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**LOW INCOME HOUSING FINANCE -POST
INDEPENDENCE EXPERIENCES, PROSPECTS
AND POLICY IMPLICATIONS FOR ZIMBABWE**

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Prospects and Policy Implications for Zimbabwe**

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Abstract

The paper focuses on Zimbabwe's past and present experiences with low income housing provision, taking into cognisance the fact that housing is a highly visible dimension of poverty and as such it represents such a poignant issue in so many Third World Cities. The Zimbabwean experience is discussed against the background of relevant socio-economic issues, the experiences of other countries and the stated objectives of the national housing policy framework. The paper also focuses on the scope of the housing problem in Zimbabwe since independence while also acknowledging the impact of the pre-independence colonial legacy such as land and residential segregation. With Zimbabwe's transition to majority rule in 1980, years of restrictions on rural to urban migration ended. Urban population already high at 23 % of total population in 1980 reached 33% by 1990 which put serious pressure on the country's major cities creating a severe shortage of housing for the urban poor. At independence the government of Zimbabwe embarked on a national development programme aimed at the provision of decent and affordable housing and security of tenure for the urban low income groups. Realising that the task of improving human settlements cannot be achieved by the public sector alone, the government pursued a policy which encouraged the participation of the private sector, employers, individuals, non-governmental organisations and community based organisations in the provision of shelter. Most importantly the government depended to a great extent on multi-lateral institutions. The paper explores the challenges that remains today for the establishment of the right policy framework that brings into the fold multi-lateral lending institutions, non-governmental organizations and the private sector to arrest the unrelenting low-income housing finance crisis.

Introduction

It's easy to understand the fundamental need for shelter. People require protection from weather elements, somewhere to bring up their families, a place to work from and a home to call their own. Yet, at present, over one billion people - a fifth of the world's population - are either homeless or live in very poor housing. The majority of them are the poorest people of the world's developing countries. Poor families in developing countries are forced to improvise with their housing, either because building materials are too costly or - in areas vulnerable to natural hazards such as floods and landslides good building land is too expensive.

With affordable, suitable land becoming scarcer, especially in urban areas, poor people find it increasingly difficult to find the resources to build houses of their own or to buy or rent houses built by professionals. Sometimes, they are prevented quite simply by archaic, unsympathetic local building standards and regulations that either prohibit or do not recognise the legality of constructions built using the sort of alternative technology that poor people can afford.

At independence, the government of Zimbabwe embarked on a national development programme aimed at achieving economic independence in the various sectors society. The thrust has been on the equal distribution of resources and provision of decent and affordable housing and security of tenure in urban areas. Realising that the task of improving human settlements cannot be achieved by the public sector alone, the government pursued a policy which encourages the participation of the private sector, employers, individuals, community based organisations in the provision of shelter.

This paper seek to identify obstructive national and local government policies, that inhibit people from obtaining housing loans and get secure tenure on their land, as well as persuading relevant authorities to develop building standards that allow the use of alternative and low cost materials in construction.

Box 1: Six Broad Categories of Housing Finance Institutions in the 1990s

1. **Undeveloped Housing Finance Systems:** Common in sub-Saharan Africa, with weak financial systems and commercial banks. Priority should be given to improving urban laws, policies and practices affecting housing, beginning with clarifying traditional property rights. Public efforts should concentrate on infrastructure development, the supply of serviced land and titling, all within realistic affordability parameters.
2. **Missing Housing Finance Systems in Formerly Centrally Planned Economies:** One of the many problems in the former Soviet bloc, China and Vietnam. Coordinated improvements are needed to establish primary mortgage lenders and secondary market facilities.
3. **Fragmented and Unstable Housing Finance Systems:** Fairly common in Latin America, where housing finance systems are very small with respect to the economy because of macroeconomic mismanagement and /or external shocks, and inflation has been high. In highly unequal societies, most cannot afford mortgage finance, so subsidy distortions are built in, which can help the general economy to implode. It is essential to separate subsidy from finance and to target subsidies at social housing.
4. **Segregated but stable housing finance systems:** In the Middle East and East Asia, where a seemingly (but actually not) very stable group of institutions provide housing finance within restrictions and special advantages. They provide poorly targeted subsidies and finance at preferential rates in a context in which numbers of units are important.
5. **Sound and Integrated Housing Finance Systems:** Some countries in Southeast Asia have developed sound and well-supervised housing finance systems with secondary mortgage markets that manage to reach well down in the income scales. Because the bankers can choose what to fund, building contractors produce better-quality work. In addition, investors seek out innovative technologies from around the world to improve their investments.
6. **Advanced Housing Finance Systems:** Found in Organization for Economic Cooperation and Development (OECD) countries. These have grown out of the UK building society tradition and the savings and loans societies in the US. The continental European market tends to use bond market funding; but all of these special mortgage are shrinking as globalized banking provides specialized financing services to take over the mortgaging business.

