comprise of traditional, mixed, detached, semi-detached, flats/townhouses, and shacks. Traditional dwellings are the pole, grass and dagga structures, typically found in rural communities of Zimbabwe. The mixed type of dwelling comprises the traditional type and a modern structure like the use of bricks under corrugated zinc roofs or under endurite asbestos roofs. The mixed type is typical of today's rural homesteads.

A detached housing unit in Zimbabwe is a structurally separate dwelling unit built of materials other than pole and dagga. Access to the street is by means of a path, or steps, directly on to the pavement, not shared by other housing units. It is usually constructed under the supervision of a local authority, especially in the urban centers. Semi-detached housing units consist of one of two dwelling units with a common wall between them.

These are common in urban areas especially among the low-income groups. Flats and town housing units is one of three or more dwelling units in a row divided by common walls, with their gardens separated by fences, hedges or walls and whose separate accesses to the street meet the conditions as given for the detached housing unit are also a common type of dwelling in Zimbabwe. Shacks and temporary shelters are also common in informal settlements in urban and rural areas. Table 2.3 below shows the percent distribution of households by type of dwelling unit.

TABLE 2.4: PERCENT DISTRIBUTION OF HOUSEHOLDS BY TYPE OF DWELLING UNIT (ZIMBABWE, CENSUS 2002)

TYPE OF DWELLING

Province	Traditional	Mixed	Detached	Semi Detached	Flat/ Townhouse	Shack	Other	Number of Households
Bulawayo	0.43	0.48	60.15	25.61	11.82	0.50	1.01	165123
Manicaland	32.20	35.91	16.20	6.88	3.455	4.98	0.38	360569
Mashonaland Central	45.26	32.20	12.21	5.74	2.05	1.83	0.72	217431
Mashonaland East	32.04	40.43	15.95	5.48	4.02	1.64	0.44	265045
Mashonaland West	32.65	24.11	24.43	11.78	3.74	2.72	0.57	275736
Matebeleland North	66.81	9.28	12.61	4.58	2.43	3.81	0.0.49	144803
Matebeleland South	42.50	33.74	12.37	6.36	2.14	2.53	0.34	134496
Midlands	37.61	26.37	20.34	10.34	2.91	1.91	0.52	309197
Masvingo	45.00	30.03	13.71	7.48	3.10	0.35	0.33	286518
Harare	0.22	0.60	54.11	19.58	18.16	6.85	0.47	491002
Total	29.83	22.77	26.29	10.99	6.45	3.17	0.50	2649920

Source: Central Statistical Office, Harare.

From Table 2.3, it should be noted that 52% of all households live in traditional and mixed type of dwellings. This is a reflection of the proportion of the total population living in the rural areas. These households account for 80% of the total number of households living under secure owner/purchaser tenure status shown in Table 2.4 below.

TENURE STATUS

Tenure status refers to an arrangement under which the household occupies its living quarters and pertains to its right to occupy that space. The current tenure status categories in Zimbabwe range from owner/purchaser, tenant accommodation, lodger accommodation and tied accommodation. Of these categories, owner purchaser is the most secure tenure, followed by tied (institutional) accommodation and tenant accommodation. Lodger accommodation is the least secure tenure status in Zimbabwe. The security of tenure is a critical variable in analyzing any housing finance mechanism.

The distribution of households by tenure is shown in Table 2.4 below. Homeowners/purchasers account for about 60%, while households in tied accommodation account for 15%, and lodgers account for almost 20%, while tenants account for nearly 3%. Harare Metropolitan province, which comprises the two largest urban areas of Harare City and Chitungwiza, has the largest number of households. It is this highly urbanized province which also has the lowest number of owner/occupied houses (almost 29%) and the highest number of lodgers. Nearly 55% of households in the Harare Metropolitan province live under insecure tenure as lodgers. This is a strong indicator of the high housing demand within this metropolis.

TABLE 2.5: PERCENT DISTRIBUTION OF HOUSEHOLDS BY TENURE STATUS AND BY PROVINCE

PROVINCE	Owner/ Purchaser	Tenant	Lodger	Tied Accommodation	Other	Number of Households
Bulawayo	39.65	6.59	40.67	6.06	7.03	165 123
Manicaland	71.29	1.62	10.47	15.09	1.53	360 569
Mashonaland Central	66.09	1.08	5.66	24.66	2.51	217 431
Mashonaland East	69.86	0.89	7.69	18.68	2.87	265 045
Mashonaland West	52.29	2.37	13.66	28.91	2.77	275 736
Matebeleland North	75.21	1.72	5.50	14.66	2.91	144 803
Matebeleland South	77.21	1.07	6.28	13.20	2.24	134 496
Midlands	71.98	2.14	13.51	9.91	2.45	309 197
Masvingo	75.82	0.69	6.51	14.65	2.33	286 518
Harare	28.58	6.05	54.50	8.64	2.24	491 002
Total	59.94	2.65	19.61	15.14	2.65	2649920

Source: Central Statistical Office, Harare 2002

From the two tables above, it is cler that there are big variations in housing conditions in Zimbabwe. First, there is a variation in terms of housing stock characteristics, whereby the rural dominated provinces have mainly traditional dwellings and mixed dwellings. This is in contradistinction to the urban areas which have modern housing units. Secondly, there is a variation in terms of tenure status. In the metropolitan provinces of Harare and Bulawayo, the majority of households live mainly under the unsecured tenure status of lodger, tenant or tied accommodation.

THE HISTORY AND DEVELOPMENT OF ZIMBABWE'S HOUSING FINANCE SYSTEM

The history of housing finance in Zimbabwe reads more or less like most other countries, where the major source of housing finance has come from the private sector, government appropriations, insurance companies, pension funds, building societies, savings and loan associations, commercial banks and other kinds of depository institutions. Financing of infrastructure has been an important public responsibility in meeting the housing needs of the urban population. Public infrastructure, such as roads, water supply systems, drainage and sewerage networks, waste disposal, electricity and communication facilities are used by all, and it is essential that government makes provision for this in its budgets. However, in Zimbabwe, fiscal constraints continue to limit public sector capacity to provide for essential amenities to enhance housing delivery.

Housing developments by central government, local authorities and cooperatives is often hampered by a lack of proper infrastructure networks, which in turn, limits the amount of serviced land available for shelter provision. A key component of housing delivery strategy is in the area of housing finance where it is clear that governments have an obligation to ensure that an appropriate environment is created for the mobilisation of funds. The development of institutions engaged in financing housing should be part of an overall effort to strengthen and develop the financial system of a country. The key objectives of this effort would be to promote and mobilise savings, reduce costs and improve efficiency of financial intermediation, and promote the free movement of capital throughout the national economy.

Prior to 1986, government policies on investment, availability and pricing of credit had a strong impact on the ability of all sectors of the economy to compete for investment resources. To promote easier access by low-income groups to housing loans, the government introduced and implemented a number of policies relating to housing finance. For instance, from 1986 the interest rate ceiling had been regulated by the central bank on low-income mortgages making them lower than they would be under open market operations. The government also decided to offer a variety of subsidies as a way of encouraging building societies to issue low-income mortgages. One of the most important subsidies was the one that allowed building societies to issue tax free paid-up-permanent shares where building societies were required to donate 25% of the issue to low-income housing.

The result was that low income mortgages became affordable to a considerable number of households in this income bracket.

Considering that prior to 1986, there were no low income mortgages available, the impact of these new policies has been substantial. In 1986/87, 3147 mortgages were issued to low-income groups and this number increased to 5,500 between 1988/89 and1990/91. These figures, while no where near to resolving the demand for low income housing, demonstrates that in adopting the right policies the government had come some way towards meeting its commitment to resolving Zimbabwe's housing problem.

DESCRIPTION OF THE HOUSING PROBLEM IN ZIMBABWE

Today, as people begin to build more decent and permanent structures, it has been dispiriting to see the range of disparities in housing conditions in Zimbabwe. Many people still live in substandard overcrowded housing conditions, in squatter settlements, backyard plastic shacks or wooden huts. There are a growing number of destitute people living on street pavements and some in sewer reticulation and sanitary lanes. There are hostel dwellers with the inside partition of the four walls of their "rooms" constructed of loose curtaining material, or black polythene plastic sheeting to demarcate accommodation space for their families. They share filthy communal kitchen and ablution facilities. There are growing numbers of people who live in rented housing accommodation and these low-income households commonly are referred to as "lodgers". Home ownership in Zimbabwe remains low at 25%. (Ministry of Local Government, Public Works and Urban Development, 2008).

Zimbabwe is experiencing a housing supply problem of critical proportions, whose underlying causes stem from the key issues outlined in the following sub-sections in this chapter.

BOX 2.1 OPERATION MURAMBATSVINA AND ITS IMPACT ON INVOLUNTARY RESIDENTIAL MOBILITY

It is estimated that some 700,000 people in cities across the country have lost their homes, their source of livelihood or both. Indirectly, a further 2.4 million people have been affected in varying degrees. Hundreds of thousands of women, men and children were made homeless, without access to food, water and sanitation, or health care. Education for thousands of school age children has been disrupted. Many of the sick, including those with HIV and AIDS, no longer have access to care. The vast majority of those directly and indirectly affected are the poor and disadvantaged segments of the population. They are, today, deeper in poverty, deprivation and destitution, and have been rendered more vulnerable.

Source:-UN Special Envoy on Human Settlements Issues in Zimbabwe, 2005

INVOLUNTARY RESIDENTIAL MOBILITY

An involuntary residential mobility caused by Operation Murambatsvina/Restore Order has not received much attention by the players in the housing provision sector, yet it has caused serious disruptions to household incomes and livelihoods. It has adversely affected children's education and economic opportunities for many households thus further constraining the ability of low income households from becoming home owners or claiming some stability in their lives.

While the government sponsored "clean-up" operation was successful in as far as ridding the urban areas of illegal and informal structures, it failed to recognise the role that those illegal structures could play in alleviating the urban accommodation crisis which had, by that time, reached unprecedented levels. Government and humanitarian capacity to handle the homelessness was put to the test. Of the nearly one million people left homeless, the majority were left to fend for themselves – the government had not made alternative accommodation available. The operation effectively exacerbated the housing crisis. Some households ended up being accommodated on verandas and passageways as the shortage of accommodation worsened.

The government commissioned a follow-up Operation - Garikai/Hlalani Kuhle - to ameliorate the plight of the homeless caused by Operation Murambatsvina/Restore Order. Its measures provided some shelter to the displaced but government's plans suffered severe shortage of funding. The non-governmental sector assisted in a number of ways to provide shelter. For example, Practical Action, an international on-governmental organzation, constructed 372 housing units in the old suburbs of Mbare (Harare), Sakubva (Mutare), and St Mary's (Chitungwiza) within eighteen months, between June 2006 and February 2008 (Practical Action, March 2008).

LACK OF INSTITUTIONAL CAPACITY

A lack of strong institutions to support robust and sustainable housing finance, efficient land delivery and building materials production was a matter of grave concern to stakeholders. The situation warranted serious attention and redress if the objective of improving housing conditions for low-income families was to be attained. There was a serious shortage of mortgage finance, or appropriate measures to ensure low-income housing assistance mortgage loan facilities and housing subsidies. The land delivery process was seriously hampered by bureaucratic delays, and delays occurred in cadastral surveys; there was a lack of clarity and coherence in the housing policy which prevented housing delivery from reaching low income households.

A serious lack of capacity to manufacture sufficient building materials to meet the demand for housing in Zimbabwe hampered sustainable housing delivery at affordable prices. This was a direct result of the energy and fuel crisis that to this day hampers progress. The following existing institutions play a role in the restructuring of the housing finance mechanisms in Zimbabwe:

(i) Ministry of Land and Agriculture

The Surveyor General Office is located in this Ministry and it is responsible for land surveys. The offices are situated in the two largest cities of Harare and Bulawayo which causes lengthy delays in the approval of land development proposals submitted by local authorities. The surveyor general office has also been hit by a "brain drain that has robbed the country of specialist skills.

(ii) Local Authorities (Urban and Rural)

The councils have played a critical role in enabling, promoting and facilitating the provision of housing in Zimbabwe. Their capacity to deliver viable housing finance products has, however, been seriously undermined by a lack of funding and by a loss of expertise in the technical and financial departments. Urban local authorities have been plagued by governance problems resulting in some elected councils being dismissed and replaced by appointed 'commissions' (Khohlo, 2008). Elected councils in Harare and Mutare were dismissed by the Minister of Local Government Public Works and National Housing and replaced by 'appointed commissions'. This caused strained relations between urban local authorities and central government. Taking over of the management of water and sanitation by central government from local authorities, through the Zimbabwe National Water Authority (ZINWA), undermined the capacity of municipalities to provide adequate housing.

Ministry of Local Government Public Works and Urban Development

The Ministry of Local Government Public Works and Urban Development finance housing development through the National Housing Fund. The Ministry lends money to home seekers through local authorities. The National Housing Fund is financed as capital transfers in the national budget. Beneficiaries of the National Housing Fund are charged a nominal interest rate of 15%. The viability of the National Housing Fund has been adversely affected by hyper-inflation affecting the economy and the nominal interest rate led to the bankruptcy of the fund. All mortgages were paid up reducing the annual inflow into the fund to zero. When the national fiscus is not performing well (as is the current situation) the National Housing Fund fails to perform. The budget currently reflects other priorities within government, particularly agriculture (Sibanda, 2008). The Ministry also has another vehicles for housing finance such as the Housing Guarantee Fund. This vehicle assists homeseekers in developing their stands. The capacity of the Ministry to deliver on housing finance instruments has been undermined by a relentlessly unstable economic environment.

Private Sector

Private sector financial institutions involved in housing finance include building societies, the infrastructure bank of Zimbabwe and pension funds (Old Mutual, National Social Security Authority. For a long time, Building societies assisted in housing finance through the housing guarantee fund established by the Housing and Building Act. Building societies established a financial product known as Paid Up Permanent Shares to mobilise savings that were in turn channelled in to housing delivery. The Infrastructure Development Bank of Zimbabwe was introduced to mitigate when the building societies lagged behind, particularly in reaching out to the poor in need of housing. The bank was established to assist local authorities to put up bulk infrastructure such as water and sewer facilities as well as access roads. The bank was also established to provide bridging finance. However, the capacity to provide these housing finance products by the Infrastructure Development Bank of Zimbabwe was lacking because of under-capitalisation. The bank was only involved in fringe projects in Mbare (Harare) and Masvingo (Sibanda, 2008). Pension funds, especially those of Old Mutual, were directly involved in providing housing finance. By its size, Old Mutual had the capacity to support housing finance initiatives of local authorities and/or building societies. However, the National Social Security Authority proved to lack capacity in directly financing homes as it had no visible housing project in the towns and cities. The best that it could do was to fund housing indirectly through local authorities that have a long-standing track record.

KEY HOUSING ISSUES IN THE HOUSING MARKET

Housing Affordability

Despite the rise in incomes, affordability problems never abated and in fact worsened. Low income households were burdened by the high cost of living - rentals, food, education, transport, etc, - relative to their incomes. Borrower affordability constraints arising from exorbitant property prices and mortgage costs and property acquisition costs such as conveyancing costs, including stamp duties, tended to inhibit lower income households from opting for low-cost homeownership.

The problem of housing affordability was exacerbated in the 1990s when government and local authorities - the principal providers of housing to low and middle income groups - started giving loans on a full cost recovery basis in line with the public sector reforms programmes of the day. This meant all subsidies on housing schemes financed by the public sector were removed. Stakeholders in the housing sector urged government to review its housing standards especially for low-income groups. It also became necessary to identify the ways and means by which the gap between standards and affordability could be narrowed, since the gap was widening every year. Enforcing minimum standards was a noble idea in ensuring good quality of housing and settlements but the goal was out of touch with reality on the ground where people were in desperate need of housing but unable to afford it.

Neighbourhood and Social Decay

While housing quality generally has improved, low-income neighbourhoods on the whole, have suffered from more crime, increasing hunger, disease, and a deterioration of social institutions, amenities and infrastructure compared to twenty-seven years ago. These problems have not affected low density high income neighbourhoods to the same extent and it is accepted by the public as one of the costs of being poor.

There is a direct connection between the decay of housing and that of the tenants in such decayed housing. This is centered on the fact that, slums not only created crowded and dangerous conditions where human deprivation would flourish, but they generated that deprivation.

Housing Standards

The urban housing standards set by the government turned out to be another barrier in the provision of affordable housing. The required minimum standards imposed by government, coupled with high inflation beginning in the late 1980s, pushed up the cost of building houses and which in turn reduced the rate of housing delivery. For example, the cost of constructing a 50m2 four roomed house rose from ZWD3,800 (USD3648) in 1983 to about ZWD22 000 (USD8360) in 1990 and it doubled to ZWD45,000 (USD6,600) by 1993. The cost reduced in USD terms due to the devaluation of the Zimbabwean dollar in line with the Economic Structural Adjustment Programme.

"One Major issue in Zimbabwe is that there is only one set of official housing standards in operation which, due to building and servicing costs rising faster than incomes, has become unaffordable to low income households. In short, residential planning standards and building codes now pose a critical bottleneck in the housing delivery and process" – O. Musandu- Nyamayaro (PCMU World Bank/GOZ Urban II Project

A survey undertaken by the then Ministry of Public Construction and National Housing in 1993, indicated that only 23% of the urban population could afford a house costing ZWD50,000 (USD7330). The resultant shortage of housing also pushed the lodgers' rentals beyond affordable levels in local currency terms. For example, a single room lodging that cost ZWD50 (USD80) per month in 1987, cost ZWD200 (USD19) per month in 1997. (National Housing Convention, 1997). These rates appear to be getting cheaper in USD due to the continued devaluation of the local currency.

The minimum standards set by the then Ministry of Public Construction and National Housing, established that the core house had to provide four rooms, detached and extendible, with a minimum plinth area size of 50m2 and built on minimum plot size of 300m2. The walls were to be constructed of either burnt brick or cement blocks or stabilised earth bricks and coated with cement while the floor was to be made of cement and smoothly finished. The core house was to have a roof of corrugated iron or asbestos sheets or tiles. In addition, all housing estates in urban areas had to be serviced with running water, sewerage reticulation, electricity, access roads and storm water drains.

It should be noted that low income earners fall into distinct income bands and their needs cannot be met by one set of minimum standards. As a result the government later decided to revisit the issue of standards and decided that the plot size for low income detached houses could range between 150m2 to 300m2. The minimum size of extendable homes had then been reduced to four rooms to a wet bloc plus one other room while burnt farm bricks had been added to a list of building materials that could be used in low income housing construction.

