

Housing Policy and Delivery in Namibia

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Abbreviations

BT	Build Together
FNB	First National Bank
GIPF	Government Institutions Pension Fund
GRN	Government of the Republic of Namibia
HRDC	Habitat Research and Development Centre
IPPR	Institute of Public Policy Research
K-Brick	Kavango Brick
LA	Local Authority
MRLGHRD	Ministry of Regional and Local Government, Housing and Rural Development
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NHAC	National Housing Advisory Committee
NHAG	Namibia Housing Action Group
NPC	National Planning Commission
RC	Regional Council
SDFN	Shack Dwellers Federation of Namibia

Executive Summary

The Namibian government identified housing as a priority area in 1990 and considers housing as both an enabler of economic growth and a tool for reducing poverty by creating sustainable communities. A National Housing Policy has been in place since 1991 and this was reviewed and updated in 2009. Despite the many components provided in the policy and the awareness of the issues within government, few elements of the policy have been taken forward and little has been achieved in the last twenty years to clear the backlog in housing.

Government targets consist of a plethora of statements in different policy documents and announcements. Most targets have not been met, although this is difficult to analyse as little information is provided on the achievements of targets of the largest government-funded programme, the Build Together programme. In terms of government expenditure on housing, it is currently at a historically low point: 0.3% of national expenditure in Namibia is allocated to housing compared to 2% in South Africa.

The delivery of housing units through the National Housing Enterprise has been slowing down, and has never met its target of 1,200 houses per year. Most recent data shows an average of 253 houses per year between 2003 and 2011, compared to an average of 600 houses per year during 1990 and 2002. In addition, government contributions to governmental housing projects, such as the National Housing Enterprise and the Build Together programme, seem less efficient than contributions to the Shack Dwellers Federation of Namibia, who delivered 366 houses in 2009/2010, for less than 25 percent of the government contribution per house in the National Housing Enterprise or Build Together schemes.

The key challenge in delivery of housing in Namibia is the lack of available serviced land, which is both slowing down the process of housing delivery and pushing up prices of serviced land. The limited availability of serviced land is mainly due to a lengthy and outdated approval process for proclamation, surveying, subdivision and registration of land, limited financial capacity at local authorities and a lack of

surveyors and other qualified personnel at local levels. Although government is taking steps to provide the National Housing Enterprise with capital to service land, limited action has been taken on the promised shortening of the land approval process to six months, as stated in the National Housing Policy.

Our research has furthermore shown a mismatch between the government-funded programmes, and the demand for housing. The largest backlog of housing is in the lowest income sectors, with monthly incomes of N\$ 0 to N\$ 1,500 (45,000 houses), and incomes between N\$ 1,501 and N\$ 4,600 (30,000 houses). Although the Build Together programme focuses on people with incomes under N\$ 3,000 per month, the National Housing Enterprise only provides products for incomes of over N\$ 5,000 a month, which is less than 13 percent of the population. Overall, the government products seem focused on a population with some form of income. However, with 51 percent unemployment, there is a sizeable group that does not earn an income, and thus cannot qualify for a Build Together or a National Housing Enterprise loan. With a key focus on an income-earning population, and with targets ranging around 1,000 to 3,000 houses per year, the government is not making a real impact on the backlog in the lowest income groups, nor will it be able to achieve its goal of poverty alleviation through housing.

Another key finding from the research undertaken is that government is missing out on a range of opportunities. First of all, despite having invested N\$ 67 million into the Habitat Research and Development Centre, government is not receiving the benefits of this investment: neither the National Housing Enterprise nor the Build Together programme actively encourage the use of solar power or other alternative technologies or materials, which have the potential to bring down long-term costs and reduce costs associated with servicing land. Secondly, there is very little attention given to using the capability and resources of the private sector to benefit from potential private sector efficiencies: Government is currently not providing incentives for the private sector to get involved in the lower-income section of the market. This links in to the third missed opportunity: using housing as a tool for

integration between different income groups. Where other countries, such as Malaysia, the Philippines and the United Kingdom, set requirements for private developers to dedicate a certain percentage of housing developments to affordable housing, the Namibian government is currently not using this opportunity to use housing as a tool for integration of different income groups.

Overall, it is clear that government needs to drastically change both the scale and focus of its programmes if it is serious about delivering affordable housing for its population. Government should focus on areas where the market is currently not delivering, such as providing serviced land, reaching the lowest income sectors and using housing as a tool for integration. The following are our main recommendations to ensure that the housing sector is a contributor to economic development and poverty alleviation:

1. Address the issues around the approval process of proclamation, surveying, subdivision and registration of municipal land

- Simplify and shorten the process of acquiring land, as promised by the Minister of Regional and Local Government, Housing and Rural Development, and stated in the 2009 National Housing Policy
- Abolish the minimum erf size
- Train more experts in land processes at local levels, such as surveyors
- Link up with existing or planned infrastructure

2. Ensure that government-funded programmes reach the people who need them most

- The National Housing Enterprise should shift its focus to lower income groups

- Improve access to finance, for example through the announced, but not implemented, Home Loan Guarantee Trust, or a capital subsidy scheme
- Further focus on a wider range of options, such as subsidised renting, rent-to-buy schemes and upgrading of informal settlements

3. Promote alternative and local materials and energy use

- Set a certain percentage of all National Housing Enterprise and Build Together projects that should use solar power and dry sewage systems
- More emphasis on build quality through building regulations and monitoring of these regulations

4. Involve the private sector as a tool for integration and scaling up delivery

- Develop proposals for the private sector to dedicate 20% of all housing developments within an affordable range, as set by government
- Provide incentives for the private sector to become involved in the lower income segment, for example through invitations to provide proposals under the Targeted Intervention Program for Employment and Economic Growth (TIPEEG) or a system similar to the South African subsidy scheme, where developers can apply for subsidy if they provide housing for low-income groups

5. Improve communication between stakeholders

- Revive the existing National Housing Advisory Committee
- Organise annual housing forums and conferences to provide a platform for the various stakeholders to interact

1 Introduction

1.1 The Institute for Public Policy Research

The Institute for Public Policy Research (IPPR) is an independent, not-for-profit, non-party political research organisation established on 1 November 2000. Its aim is to produce quality research on political, social and economic issues and to disseminate this research to Namibian decision-makers and the Namibian public at large.

Amongst other projects, during 2011 the IPPR undertook a review of housing policy and delivery in Namibia, which has led to this report.

1.2 Rationale for research

Current research shows an emphasis on housing as a catalyst for growth (Arku, 2006), thereby improving welfare standards and decreasing poverty levels. Therefore, housing policy is an important component of anti-poverty interventions, with a direct impact on people's welfare through improving general living conditions and health, as well as, providing a place to conduct business and providing employment through the construction and renovation of housing.

To enable the development of Namibia it is therefore imperative that housing remains high on the agenda and that the government pushes forward in this area. This report is meant to facilitate this discussion by reviewing the current progress and suggesting options for change to enable government to make an impact on the housing situation in Namibia.

1.3 Methodology

The research approach consists of the following elements:

- desktop study of available documents, including annual reports, media publications, academic literature, relevant legislation and policies on the following topics:
 - housing policy and delivery in Namibia
 - examples of housing policy and delivery in countries across the world
 - established research on the link between poverty and housing

- interviews with 14 stakeholders (see Annex I for an overview)
- analysis of government spending and receipts with regards to housing since 1991
- analysis of data from the 2009 Windhoek Household Survey
- consultation: a consultative workshop took place on 23 June with 22 participants (see Annex II for an overview)

1.4 Objectives

The research focuses on achieving the following three objectives:

- Firstly, it aims to provide an accurate and up-to-date overview of housing initiatives in Namibia.
- Secondly, the research aims to provide an assessment of government's achievements in the area of housing.
- Thirdly, it aims to provide recommendations for policy initiatives to further progress in housing policy and delivery in Namibia.

1.5 Limitations

Unfortunately there is little publicly available data on the delivery of government's housing programmes. For example, there is no publicly available report on the delivery of housing units under the Build Together (BT) programme, the largest housing programme sponsored by government. This has made it difficult to provide an assessment of the BT programme.

All figures related to budget expenditure in this report are based on the estimates as reported in government's budget documents. These are not the actual amounts spent by government, but are used as an indication for the actual amount spent. Unfortunately we were not able to use the actual expenditure figures, as data on the actual amount spent is not recorded consistently in the annual budget documents.

To enable a fair comparison of figures, all figures in this report are quoted in 2011 values, using inflation data from the National Planning Commission (NPC), unless otherwise stated.

2 Background to Housing in Namibia

2.1 Introduction

Namibia is a country with unique characteristics, such as its low-density population, the relatively recent history of apartheid and the highest income inequality in the world as measured by the gini-index¹. This chapter will provide a brief insight into the background of Namibia, the impact on housing policy and a current overview of the housing situation.

2.2 Geographical location and population

Namibia is a vast country with a surface of around 824,290 square kilometres and a population of around 2.2 million, making it the second least densely populated country in the world². Namibia is located in Southern Africa and borders Angola and Zambia to the north, Botswana to the east, and South Africa to the south and east. 51% of the population is unemployed (Republic of Namibia, 2010), and 38% of the population lives in poverty (Schmidt, 2009).

2.3 Historical background

At independence in 1990, the Namibian government inherited a very unequal pattern of settlement as a result of apartheid policies followed by the colonial government (Itewa, 2002). Large numbers of people were living in poor housing conditions in areas designated by the previous colonial government. In addition, there is evidence to suggest that after independence, rural-urban migration increased (Schmidt, 2009), leading to even more severe housing shortages in the urban areas.

As a result, the government identified housing as a priority area of development, along with education, health and agriculture, leading to the first National Housing Policy, which was approved by Cabinet in 1991 and reviewed in July 2009. It states that the role of government is to ensure that the housing development process is inclusive for all and that those households excluded from the market and conventional housing development mechanisms are given the opportunity to access land, housing and services, as well as creating an enabling environment for a vibrant housing market

(Ministry of Regional and Local Government, Housing and Rural Development, 2009).