Source, Renaud, 1999

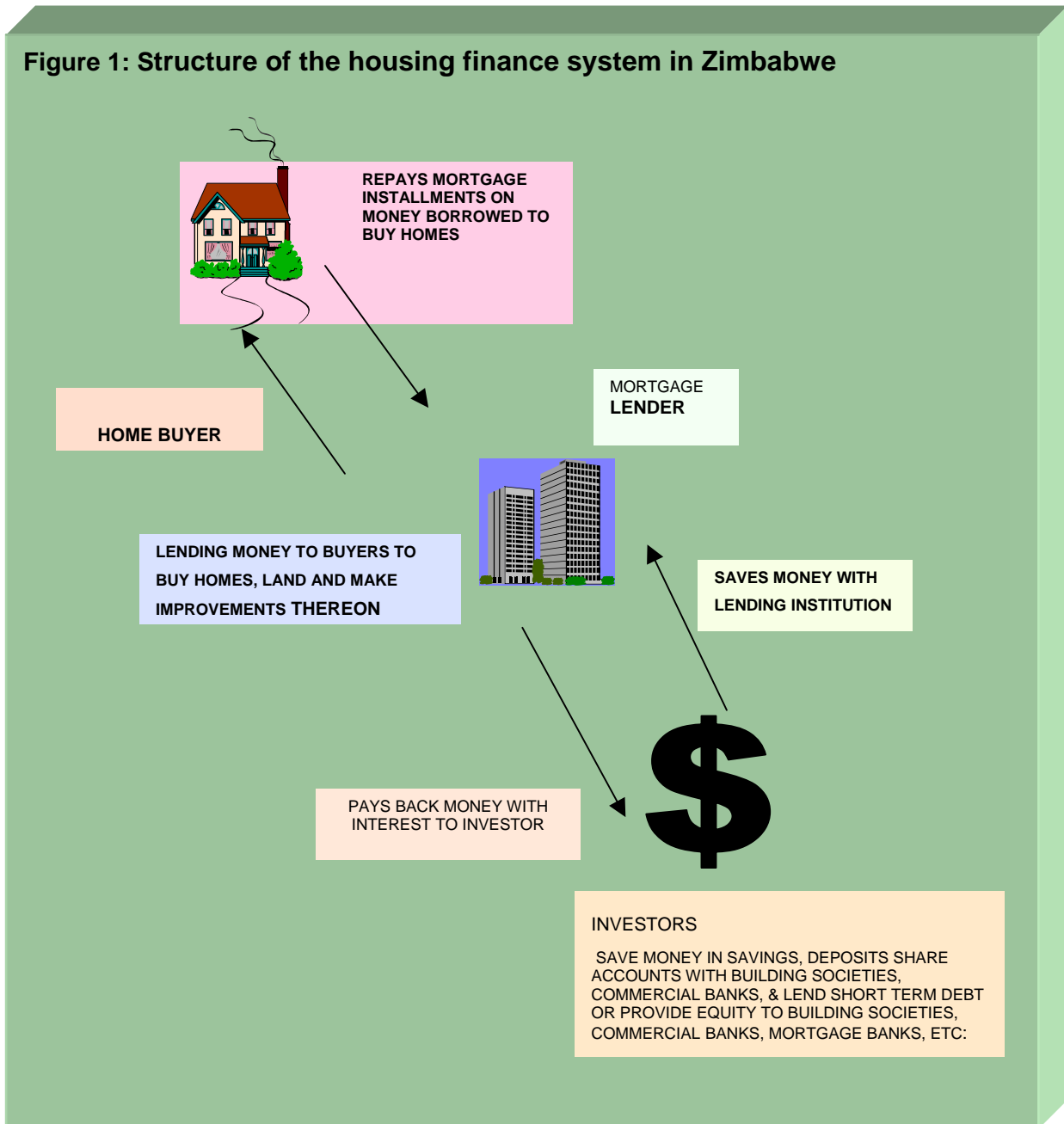
An Overview of the Housing Finance System in Zimbabwe

A study carried out by the Ministry of Public Construction and National Housing (MPCNH) in 1986 to determine the housing needs in Zimbabwe estimated that the total housing demand up to the year 2000 in both urban and rural areas will be 1 950 000 housing units.

To alleviate this backlog by the year 2000, this required an annual production of 162 500 units of which 69% will be for low income households, 27% will be for middle income households, whilst 4% will be for high income households. The study indicated that in urban areas, out of an existing housing stock of 409 000, about 10 618 units were substandard. In urban areas substandard houses are houses without the basic facilities such as piped water,

sewerage reticulation and electricity. From 1980 to 1990, an average of 11 000 to 12 000 units per year was constructed in urban areas, which fell far short of the 162 500 target required to meet demand. In urban areas, the Public sector alone was able to produce a total of 44 900 units, indicating an annual production capacity of between 8 000 and 9 000 units.

Figure 1: Structure of the housing finance system in Zimbabwe



BOX 2: Housing Situation in Zimbabwe

The government was sensitive to the issue of housing at the time of independence, and from 1981, promoted private ownership of formerly publicly owned housing in the high density suburbs. Concerned in the early 1980's with a transformation from capitalism to socialism, the GOZ saw their housing policy as a redistributive mechanism for redressing colonial income and wealth inequalities and to this end were concerned to improve the standard of accommodation offered to the lower income levels. In 1983, the Ministry of Public Construction and National Housing (MPCNH) issued policy directive specifying a minimum plot size of 300 square meters and a minimum house size of approximately 55 square meters consisting of two bedrooms, a living room, a kitchen, a shower that could be converted into a bath, and a separate toilet.

In the past, the existing housing stock has served as a relatively elastic source of supply, absorbing additional people as lodgers leading to increased overcrowding. Fifteen years ago, this elasticity was sufficient to avoid squatting, but quite recently overcrowding had reached a point where the existing housing stock could not absorb additional people. National occupancy rates in the high density areas vary from nine people per 200-300 m² plot size in some areas to 30 people per 200-300m² plot in other areas. Approximately 66 percent of the population of the high density suburbs is made up of lodgers either renting a room in the main house or a shack on the plot. The critical level of demand for housing has been reached and manifests itself in spontaneous squatter settlements.