Despite the fact that the standards of housing had been reviewed and alleviated some problems, the issue of adequate and affordable housing for the urban poor remained problematic. The revised standards helped reduce costs as they had an impact on affordability, but the new standards did not go far enough in making housing affordable for the urban poor. These changes, however, have been encouraging as it demonstrated a more responsible position by the local authorities and responsive to the realities of the housing situation in Zimbabwe.

Land Management

There is an acute shortage of virgin land in some local authority areas, but the issue of shortage of serviced land pervades all local authorities in Zimbabwe. This issue needs to be addressed as a matter of urgency. Most developing countries function with systems of privately held or communally held land, and managing the flow of land resources from those who own them to those who need them for housing construction, becomes a complex task. The biggest failure of government in supporting housing delivery has been its inability to stimulate a supply of affordable and officially recognised serviced land to meet the housing needs of low-income families. The result of this has been the proliferation of informal shelters squatting on land and informally subdivided land, with inadequate infrastructure services.

Rapid urbanization in Zimbabwe has led to more visible informal processes of land development making land available to low income and disadvantaged groups. The high cost to developers and individual households of acquiring land for shelter through the formal sector as well as the high standards of preparing that land have made it very difficult, if not almost impossible, for the poor and disadvantaged to gain access to legitimate housing on legally acquired land. Where the government does not directly control the land market, there are an array of options for making land available to meet residential needs. The type of intervention by the government in the land market largely depends on the form of political organisation in the country and the variety of players in the shelter provision sector.

Land management in Zimbabwe have room for improvement, through the introduction of affordable land registration systems and programmes of land tenure which need regularisation. A priority area for national policy action would be the setting up of efficient land registration and land information systems at local authority level and the introduction of administrative measures and legal reforms to promote the efficiency of land markets. Poor land systems, in general, increase the cost of acquiring and mortgaging land and thus, the cost of shelter. In line with changes in land registration procedures, public authorities should consider legal measures to reform land tenure systems with the aim to improving private investment in housing.

Access to housing land is strictly controlled and regulated in all of Zimbabwe's towns and cities.

Spatial Dimension of Economic Opportunities

Another issue needing attention is the spatial dimension of economic opportunities. Players in the housing sector are concerned about the market induced and continued placing of low income households in neighbourhoods far removed from job and livelihood opportunities. This is particularly evident in the capital city Harare where low income households are located in outlying "locations" like Hatcliffe, Epworth and Chitungwiza. The placing of low income households in outlying dormitory or satellite towns makes it expensive for the poor to commute daily to the city for jobs and other livelihood travels. This should be complemented by the provision of affordable and reliable public transport. The current "freedom train services" offered by the National Railways of Zimbabwe, in Harare and Bulawayo, is unreliable and unable to meet current demands.

Homeownership Education, Training and Counselling

There is no education, training or counselling programmes that focus on increasing homeownership opportunities and reducing risks of defaulting and foreclosure among low income households. All the information on homeownership and mortgage loan facilities assisting home seekers should be well documented and distributed. There are many low income households who can afford access to home ownership finance, but are denied the access due to the absence of information on available home financing options. If such information were to be made easily available, it would improve home ownership ratios; the very poor or destitute due to affordability constraints, by necessity may have to rely on social support living provided by government or local authority-owned housing accommodation.

Conclusion

The historical background to housing finance reveals the structural bottlenecks in the housing finance system in Zimbabwe and which continue to affect the system to this day. It is important to draw lessons to help address the current housing shortages in Zimbabwe. One lesson is that housing standards in Zimbabwe have been set too high and should be reviewed. Government has relaxed some of its stringent measures, particularly in regard to the type of bricks used to construct houses in the city. Now "farm bricks" can be used. The review of standards and other structural bottlenecks and the bureaucracy involved in gaining approval for building plans has encouraged the elimiation of some of the non financial constraints to housing delivery. The following chapter focuses on structure, patterns, trends, characteristics and instruments of housing finance in Zimbabwe.

CHAPTER 3

STRUCTURE, PATTERNS, TRENDS, CHARACTERISTICS AND INSTRUMENTS OF HOUSING FINANCE

INTRODUCTION

This section examines the structural characteristics to the national housing finance mechanism. The analysis below compares the Zimbabwean mechanism to that of other developing countries, identifying similarities and differences.

To address the need for shelter and community services, greater priority and resources should be focused and directed at the problem. The government and local authorities should continue to expand their efforts. Private sector organisations, community based organisations and non-governmental organizations, all should receive support to complement the activities of central and local governments. Credit mechanisms and other forms of funding, alternative mortgage instruments and savings products should be designed to encourage and support the efforts of those people who live with a housing problem, and to reduce costs and expand the availability of mortgage and improve homeownership.

In this section we provide a clear distinction between sources of funding and various credit mechanisms, the credit mechanisms themselves, loan schemes and types of credit enhancement mechanisms.

STRUCTURE OF HOUSING FINANCE

In discussions on housing finance, funding sources often are the major issue. In developed economies, finance for housing comes from voluntary savings. In some developing economies, housing finance can be provided through mandated savings. Very few countries still attempt to finance housing primarily through state resources (i.e. taxes). Voluntary savings available for housing come from three main sources: (i) deposits in banks and savings institutions are the traditional and still most important source of finance for housing, ii) loan-linked savings contracts—so-called contract savings for housing systems. This source is mainly found in Austria, France, and Germany, (iii) long-term contractual savings in the form of life insurance and pension schemes. This is the fastest growing form of savings in recent years, due in part to increased emphasis on the expansion of privately funded pensions.The simplest instrument for tapping housing funds is the savings deposit. Bonds are also important: they can either be secured by mortgage loans or unsecured obligations by the issuing institution. The most recently introduced instrument is the pass-through security that passes the cash flows and mortgage loan risks through to the investor.

The structure of the housing finance market in Zimbabwe is fairly complex as shown in figure 3.1 comprising various sources of funds, credit mechanisms, loan schemes and credit enhancement mechanisms. The most important source of housing funds between 1980s and mid-1990s was international donations given directly to the government of Zimbabwe which directed the funding to municipalities, town councils, local boards and district councils to disburse as required. Other sources of funding included government loans to individual home-builders, self help housing cooperatives and employer assisted housing development schemes and employer pension funds. Different credit mechanisms and credit enhancement mechanisms existed within the housing finance system in Zimbabwe.

The most common lenders were depository institutions, which attracted deposits and made home loans available to home seekers. These institutions were diversified (such as commercial or savings banks), or became specialized in housing finance (such as building societies and housing banks). Mortgage banks raised funds almost exclusively by issuing secured bonds. Life insurance companies lent the premiums they accumulated directly for housing as well.

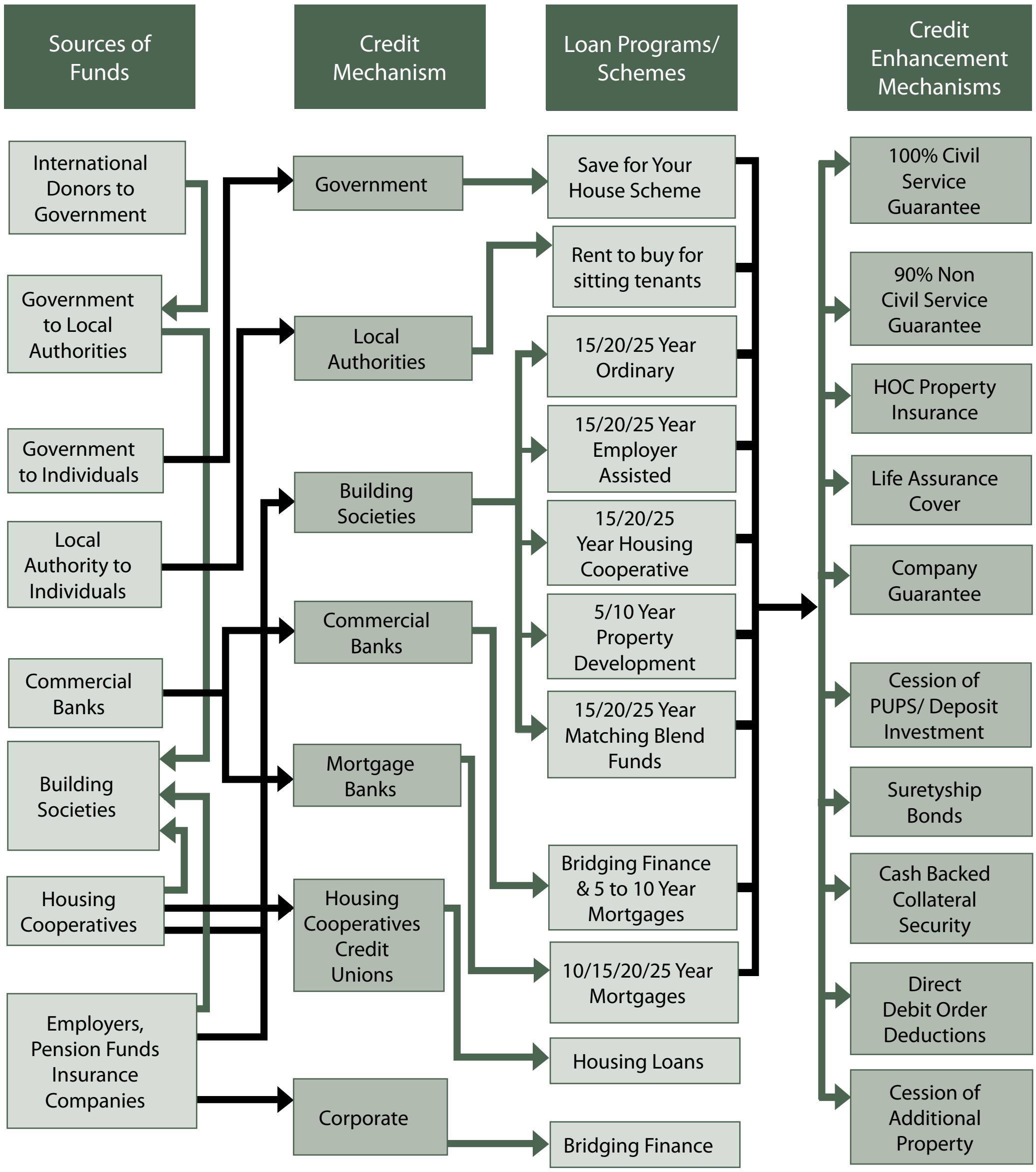
SOURCES OF FUNDS

The pre-requisite for any investment in housing is the accumulation of sufficient savings. This is to raise funds needed to purchase land and develop the infrastructure and the superstructure and to grant mortgage loans for construction or to purchase existing properties for new home seekers. Finance for shelter in Zimbabwe is mobilized by various credit mechanisms through a variety of sources. Most of these sources are private but there are a few sources of public capital consistent with public support of housing goals and some of these sources can in the form of international loans, grants and multi-lateral donor funding. Following below is a synopsis of the different sources of housing finance in Zimbabwe.

International and Multi-lateral donor funding

Since 1980, the housing finance sector in Zimbabwe has benefited immensely from funding by international lending institutions. Most of this funding has been channeled towards low cost housing in the urban areas. Funds raised through donor agencies such as the Commonwealth Development Corporation, USAID, United Nations and the World Bank have been loaned to the government of Zimbabwe for the development of its infrastructure and for the construction of super-structures. This funding has come with conditions.

FIGURE 3.1: STRUCTURE OF THE HOUSING FINANCE MARKET IN ZIMBABWE



Source: Mutekede L. and Sigauke, N. (2007)

This source of funding in Zimbabwe has since dried up as multi-lateral lending institutions are no longer willing to support the Zimbabwean government of President Robert Mugabe. When Zimbabwe pulled out of the Commonwealth in 2003, the government could no longer benefit from any Commonwealth aid for housing. This has affected mainly low income home seekers who previously benefited. However, some multi-lateral donor agencies have opted to fund housing development initiatives through local authorities and civil society organizations.

Central Government Funding

The housing delivery sector depends on a myriad of government policies, regulations and activities. Central government plays a crucial role in shaping the environment for business entities to contribute to the housing service delivery sector.

To this end, the government introduced and implemented a number of policies relating to housing finance. These policy initiatives were aimed at encouraging low income earners to gain easier access to housing loans. The ministry of finance in its annual budget statement devotes a significant amount of money to low-income housing. The funds allocated are used by the Ministry of Local Government Public Works and Urban Development for the construction of housing or infrastructure or for the purposes of lending to local authorities for infrastructure services development.

TABLE 3.1: HOUSING FINANCE VOLUMES/DISBURSEMENTS 2005 TO 2007

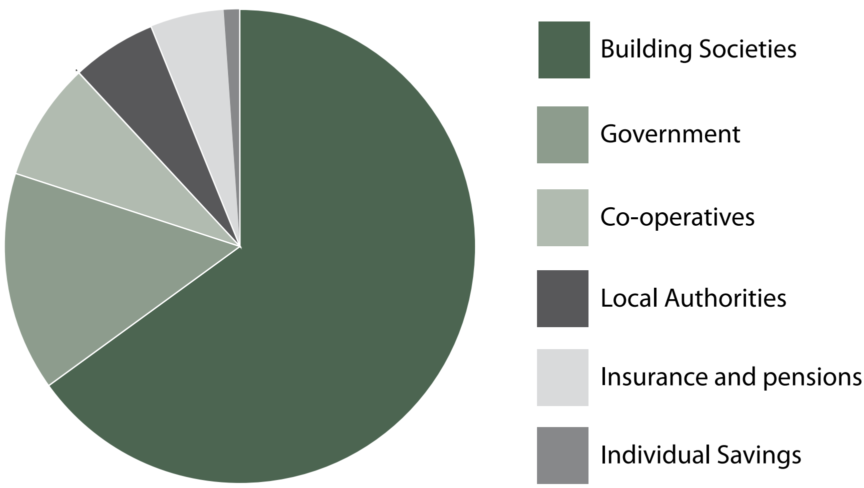
CITY	2005 USD	2006 USD	2007 USD	TOTAL USD
Harare	827423	355	200000	1027778
Chitugwiza	59102	2766	67	61934
Ruwa	48463	355	50000	98818
Epworth	82742	591	27	83360
Bindura	48463	236	33333	82033
Shamva	0	0	0	0
Marondera	47281	709	53333	101324
Chinhoyi	59102	591	45000	104693
Kadoma	65012	473	20000	85485
Kariba	55792	118	20000	75910
Chegutu	30142	142	115000	145284
Norton	82742	355	33333	116430
Karoi	36052	47	15000	51099
Mutare	98227	591	50000	148818
Rusape	0	118	23333	23452
Chipinge	59102	118	0	59220
Gweru	82742	236	20000	102979

CITY	2005 USD	2006 USD	2007 USD	TOTAL USD
Kwekwe	0	177	30000	30177
Redcliff	15816	118	16667	32600
Shurugwi	24586	24	16667	41277
Zvishavane	0	118	23333	23452
Victoria Falls	50236	591	66667	117494
Hwange	17730	95	20000	37825
Gwanda	59102	35	16667	75804
Beitbridge	0	83	16667	16749
Plumtree	23641	59	30000	53700
Masvingo	106383	591	50000	156974
Chiredzi	36170	118	33333	69622
Bulawayo	141844	2128	116667	260638
TOTAL	2157896	11939	1115093	3284928

The government placed a wide range of supply-side initiatives as a way of encouraging investment in housing. These initiatives included subsidies encouraging building societies to issue tax free paid up permanent shares, where building societies were required to allocate 25% of the issued shares to low income households. Funds from central government allocated in the national annual budget were directed towards residential development through the provision of funding to local authorities.

However, the funds that were raised by government from multi-lateral and international donor agencies were loaned to individuals through private financial institutions, including building societies that were the principal providers of mortgage loans (65%) as shown in figure 3.2 below.

FIGURE 3.2: SOURCES OF HOUSING FINANCE IN ZIMBABWE.



The 15% finance from central government was given to local authorities to build public houses under the National Housing fund. Local Authorities contributed only 6% of its own financial resources. These are very limited due to diminished capacity to raise revenue due partly to the loss of the water revenue which now goes to a government agency, the Zimbabwe National Water Authority. Central government has attempted to broaden its scope in financing housing delivery through the creation of a new ministry, namely the Ministry of Rural Housing and Social Amenities to cater specifically for the support of construction of houses and infrastructure in the marginalized rural sector where mortgage financing is not attractive. In the aftermath of Operation Restore Order/Murambatsvina in 2005, the government launched a follow-up housing initiative dubbed Operation Garikai which is explained in box 3.1.

The approach of directly funding completed houses has been questioned by some stakeholders. The argument is similar to that posed by the World Bank in the 1990s, which states that direct funding of completed units for the urban poor means reaching out to fewer beneficiaries, particularly where funds are limited. It is argued that to reach more poor families, government should have adopted a model where it funded the provision of infrastructure only and not the construction of the superstructure. An analysis of the operation could help evaluate some of the 'best case' scenarios.

BOX 3.1; HOUSING FINANCE UNDER OPERATION GARIKAI/ HLALANI KUHLE

Under Operation Garikai/Hlalani Kuhle, three trillion dollars was made available to the Ministry of Local Government for the construction of basic four room core houses for affected families by the government. This is not the first time that central government has been directly involved in the provision of housing. Government had previously used its construction units in its own housing funded schemes but had since stopped after some critiques discouraged the government from being directly involved in the construction of houses.

The ZWD3 trillion spent on the construction of two roomed low income houses at a conservative cost of ZWD500 million each meant that only 6000 households/families would benefit from this. Most poor families would not be able to afford this. If the ZWD3 trillion had been spent on providing serviced plots at a cost of ZWD100 million per plot so that they can gradually construct their houses, 30,000 would benefit. If the money had been spent on an upgrading programme whose components involved providing paved roads and drains, water, health centres and the provision of solid waste collection services, at ZWD25 million per household 120,000 households would have benefited. However, without a budget for maintenance, the improvements would not be sustainable. These scenarios demonstrate that the approach adopted for a project is very important in terms of cutting costs and extending the reach. Some approaches also created employment for poor families. The table below gives statistics of houses constructed in Harare during Operation Garikai/Hlalani Kuhle. Delays in meeting targets were accounted due to the erratic supply of materials, inflation and funding for the projects. It can be seen in the table that none of the set targets were achieved. In all cases, none of the houses were completed. However, some houses have since been occupied by families even though they are incomplete.