Since then, the government has implemented several housing programmes, such as the Build Together programme, and has set up institutions to facilitate further development of affordable housing, such as the National Housing Enterprise. Although these programmes have made home ownership possible for many who did not have access to finance before, the government recognises the challenges in achieving its targets, as stated in the third National Development Plan (NDP) and Vision 2030.

Besides governmental initiatives, non-governmental organisations have been active in the area of housing, sometimes supported by government, with a clear focus on low-cost housing, such as the Shack Dwellers Federation of Namibia (SDFN). The next chapter provides an overview of governmental and non-governmental initiatives in Namibia since 1990.

2.4 Current housing situation

The most recent data on housing situation across Namibia comes from the Namibia Labour Force Survey in 2008 (released in 2010). The data reveals that at national level, the vast majority (nearly 70%) of all households live in dwellings that are owner occupied without a mortgage, and that only 12% of households have a mortgage, as illustrated by the table below.

Table 1: Distribution of households by type of tenure

Type of tenure	Rural	Urban	Namibia
Rented (not tied to the job)	1.2%	21.2%	9.3%
Owner occupied with mortgage	3.3%	24.4%	12.0%
Owner occupied without mortgage	85.8%	44.2%	68.8%
Rent free (not owner occupied)	1.0%	4.5%	2.4%

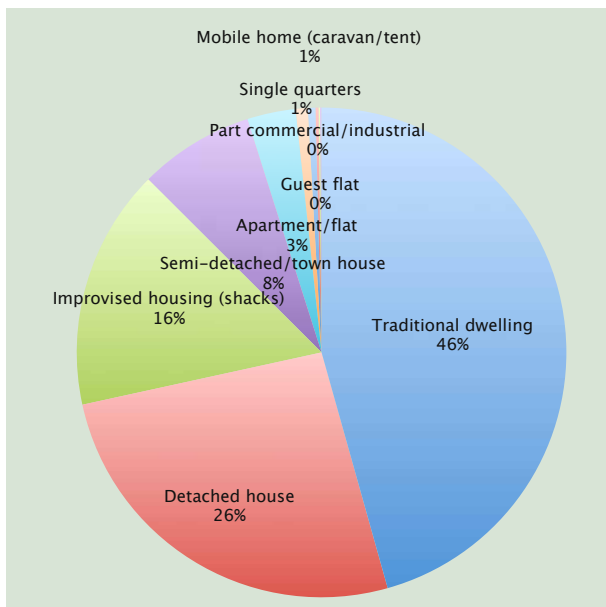
1 The UN Human Development Report 2010 reports a gini-coefficient of 74.3 (UNDP 2010)

2 World Bank Development Indicators, databank.worldbank.org

Provided by employer (public) with pay	0.4%	2.2%	1.1%
Provided by employer (public) without pay	2.0%	0.6%	1.4%
Provided by employer (private) with pay	0.8%	1.1%	0.9%
Provided by employer (private) without pay	5.4%	1.7%	3.9%
Other	0.2%	0.1%	0.2%

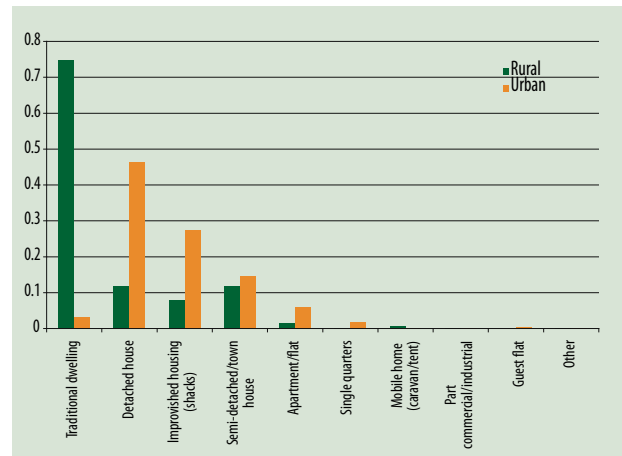
In addition, the survey provides information on the type of housing units. This indicates large differences between rural and urban housing situations. A summary is provided in the graph below.

Figure 1: Distribution of households by type of housing unit in Namibia



The pie-chart above shows that traditional dwellings are very common when considering the total type of dwellings in Namibia. Apartments, flats, single quarters, mobile homes and guest flats make up less than 5 percent of total Namibian dwellings. However, the picture is quite different when looked at rural and urban situations separately, which is shown below. For example, traditional dwellings are more common in rural areas and the percentage of people living in improvised housing (shacks) makes up 28 percent of all urban population, compared to only 8 percent in rural areas.

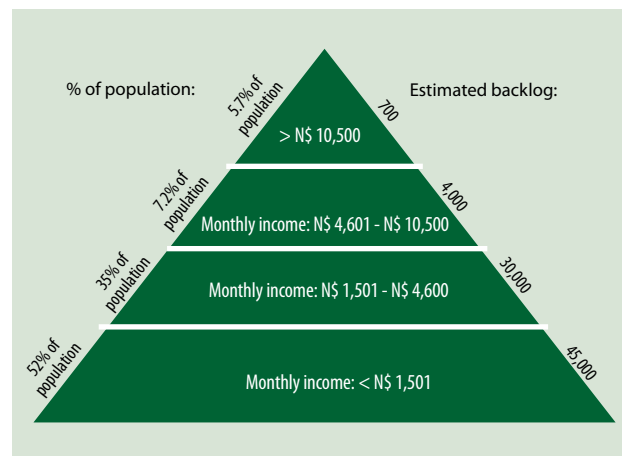
Figure 2: Distribution of households by type in rural and urban areas



2.5 Housing Backlog

The current backlog in housing is estimated to be over 80,000 houses³. The backlog in housing can be divided between different income groups as shown below. The pyramid illustrates that the largest backlog of housing is in the income segment that earns between N\$ 0 and N\$ 1,500 per month (a backlog of 45,000 houses), closely followed by earners of N\$ 1,501 to N\$ 4,600 per month (backlog of 30,000 houses).

Figure 3: Overview of housing backlog, income and population (FNB, 2011)

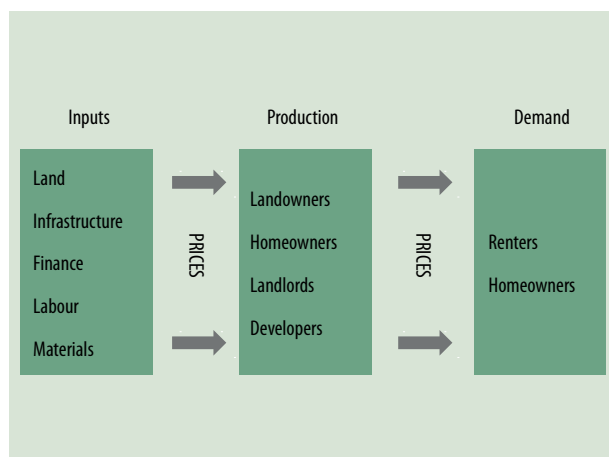


2.6 Basics of the housing market

The housing sector exists in broad terms of three key segments: inputs, production and demand, as schematically outlined in the graph below (Malpezzi, 1992).

³ Data based on NHIES and the National Housing Policy, adjusted for population and economic growth to adjust for 2010 income levels (FNB unpublished research, 2011).

Figure 4: Basic overview of the housing market



Inputs, such as land, finance and labour are combined to produce housing. In a perfect market situation, relative prices inform producers of housing to provide more or less housing, and more or less inputs. However, in the current housing market, there is no perfect competition and market failures exist in the provision of inputs, such as a lack of basic infrastructure (Arnott, 2008), the limited availability of land and the availability of finance. This indicates that problems in the housing market are often problems caused by the input markets. Especially in Namibia, one could argue that this might be exacerbated by the small scale of the market. In addition, the high inequality in Namibia could play an aggravating role. Certain providers of inputs and producers of housing might be used to high returns in one part of the market, but reluctant to move to another sector of the market where those returns might be lower.

To enable a well-functioning market that provides for all income groups, government policy should therefore focus on the market failures that exist in the provision of inputs in the housing market: land, infrastructure, finance, labour and materials.

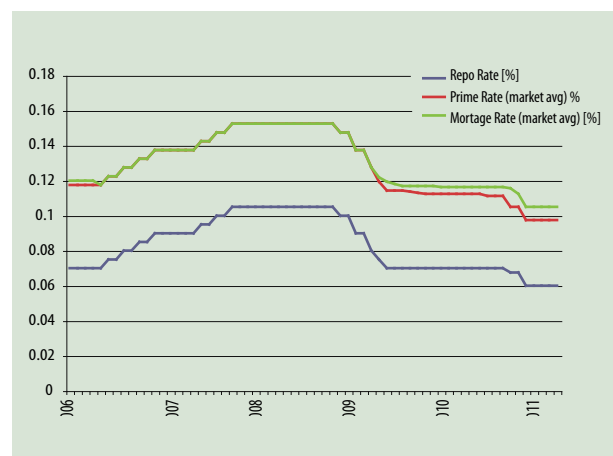
2.7 House prices and interest rates in Namibia

Expenses on housing (including utilities) account for 21 percent of total consumption, making it the second largest household expenditure item after food and beverages (Kalili, 2008). Increasing house and rental prices therefore have a significant impact on the spending power of the population.

The First National Bank (FNB) collects and publishes information on the house volume and house prices. Their information shows that in October 2010, the annual house volume index fell by 17.9 basis points, and the annual house price index climbed by 12.4 basis points, pointing at insufficient supply pushing up prices⁴.