Although there has been an average annual production of 12,000 to 14,000 low cost units over the last ten years, we estimate that only a small percentage of urban housing demand is being met. Continuation of the shortfall supply could result in an additional three million inadequately housed urban dwellers by the year 2010.

The local authorities acknowledge that the demand for housing in the various urban centers is 1,500,000 houses, increasing at a rate of 120,000 houses per annum due to new household formations per year. The waiting list for all the urban areas could be around 2,000,000 with 70 percent deemed to be low-income households. Demand is probably higher, since many households see themselves as unable to afford the present low income housing units and therefore do not bother to register.

A household survey conducted in January 1992, using a representative sample of households found that, on average, owner households were enjoying the use of four rooms for living and sleeping. The cost of doing so require that houses and infrastructure designed for single family dwelling units support 3.4 households on each unit. Nationally, occupancy rates ranged from 9 to 11 people per plot in Bulawayo and Harare; and up to 23 people per plot in Chitungwiza. Severe overcrowding not only produces social tensions and domestic stress but also overloads urban service networks.

The survey also found that: In spite of national minimum standards calling for a four roomed core house, the majority of urban residents were lodgers. Lodger families, whatever their size, age of children, etc, had to make do with an average of only one room for living and sleeping. They paid more rent per month for this room than the whole house's mortgage payments paid by the owner.

In older housing areas of the country (e.g. Sakubva in Mutare, Mbare in Harare, etc,) where the main house cannot be extended, lodgers were accommodated in backyard "cottages" until Operation Restore Order/Murambatsvina destroyed these "cottages". Even if a household were only to receive a Building Society mortgage to construct an initial one roomed house, the chances were high that the household would either extend the main house or put up backyard "cottages" from personal savings to increase its income from lodgers. Local authorities have been unable to halt this trend.

Structure of the Housing Finance Market in Zimbabwe and Analysis of Credit Mechanisms and Enhancements

To address the need for shelter and community services, more priority and resources must be focused and directed at the problem. Government and local authorities must continue and expand their efforts, private sector organizations, community-based organisations and non-governmental organisations must receive support to complement the activities of central and local governments. Credit mechanisms and other forms of funding, alternative mortgage instruments and savings products must be sought to encourage and support the efforts of the people who live with the problem. In fact the problem to abate major changes need to be introduced in order to reducing costs and expand the availability of mortgage and improve home ownership rates for low-income households.

The provision of housing in Zimbabwe has been undertaken by both the private and public sectors. Since 1986 building societies have offered mortgage finance to low-income owner builders in urban areas. However, given the high costs of construction and servicing of stands and the lengthy amortisation periods, the public sector has, of necessity, been responsible for the provision of most low income housing in all of Zimbabwe's urban centers. Such housing has been financed through the National Housing Fund and the housing loan guarantee scheme under which private sector loans to individuals were guaranteed by government.

The underlying principle for public sector housing provision has been 'full cost recovery' from the user groups. The costs of land purchase, house construction and servicing of stands would be directly met by the user with payment being amortised over a twenty-five year period. Urban local authorities would levy monthly tariffs to recover the capital costs of developing water and sewer reticulation, construction of the house (except where the owners built their own houses) and community facilities, over and above the charges for services actually provide monthly such as water and refuse collection.