TABLE 3.2: HOUSING CONSTRUCTION UNDER OPERATION GARIKAI / HLALANI KUHLE BY 15 DECEMBER 2005 (HARARE PROVINCE)

	HOUSING UNITS COMPLETED										
DISTRICT	TARGET OF HOUSES TO BE	SITES CLEARED/ SETTING OUT	FOUNDATION ESCAVATED	FOOTING COMPLETED	BRICKWORK TO SLAB LEVEL	SLABS COMPLETED	HOUSES AT WINDOW LEVEL	HOUSES AT ROOF LEVEL	HOUSES ROOFED	HOUSES PLASTERED AND FLOORED	HOUSES COMPLETED
WHITECLIFF	1200	815	446	156	7			4	312	8	
HOPELY	1185	258	620		106		10	21	170		
RUWA	110		30	1	9		70				
CHITTUNGWIZA	500	157	143	63	46	26	14	8			
EPWORTH	100		18				58	6	18		
NORTON	100	129	119	68			26				
TOTAL	3717	1359	1591	408	233	26	297	47	591	8	

Source: Ministry of Local Government Public Works and Urban, 2008

The Reserve Bank of Zimbabwe Initiatives

The Reserve Bank of Zimbabwe in 2004, started an initiative called The Homelink, designed to channel foreign currency funds earned by Zimbabweans in the Diaspora to provide a housing finance facility option. The Reserve Bank of Zimbabwe through the Homelink facility advances loans to applicants in local currency to purchase either serviced land, complete or partially complete structures, and the beneficiary repays the loan in instalments pegged in foreign currency. There is also an option to buy housing units constructed by Homelink directly. The scheme is now open to those in Zimbabwe and who legitimately earns verifiable foreign currency. However, the major drawback is that the loan has to be repaid in foreign currency, which is not affordable to most people, especially the poor.

The The Reserve Bank of Zimbabwe has also put in place a Trillion-dollar housing facility to help reduce the housing backlog. This housing facility has been affected negatively by the lack of serviced land. Under this housing facility, loans are available at 20% interest, with funds coming from building societies statutory reserves. This is at subsidised interest rates compared to the prevailing open market rates. However, beneficiaries would still need to augment funds accessed under the facility with expensive borrowed resources to fully fund the construction of houses.

Local Authorities

Local authorities in Zimbabwe have the statutory responsibility of providing and administering low income housing in their areas. To satisfy this function, urban councils have three traditional sources of funds: loans from central government; loans from the open market; and internally generated funds.

The operation of the first is covered under the National Housing and the second is covered under private sector financing. Internal funding is financed by revenue from supplementary charges, 1icense fees and service charges. Central government tendency towards revenue centra1isation coupled with expenditure decentralisation makes internal funding inadequate. This means that central government gradually co-opts the most lucrative sources of revenue for local authorities. A case in point is beer trading. Revenue from beer sales, 50% of which has been traditionally channelled into a housing revolving fund from which loans for low cost housing are made available has gradually been eroded by increases in excise duty and price control. The main problem with internal funding of low cost housing is the limited internal sources of revenue and the consequent dependency by central government loans for execution of projects.

Admittedly, in the current fiscal environment no local authority is expected to have complete financial autonomy. However, excessive financial dependence on central government makes a mockery of the concept of local autonomy. There are two promising avenues towards long term local authority financial viability and relative autonomy: (i) a widening of borrowing powers for local authorities on the open market, (ii) a more effective use of funds. The current drive towards the participation of civil society in funding housing is a step in the right direction. However, local authorities must play a leading role in ensuring that land for housing is made available to compliment efforts by civil society.

The current dependency on external credit injections into the local housing delivery system, makes it difficult if not impossible for local authorities to commit to any long term programmes. A decisive step out of the financial quagmire in which local authorities find themselves, lies in a more vigorous approach towards local income generation. In addition, the diversification local authorities' into the higher income housing market on a commercial basis, is likely to be a financially rewarding endeavour given the current shortage of middle and high income housing. Some of the revenue obtained could be ploughed into the low income housing sector.

Private Financial Institutions

Private financial institutions include commercial banks and building societies. These institutions take deposits from the general public and from corporate bodies and the deposits are insured under the deposit protection scheme introduced by the Reserve Bank of Zimbabwe. Building societies raise funds for their lending activities through the acceptance of savings deposits and the issuance of paid up permanent shares to the public. They raise some of the money through acceptance of grant funds from the government for onward lending to home seekers in accordance with the conditions set out for this type of facility by the donor agency. Each of these institutions would than develop their own funding programmes. These funding vehicles or schemes would then be used for low-income people to access housing finance, mainly from building societies and housing cooperative credit unions.

Commercial banks are privately-owned institutions that raise funds on the capital markets and insured customer deposits. Commercial banks lend for a broad range of purposes, in addition to residential mortgages. For this reason, competition for loanable funds from the commercial banking sector is high and this means that less funding is available for housing purpose as most of the money is channeled in to other economic activities yielding higher returns.

Mortgage Loans

In 1932, institutional mortgage lending in Zimbabwe was at its embryonic stage. Lending was done by life assurance societies, commercial banks, and industry or community-based friendly societies. During this period building societies were mandated to collect subscriptions from members, and the institutions became known as "terminating societies".

After the introduction of the Building Societies Act, building societies became permanent deposit-taking financial intermediaries, that borrowed funds from the public and issued shares, with the main objective of making mortgage advances for the purchase or construction of urban property. The institutional arrangement for this concept is illustrated in Figure 2, where building societies followed the traditional mutual model in the deposit taking system as retail institutions attracted savings from households.

In practice, building societies specialised in granting loans for the purchase of an existing dwelling, the construction of a new house or the improvement of an existing one.

Before a building society could lend money to applicants, it had first to obtain the money. This was done by inviting the public to deposit its money with the society in the form of savings or investments. The interest rate to borrowers was only slightly higher than that paid to investors in order to cover the cost of administering investments and loans. Any surplus was transferred to a reserve fund. This explained why building societies were generally able to grant the cheapest loans for acquiring fixed property.

There is no direct contact between investors and borrowers. Investors make their arrangements with the society and borrowers also deal with the society.

The operation of private financial institutions was conditioned by an ideology of maximum profit, long-term business interests and social responsibility considerations. However, building societies were run fundamentally as commercial enterprises rather than social welfare clubs. The main source of funds for their operations were shares and short-term deposits, and their ability to attract these funds was dependent on economic and monetary stability, good interest rates, confidence in the societies security and stability, reasonable income levels, the effectiveness of branch networks and government's fiscal policies. The list of determinants is by no means exhaustive. This serves to illustrate only how the ability of attracting funds is directly influenced and linked to the external environment. Government fiscal restrictions are of paramount importance, since it is beyond the control of building societies. For instance, the introduction of the building societies Class 'C' Paid up Permanent Shares Regulation by government, created a tax free investment portfolio with building societies which enhanced the flow of funds into the building societies and their potential participation in low cost housing. In 1987, a year after its inception, ZWD99.7 million had been deposited under these shares with 25% of the funds earmarked for low cost housing.

Although no institutional restrictions existed on who could invest in building societies, several impediments were encountered by prospective lower income borrowers. Clients were required to have an adequate income and suitable collateral as defined by the Building Societies Act. Both requirements could not be met by the majority of the households, given the highly egalitarian distribution of assets and income. As a result, people, particularly those working in the informal sector, were ignored when it came to qualifying for housing finance, even though they may well have had sufficient income to afford a modest loan. Low income groups have tended to be marginalised and denied access to mortgages.

In addition, capacity problems have bogged down attempts by building societies to diversify into the low-cost housing sector. Building societies have barely managed to maintain structural stability in spite of the introduction of Paid up Permanent Shares. Cash flow problems have given rise to intermittent flows of aggregate mortgage lending in the system. Freezes in mortgage lending are a clear indication of the incapacity of building societies to cope with increased business. Building societies suspended the provision of housing loans from May 2008 due to unfavourable economic conditions, especially hyper-inflation. The building societies today are offering only short-term credit up to fourteen days and the interest rates are adjusted on a daily basis in line with hyper-inflation. For example, 7 days credit is charged at a 4000% rate, 14 days is charged 6000% per annum, as of 14 November 2008 (interview with Abigirl Mwaturura).

Housing Cooperatives Credit Unions

Funds from non-governmental organizations are usually channeled to individual households through community-based organizations and housing cooperative unions. Housing cooperative credit unions are not for profit organizations. They lend money to their members for the purpose of constructing shelters. Through the encouragement and technical support of organizations such as Housing People of Zimbabwe and others, cooperatives now make significant contributions to shelter programmes throughout Zimbabwe.

The government of Zimbabwe has encouraged grass roots organizations in the housing sector, especially cooperatives, to approach local authorities for land to develop housing schemes. Problems, however, have been encountered in this strategy such that by the late 1980s few cooperatives were still operational. Since the 1990s, there has been a slow revival of housing cooperatives. Its revival, however, has been seriously affected by the economic downturn. The housing cooperative movement has demonstrated to government and all involved in shelter provision that low income groups are prepared to take steps to address their housing needs through self-reliance and collective support. It has also been noted there is lack of consumer participation and adequate information about housing policy and housing delivery systems.

Individual Household Funds

This source constitutes one of the major sources of funding for residential mortgages by investing in savings deposit accounts with building societies and commercial banks. 60% of housing finances come from individual savings: people are required to make down payments and pay front-end charges.

Emp1oyer Aided Finance

In Harare, parastatals and private companies have played a significant role in providing and financing low cost housing. This has taken the following forms:

(a) employer housing which is either rent free or subsidized

(b) company loans either to buy a house or to finance a down payment or deposit

(c) company guarantee to assist an employee to obtain a Building Society loan

(d) monthly housing allowance in the form of company housing to enable employees to buy or rent a house.

BOX 3.2: EMPLOYER ASSISTED HOUSING IN ZIMBABWE

In Zvishavane, a small mining town in the Midlands province, the largest employer in the town, Mimosa, has acquired land from the local authority, serviced the land, construct houses right up to completion and then offer them to its employees on a rent to buy basis. The housing finance scheme has demonstrated a true public-private partnership in housing finance. The rent to buy scheme ensures security of tenure – Interview with Mr. Shabbie Phiri, Housing Officer for Zvishavane Town Council.

Practical considerations in attracting labour and minimising turnover have spurred employer assistance in housing employees. Although there is a serious scarcity of data on the levels of current or annual investments by companies, a marked decline in the involvement of companies began to occur after 2000. It is speculated this was due largely to the economic melt-down and the closure of many companies. On average, a worker needs (a) a house that suits his taste in a location of his own choice (b) his own house that he can keep after retirement (c) neighbours of his own choice and (d) a measure of economic choice without depending on his employers. It can be safely said that most of the dissatisfaction with company housing arises from the grip employers have on the labour force. This situation can be rectified by selling houses to employees or assisting them in the purchase of a house.

Campaigns by local authorities and even government to persuade employers to participate in low cost housing schemes have paid dividends. In Kuwadzana Phase II and Budiriro in Harare, close to 2 000 stands were allocated to employers and the Director of Housing and Community Services reported that many companies have registered interest in the employer aided housing scheme. Participation is constrained by the inability of local authorities to adequately service the stands. The financing scheme has been successful in other smaller towns, especially in the small industrial and mining towns in the Midlands and Masvingo provinces. There is the case of ZIMASCO in Kwekwe, ZISCO Steel in Redcliff, Mimosa in Zvishavane and Anglo American Corporation and Hullets in Chiredzi and Triangle.

The advantages of this type of financing are that:

a. The council receives the purchase price of the stand at the outset
b. Employers improve labour relations
c. Employees obtain their own homes, and at the same time they are saved from the burden of obtaining materials and supervising the construction process
d. A new source of funding is introduced to supplement the resources of local authorities without digging into the coffers of central government.

The full potential of employer aided housing schemes still needs to be realised. The practice of a company guaranteeing a Building Societies loan to employees has had minimal benefit. This is largely because the same weaknesses identified in the government Housing Guarantee Fund were introduced in this system. Furthermore, guaranteeing Building Societies loans by employers has not added to the housing stock in real terms, since these loans have to be guaranteed by the Housing Guarantee Fund. It amounts simply to the depletion of scarce resources, the creation of inequalities in the allocation of funds, and worsening the plight of households who have put their names on a long housing waiting list. It also creates inequalities in allocation of stands because preferential treatment is accorded to beneficiaries of employer aided housing schemes on the municipal housing waiting list. The more positive approach to direct company investments in Building Societies would be to encourage the participation of employers in servicing stands for their employees. Coverage is limited to those in the formal employment sector excluding a large section of the population in the informal sector who are in dire need of financial assistance.

CONCLUSION

We have revealed the main sources of housing finance in Zimbabwe as being the building societies who account for 65% of all housing finance. This is in contra distinction to what is currently taking place on the ground. Despite this, an interview with key players in the Building Societies Association indicates that since 1998, the Societies have not been financing many housing projects for middle and low income people. Instead, the projects that have succeeded received funding from Zimbabweans living abroad. There has been some degree of success with some loan programmes, albeit with huge limitations on the poor. Loans have proved unaffordable for the poor, especially the conditions requiring collateral security with proof of title, and viable bank deposits. This, even though mortgages were given as an indirect subsidy from government.

The bilateral agreement between the government of Zimbabwe, USAID and the private sector, to provide matching funds for home seekers proved to be one of the more successful measures in housing finance in Zimbabwe. It is considered essential that this kind of partnership should be revisited in seeking ways to successfully provide housing to the urban poor. The success of this concept hinges on defining income thresholds, that should included the poor and exclude the rich who either own houses elsewhere or who could afford to fund their own housing. Another anchor for the USAID-Zimbabwe government partnership was that all loan repayments were paid into a revolving fund: for example, Kuwadzana 4 and Crowborough housing schemes in Harare. However, the scheme collapsed due to financial pressures. Loan beneficiaries have met their repayments, but the revolving fund became eroded due to hyper-inflation.

Employer-assisted housing finance has been another success, but the scope and scale of delivery has not match the demand for housing for a number of reasons: local authorities have not been able to make land readily available for construction of houses; the councils have suffered a lack of capacity to provide infrastructure and to administer housing delivery; efforts by employers have been frustrated by bureaucracy, especially seeking approval of plans.The non-state sector has been active in the housing market, especially in housing cooperatives. These have had an impact, but have been seriously affected by hyper-inflation. Mobilizing savings in this climae has been difficult and cooperative members have tried, with little success, to explore mechanisms to hedge their savings against inflation. The next chapter will explore the credit mechanisms that are currently in place and the credit enhancing mechanisms and its successes.

CHAPTER 4

REVIEW OF CREDIT MECHANISMS FOR HOUSING FINANCE IN ZIMBABWE

INTRODUCTION

Credit mechanisms are devices that promote the savings and/or provide credit for housing, community services and even building materials production centres. Credit mechanisms can include other lending institutions, international donor organizations and other multilateral agencies, government, local authorities, building societies, commercial banks, co-operatives, credit unions, pension funds, insurance companies, corporate bodies, such as property developers and other real estate investments conduits. These credit mechanisms have supported the provision of funding for lower and middle income families living in urban settlements. For purposes of this research the definition of credit mechanism will be restricted to those lending institutions that directly interface with the borrowing low and middle income households.

GOVERNMENT

Government, through the Ministry of Public Construction and National Housing, became involved in the construction and disposal of houses to families. The two main funds used by the Ministry as vehicles for the disbursement of funds for lower income housing, are the National Housing Fund which granted loans to low income housing through a scheme commonly known as the Save for Your Home Scheme. The Ministry of Local Government Public Works and Urban Development manages this scheme. Members of the public contribute their money to the ministry, through local councils. The ministry then contracts a builder to build houses. This programme is also referred to a self-financing Scheme. This project has not been successful over the years due to a number of constraints, the main one being insufficient contributions and corruption.

BUILDING SOCIETIES

The Building Societies Act of 1996, defines a building society as – an association of persons the principal object of which is the making out of funds derived from the issue of shares to and the acceptance of deposits from the public or from subscriptions by members, of advances for any purpose upon the security of the mortgage of urban immovable property.

Urban property includes any piece of land registered as a lot or stand or premises in the Deeds Registry included in a township or approved township as defined in the Regional Town and Country Planning Act. It can also be a smallholding (not exceeding 20 hectares) situated in the vicinity of a township and in an area that is mainly a residential area or has been set aside as such an area. Urban property also means a long lease over a smallholding (as defined above) and which has at least thirty years to run, or a life span of five years, more than the term of the mortgage or an agreement for the conversion of the lessee's title from leasehold tenure to ownership. It also includes all such other land or rights over which the Minister can classify as urban immovable property for the purposes of the Building Societies Act:

A Building Society is not permitted to make a loan against the security of a farm unless the property is a small holding not exceeding 50 acres near an urban area or the farm has been incorporated into an urban area and is under residential property development. Moreover, the percentage of total available loans that can be made against the security of commercial and industrial properties, flats and vacant urban land is also controlled.

Building societies being the principal players in the provision of low-income housing have remained the major sources of residential mortgages by virtue of their experience in the sector and the advanced infrastructure in terms of interfacing with mortgage customers.

The term of the loan

In the case of reducible bonds the term of the housing loans vary between five and twenty five years.

The interest rate on the loan

From time to time interest rates on loans are adjusted upwards or downwards as conditions change on the money and capital markets. Since 2000, interest rates in Zimbabwe have spiralled upwards in tandem with the financial crisis that has infected the financial sector. The hyper-inflationary environment has been another cause for the continued escalation in the interest rates.

Interest rate charges by building societies are based on the use of premises and the location of a property offered as security for the loan. The lowest interest rate is levied in the case of low-cost private dwellings. For larger dwellings located in medium density suburbs, the interest rate is higher and increases depending on the perceived level of risk attached to that loan.

Second and further mortgages

A building society may not lend money against security of fixed property unless the bond that secures the debt is a first mortgage bond. This provision does not, however, prevent the society from later holding a second or further mortgage if the property concerned has already been mortgaged to it by way of a first mortgage.

Re-advances

In the case of reducible bonds the capital amount is redeemed monthly. This kind of capital redemption in no way affects the bond registered to the property. For example, a mortgage bond originally registered to secure a loan of ZWD30 000. Over the years this loan is reduced to ZWD10 000 in monthly instalments. If the home owner then wishes to do improvements to his house he can apply to the society for a re-advance up to the amount of ZWD30 000 secured on the bond. In this way, time and money are saved because an additional mortgage bond does not have to be registered. Where the person wishes to borrow more than ZWD20 000, a second mortgage bond will have to be registered in favour of the society in order to secure the amount by which the new loan exceeds ZWD30 000.

Building loans

When an application for a loan is made to build a house, a number of conditions are applied: in the case of reducible loans, the society will lend an amount up to 80% of the valuation. This means that the borrower must contribute 20% of the loan valuation in cash and/or by way of the value of the land. Where collateral security or a guarantee is furnished, these requirements can be amended as in the case of loans for existing houses. Building societies require the builder to renounce his right of retention in writing. The reason for this is that the builder has a right to retain occupation of the house and to refuse to hand it over to the borrower until he has been paid a right which enjoys preference over the mortgage bond registered by the building society. To protect itself, the society will not make any payments to the builder until the right has been renounced.