Interest rates play a major role in demand for mortgages, as high interest rates negatively affect household demand for borrowing. Although interest rates rose substantially between 2006 and 2008, these have since come down rapidly. The latest figures from the Bank of Namibia indicate an average mortgage rate of 10.5 percent, which is at its lowest for four years. This is also illustrated in the chart below.⁵

Figure 5: Mortgage, Prime and Repo rate since 2006



2.8 Importance of housing in economic and social development

As mentioned in Chapter 1, there is consensus on the fact that housing has an important role to play in people's quality of life and health, and is a key factor in promoting growth and eradicating poverty. The Namibian government describes the housing sector as a major contributor to the national economy, and "having an impact on social, political and environmental fabrics of the Namibian Society" (MRLGHRD, 2009). Not just the existence of suitable housing, but also the manner of production and exchange of housing has an impact on development goals such as equity and poverty. For example, construction techniques and

⁴ House shortage keeps prices high, The Namibian, 24 February 2011

⁵ Based on data on average mortgage rates from the Bank of Namibia, www.bon.com.na

location of housing can influence environmental sustainability and accessibility to income generating activities. In addition, housing construction can play a role in income and employment generation, particularly for unskilled labour (Erguden, 2001). This is also evidenced by Namibian non-governmental projects, such as the Clay House project and Kavango Brick, two examples of projects where non-skilled labour has been trained to deliver houses.

Without thorough and wide-scale research, it is difficult to precisely establish the link between housing and economic and social development in Namibia. However, data from the Windhoek Household Survey in 2009 provides for some interesting findings regarding this topic:

- people living in improvised housing units/shacks are less likely to have obtained further education than people living in detached, semi-detached or apartments/flats. By comparison, only 12.2 percent of people in improvised housing units/shacks have an education level of grade 12 or higher, whereas for people living in detached, semi-detached or apartments/flats this percentage is 42.3 percent.
- only 27.8 percent of people living in improvised housing units/shacks have access to electricity, compared to 71.6 percent overall⁶. This can have a significant impact on their ability to produce goods or services from home.

It is evident that housing should not be looked upon merely as a goal or a problem in itself, but also as a policy tool for economic development and poverty alleviation.

⁶ Based on the question what source people use for lighting.

3 Policy and Regulatory Environment

3.1 Introduction

This chapter provides a brief summary of the policy environment for housing delivery in Namibia. The overview below illustrates the complexities of delivering housing by showing the different policies and regulations that affect and influence housing delivery in Namibia. These policies and regulations are further highlighted in this chapter.

3.2 Policies

The key policy underpinning the government’s housing strategy is the National Housing Policy, formulated and approved in 1991 and reviewed in 2009. The National Housing Policy contains a surprisingly honest review of government’s challenges and suggests ways of improvement.

Strategies outlined in the National Housing Policy are:

- Housing as an agent of economic growth
 - The policy provides for the establishment of a Home Loan Credit Guarantee Trust to be established to provide and facilitate accessibility to technical and financial resources for those who are unable to afford credit facilities offered by commercial and development financing institutions.
- Promotion of capital investment in local and regional infrastructure to speed up the process of land delivery
 - Local and regional authorities are responsible for developing and providing land for public and low-cost housing development purposes, but central government is stated as providing grants, subsidies and possibly soft loans to invest in local infrastructure.
 - It states that the approval process of proclamation, surveying, subdivision and registration of municipal land should be shorted to a period of six months or less.
 - It prescribes a minimum erf size of 300 m2, with possible exemptions for smaller erven.
- Mobilisation of domestic savings and affordable credit to provide and finance housing
 - The Government Institutions Pension Fund and other private pension funds should provide investment capital for housing and should serve as guarantee mechanisms to back home loan facilities of their members
- Provision of subsidies and grants by government and development partners to support social housing
 - For basic shelter for individual citizens and

Figure 6: Overview of policies and regulations related to housing

General policies linked to housing	Year	Legislation/Policy	Key elements	Legislation/policies that influence housing
National Development Plan 3	1991	National Housing Policy	Stating GRN's commitment to address housing needs.	Legislation related to <u>housing finance</u> : Banking Institutions Act, Co-operative Act, Friendly Societies Act, Usury Act, Pension Fund Act
Millennium Development Goals	1992	Local Authorities Act	Establishment of housing schemes by a municipal or town council with the approval of the Minister	Legislation related to <u>land availability and land titles</u> : Deeds Registration Act, Agricultural Land Reform Act, Communal Land Reform Act, Flexible Land Tenure Act, Urban and Regional Planning Bill
Vision 2030	1993	National Housing Enterprise Act	Governs the operations of the NHE	
	2000	National Housing Development Act	Establishes National Housing Advisory Committee, housing revolving funds, established Build Together	
	2009	National Housing Policy (reviewed)		Policies and (upcoming) legislation related to <u>build quality and materials</u> : Namibian Planning and Construction Bill, Water Supply and Sanitation Policy

families without income

- Includes the Build Together Programme and community based initiatives
- Creating sustainable human settlements through an integrated housing development approach
 - Upgrading of informal settlements
 - Extending housing to rural areas
 - Making housing an integral part of development efforts
- Promotion of the use of appropriate and alternative technologies, methods and services in order to provide affordable housing solutions
 - Use of alternative building materials and technologies, alternative housing types, alternative service levels and standards, and alternative forms of ownership
 - Focus on minimising cost and making housing more affordable
- Introduction of a four-based housing mix
 - Houses for sale, rental accommodation (including rent to buy option), social/subsidy housing, houses built by people themselves
- Strengthening the housing regulatory environment
 - Amendment of National Housing Development Act of 2000
 - Set up of a Namibia Housing Code and the Housing Industry Regulatory Council to regulate the housing sector. This will include registration of all housing developers.
- Enhancing institutional capacity and cohesion within the housing sector
 - Organisation of national housing forums on an annual basis and national housing conferences
 - The Skills Development Resource Centres from the Habitat Research and Development Centre (HRDC) should provide technical support to Local Authorities and Regional Councils to manage and operate the Build Together Program and to community based housing initiatives such as SDFN.
- Supporting people housing processes
 - Government shall provide financial resources in the form of housing subsidies, facilitation and grant funding
 - Decentralised Build Together Programme will be strengthened

Other policies related to housing are the third National Development Plan (2007/2008), Vision 2030 (2004), the Millennium Development Goals that Namibia has committed itself to work towards, and the recently

launched Targeted Intervention Programme for Employment and Economic Growth (TIPEEG).

The third National Development Plan includes the following headlines:

- increased supply of serviced erven
- increased construction of houses
- completion of the Habitat Research and Development Centre
- decentralisation of urban and regional planning
- maintenance of a conducive financial system for housing financing for middle and lower income groups
- development and implementation of a national participatory land and shelter information system and database

Vision 2030 states that by 2030 people should have access to adequate housing, with water and sanitation facilities for all. It also states that in order to deal with an estimated backlog of 80,000 houses, 3,000 houses would need to be built each year to meet the population's housing needs by 2030.

Alongside vision 2030, the government also released a report on their progress and commitment towards the Millennium Development Goals in 2004. The main focus is on providing water and sanitation to Namibia's households, which falls under Millennium Development Goal 7: Ensure environmental sustainability. There are no specific targets for housing included.

TIPEEG focuses on the creation of employment, and highlights housing as one of the four key sectors. More detailed information on the programme is supplied in a separate section below.

3.3 Regulation

Regulations that primarily focus on housing are:

- Local Authorities Act (1992):
 - Provides for the establishment of housing schemes by a municipality or town council with the approval of the Minister
 - Local Authorities may set up housing funds
 - Local Authorities may assist in financing, through banking institutions, building societies or direct loans
- National Housing Enterprise Act (1993)
 - Provides for the operations and the governance of the Namibia Housing Enterprise
- National Housing Development Act (2000)

- Establishes a National Housing Advisory Committee to advise on housing programmes
- Provides for Housing Revolving Funds to be established by regional and local authorities to be used for low-cost housing
- Establishment of Decentralised Build Together Committees for each region, to deal with applications for assistance from the Housing Revolving Funds.
- It is stated in the National Housing Policy that the National Housing Development Act is to be amended to be in harmony with the National Housing Policy.

Apart from the regulations that are primarily concerned with housing, there are several other regulations that influence housing policy and delivery. These are:

- Regulation related to housing finance (Kalili, 2008):
 - Banking Institutions Act: governing the operations of commercial banks
 - Co-operative Act: governing the operations of co-operative micro-finance institutions
 - Friendly Societies Act: governing the operations of non-governmental organisations that operate microfinance schemes
 - Usury Act: micro-credit interest rate ceiling
 - Pension Fund Act: enables accumulated pension benefits to be used as collateral land and allows housing finance providers to overcome the barrier of untitled land
- Regulation related to land availability and land titles:
 - Deeds Registration Act: governs all matters relating to the registration of immovable and movable property, including housing
 - Agricultural Land Reform Act: governs the acquisition of agricultural land by government for the purposes of land reform and redistribution
 - Communal Land Reform Act: provides the legal basis of the allocation of rights to communal land and leasehold rights in rural areas
 - Flexible Land Tenure Act: governs the registration of untitled land in the deeds office, which allows the provision of housing finance to communal, urban areas
 - Urban and Regional Planning Bill (to be presented to the Cabinet Committee of Legislation during the course of 2011): to provide

a uniform, effective, efficient and integrated regulatory framework for planning, land use and land use management (Raith, 2011).

- Regulation related to build quality and materials:
 - Namibian Planning and Construction Bill (proposed): establishment of a council of 13 members from different sections in the construction industry to regulate the industry.
 - Architectural and Quantity Surveying Bill (proposed): to provide for continued existence of the Namibia Council for Architectural and Quantity Surveyors under the name Namibia Council for Architectural and Quantity Surveying Professions

3.4 Government's targets

Ever since the government has specified housing as a high priority area, ambitious targets have been set, both in annual budget announcements as in policy documents. The following table provides an overview and illustrates the variance between targets set in various policy documents published by the government.

3.5 Budget 2011⁷

Budget 2011 announced that the Ministry of Regional and Local Government, Housing and Rural Development (MRLGHRD) would receive additional funding in order to address the backlog in housing and in sanitation facilities, in particular in villages and settlements. Its budget share will increase from 3.2% over the past five years to an average of 3.8% (or a total of N\$ 4.6 billion) over the total Medium Term Expenditure Framework (MTEF) period. The Ministry receives an additional N\$ 330 million for its development budget in 2011/12 bringing the development budget to N\$ 610 million. Sanitation projects in urban and peri-urban areas receive an additional N\$ -176 million (an increase of 65 percent), while the City of Windhoek receives N\$ 116 million for the development of informal settlements. On the other hand, rural sanitation projects in a number of villages and in the seven northern regions are stretched over a longer period of time than planned in the previous MTEF. The amount of N\$ 81 million previously budgeted for the financial year 2012/13 is now stretched over the years 2012/13 and 2013/14.