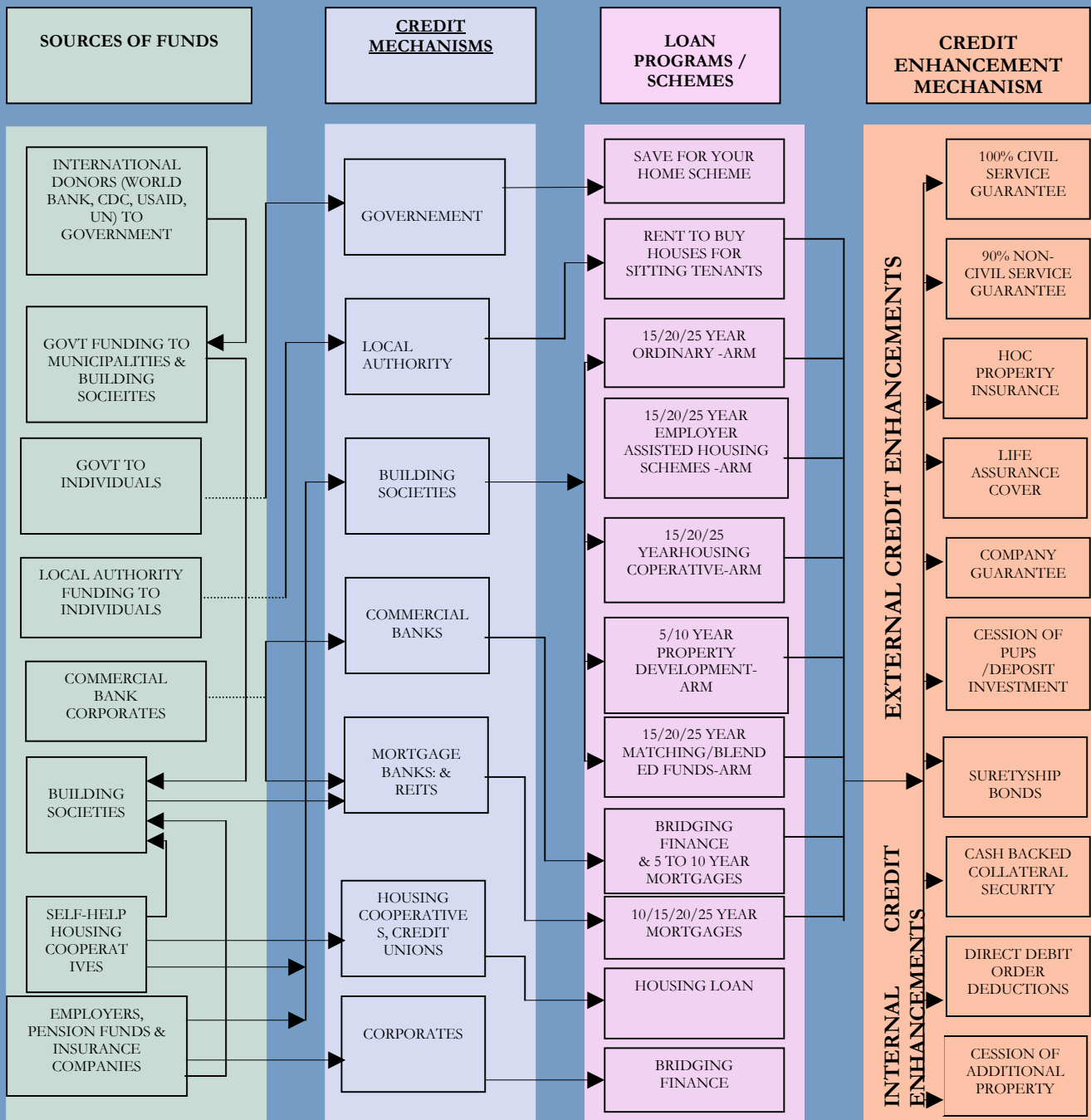
Sources of Funds

The common prerequisite for any investment in housing is the accumulation of sufficient savings to produce the funds needed to purchase land and develop the infrastructure and the superstructures and to grant mortgage loans for construction or purchase existing properties for the low income households. The finance for shelter and urban development is mobilised by the various credit mechanisms through a variety of sources. Most of these sources are private but there are few sources of public capital consistent with public support of housing goals and some of these sources can be in the forms of international loans, grants and multilateral donor funding.

Table 1: Finance for Housing in Zimbabwe

Source	Percent (%) Contribution 2004
Building	65
Government	15
Others (Cooperatives etc.)	8
Local Authorities	6
Insurance and Pension Funds	5
Individuals	1
Total	100

FIGURE 2: STRUCTURE OF THE HOUSING FINANCE MARKET IN ZIMBABWE AND ANALYSIS OF CREDIT MECHANISMS AND ENHANCEMENTS



SOURCE: © 2006: S. RUTURI

Housing Finance Models in Zimbabwe

Several finance models for low income housing are currently in existence in Zimbabwe. The sections below describe and discuss these systems with a view to identifying elements that can be integrated into a comprehensive model for low income housing finance. The current housing finance system is through a rather loose tripartite partnership of the public sector, community sector and the private sector. The public and private sectors loosely define the conventional finance system while community sector mainly represents the informal methods of housing finance.

Public Sector Housing Finance System (PSHFS)

The public sector housing finance system in Zimbabwe is predominantly through central government budgetary allocation. The involvement of government is through the National Housing Fund (NHF) and the Housing Guarantee Fund (HGF) both administered by the Ministry of Local Government, Public Works and Urban Development (MLGPWUD). The NHF is the principle intermediary through which central government transfer of funds to local authorities for low-income housing is effected.

Loans to local authorities are made in recognition of the fact that under the current egalitarian distribution of income and assets, the majority in urban areas cannot afford decent shelter without assistance and that local authorities on their part are financially incapable of shouldering the responsibility on their own. However, the long term viability of this external injection of credit into the local authority housing delivery system is uncertain. The money being dispersed has been increasing in amount but with little value due to hyper-inflation. This has resulted in a decrease in the amount of housing being delivered in spite of the huge amounts being allocated.

The National Housing Fund is providing affordable loans, issued at 15% interest rate, repayable over 25 years to low-income households. This is way below the market rates, which are over 200%. There is also land allocation at subsidized rates; the stands are sold at 20% of the market rate.

Three main criticisms have been raised pertaining to the operating of the NHF. The first problem relates to repayment. In the past when the NHF was very active, its efficiency of the operation was hampered by the high delinquency in repayment of loans by local authorities. Most local authorities that had borrowed funds from the NHF could not meet their repayments as required. Defaults in repayment has been aggravated by the diversion of loan repayments to other uses away from housing, charging sub-economic rents and, where serviced stands have lain idle for a long time, it delayed the recovery of capital cost and the interest incurred in providing the infrastructural services. The main point is that high default rates undermine the operational efficiency and sustainability of the NHF since reliability is dependent on cost recovery.

The second criticism relates to bureaucratic inefficiency. The rate at which MLGPWUD can release funds is determined by the rate at which local authorities get authority to borrow. MLGPWUD has to vet applications for borrowing powers first. The bureaucratic delays in the allocation of funds to local authorities result in difficulties in ensuring that the release of funds coincide with the time when local authorities require the funds. This delays the implementation of already planned housing projects. In addition, some local authorities fail to apply for loans, while others are denied borrowing powers due to their poor creditworthiness (perhaps a reflection of poor fiscal management capacity). This brings in the question of

equity in the operation of the NHF since the system discriminates against local authorities that experience difficulties in the repayments of loans in favour of the better off local authorities. It makes one wonder whether the NHF is really national. However, the main point is that the operations of the NHF is encumbered by too much bureaucratization and at the same time exhibits a lack of sensitivity to equity considerations.