The building Society will undertake to make disbursements as progress is made with the building operations. The Society makes regular valuations of the work and endeavours to hold back sufficient money to complete the work should the builder fail to carry out his commitments. On completion of the project the Society usually retains a certain sum of money (which at present amounts to roughly 5% of the tender price) for three months to ensure that the builder finishes off the house satisfactorily.

COMMERCIAL BANKS

Commercial banks are some of the institutions that, by law, are permitted to grant mortgage loans to home seekers. But, due to the competitive nature of their funding sources and the risk-weighted cost of money and other liquidity considerations, and portfolio duration mismatches, they find themselves concentrating on more attractive and financially rewarding short-term banking business. A commercial bank is an institution where deposits can be withdrawn by cheque, which constitutes a substantial part of the business. Examples are, Barclays Bank, ZB Bank, The Standard Chartered Bank and CBZ.

The provision of money for the purchase of fixed property is one of the less important functions of commercial banks. The way in which banks make money available for the purchase of homes differs considerable from one bank to another. Below are some of the better-known ways of making money available for property purchases.

Home loans against security of a first mortgage bond

Some commercial banks are prepared to make home loans available against the security of a first mortgage bond. The process of applying for this loan is more or less along the same lines as discussed above under building societies.

Overdraft facilities against security of a covering bond

Several commercial banks are prepared to grant overdraft facilities for the purchase of blocks of flats, farms, and commercial and industrial properties against the security of a covering bond registered to the property. Normally, a maximum of 50% to 60% of the banks' valuation of a property is made available in the form of overdraft facilities. In most cases these facilities are reviewed annually.

SPECIAL LOAN PROGRAMMES

Housing finance has been made available through public and private sector lending programmes. Under the public sector lending programmes, the government, through the national housing fund, has granted loans to families. Local authorities extended similar facilities under the rent-to-buy housing programme, which is in compliance with the government's distributive socialist policies for sitting tenants. Under the private sector lending programme, there are two kinds of private sector institutions that make mortgage loans in Zimbabwe: depository and non-depository mortgage lenders. Depository institutions which do mortgage lending in Zimbabwe, include building societies, commercial banks and credit unions, and self-help housing cooperatives. The non-depository institutions are called mortgage companies, and they are mortgage lenders that borrow funds from a line of credit or shareholder equity and make loans available to borrowers, and the line of credit is repaid from cash flow streams coming from mortgage loan repayments.

Each of the lender groups offer a variety of loan products to consumers. However, in the case of the government or local authorities, their mortgage loans are dependent on its housing policies being pursued at a particular point in time, as public loans are not always available to consumers. By contrast while some groups have the advantage in offering variations of the basic mortgage products, depositories offering adjustable rate mortgages and fixed rate mortgages, and commercial banks offering bridging loans and overdrafts, the choice of the product will be driven by consumer demand.

TABLE 4.1: CURRENT HOUSING LOAN SCHEMES

ELEMENTS	SELF-HELP HOUSING COOPERATIVE	AIDED-SELF-HELP	EMPLOYER ASSISTED	SAVE FOR YOUR HOME SCHEME	ORDINARY LOANS
Motives	Self-reliance through community participation	Self Reliance through individual initiative	Subsidy -driven social responsibility	Elimination of housing problems through savings culture	Profit in low cost housing
Target Population	Membership To Trade Or Community	Low-Income Households on municipal waiting list	Employees of An Organisation	Low income Households From All Communities	Low income households on municipal waiting list
Funding Structure	Subscriptions from membership + lender's resources	Local authority plot + individual/ lender's resources	Matching investment	Individual savings + govt funding	Commercially raised funds mortgage lender
Infrastructure Development	Local authority or cooperative effort	Local authority	Developer or local authority	Government	Local authority or mortgage lender
Loan Entitlement	Membership to a cooperative + up-to-date subscriptions	Can meet lender's affordability criteria	Loyalty to employer and lender's affordability criteria	Based on amount saved and govt's lending criteria	Mortgage lender's affordability criteria
Sources of Land	From local authority or privately owned	Local authority	Local authority or privately owned	State land or local authority	Local authority or privately owned
Subsidy Component	No subsidy	Indirect supply-side subsidy	Direct demand-side subsidy	Implicit demand-side subsidy	Indirect-supply-side subsidy
Tenure Type	Freehold title	Freehold title	Freehold title	Leasehold or Freehold Titles	Freehold title
Deposit and Front-End Charges	Paid by the cooperative	Paid by the individual	Paid by employer	Paid by the individual	Paid by the individual
Management of Programme	Technical Service Organisation	Local authority and mortgage lender	Project manager/ developer	Ministry of public construction and national housing	Owner managed
Programme and Origin	World Bank serviced land Housing Cooperative	United Nations, 1984-88; CDC, World Bank	World Bank, Private developers	Government of Zimbabwe, Building Societies	World Bank, mortgage lenders

Source: Mutekede L. and Sigauke N., 2007

Save For Your Home Scheme

Details of this facility are not clear in terms of the technical design of the mortgage loan scheme. However, it is presumed that the accumulated savings of the individuals were being used to pay for the construction of the unit. Unfortunately such an assumption would be quite erroneous. Home seeker's savings would never be able to accumulate in tandem with the escalating costs of building materials. This implies that beneficiaries under this scheme bought their houses at highly subsidised rates. This scheme has been criticised for its lack of transparency in determining the correct price for beneficiaries and its failure to sustain itself.

Rent To Buy Houses for Sitting Tenants

At independence, the new Zimbabwe government promoted private ownership of formerly publicly owned housing in the high-density suburbs to sitting tenants. Concerned with the transformation of capitalism to socialism, the government saw their housing policy as a redistributive mechanism to redress the inequalities of the colonial regime and to improve the standard of accommodation for low income people.

Ordinary Loan –Adjustable Rate Mortgage

The conventional primary mortgage product in Zimbabwe is given for fifteen, twenty and twenty-five years adjustable rate. This type of mortgage allows interest rate adjustments in line with the market interest rates. It is not linked to inflation, the consumer price index or to the wage level index. It is determined by the cost of money to the particular lending institution and considerations of the borrower's affordability. This type of mortgage loan is fully amortising. Loan repayments go toward interest payments before capital redemption. At the start of the mortgage loan, the biggest portion of the instalment goes towards servicing the interest on the loan before capital repayments start.

Employer Assisted Housing Scheme-Adjustable Rate Mortgage (15/20/25/ Year)

Under this type of a loan facility, the employer is motivated to alleviate the housing problems of its employees. The employer outlays enough capital to match the amount of a loan which is granted by the Building Society to the employee. The base loan will be an Adjustable Rate Mortgage with the same terms and the conditions are outlined under the adjustable rate as explained above. There are three options in the employer-assisted housing loan scheme.

(1) *Matching investment without interest subsidy on the staff member's mortgage loan* whereby the employer provides a matching investment of a dollar (ZWD) for each dollar (ZWD) of the proposed mortgage loan. The matching investment attracts an interest rate which is lower than the mortgage loan interest rate. The Society charges a normal mortgage rate for residential loans. The employer provides a 30% guarantee, by means of a cession over the matching investments and the employee obtains a 100% mortgage loan.

(2) Matching investment with interest subsidy whereby the employer provides a matching investment of a dollar (ZWD) for each dollar (ZWD) of the proposed mortgage loan. The matching investment attracts a rate calculated at 15-25% below the mortgage interest rate on the investment. The Society charges a subsidised mortgage rate, calculated at 15%-25% above the investment interest rate. A 30% guarantee is also provided as in the first option.

(3) *Special benefits to a member of staff (the employee).* Under this scheme, the lower the mortgage rate, the bigger the mortgage loan the member can borrow. The member can now afford a better property. The repayment amount does not increase, but remains at 25% of the member's gross income. The loan may be used to finance the purchase of a property or

for making improvements to an existing house or for the construction of a new property. All bonded properties are insured through the Society's insurers, nominated from time to time. The employer of the mortgagor effects monthly collections from each employee's salary. In the event of *termination of service by a member who is gainfully employed,* the employer requests the Society for an amount required to terminate their commitment, in terms of the Deed of Suretyship signed when the mortgage loan was taken out.

Self Help Housing Cooperative-Adjustable Rate Mortgage

The terms and conditions applicable to a conventional Adjustable Rate Mortgage are the same as those applicable to the Self-Help Housing Cooperative type of mortgage product. However, where differences arise, these are mainly to accommodate the peculiarities applicable to respective housing cooperatives. The case of housing cooperatives is further explored in the next section as one of the most viable opportunities for housing delivery in Zimbabwe.

Property Development Loans -ARM

In line with the Building Societies Act, 5 or 10 year loans can be granted to property developers with the security of the property development scheme. The loan facility can be used to acquire the land, in the preparation of the subdivision drawings, for land surveys, the provision of all on-site infrastructure, the erection of residential properties to allow for their disposal as complete improvements or simply as fully serviced plots. The interest rate applicable would be determined by the Society, as well as by the credit enhancements offered by the developer. The loan would be repaid in full upon the disposal of 85% of the development.

MatchingBlended-AdjustableRateMortgage (15/20/25/ years)

The phenomenon of matching investments is a direct result of the inability of building societies, under certain economic conditions, to attract sufficient money to approve all loan applications. In the case of a matching investment, therefore, the prospective borrower canvasses a person or institution to make an investment with the building society, in which circumstances the society will then be prepared to grant a loan to the borrower.

There are certain aspects of matching investments that need to be highlighted at this point. Societies make thorough investigations into the borrower and the investor. It is accepted that the borrower will not pay a raising fee to a family member, a good business friend or an employer. Building societies tend, however, to be skeptical of strangers making matching investments on behalf of a borrower, because of the likelihood that the borrower has been compelled to pay a raising fee. Although the amount differs from one society to another, an average matching investment of ZWD1.25 for each ZWD1.00 of the envisaged loan is required. The interest rate payable on the matching investment used to be 4%. This has since increased to 15% to 25% lower than that rate at which the loan is granted. The margin between these rates ensures that provision is made for the society's administrative costs. At present, matching investments have to be made for periods of five to ten years, after which they can be withdrawn, provided the interest rate on the matching investments are not being used to subsidise the mortgage interest. The investor who makes a matching investment with a building society can always use it as security.

Bridging Finance (2/5 year)

Commercial banks do not give long term mortgages. Where the decision to give mortgage loans has been made, banks normally give short-term mortgages as bridging finance pending the repayment or transfer of a loan to another financial institution such as a building society - the long-term lenders.

Procedure in Residential Mortgage Loan Processing

The steps in the mortgage loan origination, loan processing, underwriting, registration and servicing processes are illustrated in Figure 4.1 below.

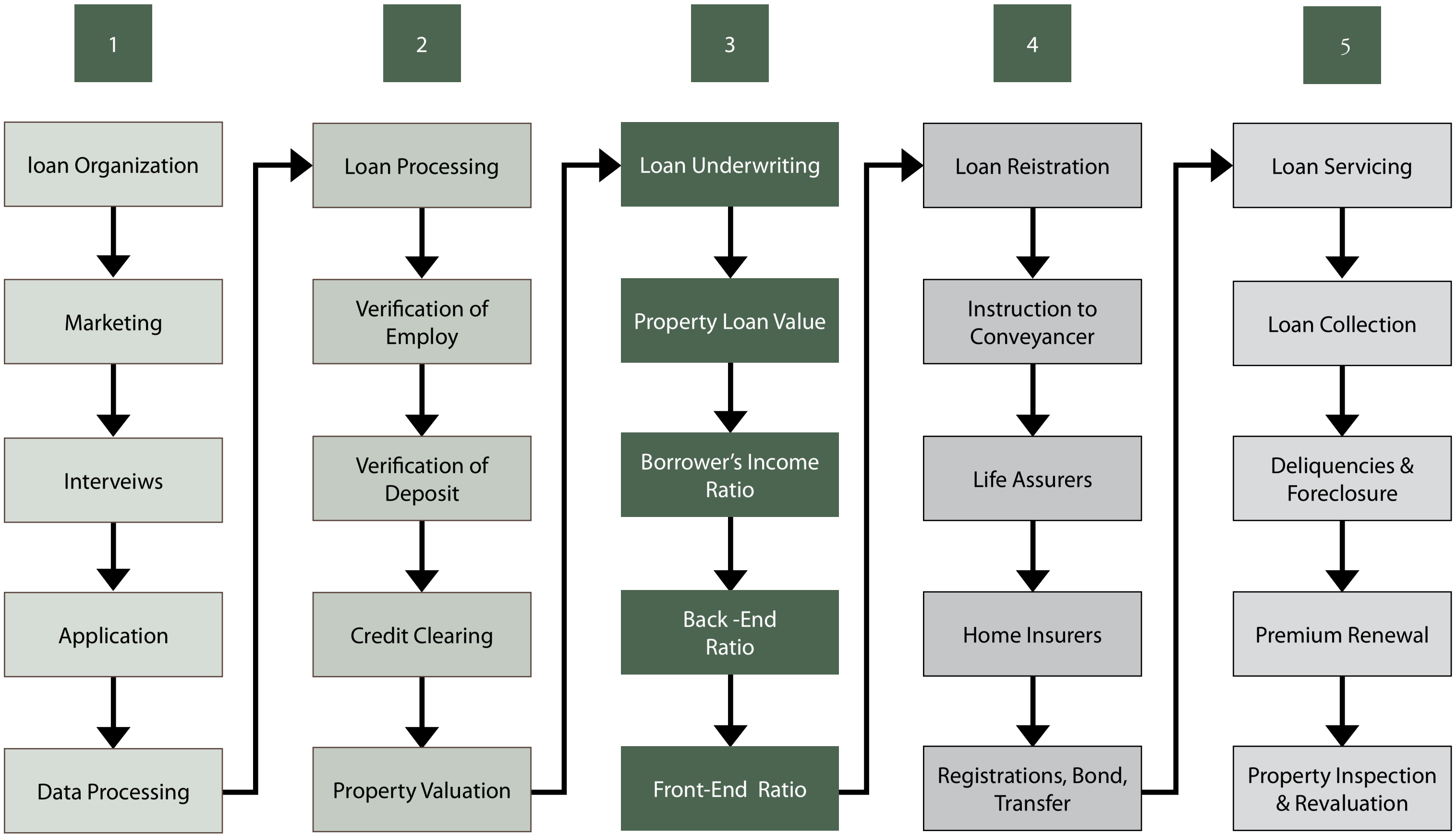
Loan origination

Loan origination is the creation of mortgages. Loan officers initiate the origination process by locating mortgage borrowers through estate agents or drop in customers. The buyer completes an ordinary loan application form furnishing personal details, the property to be mortgaged, and indicates the amount of the loan required. The application would have to be supported by relevant documents including proof of income, bank statements, agreement of purchase and proof of sale.

Loan processing

This is the process of collecting documentation and the verifications to support information provided. The building society examines the property, investigates the applicant's circumstances and decides whether or not to grant the loan.

FIGURE 4.1: PROCESSING RESIDENTIAL MORTGAGE LOANS



Source: Mutekede L. and Sigauke N., 2007

Loan Underwriting

Underwriting is the evaluation of loan documentation to approve or decline the loan application. In the evaluation process, the underwriter considers specific requirements that ensure a quality loan is granted.

Loan registration

If a loan is granted and accepted by an applicant, the Society instructs its attorneys to draw up the necessary documents. At this stage, the applicant must pay the costs of transfer and bond costs. Where relevant, he must pay the remainder of the purchase price, and furnish additional security. The documents are then lodged in the deeds registry office for registration. After registration the amount of the loan is paid out and the borrower is notified of when to start making monthly repayments on the loan.

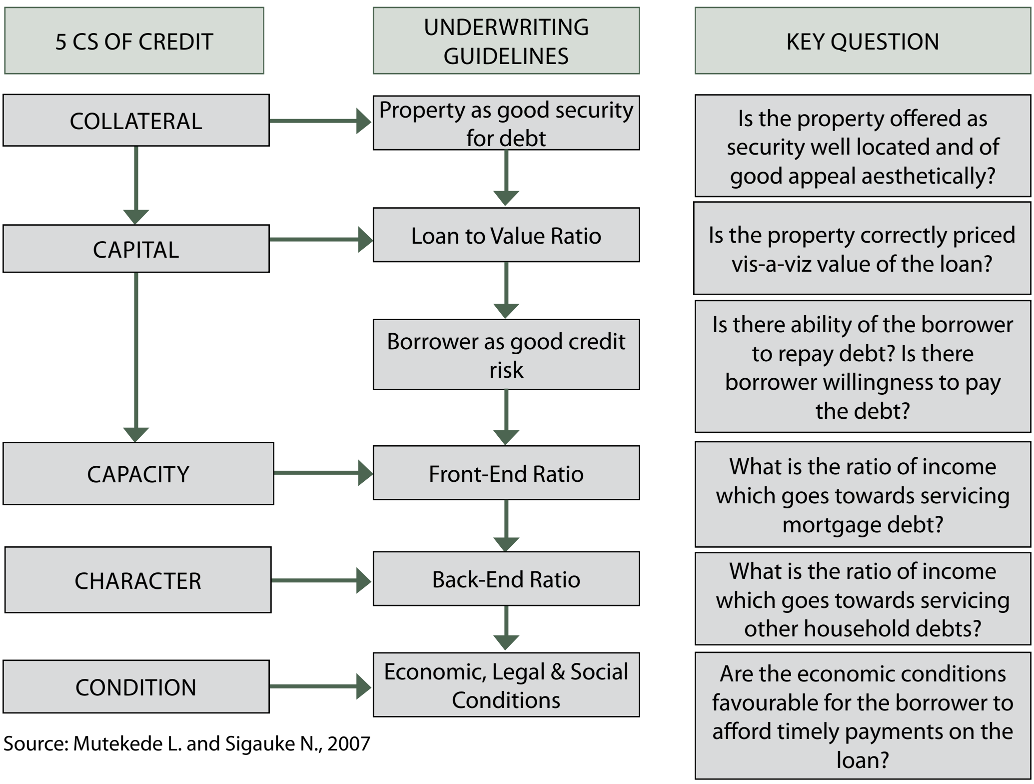
Loan servicing / administration

This is the collection of monthly installments, management of delinquencies and defaults, insurance renewals of property and
life covers, deceased and insolvent estate administration, cancellation of mortgage bonds and management of properties in possession.

Underwriting a residential mortgage loan

Once a mortgage loan application has been submitted the loan application is subjected to rigorous checks and verifications in order to determine the suitability of the borrower as a good credit risk and the property as good collateral on the loan. This process is commonly known as mortgage underwriting.