⁷ Based on "National Budget 2011/2012 Bold Steps – in the right direction?", Klaus Schade, IPPR Briefing Paper No.54, March 2011

Table 2: Government's targets on housing

Topic	National Housing Policy (2009)	Vision 2030 (2004)	Budget documents	TIPEEG
Housing units	<ul style="list-style-type: none"> 2,200 housing units delivered per annum 	<ul style="list-style-type: none"> Build 3,200 houses per annum until 2006 under the decentralised BTP (total of 9,590 houses by 2006) NHE to construct 7,937 houses 1,000 affordable houses are constructed by 2006 	<ul style="list-style-type: none"> 1,300 housing units delivered per annum until 2014* 	<ul style="list-style-type: none"> 1,507 low cost housing units delivered per annum until 2014 (total of 4,521)
Land	-	<ul style="list-style-type: none"> NHE to develop 3,371 plots at an estimated cost of N\$ 143 million Land is secured and improved for 3,000 households in urban areas 		<ul style="list-style-type: none"> 1,327 new serviced plots per annum until 2014 (total of 3,980)
Informal settlement upgrading	<ul style="list-style-type: none"> 75% of informal settlements upgraded by 2030 	-	-	-
Basic services (water, sanitation, electricity)	<ul style="list-style-type: none"> 90% of rural population have access to basic services by 2030 	<ul style="list-style-type: none"> 100% access to water in both rural and urban areas by 2030 	<ul style="list-style-type: none"> Increase water provision to 95.5% of all rural communities by 2011/2012 30% of rural households have access to appropriate sanitation facilities 	<ul style="list-style-type: none"> 4,333 new ventilated pit latrines per annum until 2014 (total of 13,000)
Finance	<ul style="list-style-type: none"> 65% of Namibian households have access to credit facilities for acquiring land and housing by 2015 GRN, NHE and other actors should attract at least N\$ 1.5 billion from 2009 to 2014 in the private sector. 50% should cater for middle to low income groups 	<ul style="list-style-type: none"> Put in place operational revolving credit funds with all local authorities and regional councils by 2005 	-	-
Economic development	<ul style="list-style-type: none"> Housing sector contributes 12% to GDP by 2020 	-	-	<ul style="list-style-type: none"> Creation of 10,333 net new jobs per annum until 2014 (total of 31,000)

* Medium Term Expenditure Framework 2011 - 2014

The focus of the Ministry is clearly on improving sanitation infrastructure since there is hardly any increase in the construction of houses planned over the MTEF period. The Ministry intends to build 1,300 houses per annum during the MTEF period under various programmes. The number of houses to be constructed under the Urban/Rural Housing Loan Scheme has been lowered from 1,200 in 2011/12 (as per MTEF 2010/11 to 2012/13) to 875 for the same in the new MTEF. The number of new houses is expected to drop further in 2012/13 to 750 before it increases to 900 units. An additional 75 and 80 units will be constructed in 2011/12 and 2012/13 respectively through the support to the Shack Dwellers Federation of Namibia and 143 (2011/2012), 158 (2012/2013) and 238 (2013/2014) houses under the social housing programmes. On the other hand, the NHE receives a capital injection of N\$ 30 million in 2012/13 and 2013/14 to support NHE's strategy to acquire virgin land from Local Authorities which it services before it builds houses on.

3.6 Targeted Intervention Programme for Employment and Economic Growth

Alongside the 2011 Budget announcements, government announced the introduction of a new programme in an attempt to arrest the escalating unemployment rate, called the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG). TIPEEG is a three-year programme, starting in 2011/2012 and focuses on four sectors: agriculture, transport, tourism and housing and sanitation. The housing and sanitation programme comprises of four sub-programmes:

- servicing of land
- construction of low-cost houses
- urban sanitation
- rural sanitation

The programme aims to deliver the following in the three-year period between 2011 and 2014:

- 44,337 direct and indirect jobs; of these 31,000 are net new jobs
- 3,980 new serviced plots
- 4,521 new low cost houses
- 13,000 new ventilated pit latrines

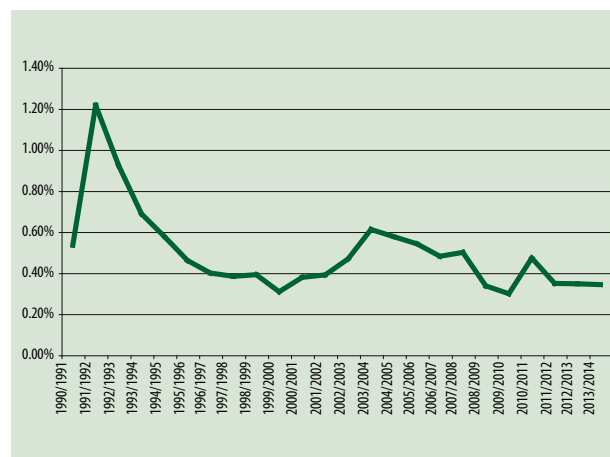
The total investment for the housing and sanitation programme is N\$ 2.8 billion. Of this, N\$ 1.7 billion will be directly financed from the budget of central government, while a large role is put for the NHE to source the remainder through alternative sources of funding, such as multilateral institutions, commercial banks or

internal sources of funding (Republic of Namibia, 2011). As of yet, there seems to have been no consultation with other stakeholders in the housing market, such as the Shack Dwellers Federation of Namibia, on the implementation of TIPEEG.

3.7 Government spending on housing

The budget for housing affairs and services⁸ as part of the total government's budget, on average during the last twenty years has been 0.5% of the total government's budget⁹. There was a clear peak in the first few years after Independence (1.2%), and a minor peak around 2003/2004 (0.6%) and more recently in 2010/2011 (0.5%). For the current MTEF period the percentage of government's budget dedicated to housing affairs and services is at one of its historically lowest points, around 0.3% of total expenditure. Only in 1999/2000 was the allocation to housing lower. The total budget allocated to housing affairs and services in 2011/2012 is N\$ 131 million. Compared to South Africa, the relative budget allocation is low: the South African Department of Human Settlements received on average 2% of all expenditure during 2007 to 2010 and this is expected to rise to 2.5% by 2014 (www.treasury.gov.za)¹⁰.

Figure 7: Housing budget as a percentage of total government expenditure



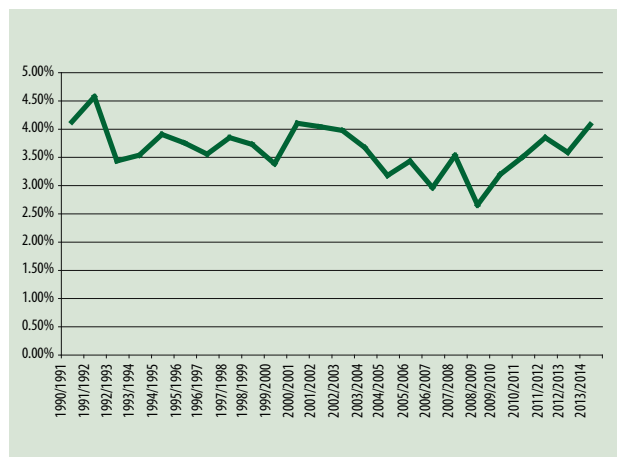
8 The government's budget documents provide separate information on 'Housing Affairs and Services'. The objective is to "facilitate, establish, regulate and exercise control over the obtaining of allocation and the provision of shelter at affordable and acceptable conditions, and to promote development of communities in economic, physical and social fields" (Budget documents).

9 Based on budget estimates from Budget documents released in 1990 to 2011

10 The Department of Human Settlements' main focus is to ensure that every South African has access to permanent housing.

When one considers the total budget for the Ministry of Regional and Local Government, Housing and Rural Development, the picture is slightly different. Although the Ministry's budget as a percentage of total government's budget is still currently below the average of 3.6%, it is expected to rise during the MTEF to 4.1% by 2013/2014, as illustrated by the table below.

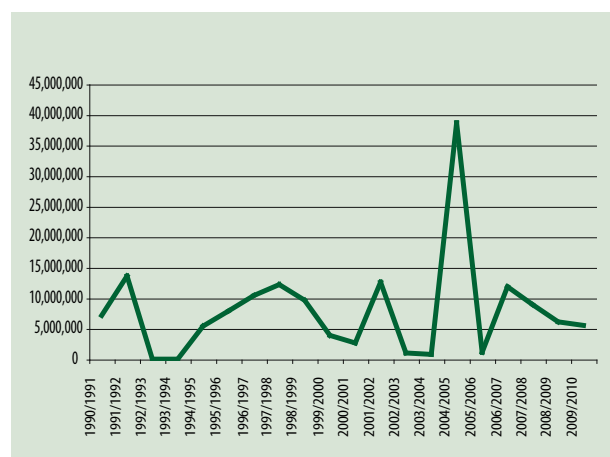
Figure 8: Budget for MRLGHRD as a percentage of total expenditure



3.8 Government Income from Housing¹¹

Through the receipt of interest payments, rental for houses, sale of erven and the receipt of the principal of the loans, government also receives an income from its housing policy. On average this is around 10 percent of the total expenditure on housing. Around 50 percent of all income consists of the return of the principal of loans for low-cost housing and self-build schemes. The graph below shows government revenue from housing¹² between 1990 and 2010.

Figure 9: Government income from housing



11 Based on an analysis of actual revenue recorded in the 'Estimates of Revenue and Expenditure' from 1990 to 2010, and inflated to 2010 price levels.

12 The graph shows a peak in 2004/2005, caused by an enormous increase in the actual revenue of principal of loans from low-cost housing and self-build schemes, as reported in 2006-2007 Estimates of Revenue and Expenditure. We have not been able to verify this data.

4 Housing programmes in Namibia

4.1 Introduction

Government is responsible for housing programmes in Namibia, such as the Build Together Scheme and supports the National Housing Enterprise. Besides government, there is also a range of non-governmental organisations involved in housing. This chapter describes the key actors of housing policy and delivery and will outline the characteristics of governmental and non-governmental programmes.