The third criticism leveled against the NHF is the concentration on low cost housing to the exclusion of other sectors. Consequently, there has been very little development in the middle and high income markets especially after independence. This under provision has tightened the market situation for this sector due to the competition between middle and high income groups for the limited middle income housing stock resulting in inflated prices. The middle income households who have fallen victim to the stiff competition are invading the low income housing market displacing the economically weaker low income households thereby aggravating the overall low income housing situation.

The economic crisis has seen funds available from the NHF dwindle to very insignificant levels. Operating under huge budget deficits, treasury has not been able allocate meaningful amounts to the NHF. This has been compounded by the inability of the local authorities to make repayments to the NHF, resulting in less funds being available for housing.

Housing Finance under Operation Garikai/Hlalani Kuhle

Under operation Murambatsvina, three trillion dollars was made available to the ministry of local government for the construction of basic four room core houses for affected families. This is not the first time that central government has been directly involved in the provision of housing. Government has used its construction units in its own housing funded schemes. However, the International Monetary Fund has discouraged the government from being directly involved in the construction of houses. The construction unit stopped operating in 1998 under immense pressure from the IMF. They had managed to complete the construction of a total of 1200 units, with an additional 1006 still at various stages of construction. About 8 200 units were planned for Harare when construction stopped.

However, whilst the construction capacity of government units was 5 000 units per annum, they only managed to construct about 1 200 units in a period of over four years. This is a very dismal rate. The main problem was the erratic supply of materials and funding for the projects. The degree of supervision was also low as some of the units constructed are below the housing standards and have developed various faults such as cracking walls.

The approach of directly funding completed houses has come under criticism from several quarters. The main argument is similar to that posed by the World Bank in the 1990's. The direct funding of a complete unit for the urban poor will mean reach out to fewer beneficiaries, particularly where funds are not enough. To reach more poor families government would have adopted a model where they fund the provision of infrastructure only and not be involved in the construction of the superstructure. This means that the three trillion will reach only a small number of beneficiaries as is discussed in the box below. Financing upgrading would have resulted in the three trillion reaching even more people.

Home ownership

Homeownership was designed to be the major form of tenure with a small percentage being developed for rental purposes. Before 1980 about 90% of the housing stock in high density areas was rented accommodation and the remaining 10% was allocated to middle income blacks on freehold title. After 1980 local authorities were required to convert the rented accommodation which was built before 1980 to homeownership on a rent to buy agreement. This enabled thousands of low income people in the urban areas to own houses and also participate in upgrading their houses and reduce the maintenance costs for local authorities. The homeownership scheme was designed to guarantee security of tenure to residents of urban areas, to ensure the redistribution of resources to the low income people, and to encourage individual people to invest in housing.

Box 3: Current housing finance schemes in Zimbabwe

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	Central Govt	World Bank, mortgage lenders

Source: Ruturi, 2006

Aided self help

This is the construction of houses by the prospective homeowners themselves with technical training, administrative and financial assistance from central government and local

authorities. Individual family savings were encouraged to promote self-reliance. This is the mode of construction which is widely used in developing low cost housing in Zimbabwe. However this was not successful because beneficiaries opted to do individual construction and hired small scale builders. Many of the earlier beneficiaries tended to overestimate their resources and attempted to build sophisticated and large houses. As a result they exhausted their resources before completion of the houses. Most of the later beneficiaries were encouraged to "start small" that is complete one room and a toilet first.

It became apparent that the building period of eighteen months for completion of four rooms plus ablution was beyond the resources of a significant number of very low income beneficiaries. A survey showed that only 38% of beneficiaries were able to meet the target period. The rate of defaulting in repayments was high in the early stages of the "aided self-help" project when beneficiaries had to make double payments; one of the accommodation they were renting and the other for the new house they were constructing. The situation improved when people started staying on their stands. The time required to complete a four roomed core was later extended by government from eighteen months to two years, extendable to three years.

Pay for Your House Scheme

The Ministry of Local Government, Public Works and Urban Development manage this scheme. Members of the public contribute their money to the ministry, through local councils. The ministry then contracts a constructor to build houses. This program is also called self-financing Scheme. This project was not successful due to a number of constraints, the major ones being the inadequacy of the contributions and corruption in the management of funds.

Housing Guarantee Fund

Central government operated a housing guarantee fund (HGF) which was theoretically open to all income groups. This ceased to operate in 2000. The programme consisted of two related schemes. In the first scheme MLGPWNH would guarantee a portion of a loan obtained from a private financial institution under conventional lending criteria. Two types of loan exist which are; loan from the Building Societies which enable them to acquire a house of certain value and loan from lending institutions against government security collateral

The major problem of the HGF related to the operation of the fund. In terms of the operation of the HGF, theoretically, it was deemed to be beneficial to house purchasers by encouraging lenders to make mortgage loans on marginal properties and by inducing lower down payments and monthly payments. However, in practice, its operation was different. The existence of a guarantee made little material difference to the building societies' willingness to lend. If the Building Society does not feel that a mortgage loan is commercially justifiable then it will not grant the loan regardless of the guarantee. This explains why beneficiaries of the HGF had to fulfill conventional lending criteria, that is predominantly middle and upper income households. As a result the HGF did not alter Building Societies lending behavior in favour of low cost housing, but only benefited a small click of middle and upper income groups who had adequate funds to have access to housing finance through the conventional financial market, as well as Building Societies who were assured a fixed return for supporting the housing market. Ultimately, one finds a tacit albeit unwritten agreement between government and the private sector financial institutions that low income housing sector is not

a favorable investment area. Due to the escalating cost of houses, the programme was no longer viable as a way of financing housing for the low-income groups.