FIGURE 4.2: RESIDENTIAL MORTGAGE UNDERWRITING PROCESS



Source: Mutekede L. and Sigauke N., 2007

The 5Cs criteria of underwriting refer to the underwriting review of capacity revealing the applicant's ability to make monthly payments and financial resources such as savings. Character refers to an applicant's motivation to make monthly mortgage payments. The applicant's credit report summaries the applicant's credit history. It might reveal slow and delinquent payments, foreclosures and bankruptcies. Capital refers to liquid assets the borrower has available to make a down payment on the loan, ability to meet a loan transfer. Collateral refers to the underwriter's evaluation of a property using a professionally prepared appraisal tool. Condition refers to the prevailing economic climate which determines the preparedness of a borrower to make timely payments towards the loan. In the current recession in Zimbabwe, an increased number of borrowers are experiencing difficulties in servicing their loans due either to loss of employment or diminished income levels.

RISKS PRESENT IN THE PRIMARY & SECONDARY MORTGAGE MARKETS

There are risks, which are inherent in the residential mortgage market. These risks are major determinants in policy formulation as it relates to mortgage lending in the building society industry. They also affect the availability, the cost and accessibility of mortgage loans to low income borrowers. Institutions that are better able to manage these risks tend to have lower overheads, hence the cost of mortgage loans are likely to be lower for low income groups. This aspect explains the varying levels of mortgage interest rates offered by mortgage lenders to low income households. Although Zimbabwe is yet to develop a secondary mortgage market, it is important that policy makers and practitioners in the housing sector understand risks associated with this form of innovation which are clearly tabulated in Figure 4.3.

Credit enhancement mechanism refers to the techniques used to improve the credit worthiness of a mortgage allowing low-income households to gain greater access to mortgage loan facilities. Credit enhancements are usually required on a mortgage loan in order to give greater protection to the lender to minise the loss. Credit enhancement mechanisms can be grouped into two broad groups: internal and external credit enhancements.

TABLE 42: RISKS PRESENT IN THE PRIMARY & SECONDARY MORTGAGE MARKETS

RISK TYPE	PRIMARY MARKET	SECONDARY MARKET	BOTH IN DIFFERENT FORMS
LEGAL			
Loan Agreement	✪		✪
Enforceability	✪	✪	
Property	✪		
Consumer Protection			✪
Business Fraud			
BORROWER CREDIT/DEFAULT			
Repayment	✪		
Collateral	✪		
INTEREST RATE			
Prepayment	✪		✪
OPERATIONS			✪
LIQUIDITY			

Source: Adapted from Ruturi S, 2006

CREDIT ENHANCEMENT MECHANISMS

This section explores the different Credit Enhancement Mechanisms in existence in Zimbabwe's Housing finance system. The focus is on internal mechanisms and external mechanisms. The success of these mechanisms is evaluated in the current financial environment.

Internal Credit Enhancements

Internal credit enhancements refer to techniques used to improve the attractiveness of a mortgage asset for the lender to provide protection against credit loss. The protection can be achieved by either adding collateral or shifting credit risk against the various mortgage transaction classes i.e. industrial and commercial mortgages interest rates may be used to cushion against losses incurred on low income housing. Over collateralization of security granted to the lender by the borrower may take the form of cash investments ceded to the loan, additional collateral security, and direct debit order deductions or garnishee from regular income to mitigate loss against default.

The first scheme is an "internally guaranteed" loan scheme whereby the building society advances a mortgage loan of up to 80% of the property valuation or purchase price of the property, whichever is less. This loan falls under the "ordinary or conventional" loan category where the society assumes full risk without external credit enhancements. The full cash amount is deposited with the society and the full amount of deposits with a permanent building society or fixed deposits with a bank. There is also the full paid up amount of shares in a permanent society and the surrender value of a life assurance policy. The full amount from a bank or another acceptable guarantee plus 75% of the value reasonably determined by the collateral acceptance in the case of a fixed-term bond over immovable property is some of the internal Credit Enhancement Mechanisms in Zimbabwe.

External Credit Enhancements

External credit enhancements rely on third parties to provide protection against credit loss. They do not materially alter cash flow characteristics of underlying securities. The second scheme is a "guarantee scheme" in terms of which an insurance company, government, employer or any other party provides a guarantee for the additional loan of 10%. The maximum loan is still restricted by the purchase price of the property for which the loan is given. Where collateral or a guarantee is provided, the monthly repayment on the loan must still not exceed 28% in the case of low-income households, otherwise it is 25% of a borrower's gross monthly income. This means that the maximum loan which can be granted is limited by the borrower's monthly income.

These additional securities are generally known as credit enhancements. Various employers assist their staff in this way to obtain larger loans. However, the maximum amount of the loan cannot exceed 100% of the society's valuation of the property.

CONCLUSION

Credit mechanisms are without doubt not viable in the prevailing economic environment. It is not conducive for savings, or the production of building materials, and distorts the pricing structure of building materials. Low income groups build their own houses on an incremental basis while the escalating cost of materials militates against a successful completion of housing units. There is evidence of this from the number of unfinished houses under construction in the towns and cities of Zimbabwe. Government should be playing a role in unlocking funds for housing finance.

The government should, through its public sector investment programme, support local authorities in developing infrastructure. For example, the Kunzvi Dam project that is supposed to boost the city of Harare's water supply, remains unfinished even though the project was commissioned decades ago. The Zambezi Water Project which was designed to supply water to the growing city of Bulawayo, remains unfinished after twenty five years of its conception. Since housing is fast becoming a human rights issue, the government needs to prioritise projects that support local authorities in the development of infrastructure for housing delivery. The private sector has been reluctant to heed calls by the government to enter into public-private partnerships in housing finance because of the unstable and unpredictable socio-political and economic environment.

There are growing calls from all sectors of Zimbabwe's society for the government to address the economy. The economic collapse has been a key factor in the poor housing delivery system in Zimbabwe. Improvements can be achieved by first addressing the political polarization that has bedeviled the country since 2000. An unemployment rate of 80% has crippled the ability of home seekers to generate income. The revenue base for local authorities has been depleted, as a result, while public debt has escalated, paralysing the public supported credit mechanisms. These have practically failed in the face of the unstable financial sector.

These are some of the constraints facing Zimbabwe's housing finance mechanisms, which will be explored in greater detail in the following chapter.

CHAPTER 5

CONSTRAINTS ON AND RECOMMENDATIONS FOR HOUSING FINANCE IN ZIMBABWE

INTRODUCTION

The Zimbabwean government has promoted a policy of aided self-help schemes to help home ownership since independence: low income families were allocated serviced lots and received loans to build their own housing units. The government also authorized local authorities to sell rented housing stock to sitting tenants. The sale price was based on capitalizing the monthly rental payable, discounted for each completed year a tenant had occupied the property. In each case the mortgages between the beneficiary and the local authority were repaid over a period of 25 years at interest rates that varied depending on each local authority's average costs.

The National Housing Fund, which is administered by the Ministry of Public Construction and National Housing, traditionally has been the major vehicle through which the government has provided housing finance for low-income beneficiaries. Funds have been provided to the National Housing Fund in the form of loans from the Ministry of Finance. The National Housing Fund in turn is supposed to lend the money to local authorities whose requirements have been vetted and approved by the Ministry of Public Construction and National Housing and Ministry of Local Government, Rural and Urban Development. Complementary funds for off-site infrastructure were provided through the General Loan Fund operated by Ministry of Local Government, Rural and Urban Development.

Prior to Fiscal Year 1986/87, the National Housing Fund loans to local authorities were used to finance on-site infrastructure and superstructures. The local authorities acted as developers with planning approval provided by the Ministry of Local Government, Rural and Urban Development and construction undertaken by private contractors. Private consulting engineers managed the work. Since 1988, there has been a gradual shift in responsibility, as the private sector has become the primary provider of long-term housing finance for people in low-income groups. The National Housing Fund loans to local authorities have been used largely for construction finance to provide on-site infrastructure. Again, private contractors and consulting engineers managed the work. However, the system now enables local authorities to recover the cost of their development by selling the lots to the public who, in turn, finance them through building societies.

Until the mid 1980s, building societies were reluctant to finance shelter for low-income households. Their market niche was middle and high-income households and their profit margins were attractive. In 1987, the government, with the support of USAID and the World Bank, persuaded the building societies to address the massive demand for shelter for the low income groups. In 1987, the government gave tax-free status on the income of certain investments in building societies (known as "Class C" shares), which significantly lowered the cost of funds to building societies. The reduced cost of these shares and the high level of computerization within the building societies operations, allowed the housing finance industry to handle more business at lower margins. As a consequence, the building societies were able to expand the number of annual low income mortgages from zero in the mid-1980s, to approximately 5 500, and in 1997 to around 15 000 declining to approximately 2000 today.

The revised system of housing delivery relies principally on the public sector to finance the initial infrastructure, and the private sector to finance the superstructure. Yet despite the positive changes to the system, the output of low cost housing has been hampered by a lack of building materials, a shortfall in the supply of affordable long term housing finance, and expensive building standards, affordability constraints due to high interest rates, exacerbated by high inflation levels.

Housing constraints have been a significant factor in determining tenure choice for low income households. These constraints have prevented the majority of low-income households from accessing facilities that make homeownership possible. The majority of these constraints have been about averting risk by the lending mechanism which tends to impose onerous burdens on the potential home buyer by forcing the lender to be full insured for any loss arising from a mortgage loan. The various forms of constraints range from personal constraints and external constraints: a lack of suitable credit mechanisms, suitable funding structures, unsuitable land delivery, shortages of construction and building materials, the income and wealth of households and gender related issues.

TENURE CHOICES

The idea of home ownership is quite new to Zimbabweans. To understand why people choose between owning and renting a home an analysis of tenure choices is very important. People are most likely to own than to rent if the perceived benefits of owning are fully understood. Many of the benefits of homeownership are socially constructed.

Lewis Wirth (1937, 17), in his description of a lodger states:

Overwhelmingly a city dweller is not a home owner, and since transitory habit does not generate binding traditions and sentiments, only rarely is he truly a neighbour.

Man can also be deprived of homeownership due to a wide range of constraints which are discussed below and broadly illustrated in Figure 5.1.

> "For a man who owns his home acquires with it a new dignity. He begins to take pride in what is his own, and pride in conserving and improving it for his children. He becomes a more steadfast and concerned citizen of the community. He becomes more self-confident and self-reliant. The mere act of becoming a homeowner transforms him. It gives him roots, a sense of belonging, a true stake in the community and well-being".
>
> Senator Charles Percy (1966, 2725B)

Tenure choices are explained by using determinants like household income, the relative costs of owning or renting a house. Turner and O'Neal (1986), discuss a range of variables that are used to explain people's decisions. These variables are grouped into eight categories:

CURRENT INCOME AND WEALTH

Virtually all studies of tenure choice reveal that income is a significant determing factor, partly because mortgage lenders require that people must have enough income to service a loan on a house. Mortgage lenders also require a down payment. The lack of a regular income and accumulated wealth diminishes the probability of owning a house. Wealth constraints are more important than income constraints in determining the purchase of a home. Direct and indirect costs associated with the acquisition of a mortgage loan are high and include the following:

(i) Bond registration costs.

Bond registration costs include fees for conveyancing and stamp duty. The conveyancer's fees include correspondence, the drafting of the mortgage bond, communication with the deeds office, and the verification of the bond registration. Prescribed fees exist and can be ascertained by consulting any conveyancer.

(ii) Inspection and valuation fees

The society charges a fee for inspecting and valuing the property. The valuation is required by law. Where the loan is not granted, the society will not levy inspection and valuation fees.

(iii) Interim interest

The borrower is liable for the payment of an interim interest where a building loan has been granted. Interim interest is payable where an existing house is purchased, and the borrower is expected to make the first payment in the month following that in which the bond is registered. Interim interest runs from the date of registration up to the first instalment. Most societies expect the borrower to pay this interest in the form of a cash amount.

(iv) House owner's insurance policy

When a building society grants a loan it insists that the borrower take out a comprehensive house owner's insurance policy so that the society's interests will be protected in the event of damage to the property.

(v) Mortgage protection policy

A number of building societies insist that the borrower take out a mortgage protection policy. This is a special life assurance policy in terms of which the amount of the loan is immediately paid off in the event of the borrower's death.

(vi) Commission in the case of 90% loan schemes

Under the 90% non-civil service loan schemes the borrower must pay a cash levy which amounts to a percentage of the additional loan granted in excess of 80% of the society's valuation of the property.

(vii) Credit History

Credit history is critical to loan approval and thus to tenure choice. Households with no good credit history can work to build or repair it. Credit clearing companies and credit rating companies may use different definitions to determine a household's creditworthiness, which implies that credit can be built or repaired in different ways and at different times.

(viii) Life-Cycle Considerations

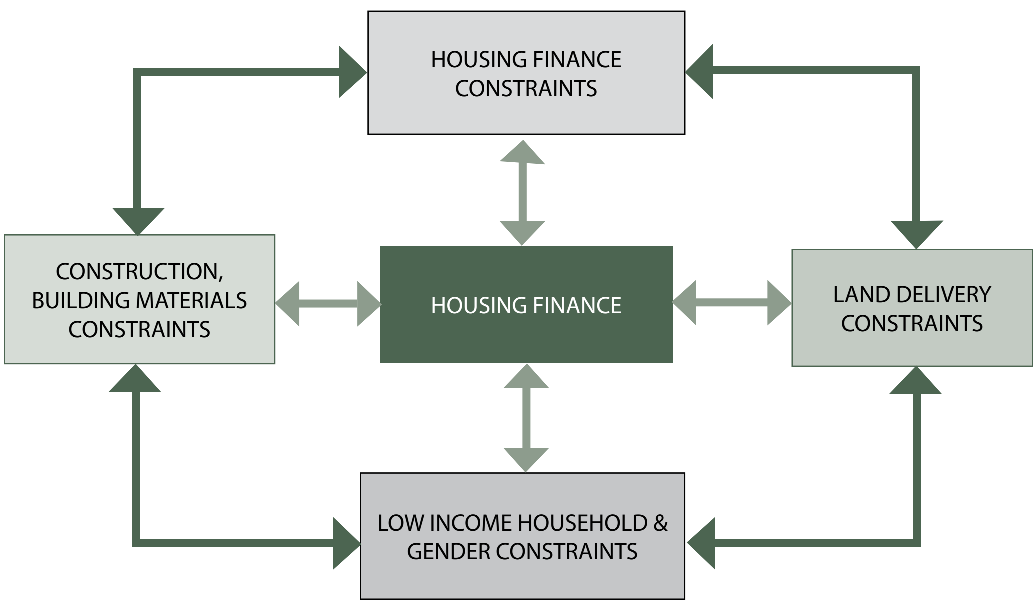
Life cycle considerations have been captured with measures of age, family type, and household size. First different types of households exhibit different demands for housing relative to other goods. From this perspective, households who want higher levels of consumption will choose to become home-owners. Second, certain types of housing such as medium to low density housing are more likely to be available for sale than for rent. Finally, households have expectations about the immediate future with respect to moving costs and the investment characteristics of the housing bundle. Households that are expecting to move soon may be better off renting than buying, given the high transaction costs commonly associated with the purchase of a new home.

PRICE AND OTHER MARKET FACTORS

On the consumption side, prices of homes have skyrocketed out of reach of even the middle classes in Zimbabwe. This has been a direct result of the hyper-inflationary environment where prices have been pushed up by speculative purchases of homes as fixed property is being used as a hedge against rampant inflation.

Below a diagram illustrates some of the constraints faced by low income earners when applying for a mortgage from a building society. For the majority these processes and technical details are complex and difficult to comprehend, and a degree of education is necessry on how to apply for a mortgage loan facility, buying a home, on the building process, on how to service a mortgage loan and on how to prevent delinquencies and defaults. Unless an effort is made towards assisting low income earners to understand the challenges of home ownership, these financial resources will be wasted.

FIGURE 5.1: COMPONENTS OF HOUSING FINANCE CONSTRAINTS



Source: Mutekede L. and Sigauke N., 2007

The constraints faced by building societies are both transitional and long-term. The implementation of the ESAP have caused a variety of distortions in the financial system that has negatively affected the housing finance industry. The most important is the high interest rates, which have made it difficult for building societies to compete in the money market. However, various parties disagree about the full implementation of the ESAP in alleviating this constraint.

The longer term problem is a quantitative one. Although no definitive figures are available, it has been estimated that nearly one in four Zimbabweans are seeking shelter, with some 2,000.000 units needed to meet the demand. This figures constitutes a home ownership rate of around 25%, compared with 67% in the United States of America and 65% in the United Kingdom. Once sufficiently serviced plots are in place, there will be a rapid growth in demand for long-term finance from the various credit mechanisms which are currently failing to meet demands for housing finance.

TRANSITIONAL CONSTRAINTS

The implementation of various economic recovery programmes requires the government to balance two important objectives insofar as they affect housing finance institutions. The current monetary policy measure is to tighten up liquidity to stabilise the macro economic situation in a period where trade and price controls have been lifted. This involves financing government expenditure with private savings, which consequently increases the cost of money to positive rates. Money market rates, depending on the nature of the funding, now vary between 200 and 500 percent. These rates obviously act as benchmarks for bank rates.

On the other hand, the government is concerned that allowing mortgage rates to rise to market levels will result in massive defaults and will make shelters unaffordable. The MFEPD and the Reserve Bank of Zimbabwe claim that low income mortgage rates cannot increase any further during the transition. This position is supported by the World Bank. The two policy stances obviously present a problem to building societies who are battling to manage their balance sheets due to the new capital requirements and liquidity shortages in the market. To maintain the existing mortgage rates for low-income earners during the transition, the building societies cannot compete for deposits with the monetary/ banking sector.

In 1990, the building societies had record levels of liquidity that they were unable to lend due to constraints in the building material and construction industries. However, in August 1990, the government made its first move to liberalize interest rates in the money market and banking systems, which led to a tightening of the monetary situation and greater competition for deposits in which the building societies, with their controlled lending rates, could not compete. It was not until February 1991, that the building societies were allowed to increase their mortgage and deposit rates.

In July and August 1991, the Zimbabwean dollar was devalued by 37 percent, and there were rapid increases in the money market and bank lending rates. Fluctuations in the money markets increased, and rates went up to a level at which the building societies could not compete. This led the authorities in September 1991, to make further adjustments to building society rates. The building societies continued to express concern that these adjustments would not adequately reduce the risk of de-capitalization.

The only competitive building society deposit was the tax-free share, which enabled the societies to avoid de-capitalization.

The average cost of funds to the largest building society, as of the end of January 1992, was estimated to be 13.9 percent and the average return on money was 16 percent. Variations on these percentages occurred in other building societies depending on their debt and asset portfolios.