4.2 Key stakeholders

Housing is a complex area, which involves many different stakeholders, from government, financial providers to the builders of housing. The following figure shows the key stakeholders in housing delivery in Namibia.

Figure 10: Key stakeholders in housing delivery in Namibia



The key players in housing delivery and their roles and responsibilities can be described as follows:

Government

- Ministry of Regional and Local Government, Housing and Rural Development¹³
 - Facilitate funds for the Decentralised Build Together Programme to Regional Councils (RCs) and Local Authorities (LAs) for the provision of

housing to the low and ultra-low income households

- Formulate and review housing legislation, set standards, monitor and evaluate the implementation process of the housing programme
- Assist in capacity building for RCs
- Ministry of Lands and Resettlements
 - Main actor in planning and administration of land
- Regional and Local Authorities
 - Provide infrastructure and make land available to the public
 - Develop plots at a cost affordable to low-income groups through cross subsidies, community work and appropriate standards
 - Responsible for the formalisation of informal settlement areas and implement low cost housing schemes, such as the BT programme
- National Housing Advisory Committee
 - Consists of three to five stakeholders / experts in housing. Current members include the NHE and SDFN.
 - Objective is to provide advice to the Minister on any aspect of national housing. However, stakeholders reported that this committee is currently not meeting on a regular basis.

Quasi-governmental institutions

- National Housing Enterprise
 - parastatal of the Ministry of Regional and Local Government, Housing and Rural Development
 - acts as a lending institution as well as a developer in the field of affordable housing
- Habitat Research & Development Centre
 - Funded by MRLGHRD
 - Promotes and facilitates the use of local building materials, ecological sanitation, water conservation, renewable energy and biodiversity

Non-governmental organisations

- Shack Dwellers Federation of Namibia
 - Community network of savings groups
 - Receives annual funding from Government
- Clayhouse project
 - Production of clay houses, dry toilets and

¹³ Based on information supplied by the Directorate of Housing, Habitat, Planning and Technical Services Coordination

research of use of other local materials

Private sector

- Financial institutions
 - Provide funding directly to consumers in the form of mortgages, micro-finance, or indirectly through agreements with the NHE
- Suppliers
 - Suppliers of building materials
- Developers / Contractors
 - Suppliers of labour

4.3 Governmental programmes & initiatives

Build Together programme

The Build Together programme consists of four sub-programmes: urban/rural housing loans, social housing, single quarters transformation and the informal settlement upgrading programme. However, it is widely known for the loan element of the programme, normally referred to as the BT programme, which is also the part of the programme that receives by far the most amount of funding (see figure 11).

The BT programme was established in 1992 and is administered by MRLGHRD, with implementation decentralised to regional and local levels in 1998¹⁴. The target group consists of low and ultra-low households with a monthly income of maximum N\$ 3,000. The loan amount varies between N\$ 3,000 and N\$ 40,000¹⁵. The key principles are (Republic of Namibia, 2007):

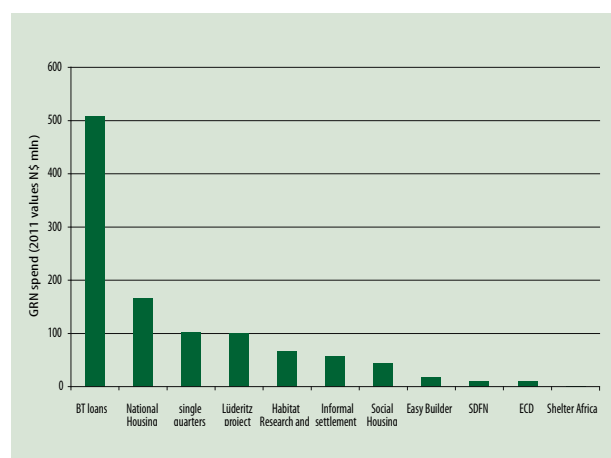
- Revolving funds are provided from MRLGHRD to local authorities to advance loans for low cost housing for low income households
- Households can request to be placed on the waiting list for land as an individual, or as a savings group (for example through the Shack Dwellers Federation of Namibia)
- Funds are used to purchase building materials and are paid directly to supplier of materials
- All loans are disbursed and collected by banks. Interest rates are typically 4% to 7%

At its start, BT was plagued by a range of issues, such as mismanagement of funds. However, with the change in strategy (for example through paying in milestone payments and directly to suppliers), this seems to have improved although an article by the Chief Control

Officer of Housing Administration at the MRLGHRD (Simion) lists several issues, such as LAs/RCs failing to set up the appropriate accounts, a lack of human resources at sub national level, lack of land availability, poor build quality and mismanagement of the program at a sub national level. In addition, interviewees commented about the time consuming process, with the Municipality of Windhoek stating a completion time of 34 months at best. This excludes any time on the waiting list, which can easily be more than five years in Windhoek¹⁶.

In total, government had budgeted N\$ 908 million during the period 1990 until 2010/2011 for the four elements of the Build Together Programme¹⁷. The loans provided under the BT scheme are by far the largest component of this with a total funding of N\$ 508 million, compared to N\$ 579 million for all other programmes combined, as illustrated in the next graph.

Figure 11: Government expenditure on housing programmes



1990/1991 – 2010/2011

It has not been possible to use publicly available documentation on the delivery of houses as part of the BT programme. However, the following figures were supplied by MRLGHRD (but not split out into separate years):

- Centralised BT (including urban and rural housing, single quarters and social housing): 10,244 housing units during 1992 to 1997
- Decentralised BT: 16,428 housing units during 1998 - 2010

14 We were informed by the NHE that there is a discussion ongoing to shift the management of the BT programme to the NHE.

15 We were informed by the Municipality of Windhoek that there is a discussion to raise the maximum loan value to N\$ 60,000.

16 We were informed by the Municipality of Windhoek that people who registered in 2004 for land, are currently being served, which implies a waiting list of around 7 years.

17 Calculated to 2011 price values

Although this data needs to be treated with caution, we have compared the total amount of funding that government has provided to the BT programme over the years with the delivery of housing units. The conclusion when analysing this data is that government has provided a subsidy of N\$ 16,224 per house during the period of 1998 – 2010 under the Decentralised Build Together scheme, in 2011 price levels. As the beneficiaries of the BT programme pay for the full amount of construction (through a BT loan), we can conclude that this funding is dedicated to the overhead costs of running the BT programme.

National Housing Enterprise

The NHE replaced the National Building and Investment Corporation in 1993, and is a parastatal of the MRLGHRD. NHE states that it acts both as a lending institution and as a developer in the field of affordable housing. Its mission is to be the leader in the provision of housing to the nation. The target group consists of households with over N\$ 5,000 per month, and not more than N\$ 20,000 or a maximum joint income of N\$ 30,000 per month. Furthermore, collateral of 20 percent or a deposit of 5 percent is required. NHE sources funding from the capital markets and currently has an agreement in place with Standard Bank. This partnership entails that Standard Bank deals directly with NHE clients to arrange their mortgage, with the agreement that the interest rate is always at maximum the prime rate minus 1 percent.

The NHE offers two types of houses: core houses and conventional houses. Core houses are basic houses targeted at the low-income market. The lowest price of a core house was around N\$ 100,000 (depending on location due to high variance in land prices) in 2009¹⁸. Per square metre, core houses sell for around N\$ 5,900 per square metre. Conventional houses are fully-finished houses with two or more bedrooms. In 2009 the prices of conventional houses ranged from N\$ 200,000 to N\$ 400,000, selling for around N\$ 4,300 per square metre. Overall, conventional houses have generally made up the majority of the houses delivered by the NHE (around 60 percent), but this trend seems to be reversing with the NHE stating a higher interest in core houses.

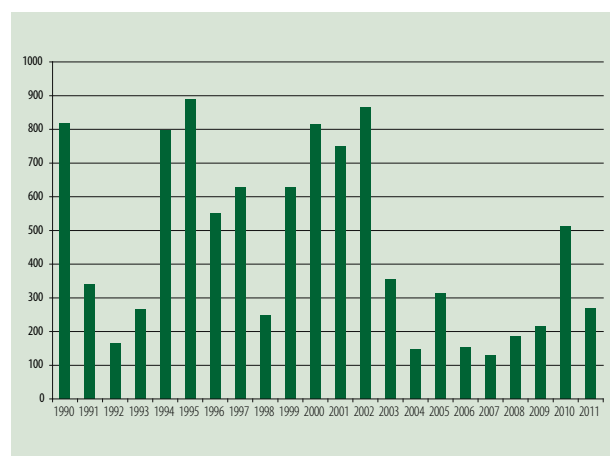
The NHE has more recently also ventured into the rental market. They have 37 rental units in Eenhana

and are looking for opportunities in Windhoek and Walvis Bay.

Besides housing products, the NHE also provides as part of its portfolio a range of other products, such as study loans and deposit accounts.

In its annual reports, the NHE provides a clear overview of all houses delivered during the last 20 years¹⁹. The table below summarises the total number of houses delivered across Namibia. The average number of houses delivered per annum since 1990 is 457. However, since 2003 there has been a clear dip in the number of houses delivered, with the lowest delivery of houses recorded in 2007, when 129 NHE houses were delivered, compared to an average of 600 houses per year during 1990 to 2002.

Figure 12: Housing delivery by NHE 1990 - 2011



In addition, the NHE also provides data on the number of serviced erven since 2000. The average number of serviced erven per year between 2000 and 2011 is 390.

According to the NHE, the key reason for the low numbers of delivery is the scarcity of available land. To enable the NHE to acquire virgin land the government has provided N\$ 1.2 million as a subsidy to the NHE in 2010/2011 and is planning to provide a capital injection of N\$ 25 million in 2011/2012, 30 million in 2012/2013 and 30 million in 2013/2014.