Local Authority Housing Finance

Local authorities have the statutory responsibility of providing and administering low income housing within their areas. To satisfy this function, urban councils have three traditional sources of loanable funds which are; central government, the open financial market and internal funds.

The operation of the first is amply covered under the NHF and the second is covered under private sector financing. Internal funding is financed by revenue from supplementary charges, licenses fees and service charges. Central government tendency towards revenue centralisation coupled with expenditure decentralization makes internal funding not so viable. 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 channeled into a housing revolving fund from which loans for low cost housing are made has gradually been eroded to an insignificant fund by increases in excise duty and price control. Thus, the main problem with internal funding of low cost housing is the limited internal sources of revenue and the consequent dependency on central government loans for execution of projects.

The Homelink Initiative and RBZ Initiatives

This initiative was started by the Reserve Bank of Zimbabwe in 2004 to tap into the funds of people who are currently in the Diaspora. On payment of some money in foreign currency, beneficiaries would have houses constructed for them. The scheme is now open to those who are within Zimbabwe. They are eligible to applying for housing loans. However, the major draw back is that the loan has to be repaid in foreign currency. This is not affordable to most high income people, let alone the poor. This is definitely not the model for low income families.

Private Sector Housing Finance System

The private sector housing finance system consists of employer aided housing finance sub-system, private financial institutions and external aid agencies. Over the years local authorities have been involved in attempts to solicit private sector involvement in low—cost housing.

Private Financial Institutions Funding Housing

The operation of private financial institutions is conditioned by the ideologies of the profit maximization, long term business interest and social responsibility considerations. However, Building Societies are run fundamentally as commercial enterprises rather than social welfare clubs. The main source of funds for their operation are shares and short term deposits and their ability to attract these funds is dependent on economic and monetary stability, interest rates, confidence in the society's security and stability, income levels, the effectiveness of

branch networks and the government's fiscal policies. The list of determinants is by no means exhaustive. However, it serves to illustrate how the ability of attracting funds is conditioned by linkages with the external environment. The last fact i.e. government fiscal restrictions is of paramount importance since it is beyond the control of the societies. For instance, the introduction of the Building Societies Class 'C' Paid Up Permanent Shares (PUPS) Regulation by the government created a tax free investment portfolio with the societies which enhanced the flow of funds into the Building Societies and their potential participation in low cost housing. In 1987, only a year after its inception \$99.7 million had been deposited under these shares with 25% of the funds earmarked for low cost housing.

Community Sector Housing Finance System

In the analysis, community sector financing represents a blend of non - conventional public sector and private sector financial activities together with formal and/or informal housing activities of the low income groups. Central to the community sector finance system is the concept of self-help or aided self-help being currently utilised extensively in the site and services strategy and the not so popular upgrading approach. Aided self help represents the closest application of progressive development approach to housing provision in Zimbabwe.

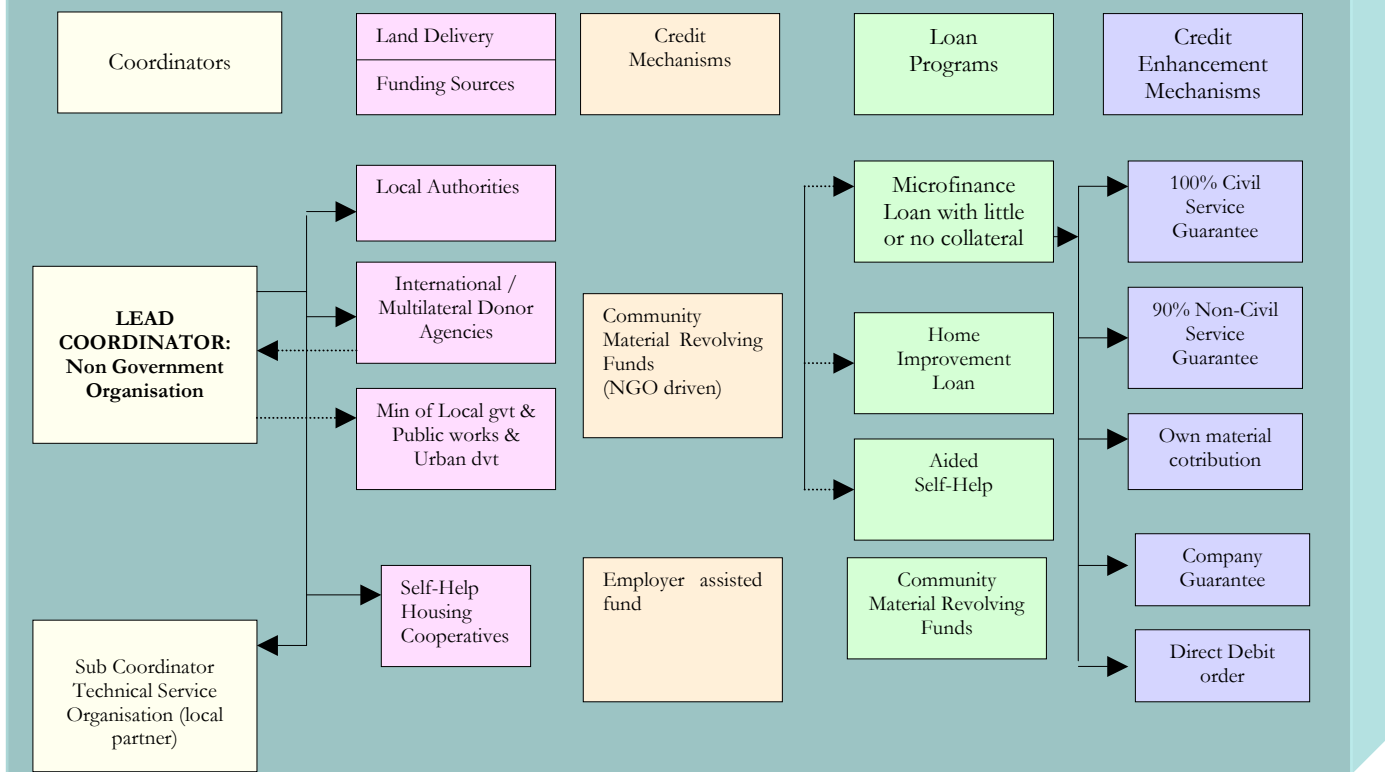
The main characterising features of this mode of financing housing are a higher degree of dweller control over utilisation of financial and other resources in the housing process and a higher level contribution in the form of savings, building materials, transport, tools, equipment and sweat equity (labour) within a self reliance approach. However personal savings and self-generalised resources alone cannot provide housing quick enough and some households have to rely on installment construction in which construction is undertaken serially and intermittently as and when additional resources become available. Housing cooperatives are the most common form of community sector Housing finance system.