To assess the effects of interest rate movements on building societies, an analysis of their share and deposit levels was carried out between June 1991 and January 1992. Over this seven month period, the value of total shares and deposits attracted into the building societies rose by 4 percent. However, with annual inflation estimated at 25 percent it was concluded that, in real terms, a de-capitalization of share and deposit levels did occur over this period.

Disaggregating the figures into various modes of investments in the building societies gives a clearer picture of recent trends on the flow of funds. Permanent shares, which are funds from mostly corporate investors, accounted for about 30 percent of investments in building societies as of January 1992. These shares witnessed declines of 10 percent from June 1991 to January 1992, due to their low rate of return when compared to other investments.

The building societies have, over recent years, taken on a banking type role for lower income groups. These groups traditionally have had limited access to higher return investments in the banking and monetary sectors, and principally use savings accounts offered by building societies as a channel for their monthly earnings. These accounts represent about 42 percent of deposits in building societies and shares in January 1992, and grew by 6 percent over that period. The massive decapitalisation which occurred during this period gave rise to the introduction of Negotiable Certificates of Deposit.

The tax free Class C shares - linked to reinvestment in low income housing - represented in January 1992 about 27 percent of the shares and deposits of building societies, and grew by 22 percent over this period. This form of investment in building societies increased in real terms. Shares, with a nominal return of 12.65 percent, over the period provided an effective return of approximately 25 percent for both individual and corporate investors. As a result, tax free shares became an important source of income for building societies over the transitional period.

Building societies also offered subscription shares and fixed deposits which have lost their attraction as these instruments account for less than 1 percent of the value of their shares and deposits. The outflow of these funds is a result of more competitive rates from commercial banks.

LONG TERM CONSTRAINTS

The gap between household incomes and high mortgage rates will continue to exacerbate the housing problem. A substantial, unmet demand for shelter, and particularly low cost shelter, remains. Until the current liquidity crisis arose in 1998, building societies were providing an average of 5 500 low cost mortgages per annum. A 1989 study undertaken for USAID found that demand was approximately 38 000 units per year and it is believed that this number has since increased to over 1 000 000 housing units per year.

Numerous problems limit the ability of the sector to meet the demand. Despite the high levels of liquidity housing finance remains a major concern. Specifically, the building societies lack a variety of competitive instruments to secure additional finance from private investors. Their greatest assets, the mortgages, are held without any mechanisms to. Leverage additional finance, using such as instruments as mortgage backed securities.

CONSTRUCTION AND BUILDING MATERIAL CONSTRAINTS

A study, completed in June 1991 for the World Bank, found that the construction industry had an annual turnover in 1990 of approximately USD350 million, or about 6.5 percent of GDP. Despite its importance to the economy, both the building materials manufacturing industry and building and civil engineering contractors experienced severe difficulties in the latter half of the 1980s due to frequent breakdowns of plant, vehicles and equipment.

For example, the World Bank study showed that half of the civil engineering contractors' machinery were more than 10 years old and 33 percent were more than 15 years old. The study gives examples of delays caused by outdated and unreliable marchinery. A recent rural roads project in an agricultural area, which had taken about twice the time (two years) and cost 40 percent more than if it had been constructed by a contractor owning the typical mix of old and new machinery that most contractors in an open economy would possess. A high rise apartment block took six months longer to build than the 24 months that would normally be required and cost about 12 percent more than if proper modern machinery had been used. That was the situation then. Today projects are not only being delayed, but many are being abandoned due to rising costs of material. THE cost per square meter of floor which was ZWD160.00 in 1990 is now over ZWD6 billion for a medium density property of 100sqm.

A severe shortage of building materials has had a dramatic effect on economy. For large contractors, the main response has been to increase their prices, which ultimately has had a hyper-inflationary impact on the economy. Small contractors, trying to cope with severe shortages and parallel market prices, have been forced into bankruptcy leaving jobs incomplete and debts unpaid.

The root cause of these difficulties is an acute lack of foreign currency. The World Bank study estimates that the industry has incurred direct plant operating cost increases of approximately USD33.5 million per year as a result of poor equipment. The same study estimates that total demand for new plant and equipment in the sector exceeds USD87 million. Today demand for foreign currency requirements is far in excess of the economy's generating capacity.

The analysis which was undertaken for the private sector housing programme examined the constraints on the construction and building materials industry, where the impact on the housing industry has been felt the greatest. Major actors in this analysis are the small contractors and individuals who have the least economic power and influence to overcome shortages and breakdowns.

The constraints experienced fall into two categories:

- poor output due to lack of spare parts
- incapacity due to a lack of modern machinery

These two categories are strongly interrelated. Newer machinery could help reduce the demand for spare parts and increase capacity. In the context of foreign exchange shortages, massive deindustrialisation, would not be possible.

The study concludes that until Zimbabwe can generate sufficient foreign direct investment and access to offshore lines of credit, any hope of a short-term recovery will remain remote.

Immediate action is needed to increase production on the following basic construction materials:

Cement

Capacity of the cement industry is below par and costs have become prohibitive. Yet, it is the most important material in the construction industry.

Bricks

A shortage of cement and cement blocks has stimulated brick production but it is insufficient to meet demands. This has led to bricks being sold at above market prices.

Aggregate

Aggregate is an essential component of concrete work, and is made by crushing rocks. Most of the machinery for the production of aggregate is antiquated, leading to shortages.

Fibre Cement

The normal material of roof sheeting for low-income housing developments is fibre cement. This has been subject to frequent shortages, and delivery delays of twelve months or more.

Door Frames

Door frames used in low income housing are made from sheet steel. Although factories have the capacity to meet the demand, Zimbabwe Iron and Steel Company is unable to supply the sheet steel required and regular shortages. A new foreign investor has acquired the Zimbabwe Iron and Steel Company and has been operating on a strict commercial basis putting steel products out of reach to most households.

Wall Paint

The cost of wall paint has been exacerbated by the economic situation and supplies are irregular. However, gloss paints, essential for preserving steel and externally used wood, different materials, for which specific import licences are required, and shortages persist.

Pipes

Pipes are traditionally made out of either PVC or fibre cement. The factory has not been working at full capacity and further reduced by recurrent cement shortages (though to a much less extent than previously), and remains inadequate for the demand. Water fittings are generally available.

The root of the problem is old and inadquate machinery. Failure to obtain foreign currency for new machinery and for spares are a major factor in low production which, in turn, significantly increases production costs. There are constraints related to contractors' vehicles, plant and equipment. The World Bank's consultants (Construction Industry Development Study, Giersing Rose A/S, Copenhagen) in 1991, found that the construction industry incurs direct increases in plant operating costs to the order of USD12 million per year due to the age of the equipment. This cost is then passed on to the consumer.

The World Bank report states that specific requirements include USD100 million for machinery (some of which could be bought second hand from abroad), USD17 million for vehicles, and USD10 million for spares. Once the equipment was bought, the consultants estimated that a further USD20 million would be required annually for replacements of vehicles and plant, and USD10 million for spares.

It should be noted that if a similar study were to be carried out today these figures would reflect the demand for foreign currency from one company and would not include the demand from building materials manufacturers. Cement and brick producers both use heavy earth moving machinery and transport, and are equally in need of more reliable equipment.

LAND DEVELOPMENT CONSTRAINTS

The land delivery system in Zimbabwe is one of the most efficient in Africa. Tilting, planning and building standards, and land acquisition procedures exist and are implemented. However, there are several regulatory constraints that contribute to the difficulty in securing shelter for the low income groups. Generally, the constraints include public/private sector inequalities concerning the recovery of off-site infrastructure charges. There are also difficulties in bringing appropriate urban land onto the market. There exists on a wide scale inappropriately high land use and infrastructure standards and unaffordable high building requirements. The analysis for the Private Sector Housing programme identified the regulatory constraints in detail and specifically examined the associated costs and legislative reforms required to amend current practices.

LAND IDENTIFICATION, ACQUISITION AND ZONING

Land in the urban areas of Zimbabwe is held under individual title and registered at the Registrar of Deeds. The registration is accompanied by a survey diagram or general plan filed in the offices of the Surveyor General. Private developers acquire land in the free market. In cases where the local authority acts as the developer, land may be compulsorily acquired under strict guidelines. However, in many urban areas local authorities have failed to identify land shortages as a constraint in time, delaying development while undertaking lengthy procedures to extend urban boundaries or make compulsory acquisitions.

All land within the major urban centres in the country is covered by zoning plans. Typically, these plans give local authorities little flexibility to permit development that is not in accordance with a stipulated zone, no matter how out of date. Since most urban centres are covered by zoning plans which are more than 20 years old, this often results in unsuitable developments.

LAYOUT PLAN PREPARATION

Once a suitable block is acquired, a layout plan showing plot boundaries is prepared for subdivision. However, the volume of output of layout plans is low in comparison to the need. The low volume of output of plans is a reflection of lack of experience among planners in the public sector and lack of incentive structures for civil servants. In addition, the quality of these plans is often lacking due to a reliance on inadequate base mapping; planners' lack of attention to detail; and planners' lack of appreciation of urban development costs and how the design of a layout impacts on those costs. The result is increased infrastructure costs due to poor design and delays in land surveying.

LAND SURVEY

Surveying has been cited as one of the major bottlenecks in the delivery of low cost housing. The procedure is that once a layout plan is approved, a permit to subdivide the land is issued by a local authority. A registered Land Surveyor then places permanent beacons identifying the boundaries of each lot on the ground, following which the surveyor submits a cadastral survey plan to the Surveyor General's Office for approval. When this approval has been granted, the Registrar of Deeds issues a certificate of registered title.

Various means of reducing the delays in surveying have been recommended, ranging from the use of block surveys only (instead of individual plot surveys) to the simplification of the survey system, to making registration of surveyors less rigorous. These measures would go some way to reducing the level of accuracy with which the individual lot is identified.

However, the cadastral system in place in Zimbabwe is considered by the government to be appropriate and cost effective, and there appears to be unanimity in the country that little would be gained by reducing the requirements for accuracy. In fact, there has never been a land title successfully challenged in the Courts in Zimbabwe and no title insurance exists.

The problem appears to lie in other areas. Surveying is delayed because of inconsistencies in approved layout plans and the reality on the ground. In some cases layout plans are not surveyable. Private surveyors are only able to start surveying four months after commissioning. Once completed, approval from the Surveyor General's Office takes ten months due to a lack of experienced personnel, a limited operational budget, and the lack of an incentive structure for personnel.

The major cause of delays is the shortage of manpower. Although more than 150 surveyor students have graduated from the University in the past ten years, there are only 40 registered land surveyors working in Zimbabwe. Many leave the country after registeration in search of more competitive remuneration.

INFRASTRUCTURE SERVICES

Infrastructure services consist of roads, sewers, and water suppliers both on and off the site of development. Some of the issues raised relate to how infrastructure costs are recovered, and the type of design standards used and their costs.

All capital costs of a house, including the dwelling itself, road access, storm water drainage, land and surveyor fees, water and sewerage connection fees, and capitalized interest, are recovered in the purchase agreement. The capital costs of water and sewerage reticulation in publicly developed projects are generally recovered from tariffs charged to all low cost housing areas, or in some cases across the city as a whole. Operation and maintenance costs, as well as administrative costs, are recovered from fixed monthly "Supplementary Charges". However, private developers have to bear the full capital costs of water and sewerage reticulation. This is passed on to the home owner in the sale price,which in private developments are significantly more expensive than local authority developed plots.

BUILDING STANDARDS

Minimum standards for superstructure built on all plots is governed by specific acts and regulations implemented by the central government through the Ministry of Local Government, Public Works & Urban Development. Current standards call for external walls to be 200mm thick and a four room unit to be built within 2 years, with each room larger than 7 square meters. An analysis of these standards revealed that this is not affordable to urban households earning below the median income level. As a result, the majority of low income homeowners take in lodgers to cover their monthly mortgage repayments. This has led to overcrowding. Before Operation Restore Order, on average, there was one family per habitable room and up to 30 people per plot.

Design standards used by some local authorities in low cost housing are above the existing minimum standards. These standards incur unnecessary costs. Ancillary land use standards for schools and other facilities, in Zimbabwe's low cost housing areas, are high in comparison with standards used elsewhere in the region. This adds substantial costs to the development.

STRATEGIES FOR ADDRESSING LOW COST HOUSING CONSTRAINTS

There are three important aspects to the strategy to increase low-income household access to mortgage finance: Transitional, Medium Term, and Long Term. The programmatic framework for each aspect is described below.

(I) THE TRANSITION

The National Economic Development Priority Programme – to span until 2010 - aims to provide an adequate flow of funds to ensure the uninterrupted delivery of private, low income housing finance. Research recommends that local currency counter deposits substantial capital injection by Reserve Bank of Zimbabwe, housing cooperatives and the non-governmental organisation sector through its contact with various offshore funding sources to raise liquidity levels in building societies and to use technical assistance to identify short term instruments that will raise funds at a cost equal to the existing high density housing mortgage rates affordable for low cost housing applicants.

The objective of these measures is to raise additional finance for low cost housing over the period of high inflation without necessitating a substantial increase in the variable interest rate. To achieve "transitional" objectives, the research proposes measures to channel local currency counter deposit resources into building societies for onward lending of low-income mortgages. The research also proposes a stimulation of building societies to access private sector and capital market funds to match USAID funds, blending them into affordable low income household mortgage lending. Immediate introduction of a new housing bond instrument is another necessary measure. There is a need to change the regulations governing the statutory requirements for Building Societies and to review the interest rates paid on tax-free shares coupled with an introduction of demand-side subsidy schemes.

THE MEDIUM TERM

Research proposes the use of technical assistance to develop attractive instruments to increase financial sector lending capabilities in the medium term, when inflation is expected to be substantially reduced and the building societies are expected to be in a position to compete for market rate funds without causing massive defaults. This will require new investment instruments which the housing finance industry can issue in order to raise additional funds. To use technical assistance to ensure systematic changes are undertaken in the financial sector to optimize the investment of private sector savings in low income housing, including the introduction of a Mortgage Backed Securities financing instrument and elaboration of an action plan for the establishment of a secondary mortgage market in Zimbabwe.

THE LONG TERM

Over the long term, there is need for de-regulation and expansion of the private financial markets, as well as providing financing for shelter that is not independent of the overall financial market. Technical assistance resources will be used to conduct analyses to determine the potential influence of a planned economic reform-related financial market to enable the private sector to become the catalyst for economic growth and investment in low income shelter. Other areas of exploration include mechanisms to shift the provision of low cost shelter construction finance from the public sector to the private sector. Another area identified for exploration is the possible role of the municipal bond market in attracting private financial resources in financing municipal infrastructure, such as roads, markets and bus parks.

SELF-HELP HOUSING COOPERATIVES

The concept of self-help housing cooperatives has been given substantial coverage in this report. This concept should be understood in its broad context starting with technical services organisations, how they interlink with credit mechanisms, self-help housing cooperatives, building materials production centres and neighbourhood and village improvement cooperatives. Self Help Housing Cooperatives provide housing and related services for members and their families. Self Help Housing Cooperatives take different forms in different countries. Cooperatives in Zimbabwe are owned by the private sector, non-profit organizations, or by its members and operate under a set of principles which include open membership, democratic control and one-member, one-vote.

Limited objective co-operatives

These are organized to perform specific services on behalf of its members, such as acquiring and subdividing land (title to land is turned over to the members). In some cases, these cooperatives may contract for the infrastructure and even assist in the construction of the housing unit. Once these objectives have been accomplished, the cooperative usually dissolves.

Mutual-ownership cooperatives

These are sometimes known as "single mortgage" cooperatives, and may be in either a limited or open membership form. This is the most common form of cooperative housing in Northern Europe, the United States, and many Latin American countries. This type of Self Help Housing Cooperative holds the legal title to the entire property including the dwelling, land and facilities. Each member's shares are equal to the value of their dwelling units and share of the commonly held property.

Members occupy their house or unit under what is commonly known as an 'occupancy agreement', which gives the member the transferable right to occupy the unit indefinitely. If the unit is being sold, the cooperative is normally given the first option to repurchase the unit. In case of death, the unit will pass to the member's heirs. In some mutual ownership cooperatives, the members may be entitled to benefit from the increased value, or equity, of their shares upon resale. This kind of cooperative meets its obligations by collecting monthly "carrying charges" from members who represent mortgage debt service, taxes, insurance, maintenance costs, and reserves.

Multiple-mortgage cooperatives

This form of Self Help Housing Cooperative is found in Latin America and Africa, and provides members with legal title to their units. Common property and facilities are usually owned by the Self Help Housing Cooperatives. In some instances, lending institutions or legislation requires this legal form. Generally, communities can be considered cooperatives if they conform to the basic cooperative principles, including democratic control, non-profit operation and limitation of one dwelling unit to a member. In the case of mutual-ownership cooperatives, this form may be limited to a predetermined number of members or be upon character.

Tenant or limited-equity cooperatives

These cooperatives are prevalent in both western and eastern European countries, India and, increasingly, in the United States. Under this form of ownership, the members or share-holders do not receive capital gains on their investment: any increase in value accrues to the cooperative itself. A member receives a specified, and limited, rate of return on the original down payment or equity. Accordingly, when a unit is sold, members receive only the original amount of equity, plus whatever interest has accumulated.

Such cooperatives will have a "single", or what is sometimes called a "blanket" mortgage on the entire project. The major advantage found, once built, is that the cooperative appreciates slowly in price and therefore, remains affordable to low income people. This form is now being used in the U.S. where low-income families, in older rental apartments, buy out a landlord and convert the project into cooperative ownership. There have also been a number of cases where public housing has been successfully converted to limited equity cooperative ownership.

It is important to note that, except for the restrictions on equity accumulation, these cooperatives are democratically owned and operated by the membership just as in any other cooperative form.

Work Place Based Cooperatives

These cooperatives are characterised by a cohesion founded on one employer employs all the members, whether in the public or private sector. Most of these work-based cooperatives developed from workers' committee activities or from welfare funds. In either case, the workers Committee or the welfare Fund Committee would bring forward the housing needs of the majority of its members and suggest that welfare should address its problem. The employer is more often than not brought in to assist. When the housing need agenda is set, then the relevant authorities,(that is the designated ministry) assisted by the relevant local authority's department of housing and community services, provide the pre-registration training and when this is successfully completed the association is registered as a housing cooperative, which is a body corporate that is a legal persona.

Community Based Cooperatives

These are formed by community members who are households. However, households have to join a cooperative as individuals in order to comply with the provisions of Section 38 subsection 1 of the Cooperative Societies Act, (No. 6 of 1990), which states that;

A person shall be qualified for membership of a primary society if he is a natural person who;

(a) Has attained the age of eighteen years or has become a major by operation of law

(b) Is a citizen of, or is ordinarily resident in Zimbabwe

(c) Has satisfied such other requirements with regard to residence, employment, profession or other matters as may be prescribed in the by-laws of the society.