Overall, the NHE has received N\$ 109 million from 1990 until 2011 (in 2011 price levels) in the form of

18 Based on data supplied by NHE over 2009.

19 Unfortunately the annual reports of 2007/2008, 2008/2009 and 2009/2010 are not yet available.

equity investment and N\$ 56.7 million as a subsidy from government during this period as a subsidy. Besides funding from government, the NHE generates additional income through the development and financing of houses and other loan products. If we divide the total amount that government has contributed to the NHE by the total number of houses that have been delivered since 1990, this works out to be an average equity contribution of N\$ 10,881 and an average subsidy contribution of N\$ 5,641 per house, a total of N\$ 16,522 per house delivered. It should be noted that this is not equal to the cost of the house, but purely considers the contribution that government has provided to the NHE to enable them to deliver houses within the remit as set by government. As the NHE charges the beneficiaries for the full value of building and financing the house, and has made a profit on this in the last few years, we can conclude that this subsidy is dedicated to the overheads and the running of the NHE organisation.

Habitat Research and Development Centre

The Habitat Research and Development Centre was set up by government with the goal to provide research on, and promote the use of local indigenous building materials. The goal behind this is to reduce the dependency on expensive, imported building materials from South Africa. The Centre itself is an example of what can be achieved with local materials, as it is almost entirely built from alternative low-cost materials, such as clay and car tyres. HRDC has been in existence since 2001, and was set up in its current form in 2008.

Key projects that HRDC focuses on are:

- education on water, sanitation and other aspects of sustainable housebuilding
- solar power
- building techniques, such as hydraform blocks
- working together with the Clay House project on Otjitoilets (see Box 1)
- advising government on these topics

The centre works together with the City of Windhoek and the MLRGHRD. At this point in time there is no cooperation with the NHE.

Until 2010/2011, the HRDC has received funding from the government of a total of N\$ 67 million²⁰, of which 49% was targeted at the construction cost of the centre,

and the remaining for the operations of the centre. Going forward, for the year 2011/2012, the government has budgeted N\$ 4.5 million for the operations of the centre.

Other nationally supported programmes

The budget documents point at the following other nationally supported programmes:

- Lüderitz project: a low-cost housing project in Lüderitz which has received government funding since 2002 to a value of N\$ 101 million²¹. The project has been plagued by media articles about failed delivery and corruption and no information is publicly available on the status of the delivery of the project. The 2011/2012 budget for MRLGHRD

Box 1: Otji-Toilet



Water is a scarce resource in Namibia. The Otji-Toilet offers an alternative to water-based toilets, through an innovative system that does not need any water supply. This lowers the running costs of the toilet and removes the need for a connection with the sewage or water system. The system is designed in such a way that it is relatively maintenance free (once every six months an inside container needs to be removed), and can be used by 10 users or more. The toilet can be placed either outside or inside the house. A sun-based ventilation system at the back of the toilet provides fresh air, which keeps it dry and ensures an odourless use. The Clay House project estimates that the Otji-Toilet can save a household up to N\$40,000 in 20 years.

(<http://home.arc.or.de/clayhouse/>)

does not include further funding for the project, although funding for the Lüderitz Water Front is included in the Ministry of Finance's budget²².

- Annual subsidy to the Shack Dwellers Federation of Namibia, to a total of N\$ 11.3m until 2010/2011. A detailed description of this programme is provided below.
- Other projects that received a relatively small amount of funding from government are Easy Builder, ECD, Shelter Africa.

4.4 Non-governmental programmes & initiatives

Shack Dwellers Federation of Namibia & Namibia Housing Action Group

The SDFN was established in 1998 as a network of housing saving schemes that aims to improve the living conditions of low income people living in shacks, rented rooms and those without any accommodation, while promoting women's participation. The Namibia Housing Action Group (NHAG) is a support NGO that provides overview and management to the SDFN.

Through saving schemes, local saving groups save up a 5 percent deposit, after which they can access the Twahangana Loan Fund, a revolving fund that is partly funded by the government, repayments and donors. Although there is no specific income limit specified, SDFN focuses on low income earners such as security

guards and domestic servants with typically incomes below N\$ 2,000. The houses are basic houses of usually two rooms and around 34 square metres, with an average cost of around N\$ 25,000.

In terms of housing delivery, in the 12 months from July 2009 to June 2010 366 houses were delivered through the SDFN, and a further 322 were in progress. In addition, a total of 731 households in 11 urban areas in 7 regions obtained land during this period, bringing the total number of households in the SDFN with land to 4,582 (NHAG & SDFN, 2011).

In total, nearly 20,000 people are involved in saving through the saving groups, as illustrated by the table below.

Between June 2009 and 2010, the total savings increased by 28%, and the number of members involved increased by 504 (2.7 percent).

The Twahangana Fund provides funding to groups for the construction of houses, developing services, land, income generation and community projects. In the 12-month period up to 30 June 2010, total loans to a value of N\$ 9mln were provided through the Twahangana fund. The average value for a house loan during this period was around N\$ 20,000. A breakdown of all loans provided in this period is shown in the table below.

Table 3: Savings Shack Dwellers Federation of Namibia

Total Savings June 2010	Total members	Female	Male	Groups
N\$ 7,703,611,70	19,392	12,470	6,922	620

Table 4: Loans Shack Dwellers Federation of Namibia

Type of loan	Households participation	Value (N\$)
House loans:	426 households	8,459,105
Small Business Loans:	185 households	258,584
Services and land Loans:	14 households	360,225
Total loans through the Twahangana Fund	625 beneficiaries	9,077,914

²² N\$ 10 million is included for the completion of phase 2 of the Lüderitz Waterfront, which includes residential flats. However, it is not clear if this is the same development as the Lüderitz project that has been included in previous budgets of the MRLGHRD.

In some towns, the SDFN is able to access the BT scheme. In these cases, the members build the houses first (using funding from the Twahangana fund), which is then refunded to the fund by the municipality after the houses are completed.

Government funding to the SDFN has traditionally been N\$ 1 million per year since 2004 for the Twahangana Fund, but this has since increased to N\$ 3.5 million in 2011. Calculated on a per house basis from 1996 to 2010, this is a government contribution of N\$ 3,791 per house in 2011 values. This excludes any other donor funding that the SDFN receives, and only considers the amount of funding from government perspective into the programme.

Other savings groups

Other independent saving groups that are not part of the SDFN also exist. In addition, some municipalities provide facilities (such as training) for savings groups. After saving for a deposit these groups can then access the Build Together scheme.

Clay House project

The Namibian Clay House Project Development Trust was set up in 1991 and is based in Otjiwarongo. The focus of the project is to develop and deliver innovative solutions using local and sustainable materials. They have developed the Otji-toilet, a dry toilet system (see Box 1), and have built 350 clay houses. The target group are households with a monthly income of around N\$ 500 to N\$ 1,000. The price of an average 50 square metre clay house is around N\$ 70,000. This illustrates the key challenge to the project: the target group's maximum affordable house is around N\$ 35,000, making this a product that requires subsidies to enable to make it attractive to the target group. However, this is not the case for the Otji-Toilet: due to the fact that no water is needed and that the toilets are produced locally, the Otji-Toilets are likely to save households in future²³. Otji-toilets have now been installed in Windhoek and Otjiwarongo has placed an order of 2,500 toilets over the next 5 years.

In the past, the Clay House project has used unskilled labour and trained them during the process of building the clay houses.

Funding for the Clay House project has come from international donors, including the European Union and Germany.

Private sector initiatives

Besides non-governmental initiatives, there have also been a few private sector initiatives focused on the affordable housing market. For example, in 2009 contractor Fritze & Quelle developed a concept for low-cost housing ranging from N\$ 50,000 to N\$ 200,000 in Swakopmund. Fritze & Quelle worked together with a range of partners from the construction industry, banking sector and legal profession, with interest from the German Development Cooperation to try to minimise the cost of housing. They prepared a concept for an employer housing scheme, where the employer would serve as a mediator between employees and banks (Deutscher Entwicklungsdienst, 2010). Combined with the use of pre-defined materials, certified developers and alternative energy solutions, this would provide lower risks to banks and access to affordable and quality housing for employees. Despite large interest from employees (more than 3,000 employees showed interest during the affordable housing fair in Swakopmund in 2009), the project has not been taken forward, apparently due to different priorities of the Swakopmund municipality.

In addition, other private sector initiatives exist that aim at improving the quality of affordable housing, such as Kavango Brick (K-Brick). K-Brick focuses on the development of locally-produced bricks, that are easy to construct and of high quality. K-Brick's aims to set up training centres to train youth in bricklaying. Furthermore, K-Brick is active in trying to improve general quality standards in Namibia, through their product, but also through advocating a quality regulation system.

Besides these specific initiatives, commercial banks are active in the mortgage lending market. The Bank of Namibia provides data on the total amount of home loans provided, which shows an annual increase of 11.9 percent in value per April 2011. Unfortunately this data does not provide insight into the values of home loans provided. However, the FNB, who is market leader for home loans provision in Namibia²⁴, has provided data on their mortgage provision, including

23 The cost of the toilet is N\$ 7,500 including transport and labour. A self-build kit costs N\$ 3,800. Information provided by the Clay House Project.

24 The data from Bank of Namibia of April 2011 shows that the FNB has the largest market share in home loans of 38.6 percent, followed by Standard Bank: 26.1 percent, NedBank: 13.5 percent and Bank Windhoek: 21.7 percent.

scale and value. This shows that – despite a recent trend towards the higher end of the market²⁵ – in 2010 the FNB provided 184 mortgages with a value below N\$ 50,000. Although we cannot say the exact proportion, some of these loans have been provided for new homes. The Bank of Namibia also states that although there are barriers in the area of providing loans to low income earners (such as the limited ability to provide capital), it has seen improvements in recent years in the provision of mortgages to this income group.