Recommendations for a Low Income Housing Finance Model

To enable low income households to gain greater access to housing finance and share in what Doebele calls “the wealth producing process of urbanization” requires the adoption of new approaches that promote sustainable housing delivery (1994,49).

The Doebele approach requires that a bigger economic pie first needs to be created first before it can be shared. It is therefore, in this context that we recommend the generation of capacity amongst stake holders through information sharing so that the low income home seekers can benefit. Given all the options that we have discussed in this paper, the most options which entail the involvement of all stakeholders particularly those people living with the problem would be that which requires full community participation. The majority of the credit mechanisms available are largely private sector oriented and they do not go deep in providing assistance to the needy within our communities mainly because they are underpinned by the profit motive. The best form of approach would be that which synergies between government, private sector, civic organizations, local authorities and low income communities. Given the model outlined herein, matching investments or blended funds emerge as a commercially sustainable way of providing housing. However, this concept has worked well in situations where employers have been giving assistance to their employees. This concept has also worked well where private sector funds have been blended with funds from the housing cooperatives or credit unions.

FIGURE 3: RECOMMENDED MODEL 1; FOR LOW INCOME RESIDENTIAL MORTGAGES



The model recognises the critical role to be played by NGOs and other humanitarian aid organisations. Given the prevailing economic downturn and continued urbanisation in Zimbabwe the nature of the low-income housing finance problem is indeed a humanitarian crisis. The NGO sector can play the role of lead coordinator and work with available local community based organisations (CBOs). NGOs and CBOs can devise interventions that fit the incremental building process used by the majority of low income households in Zimbabwe. One or more short-term micro-finance loans can fund steps in this process –land acquisition, a sanitary core, or a room addition - at affordable market terms because of small loan size.

Emerging Issues for a Housing Finance Model

Many housing specialists believe that the best way to make housing affordable is to reduce standards on building materials, space etc. However, there are limits to how far standards can be reduced. Therefore, coming up with housing finance models is critical. It is difficult to come up with a single model that will satisfy the conditions for low income housing finance. There is a variety of financial models that are currently in application in Zimbabwe. These models revolve around the use of funds from private and public, formal and informal, local and international sources. From this it can be said that there is a rich source of funds, which sadly yields inadequate financial resources for housing. Local authorities are seen to be doing a great deal in mobilising local public and household resources. The use of housing finance by the local authorities has become more prudent as they now concentrate on the provision of land rather than on the provision of complete housing units. A puzzling observation from the national scene is the availability of large amounts of unused funds from the National Housing Fund (NHF).

Recalling the pay schemes

The abandonment of the 'pay-schemes' is a sad development in a strategy that promised to recognise civil society in general and the home-seeker in particular from being part of a concerted effort by all stakeholders to raise housing finance. Mistakes were made, but this should have been a learning curve rather than a reason for discarding the whole innovative approach. It can be argued that instead of a wholesale cessation of the strategy, it should have been progressively strengthened and tightened as mistakes and loopholes surfaced. With time it could have been decentralised to the local authorities as a foolproof and fraud-resistant housing finance package. It is not too late to revive this innovative solution to the problems of housing finance mobilisation. The solution of hiving it off to building societies has totally neglected the needs of low-income actors

Bringing in 'locked funds'

Large and significant actors with significant amounts of funds should be brought in by persuasion - or coercion, if necessary - into housing finance. Reference is here made to pension funds and insurance houses. Local authorities should be encouraged to come together and work out how part of the huge financial resources held by these institutions can be redirected to housing. Lessons can be learnt from the way central government has managed to help itself to these funds by legislation.

Expanding financial options

Zimbabwe relies exclusively – and perhaps too much - on the primary mortgage market, where building societies do all the direct financing. There have been realisations that Zimbabwe has a well developed financial system that allows for more sustainable housing finance systems, among them secondary mortgage markets. Current efforts geared towards establishing this market should be speeded up. If established these markets can serve as a vehicle to unlock the locked funds in large finance houses mentioned above. These efforts should be linked to the general search for expanding municipal finance.

