

DECLARATION

I declare this research report is my own unaided work

It is submitted in partial fulfillment of the Degree of Master of Science in Property Development and Management in the School of Construction Economics and Management, University of the Witwatersrand.

It has not been submitted before for any degree or examination in any other University.

(Signature of Candidate)

_____ Day of _____ (year) _____

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Abstract

Most governments in developing countries are unable to assist in the ever-growing housing needs of the informal sector, which constitutes the major part of most economies. The two reasons for this state of affairs are (i) the ever-shrinking resource base of countries, which makes the provision of subsidies impractical; and (ii) the fact that this sector is normally characterized by irregular incomes, which makes provision for loans by financial institutions difficult. This situation is particularly true for the Kingdom of Lesotho. Due to their unfortunate predicament, the informal sector has become innovative in addressing their housing needs. Various informal credit methods are widely employed to finance their houses, which are built progressively. This research therefore investigates the possibilities of linking the progressive housing investment to bank housing finance, using Maseru - Lesotho as the research focus.

In order to achieve the above aim, a household survey was conducted coupled with structured interviews. The structured interviews were held with the commercial banks as well as the government housing authorities. These interviews were mainly to elicit their views about the option of Microfinance of housing. It was established that the respondents as well as the government authorities were not aware of this option. The banks were equally unaware of it and in addition to this, the perceived risk led to skepticism. As such these made Microfinance of housing impractical in the short-run. However it would be advisable to mobilize the formation of a revolving fund to which the commercial banks could on-lend, as a solution to the lack of housing finance.

Keywords: Progressive Housing; Microfinance of housing; On-lend; informal savings association; Maseru.

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