25 House shortage keeps prices high, *The Namibian* 24 February 2011

5 Research findings

5.1 Introduction

This chapter will present the findings of the research, based on stakeholder interviews, data analysis, reviews of reports and a consultative workshop with the stakeholders. Housing is a complex area, which touches on many different topics. The findings are therefore a collection of eight different key findings:

- Little and ambiguous information available
- Slow delivery and questionable value for money
- Limited availability of serviced land
- Mismatch between supply and demand
- Limited use of alternative and local materials and technology
- Limited attention for integration
- Little use of private sector know how and resources
- Focus on home ownership
- Limited access to banking

5.2 Little and ambiguous information available

When trying to gather and analyse data, it became clear that although there is very clear data available on some programmes, such as the NHE house building activities and the Shack Dwellers Federation’s projects, no data is publicly available on the Build Together Programme. Although the MRLGHRD has provided us with data, it was not possible to verify this data through any publicly available reports or to separate this into annual data. In addition, we have not been able to

access any information regarding the evaluation of the BT programme, which apparently led to the decentralisation of the programme. As the BT programme – in terms of funding – is the largest government-funded housing programme, this makes it very difficult to objectively analyse the programme and draw conclusions on its delivery²⁶.

Secondly, a plethora of government targets on housing exists, varying from one policy document to the other, without clarity on how these targets relate to each other, as is illustrated by the table below. Besides making it difficult to assess if government has met its targets, it provides a confusing picture on government’s ambitions in this area. Moreover, if government wants to address the backlog in housing of 80,000, the targets are nowhere close to achieving this.

5.3 Slow delivery and questionable value for money

Although it has not been possible to provide insight into the recent delivery of the Build Together programme, the data from the NHE shows a decline in the delivery of housing units through the NHE. The average number of houses delivered between 1990 and 2002 was 600 houses per year, compared to the average of 253 houses per year since 2003. Compared to the target of 1,200 houses per year, the NHE is not even close to delivering the targets they state in their annual reports.

Table 5: Summary of government’s targets on housing

Document	Number of Housing Units
National Housing Policy (2009)	2,200 per annum
Vision 2030 (2004)	BTP: 3,200 per annum until 2006 NHE: 7,937 houses (not clear by when) 1,000 affordable houses are constructed by 2006
Budget document	1,300 housing units delivered per annum until 2014
TIPEEG	1,507 low cost housing units delivered per annum until 2014

²⁶ Although currently there is no public information available on the delivery of houses as part of the BT programme, the Minister of Regional, Local Government and Housing, Dr. Jerry Ekandjo has requested on 23 August 2011 that Local Authorities draw up reports on how they spent the Build Together funds provided by central government during the 2009/2010 and 2010/2011 financial years (*Informanté*, 25 August 2011).

When considering value for money, Chapter Four provided an insight into the subsidy and equity investment (shares) that government has provided to the NHE, and compared this to the number of houses delivered. This showed a total government contribution of N\$ 16,522 per house, consisting of equity of N\$ 10,881 and a subsidy of N\$ 5,641 per house²⁷. It is assumed that this funding is focused on the running and the overheads of the NHE, as beneficiaries pay for the full value of building the house. If one would assume that the government would benefit from its shareholding in the NHE, one should only consider the subsidy element of N\$ 6,253, which does not seem extremely high. However, so far, government has not received any returns on its investment. In addition, it is debatable if the subsidy is targeted at the population that needs it most, which will be discussed later in this chapter.

With regards to the Build Together programme, the previous chapter showed that government provided an average contribution of N\$ 16,224 per house during the period 1998 – 2010 for administration of the programme. Considering that this is a loan scheme, with loan values between N\$ 5,000 and N\$ 40,000, which are paid back by the beneficiaries, this can be considered a relatively high contribution per house.

Besides governmental initiatives, other initiatives such as the Shack Dwellers Federation have delivered steadily over the years. Although a small player in the overall market and targeting a different income group than the NHE, the recent house-building activities of the SDFN have led to a higher number of housing units

delivery in the last year than the most recent average of the NHE: the SDFN delivered 366 houses between July 2009 and June 2010, compared to an average of 216 per year through the NHE²⁸. The cost to government (in the form of an annual subsidy to the Twahangana Fund of the SDFN) per house is estimated at N\$ 3,791, which is less than a quarter of the government investment into a BT house²⁹. It can therefore be concluded that government's investment into the SDFN is most efficient at creating housing opportunities for the largest number of people, compared to both the BT programme and the NHE, as illustrated in the table below.

In addition, the private sector seems to be contributing to affordable housing as well. Although limited publicly available data exists on the volume and value of mortgages supplied, the FNB has made data available that indicates that in 2010, 184 mortgages with a value of below N\$ 50,000 were supplied. Some of these mortgages might have been provided for home improvements, which makes it difficult to set a specific amount for the provision of low-value mortgages.

Despite the plethora of targets, we can conclude that government is not even close to meeting its targets, especially not if it wants to catch up with the backlog of over 80,000 houses.

5.4 Limited availability of serviced land

The limited availability of serviced land, and hence the increasing price for serviced land, was identified by all stakeholders as the key barrier in delivery of housing in Namibia. There is a range of factors that contributes to

Table 6: Overview of government contribution to programmes

Programme	Estimated government contribution per housing unit delivered	Cost of a house to beneficiary	Most recent annual delivery*	Notes
NHE	N\$ 16,522	> N\$ 100,000	129**	N\$ 10,881 equity investment, N\$ 5,641 subsidy
Build Together Scheme	N\$ 16,224	Between N\$ 5,000 and N\$ 40,000	-	No data available on annual delivery
SDFN	N\$ 3,791	Around N\$ 25,000	366***	

* Of which information is available

** 2007/2008

*** 2009/2010

27 This was calculated by taking the total government contribution since 1990 (in 2011 values), divided by the total number of houses delivered. It therefore purely focuses on the government contribution and does not take into account other funding that the NHE might have received.

28 This figure was provided by the NHE for the period of 2009.

29 The SDFN receives additional funding from other sources. The amount provided here purely considers the government's contribution to the programme.

the lack of availability of serviced land and this has also been recognised by the Minister of Regional and Local Government and Housing³⁰. Most importantly, the process of acquiring land is lengthy, time-consuming and has not evolved with development. The upcoming Urban and Regional Planning Bill does offer hope for some improvement by combining parts of the approval process to one committee, rather than separate committees. However, a reduction in the period of land acquisition to less than six months, as stated in the National Housing Policy, seems a long way away.

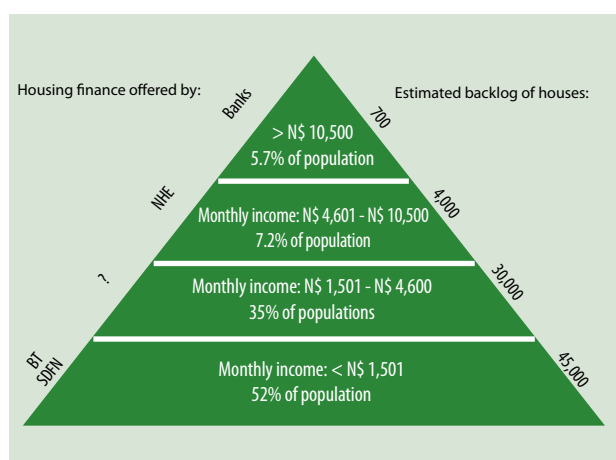
In addition, respondents were of the view that there is a lack of qualified personnel in this area, and identified a need for more land surveyors. This lack of capacity might partly explain the Local Authority's reluctance in servicing land, combined with a lack of financial resources to provide the upfront capital to service land. Government has decided to provide the NHE with a capital injection to service land, which could alleviate part of the problem in the short term.

Another key issue with regards to land is the minimum plot size of 300 square metres as prescribed by the National Housing Policy. This requirement is generally seen as negative, leading to lengthy rezoning processes and adding further time before building can start.

5.5 Mismatch between supply and demand

The following triangle shows that there is a mismatch between supply of housing and demand, especially in the lower income groups.

Figure 13: Supply and demand of housing (FNB, 2011, Kalili, 2008)



³⁰ In a recent speech, Minister Ekandjo stated that the “period of land planning and development is extremely lengthy”, “Barriers to affordable housing must be reviewed”, The Namibian, 26 May 2011

The triangle, combined with the data on the delivery of housing units through government-funded programmes, highlights the following issues:

- although the BT programme and the SDFN focus on the income groups with the largest backlog in housing, the actual number of housing units delivered through these programmes is too low to make a significant impact on the backlog
- the NHE focuses on population earning more than N\$ 5,000 a month, which is less than 13% of the total population. The backlog in this category is minor (4,000 houses) compared to the estimated backlog in the lower incomes (75,000 houses). In addition, banks are moving into this area as well, with consequently less need for the NHE to be active in this section.
- There is little on offer for the population with an income between N\$ 3,000 and N\$ 5,000

5.6 Limited use of alternative and local materials and technology

Government has invested N\$ 67 million into the Habitat Research and Development Centre, making it a regional example of excellence in the use of alternative technologies and local materials. Apart from a few municipalities actively using some technologies, such as Windhoek and Swakopmund, who are making use of the dry Otji-Toilets, there is very little interest in using alternative technologies and local materials in the implementation of the NHE's activities or the BT programme. With the exception of the promotion of alternative sanitation options through the Ministry of Agriculture, Water and Forestry's water and sanitation policy, government is not actively promoting these technologies and not using the full potential, despite the investment that continues to go into the HRDC.

5.7 Limited attention for integration

Due to the limited availability of serviced land, housing projects tend to be developed wherever land is available, rather than integrating projects with existing or future developments, despite that integration with “commercial and public amenities such as shopping services, public parks/play grounds” is mentioned specifically within the National Housing Policy. On another level, government projects have not placed any emphasis on integrating housing for different income levels, a practice that is quite common in other coun-

tries³¹. Namibia, with its status as most unequal country in the world³², is therefore missing out on a tool that could help deal with Namibia's legacy of segregation and inequality.

5.8 Little use of private sector know how and resources

The National Housing Policy welcomes the involvement of the private sector. However, it explicitly states that it envisages private housing developers and commercial banks to serve predominantly the high to upper-housing market segment. Although undoubtedly this is the most attractive market segment for the private sector, government has not provided incentives for private sector to be active in the middle and lower segments of the market. Despite initiatives from the private sector – for example the previously mentioned proposal for affordable housing in Swakopmund, as developed by Fritze & Quelle and collaboration between the private sector and the HRDC in building show houses – the government is currently not utilising private sector expertise and resources to scale up delivery in the lower end of the market.