BOX 3: A CASE FOR MICRO FINANCE FOR HOUSING IN ZIMBABWE

The figures on the existing housing deficit for low-income groups are well-known and speak for themselves in Zimbabwe. This provides for an attractive market niche of micro finance for housing. The best indicators of the target group's ability and willingness to spend money on improving their housing situation are the amounts which they have already spent in the past - and these expenditures are not insignificant. They easily add up to the amounts typical of micro loans as proved for Latin American countries whose experiences bear much semblance to the Zimbabwean situation.

There is no appropriate credit supply for housing finance for low-income groups in Zimbabwe. The bad experiences and failures of public housing (development) banks that have attempted to supply subsidized credit are well known. Private Banks orient all their activities to higher-income groups requiring complete housing solutions. Zimbabwe has three main building societies which have experimented with pilot projects to lend to the poor. However their funding projects were implemented at a time of rapid devaluation of the Zimbabwean dollar and severe budgetary constraints which limited the government's ability to commit to its share of financing. Exceptions are few and far between. Some Non-Governmental Organisations and cooperatives have entered the field of housing loans on a revolving fund basis. But with all due respect, the achievements in these areas have been limited due to a lack of a clear policy framework to guide and regulate the interventions of NGOs.

Revisiting the turnkey strategy

In the use of funds, most local authorities in Zimbabwe seem to adhere to internationally prescribed standards and principles. This places the local authorities in the international housing finance arena. While this is prudent and wise in terms of spreading the benefits to a wider section of society there is still some validity in delivering completed houses to some sections of the community who can not afford to build for themselves. This again emphasises the point that the 'pay-scheme' had some 'wisdom' in it. The turnkey approach should not be totally discarded. There will always that 16% or so of the population who are unable to afford any of the going housing solutions. It is therefore prudent to provide these with some dwellings.

Flexibility in cost recovery

The strict adherence to the 'user pays' principle that began in the 1990s demonstrates conformity with the precepts of cost recovery. The innovative repayment methods are further evidence of this. However, the rigidity and standardisation of the contracts sometimes work against cost recovery or even discriminate against low-income groups. Those with lower and irregular incomes are some of those who are adversely affected, because, either they cannot qualify for funding or they find it difficult to keep up with repayments. Perhaps some thought should be given to some flexible repayment methods that are 'beneficiary friendly'.

Bringing back subsidies

The wholesale abandonment of 'intentional' subsidies needs a second look. As many a commentator has emphasised, subsidies are not bad in themselves (see Sumka, 1987); they are unavoidable in present urban societies characterised with inequalities. What needs to be

looked into is not whether subsidies are necessary, but what can be done to make them more effective and useful. Some housing practitioners (Renaud, 1987; Kamete, 2000) have argued that subsidies should have several key requirements, namely, they should be absolutely necessary, minimal, transparent and correctly targeted. The system used in Chile can come in handy for Zimbabwe (see Box 4).

BOX 4: AN EFFECTIVE SUBSIDY STRATEGY IN CHILE

The system has been praised for having targeted and transparent subsidies. The system provides a once only financial assistance to qualifying families to help them close the gap between the cost of decent shelter and their capacity to pay. The government decides the amount of funds it will make available for housing subsidies in a given year. It also decides on the distribution and the levels per geographic area.

The subsidy is granted in a very transparent manner based on the beneficiaries' savings record, the availability of building sites and family composition. The subsidy comes in the form of a certificate which can be applied to the purchase price of the home within 21 days. The certificate is then cashed in by the home seller at the appropriate government office. There are limitations which make the subsidy difficult to abuse. The names of the beneficiaries and other details are then published in a national newspaper. Anyone with a query or information that proves that somebody 'wrongly' benefited can pick the issue up with relevant authorities and appropriate action will be taken.

Sources: Telgarsky and Mark, 1991; Bovet, 1993.

Recognizing the role of Civil Society and NGOs

Civil society and NGOs, through housing cooperatives and other local partners have been playing a major role in financing housing. This role has to be enhanced. Housing cooperatives have capacity to transform themselves into business-like entities whose core business is to raise money for housing their members. Other models based on the Homeless People's Federation approach have equally proven to be effective in funding housing under the current economic conditions. As has been indicated above, the terrain in which civil society organizations operate is littered with major problems ranging from restrictive legislation, mismanagement and restrictive regulations by the government. Central government and local authorities should partner with NGOs in ensuring that land is made available timorously.

BOX 5: THE CASE FOR THE NATIONAL HOUSING FINANCE BANK

The Housing Policy of Zimbabwe has called for the establishment of a Housing Development Bank of Zimbabwe with the core function of providing housing finance through:

- soft loans to local authorities for infrastructure and housing development
- providing bridging capital to land developers including housing cooperatives and civil society groups
- financing capital projects for the production of building materials and equipment
- Providing mortgage finance to individual home purchasers.

The Infrastructure Bank of Zimbabwe seems to have assumed these functions. However, it is not yet clear how it is going to fare in the housing sector as it is just starting and has not yet started funding projects. Government has applied for funds from the bank and the bank is desirous for the Ministry of Finance to be involved for collateral purposes. If the bank is going to impose the same stringent conditions as the building societies, then it will not succeed in funding low income housing developments. An element of low interest rates than those on the market and the need to do away with collateral for the community groups will help.

Education and Training

Perhaps the most important of all ingredients for a successful Low-Income Housing Finance program is education: from pre-cooperative members to the state or national federations. Experience repeatedly has shown that when SHHC programs have failed, little or inadequate cooperative orientation and training took place. Education and training are of special importance in programs among the lower income groups located 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 keen understanding of community dynamics and organization. Local Government training institutions can be utilised as training centers for community based organisations, NGOs and other TSOs involved in Low-Income Housing Finance

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