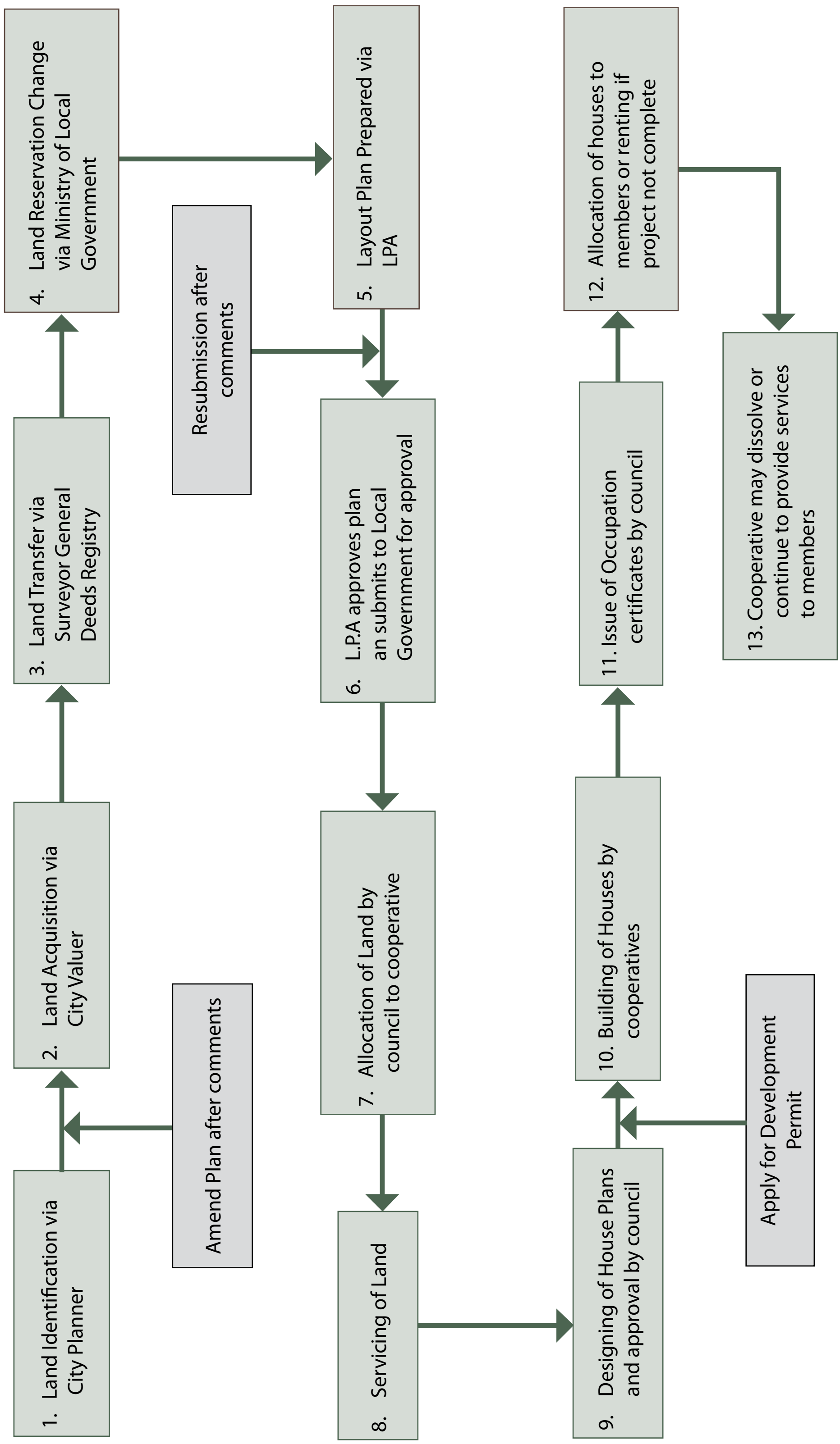
The individuals, who in practical operational terms are usually households, come from the same neighbourhood and often have similar social and economic backgrounds. They share similar housing problems - of being lodgers or living in tied accommodation - and of being members of the low and very low-income groups, such as domestic workers or security guards.

Work Place Based Housing Cooperatives	Community-based Cooperatives in Harare
Harare	Kunzwana – Kambuzuma
Hatcliffe Civil servants	Zvichanaka
Chitungwiza Teachers	Kambuzuma
Vehicle Registry	Yemurai Kambuzuma
Seke 2 Teachers	Chindunduma
CAPRI, PTC Trust	Tichavaka – Glen View
Tube and Pipe	Kutambura
Zimbabwe Republic Police Central	Tichashingirira
National Railways of Zimbabw Harare.	Kubudirira Kushinga
Cone Textiles	Tatanga Hatidzoki
Takura Natbrew	Warren Park
	Takunda - Greendale
Bulawayo	Chazezesa
Cotton Printers Workers	Better Life
G and D	Mafaro- Tafara
Khami Prison Officers	Kugarika Kushinga – Mabvuku
Radiator and Tinning	Zvakatanga Sokuseka – Hatcliffe
Footwear and Rubber	Tashinga - Dzivarasekwa
Other Smaller Towns	
Gweru Civil Servants	
NRZ – Gweru	
Gwanda Zintech College	
PTC Kadoma	
ZESA Munyati-Kwekwe	

Source: Housing People of Zimbabwe (2007)

While achieving registration is very important for any housing cooperative society, it is by no means the end of the process. It is an entry point, because by becoming a body corporate, the cooperative can engage in business like any other corporate entity. Figure 5.4 represents the process which starts with land identification by the housing cooperative via the city or town planner through land acquisition, layout plan preparation, services provision, house construction and occupation. The flow diagram is self explanatory. However, what would be interesting is to give estimated times for the completion of the various processes involved at each stage. These would be influenced by the size and scope of the project, the nature of land in terms of its physical characteristics and ownership. It has been observed that the process may take between five and twenty years.

Figure 5.2: The Cooperative Housing Finance Delivery system in Zimbabwe



Source: Municipal Development Partnership Eastern and Southern Africa (MDP-ESA), 2007

The major challenges that almost all housing cooperatives face, in varying degrees ,include: access to land (finding enough land in the right location and at the right price); access to finance (mobilizing adequate financial and material resources to construct affordable housing in a scenario where building societies are not only unwilling to finance low-cost housing, but often do not have the finance themselves). Another challenge is the high cost of credit. Even if mortgage finance was available, the urban poor the majority of the housing cooperative membership - could not afford the interest rates. The size of a cooperative can range from anything between ten to two thousand members.

CONCLUSIONS AND RECOMMENDATIONS

Zimbabwe is experiencing a profound socio-economic crisis. There are no signs of an upturn in the economy. The cost of living for the urban poor has reached unprecedented levels and with a decrease in housing construction and supply of services, urban poverty is deepening. Everyone has been affected by the current economic environment.

Despite the difficult conditions in which Zimbabweans live and operate, there are opportunities and alternatives to work on urban issues. This section seeks to present the main conclusions and recommendations of the study, and to recommend ways to give support in the short and long-term.

Without housing and shelter, urban poverty will deepen. The continuing economic decline is forcing some houseowners to ask for rentals in foreign currency, disadvantaging low-income home seekers. Security of tenure, progressive construction, and improvement to the existing housing stock would help restore the rule of law, respect for basic rights and in rebuilding trust between government and civil society.

Improvements to the living conditions of the poor, the provision of basic services and community infrastructure are all part of the Millennium Development goals to which Zimbabwe is a signatory.

The formulation and implementation of housing initiatives would need to take into account the heterogeneous nature of Zimbabwe's problems and of the target population. The following classification is a useful framework for preparing different types of projects: (i) Homeless who need emergency temporary shelter (ii) Displaced people relocated in "temporary" camps (iii) Residents in large informal settlements who lack basic services (iv) Tenants in high density areas. Specific strategies would be needed for each sub-group, and HIV/AIDS would be a thematic crossing cutting factor in all these cases.

Advocacy and Policy

The overall picture emerging is of a political environment where civilians are severely restricted, where the right to hold meetings is restricted, and this environment makes makes for a less than conducive setting for carrying out non-partisan policy dialogue. Re-engagement with government is critical. Change in policy and practice have been secured only with persistent lobbying, notably by grassroots and civil society organizations. Building a strong civil society is key and the UN and other civil society organizations continue to play an important role in maintaining a dialogue with government at the ministerial level on land and shelter policies. The government has always declared that land would be provided after Operation Murambatsvina: it is critical that government assumes the political will to address the immediate hardships and tackle the urban question. It is important that civil society participates in the discussions because the poor need proper representation of their needs and interests.

It is recommended that UN-HABITAT participate in this initiative for coordination purposes and to make an input on the possible formulation of strategies and interventions. Since UN-HABITAT's presence in the country is only recent, we recommend additional technical support to the office. The appointment of a Programme Officer based at UNDP with a HABITAT mandate would strengthen UN-HABITAT capacities.

Tackling the needs of the urban poor would require a long-term commitment of resources. Projects that deliver concrete and tangible results that improve the living conditions of the poor and ones that enhance managerial capacities at local level is recommended. A selection of thematic areas for future support to programmes should focus on: income, shelter, and services.

Income Generating and Employment

The dramatic decline in formal employment has pushed not only the poor but informal traders with an informal income below the poverty line. The informal economy was flourishing but was dismantled during Operation Murambatsvina, and since has struggled to re-establish itself.

Since income-generation is expressed as the highest priority by urban dwellers and small businesses are a vital source of sustaining livelihoods, it is recommended that support to the small-medium business sector should be included as part of an integral urban development strategy. Demand for loans by small businesses is high. According to Zamfi some 14% of the credit requirements are currently being met. The greatest immediate challenge is to reach out to small businesses destroyed during Murambatsvina, many of which were viable economic entities.

Another priority is to give support to special needs groups, targeting particularly HIV/AIDS victims. Lending methodologies have been piloted with positive results.

Partners would be selected from existing programmes, and from among those who are trying to reach the poorest. This would require a long-term presence by UN-HABITAT, because it is felt that a one to two year programme is unlikely to have a lasting impact. Banks have been and continue to be positively involved in small-medium enterprises and since they already target this group, this group could make interesting partners in the development of new products.

The Microfinance Sector

An in-depth sector analysis is recommended given that no recent assessment has been made, and the operating environment in the past few years has changed dramatically. The scope of the sector analysis should include an assessment of supply and demand, and include types of financial products needed for specific groups such as the home seekers.

To date, multilateral financial institutions' loan products are limited to micro and small enterprises. The development of housing microfinance products would not be feasible at present. However, once economic stability was re-established, and micro lending operations had resumed their full potential, it should be considered as a viable option and part of the medium-term activities: support to strengthen the small business sector through technical assistance to ZAMFIand to a selected number of financial institutions interested in housing microfinance. A wealth of experience is available to draw on from other players in the housing delivery sector which would give support to Zimbabwe's financial institutions in the expansion of housing microfinance. As a starting point, we recommend a comprehensive study of a selection of key actors from lead microfinance institutions.

Shelter and services

Actual and potential demand for housing units and housing finance is enormous while the supply of both is scant. Production of housing is virtually at a standstill due to the economic crisis and affordability is the key constraint for the vast majority. Thus, the poor are building their homes incrementally, which is typically the case in much of the developing world, but was not the case in Zimbabwe until recently, because housing was produced in the formal sector.

The Building Societies have had experience working in partnership with local authorities and have a track record in dealing with low-to-moderate income people in mortgage finance. Although this market has shrunk today, past experience could be useful in the future as and when macroeconomic conditions become more favourable. A number of bilateral and multilateral agencies have funded housing programmes over the past decade, and various modalities have been tested and lessons learned. While no international agency is currently funding housing schemes directly, there is a growing interest in shelter issues. UNHABITAT should coordinate with like-minded donors.

Grassroots organizations which specialize in community-based savings and loans, and supported by national and international non-governmental organisations, and the housing co-operative movement, are the most important practitioners in low-income housing. This group has a number of ongoing initiatives, and is responding to the poorest. Even in the current adverse conditions, this group has been able to maintain a kind of momentum at several levels: lobbying on policy issues, negotiations with local authorities for land, and implementation of housing projects. Some of these are being negotiated on a case-by-case and city-by city basis.

A general recommendation is to strengthen the capacities of a number of Community Based Organizations and non-governmental organisations, as well as co-operatives, that would enable them to reach a wider group of people and to go beyond pilot phases, to prevent deterioration of social conditions and to pave the way for long-term commitments. A detailed institutional appraisal is required to establish specific organizational needs.

The study should focus on identifying and preparing a selection of support projects to community based initiatives in a number of cities. It is recommended that funding should be given directly to the non-governmental organizations, with disbursement based on the fulfillment of targets. The scope of work of this study should consider an assessment of the progress and results of the non-governmental organisations' Joint Initiative.

Documentation

It is important to standardize and assess the impact of some of the main methodologies currently used in projects, since many of the innovations taking place are learned "on the hoof." All lessons learned - the limitations and successes - should be published so that they can make a contribution to local policy dialogue on housing.

Technical Issues and Self-Built Housing

Self-help construction methods is a viable response, but the conditions under which families, and in particular women, are undertaking these projects in the current climate, is unsatisfactory and risky. A particular cause for concern is that some self-help schemes have been initiated by verbal agreement, prior to the completion of the full building approval process. For example, the author of this study interviewed people in Mutare, and learnt that the units which had been constructed were classified as "temporary dwellings," and would have to be removed once formal building approval had been secured.

The self-built "temporary" dwellings are often perfectly adequate. The best of them are as good as the official government Garikai houses: the size is adequate, and a good basic layout. The deficiencies in many of the present structures are due to lack of ventilation and illumination (i.e. small and/or absence of windows). With a few minor adjustments and technical assistance in construction, these could be improved and upgraded progressively. It would be feasible, particularly since incremental construction has in principle been accepted by the authorities as an appropriate strategy in meeting low-income housing needs.

Given the above, it is recommended that a number of short-term actions are undertaken that would have an immediate impact on the efficiency of housing delivery:

(i) Technical assistance during the building programme, including increased on-site supervision

(ii) Additional machinery for the building material workshops could increase production

(iii) An analysis of the efficiency of building materials enterprises could provide some input into how to strengthen its income-generating potential, especially since employment options are so critical in improving livelihoods. The analysis could be carried out by a local consultant, and should focus on identifying mechanisms to increase productivity, efficiency, while also giving management training and other complementary skills.

Urban Development Planning

Local authorities are key actors in urban planning, land allocation and urban development. Civil society, non-governmental organizations and local authorities work together, tackling some of the fundamental obstacles in the urban planning process. In practice, the planning bylaws are being modified. Changes in the approval cycle, and changes in house size, use of technologies and building standards are unlikely to be disseminated beyond an immediate neighbourhood or city, and if left undocumented, will not be fully formalized. Allocation of resources for the documentation of these valuable experiences is recommended so that they can be incorporated into official procedures.

In medium to long-term programmes in urban development, it is essential to address a range of technical issues:

(i) Land tenure and property rights: these are core issues that will need to be addressed. This is critical because the urban poor house themselves illegally because land policies do not make sufficient developed land available. Most urban poor have no security of tenure because their dwellings are built on public land, built without permits, or rented in slums without formal rental contracts. Tenure clarification issues need to be addressed for tenants and home seekers.

(ii) Women and Land: Since women experience particular difficulties in accessing security of tenure it is recommended that programmes that tackle the specific problems of women and land are prioritized. This could include special legal services for women groups that deal with their claims or processing of land registration.

(iii) Urban planning tools: including master planning, zoning and plot development regulations are not appropriate to make land available to keep pace with demand.

(iv) Revaluation of rates, bylaws and standards: UN-HABITAT and other donors have expertise in this field, both in the country and within the region. Close coordination in planning joint interventions are recommended. It is important to consider financial and human resources support, either directly, or indirectly, through agencies already working on these issues.

The following are some specific guidelines for UN-HABITAT's own initiatives and/or its review of funding requests for possible project interventions,. It is crucial for donor organisations to support projects and programmes as long as some minimum conditions and criteria are met. Some of these are:

- There are clear respect for security of tenure. Assurances should be accompanied by an explicit method of conferring property rights to families and communities. It is recommendable that a written commitment is obtained from municipal authorities prior to the commencement of any construction on site.
- Participatory approaches are included and cover the entire project cycle.
- Adopt norms and standards that are realistic for low-income groups.
- Set targets for special needs groups, especially women, youth and orphan-headed households, and HIV/AIDS positive families.
- Contribute to change and modification of gender relations.

TIMELINE AND RISKS

The timing of project activities will be difficult because of the uncertainty in the country. In the immediate future, UN-HABITAT could start to prepare a series of activities for one-year. The goal would be to prepare the way for a fuller programme with a development perspective.

The next step following this report would be to carry out an in-depth study of the non-governmental organizations and Community Based Organization sector so as to assess their potential capacity to support viable a housing finance initiative. This will be followed by at least one exchange visit, between the different housing finance programmes and actors in the region: with South Africa, or throughout the African regional network. The second exchange could include the coordination with a Central American programme. A selected number of participants should be considered for the next International Course on Self-Help Housing Development in Costa Rica with FUPROVI held in December/January every year. In the medium term - from 2008 for a period of five-years - we recommend that UN-HABITAT consider the formulation and execution of its own programme.

Risks

There are a number of risks inherent in working in the Zimbabwean environment. The assumption is that in paving the way for community projects that non governmental organizations should find a willingness by the government to create a suitable environment in which the international community can operate. The overall risk is the unpredictability: a government that states one thing and does another.

The sustainability of projects will be a challenge while incomes remain suppressed; and affordability still a major constraint. Some degree of subsidy is inevitable, but this should be minimized, especially as it could distort efforts in making sustainable models work..

RECOMMENDATIONS FOR A HOUSING FINANCE MODEL

To enable low income earners gain access to housing finance and share in the wealth creation process of urbanization, new approaches that promote sustainable housing delivery are needed. We recommend information sharing for the benefit of low income home seekers. The involvement of people from the low-income group should be encouraged. Much of the credit mechanisms available are found in the private sector, and do not provide much assistance to the needy. The best form of approach would be to create synergies between the private sector, civic organizations, local authorities and low income communities.

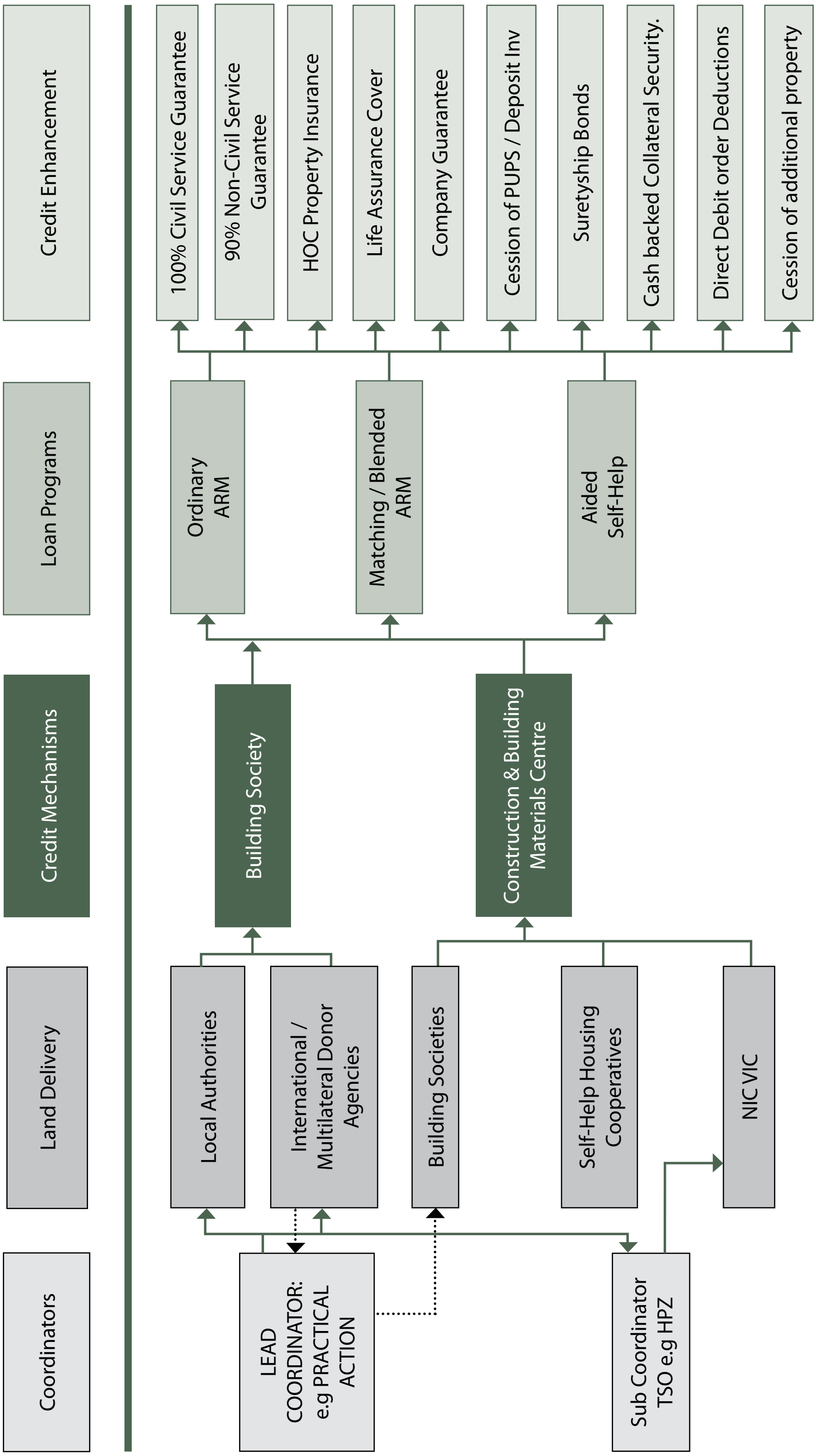
Matching investments or blended funds emerge as a commercially sustainable way of providing housing. The concept has worked well in situations were employers have given assistance to their employees. It has also worked well where private sector funds have been blended with funds from housing cooperatives or credit unions. A classic example being the cotton textile housing cooperative and the Capri housing cooperatives which were employer based and working in conjunction with building societies. Another example is Kugarika Kushinga housing cooperative in Mabvuku, which was run as a commercially viable venture under a similar mode of operation as outlined in the section dealing with self-help housing cooperatives. We recommend a blend of this matching investment loan programme supported by two credit mechanisms, namely the building society and the cooperative union working with technical support from a non governmental organization or a technical services organization.

Figure 5.3 shown below is a recommendation of the proposed model that would help unlock housing finance for low-income earners. It is recommended that a leading organisation such as Practical Action Southern Africa (an International non-governmental organization with a strong background and track record in shelter and related infrastructure provision) take responsibility for the coordination of all activities including:

a. Identifying and canvassing for suitable land from the local authorities

b. Identifying suitable technical services organizations that can coordinate the activities of the various housing cooperatives that will be identified as beneficiaries for the scheme. The Technical Services Organization will act as a sub-coordinator

FIGURE 5.3: Recommended Model for Low Income Housing Finance



Source: Adapted from Mutekede, 2007

under the direction of the organization, Practical Action Southern Africa

c. The production of a comprehensive project document which would be used to canvass support for lower income housing finance from international and multilateral donor agencies, local building societies, local authority, and housing cooperatives

d. Directing the Technical Services Organization so that the housing cooperatives establish Neighbourhood Improvement Committees and Village Improvement Committees, two entities which would be responsible for income generating activities for the cooperatives, as well as ensuring that the necessary infrastructure and other community requirements are put in place.

Once enough resources have been mobilized through the four major channels outlined in Figure 5.3 these funds will be directed to a building society and/or a housing cooperative credit union. These institutions will then serve as the interface of borrowing for low income people. They will be responsible for ensuring the efficient disbursement of funds to the various cooperatives for constructing new houses. It is recommended that a variety of suitable loan programmes are used by the building society. It must be stressed that no single loan programme can suit every situation and circumstance pertaining to low-income people, which is why the researcher recommends a cocktail of programmes.

To mitigate against loss by the mortgage lender in respect of loans granted to low income people, it is suggested that the building society or the housing cooperative credit union should request each borrower to put in place the relevant credit enhancement techniques. These techniques should not inhibit the performance of the low-income earner. The various means to implementing the two models should be discussed in full with the researcher.

CONCLUSION

It is recommended that further study should be carried out to determine the degree to which low-income earners can afford to buy a home, especially in an economic climate where the cost of building materials and land acquisition has risen exponentially. This would enable UN-HABITAT and other players in the housing delivery sector, to determine how much financial assistance is needed per household. These figures, in turn, would allow one to determine the aggregate amount of funding to be sought from a variety of sources.

Even though the report makes, what the author believes to be, a quantum leap in terms of scope and qualitative sophistication in the analysis and review of credit mechanisms in Zimbabwe and its constraints, we know that it nevertheless requires a qualifying commentary: the research suffers from some limitations: firstly, there was limited access to government sources of information, which means that some of the assumptions made by the author are open to further verification and confirmation; secondly, the review and identification was not exhaustive and this could effect the costs and availability of mortgage credit to low income earners. Clearly, a more comprehensive battery of housing finance models for low-income housing would prove instructive.

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APPENDICES

APPENDIX 1: PRACTICAL ACTION: SHELTER PROVISION UNDER THE JOINT INITIATIVE PROGRAMME

The shelter component of the Joint Initiative Programme, which was coordinated by Practical Action, ran for eighteen months, from June 2006 to December 2007. This shelter project was undertaken in St Mary's (Chitungwiza), Mbare (Harare), Sakubva and Dangamvura (Mutare). The programme was aimed at resolving and alleviating overcrowding; sexual abuse of women and children; housing ownership, tenure and rentals, and creating social and economic opportunities.

The project restored dignity and reduced suffering for the most vulnerable people in the three sites, through provision of habitable shelter. This was fulfilled by the construction of 372 housing units, benefiting over 4000 people (that is, an average of 11 people per dwelling). As a result of this, the pride, self-esteem and self-respect of the beneficiaries, which had been dampened after Operation Restore Order, was restored. These structures have the necessary plans and approvals from the various local authorities. Out of a total of 13 shelter groups, 63% female representation were established. The mandate for these groups extended beyond shelter construction, to include attendance of day to day social needs such as funeral assistance, savings clubs etc. A total of 1,413 households obtained building approvals from their respective local planning authorities on the three sites, representing a potential future housing space of 50,860 m2 (+7000 standard rooms). Prior to construction of the shelter units, a tenure clarification process was carried out and a total of 1,115 households got their tenure status clarified.

THE JOINT INITIATIVE PROJECT MANAGER MR. FUNGAI MATAHWA OFFERED THE FOLLOWING RECOMMENDATIONS:

- Practical Action could scale up the project from relief to developmental so that it can be done for a longer period of time and include more beneficiaries who are currently living in housing structures that are almost falling in areas like St Marys and Sakubva;

- Practical Action has to maintain links with the groups formed under this project so that it can work with them in other developmental projects such as water and sanitation, waste management, alternative energy provision;

- It is important for Practical Action to train beneficiaries in various income-generating projects so that they can sustain their livelihoods. This is key as the community construction process takes most of the poor communities time for livelihood activities. hence integrated models can be of benefit for poor communities

- Practical Action could collaborate with the beneficiaries in all the three sites in undertaking water and sanitation programmes since almost all the sites are confronted with problems related to water and sanitation and waste management.

- In relief and development housing projects, the project has demonstrated that if beneficiaries are given leverage to start constructing houses they can complete their own houses if they are well organized and given the necessary transformation trainings.

- There is need for Local authorities housing forums to share best practices as evident by the disjointed requirements in each of the local authorities.

Interview with Mr. Fungai Matahwa – 08 August 2008

64% of the houses clarified were for widows in the urban centres .The clarification process has gone a long way in guarantying security of tenure for the beneficiaries, especially surviving spouses and children.

The project ensured that land for new housing units and extensions was put to optimum use. New housing structures and extensions were found to be appropriate and adequate. Beneficiaries of the project also made material contributions averaging 35% of the construction costs of their houses. The material contributions ranged from doorframes to window frames. The community also provided labour during the construction cutting labour costs down by 20%. The community construction model also ensured that basic building construction skills were transferred to beneficiaries. This strategy also helped remove what was becoming an increasing dependency on donor handouts by Zimbabwe's citizens.

In Sakubva (Mutare) and to some extent in Mbare (Harare), where housing extension structures have been occupied by the beneficiaries, there has been a marked decrease in overcrowding. Sleeping arrangements have changed: boys and girls having their own separate rooms; children have space to study and this has led to an improvement in their performance at school. Non-beneficiaries have noticed a marked difference between them and beneficiaries with respect to overcrowding. There has been an improvement in the social and physical spaces for beneficiaries as compared to non-beneficiaries. The improvement of physical space has helped reduce the number of incidents of sexual abuse of women and girls who share rooms with elder men and boys. Though overcrowding was reduced in a number of instances in Sakubva and Mbare, family members who moved from their houses before the extensions after Operation Restore Order, are coming back after learning of the improved physical space. As a result of this, some households are experiencing overcrowding again. Despite this, there is great potential for reducing overcrowding in these areas.

However, due to economic challenges facing these communities in Mbare and St Marys, the additional space is being rented out for the extra income.

Due to financial constraints and the relief design of the project, Practical Action could not fully equip beneficiaries with technical skills in welding, carpentry, or tile making. Some beneficiaries did manage to undergo basic training in building and brick moulding. Improvement of these skills could eventually help people in sustaining a livelihood.

APPENDIX 2: THE SUCCESS STORY OF THE HOUSING COOPERATIVE MOVEMENT IN HARARE.

Housing cooperatives have sprung all over Zimbabwe with the aim of funding the construction of affordable accommodation. These cooperatives are made up of groups of people who have pooled their financial resources with the common objective of creating sustainable shelters. Some of the larger cooperatives are found in Harare, and examples are Kugarika Kushinga and Zvakatanga Sokuseka cooperatives in Harare's poor neighbourhoods of Mabvuku and Hatcliffe. Although construction of housing continues in these neighbourhoods, their pioneering efforts in cutting initial infrastructural costs are already being talked about by other cooperatives.

Members of cooperatives usually fall below the poverty datum line. According to the definition of the Harare City Council is a low-income earner. The majority of members of the cooperatives are formally employed. Members contribute monthly subscriptions to the cooperative, which in turn manages the finances.

The cooperatives of Kugarika Kushinga and Zvakatanga Sokuseka were allocated virgin land by the Harare City Council to build houses. However, before they could start, they had to have suitable on-site infrastructure in place as set out by the local authority. A departure from proper standards comes at the stage of implementation.

Whilst the City of Harare normally insists that all infrastructure measures up to the standards stipulated by the city council i.e. paved roads, individual sewer and water connections, are in place before any construction of houses can take place. Kugarika Kushinga cooperative constructed houses before access roads were in place, because the understanding was that these would be upgraded at a later stage. The only access roads available were cleared paths. The Harare City Council argued that the co-op members arrived at this option on their own. Zvakatanga cooperative also started building houses before proper access roads were in place, which was illegal.

The cost of creating access roads was initially avoided in the case of Kugarika Kushinga and Zvakatanga Sekuseka cooperatives, which opted to use their community resources to clear paths, which initially were being used as roads. However, it has to be said that the land for Kugarika Kushinga was ideal for this as it was not steep and the soil was sandy and had good infiltration.

The most important lesson is that communities are able to organise themselves and can make decisions about the type of infrastructure they want and need using resources they raised on their own. In the cases cited above, co-op members decided not to have access roads and cleared the paths which remain in use. Costs are still high for the provision of services because the cooperatives hire outside consultants to plan and design infrastructural services. However, this is a good example of a attempt to make sustainable infrastructural services affordable. The cooperatives themselves insisted on individual water connections and individual water-borne sewerage. They view these as basic services and arre willing to pay for them. The cost of the provision of services is fully borne by the cooperative members. The principle of community management is still not yet fully operational due to a lack of skills. Training is badly needed to impart to selected cooperative members for effective project management.

Most local authorities in Zimbabwe argue that housing cooperatives have flexible models for financing their projects. Whilst for most cooperatives, the monthly subscriptions are the main source of funding, some of the larger and older cooperatives have ventured into other income generating activities.

Kugarika Kushinga now operates a fleet of buses and other income generating activities. This has greatly boosted the coffers of the cooperatives. They have been able to borrow money from building societies as a result, and to use the houses they already have constructed as collateral. Individual members of the cooperative previously could not have borrowed from building societies. According to the Harare City Council's monthly report on cooperatives for January 2006, a total number of 83 cooperatives in the city had accumulated savings of ZWD260 billion dollars. This is an impressive amount of money which can be used for funding housing developments.

The organization, Housing People of Zimbabwe, has been playing an advisory role to the housing cooperatives in Zimbabwe. They have managed to negotiate with building societies so that some cooperatives could access loans without collateral. Housing People of Zimbabwe acted as guarantor for those loans. However, given the inflation levels in the country, it is no longer possible for the Housing People of Zimbabwe to guarantee loans on behalf of building societies. It has instead embarked on a drive to make housing cooperatives attractive to financial institutions by ensuring that its management is sound.

Housing cooperatives are sometimes dogged by the problems of collateral requirements when they seek money from building societies. They suffer from delays in land allocation and plan approvals, which increases the costs of houses.

There has been no significant attempt by building societies to break away from conventional procedures to enter the community sector finance system in a more meaningful way. The main obstacle seems to be a combination of adherence to time honoured principles and procedures, which bear no relation to the specific needs of the poor, and to economically prohibitive costs of processing loans in a desegregated market. These constraints can be substantially reduced, if not eliminated, by appropriate institutional adjustments to help the poor raise credit.

APPENDIX 3 INGREDIENTS FOR THE SUCCESSFUL COOPERATIVE HOUSING PROGRAM

The basic elements for the successful Self-Help Housing Cooperatives model in Zimbabwe include the following:

POLICY

The government has defined the role for cooperatives particularly, housing cooperatives in the overall housing policy of the country.

LEGISLATION

Adequate, enabling legislation exists as it applies to cooperative institutions in general and housing cooperatives in particular.

OFFICIAL GOVERNMENT RECOGNITION

A Ministry of Cooperative Development and Women's Affairs was set up and is responsible for issuing the official registration certificate for any kind of cooperative association. The same office may provide services such as cooperative promotion, education and training, the provision of model by-laws and internal regulations, official registration and audit services. Although cooperative housing programmes need the support of governments, strong intervention can discourage the vital participation by members in the democratic management and control of their cooperative.

STRONG SPONSORSHIP

Experience in Zimbabwe demonstrates that the strongest cooperative housing institutions have relied heavily on sponsorships and backing from consumer-oriented organizations, civic groups, (i.e. Housing People of Zimbabwe), employers, and trade unions (e.g. a confederation of Canadian Cooperatives) to bring sustained growth.

TECHNICAL SERVICE ORGANIZATION

Generally, sponsoring organizations such as those mentioned, except for the Housing People of Zimbabwe, do not provide technical help. In many instances, where a Technical Service Organization is participating in the work of the cooperative, a high success rate is assured.

FINANCING

As with any housing project, a Self-Help Housing Cooperatives needs financing from private or public sector institutions, or a blend of the two sectors. The requirements of a mortgage loan application will be outlined in the matching investment scheme. The loan can be applied in the name of an individual member or in the name of cooperative and this aspect is depends on what membership elects to do on acquisition of a property and or loan. In all instances the mortgage contract will bind members in their individual capacities severally and in solidinum as sureties and core principal debtors for the full amount of the loan(s). The servicing of the loan will be done from monthly cash flow streams arising from membership subscriptions. This subject is dealt with in Credit Mechanisms Section 2 of this document.

FEDERATION OF SHHCS

Federations of Self-Help Housing Cooperatives are composed of individual associations to represent the movement, offer mutual support to the members, and promote cooperative housing. They can also offer educational programmes for their members and propose changes in new legislation which affects the cooperative housing movement. Federations are comprised of representatives of the individual cooperatives of the individual cooperative associations. A board of directors is elected to manage and take responsibility for the activities of the federation.

The federation is supported by dues from its affiliated members and by the special activities that it undertakes.

LAND

Finding land at an affordable price to a cooperative can present a serious problem. Often the solution can be found through cooperative arrangements with municipalities or agencies that control the allocation of useable land.

EDUCATION AND TRAINING

Perhaps the most important ingredient of all for a successful Self-Help Housing Cooperatives programme is education: from pre-cooperative members to the state or national federations. Experience repeatedly shows that when Self-Help Housing Cooperatives programmes fail, little or inadequate cooperative orientation and training takes place. Education and training are of special importance in programmes among the lower income groups locate in informal settlements. In such settlements, the residents may have little or no experience in participating in formal organizations. In some situations, cooperatives may threaten existing socio-political hierarchies. Such hierarchies may even attempt to influence or control these emerging, democratic process are not normally common practices in such communities. Therefore, the educational process of involving and motivating people requires time, resources, dedication and a keen understanding of community dynamics and organization.