5.9 Focus on home ownership

There is a strong focus on home ownership, both through government and as expressed by stakeholders. However, for a large part of the Namibian population it

might not be achievable to own a home. In addition, changing lifestyles might ask for more flexible products, such as (subsidised) rental housing or rent-to-buy schemes, which are currently limited.³³

5.10 Limited access to banking: real or imagined?

Although the FNB data on mortgages outlined in the previous chapters shows that banks are active in the lower end of the market, the majority of Namibians are not confident that they will be able to access loans. For example, data from the Windhoek Household Survey indicates that 57 percent of the surveyed population states that they think it is extremely unlikely that they would be able to access a loan, and only 19 percent felt that it was somewhat likely to extremely likely that they would be able to get a loan. Although there is a general sense by the Bank of Namibia that commercial banks are providing mortgages to people who would previously not have been able to access mortgages, it might be that there is a low level of knowledge on the ability to access mortgages at banks, which limits people's interest in applying for a mortgage. This is also supported by internal research by the FNB, which suggests a generally negative attitude among Namibians towards loans. The FNB stated that although many Namibians feel that they would not qualify for a loan, very few have actually been declined.

31 For example, in the UK, Malaysia and the Philippines requirements exist to combine housing for different income groups, see also the examples in chapter 7.

32 The UN Human Development Report 2010 reports a gini-coefficient of 74.3 (UNDP 2010)

33 Note that the NHE has started with rental housing in Eenhana and has received substantial interest in their rental products.

6 Conclusions

6.1 Introduction

The previous chapters provided insight into the housing situation in Namibia, including the key findings of the research. This chapter will focus on providing conclusions based on the research, and will be followed by recommendations in the next chapter.

6.2 Good intentions and awareness of issues

The government has put in place an elaborate and detailed housing policy, which was revised in 2009. Government has repeatedly announced housing as a priority for Namibia, stating that it would contribute both to economic development and poverty alleviation. In addition, Government seems well aware of the issues in the delivery of housing, as evidenced by recent statements from Minister Jerry Ekandjo, when he expressed that the period of land planning and development is extremely lengthy and that more accountability and better implementation of the BT programme needs to be put in place³⁴.

6.3 Policy & delivery is making little impact

However, despite the goodwill expressed by the government and a sensible housing policy, the last twenty years have shown little improvement in the housing situation, with government projects delivering too few housing units to make a real impact and many initiatives from the National Housing Policy not moving forward. With an estimated backlog of 80,000 houses – of which the majority in the low-income segment – average annual delivery of 457 houses by the NHE is not going to make a real difference to economic development or poverty eradication.

6.4 Value for money

In terms of value for money of government's investment into housing, it is difficult to make a statement about the largest government programme, the Build Together programme, as no transparent data is available on this programme. However, with the data provided by the MLRGHRD, we have calculated the total government spend on the programme per house delivered. This leads to a government contribution per house of N\$

16,224 during the period of 1998 – 2010, assumed to be for the operation of the programme. This can be considered relatively high considering that the price of house construction is between N\$ 5,000 and N\$ 40,000 (which is paid for by the beneficiaries), and considering that the BT programme is a revolving loan scheme.

The NHE on the other hand provides clear and transparent data, which enabled us to make an evaluation of the government contribution to each NHE house delivered between 1990 and 2010. This shows an average government contribution of N\$ 16,522, consisting of N\$ 10,881 equity investment and N\$ 5,641 subsidy, for their operations. Although the subsidy is relatively low on the value of the house (which is generally over N\$ 100,000), the equity part is comparatively on the high side, considering that government has not received any dividend from the NHE since its inception.

Government also provides an annual subsidy into the loan fund as run by the Shack Dwellers Federation of Namibia. This has provided quite an efficient way of delivering housing for low income earners, with an average government contribution of N\$,791 per house³⁵. In addition, the SDFN, despite being a small organisation, has been able to build 366 housing units in 2009/2010, a number that is higher than the NHE housing delivery in 2009³⁶.

6.5 People who need it most

One of the key goals of Namibia's National Housing Policy is to reduce poverty. However, the research in this report has shown that only a very small amount of people – especially in the lowest income groups – are actually able to access housing through the government funded programmes. In 2007/2008 only just over 2% of the people that are estimated to need housing in the lowest income groups, were able to access housing

34 Barriers to affordable housing must be reviewed", *The Namibian*, 26 May 2011 and "How did you spend Build Together millions", *Informanté*, 25 August 2011

35 This excludes any funding from other sources and purely considers the contribution that the Namibian government has made.

36 NHE delivered 216 houses in 2009, and had an average housing delivery during between 2003 and 2007 was 220 houses per year. 2011 of 253

through the government funded programmes³⁷. In addition, the NHE focuses on an income group that only represents around 13 percent of the population, whereas there is a much larger, lower-income segment of 87% of the population where the largest backlog exists. We can therefore conclude that government is not focusing its resources on the people who need it most and is thus unable to achieve its goal of poverty alleviation.

One explanatory reason that was raised during the consultative workshop is government's focus on products for people that have some form of income. However, with 51 percent (Republic of Namibia, 2010) unemployment, there is a large group of people that are not able to pay for housing. For this group different solutions need to be provided by government, for example through an intensified upgrading of informal settlements³⁸. Only once this income group has been able to reach a certain development status and is able to earn an income, there are options for them to move to loan schemes such as the BT scheme or the SDFN projects. This theory links in to the concept of considering housing and shelter as a basic human right, a topic that the University of Namibia is currently researching further.

6.6 Issues with land availability

The key reason quoted across the board for the slow pace of delivery, is the lack of serviced land available in Namibia. Although government is aware of the issue, little has changed over the last twenty years, with the process of acquiring land sometimes taking years before development can start. The upcoming Urban and Regional Planning Bill is expected to make some improvements, together with a subsidy to the NHE for servicing land. However, government needs to make further changes to shorten and simplify the process to ensure a large-scale increase of land to enable further housing developments. It should look to develop around 5,000 plots per annum to enable to catch up with the back log in housing delivery.

6.7 Missed opportunities

A key conclusion from the research undertaken is that government is missing out on a range of opportunities. First of all, despite having invested N\$ 67m into the Habitat Research and Development Centre, government is not reaping the benefits of this investment: neither NHE nor the BT programme actively encourage the use of solar power or other alternative technologies or materials. Secondly, there is very little emphasis on using the capability and resources of the private sector. Although the private sector tends to prefer higher margins³⁹, rather than the affordable housing market, government is missing out on opportunities to use private sector know-how and provide incentives for the private sector to get involved in this section of the market. This links in to the third missed opportunity: using housing as a tool for integration between different income groups. Where other countries are setting requirements for private developers to dedicate a set percentage of housing developments to affordable housing, the government seems to lack any attention for integration of different income groups. In a country that is historically segregated, this is a serious lack of the use of available tools to make changes.

Overall, it is clear that the current approach has not delivered the results that are needed to achieve government's objectives. Government needs to review the focus of its programmes to address existing failures in the market, such as the provision of land, finance and infrastructure. In addition, it needs to drastically increase the scale of its programmes if it is serious about delivering housing for its population, and work closely together with the other actors in housing. The good news is that this is a good point in time for government to do exactly this: TIPEEG provides the resources and can kick-start a new era of government housing policy, with results and delivery that actually make a difference to the population that needs it most. The next chapter provides recommendations to government as well as other actors in the housing market, to make this change happen.

37 Calculated over 2007/2008 using NHE, BT (as provided by MLRGH) and SDFN data, and using a backlog of 75,000 in the income segment up to N\$ 4,600.

38 Unfortunately no data is available on the delivery of the informal settlement upgrading programme

39 The focus on higher margins is partly a result of the limited land supply. Private sector will aim to maximise its returns on the limited land available by building more expensive properties with higher margins.

7 Recommendations

7.1 Introduction

This final chapter provides recommendations for improvement of the delivery of housing in Namibia, with the aim to increase the supply of housing and ensure efficient use of government funds. The recommendations are based on the concept that government should focus on areas where the market is currently not delivering, such as providing serviced land, reaching

the lowest income sectors and using housing as a tool for integration. However, the housing market exists of a multitude of actors, and the recommendations are therefore not solely targeted at government. The table below provides an overview of the recommendations and the relevant actions and parties for each recommendation:

Table 7: Recommendations and relevant actors

	GRN	LAs	NHE	Financial institutions	Private sector (contractors)	HRDC	SDFN (and other NGOs)
Increase data availability and transparency	<ul style="list-style-type: none"> • Publish annual results • Review targets 	<ul style="list-style-type: none"> • Publish annual results 	<ul style="list-style-type: none"> • Ensure availability of recent annual reports 				
Scale up delivery	<ul style="list-style-type: none"> • Use TIPEEG funding to boost housing delivery 		<ul style="list-style-type: none"> • Include affordable high density housing 		<ul style="list-style-type: none"> • Include affordable high density housing 		
Increase the availability of serviced land	<ul style="list-style-type: none"> • Simplify and shorten land acquisition process • Combine vision on housing and transport 	<ul style="list-style-type: none"> • Receive training on land servicing and selling 	<ul style="list-style-type: none"> • Fulfill commitment to service land 	<ul style="list-style-type: none"> • provide long-term liquidity to finance land servicing and acquisition 			
Reach the people who need it most	<ul style="list-style-type: none"> • Implement financial instruments, such as home loan guarantee trust • Focus on upgrading informal settlements • Include alternative options (rent-to-buy) 		<ul style="list-style-type: none"> • Shift focus to lowest income group • Include alternative options (rent-to-buy) 	<ul style="list-style-type: none"> • Improve awareness on mortgage availability 	<ul style="list-style-type: none"> • Include alternative options (rent-to-buy) 		<ul style="list-style-type: none"> • Work together with GRN on upgrading informal settlements

Promote alternative and local materials and energy use	<ul style="list-style-type: none"> •set requirements for use of solar power and dry sewage systems for all government projects •Further develop building regulations on quality 	<ul style="list-style-type: none"> •Include solar power and dry sewage systems in projects 	<ul style="list-style-type: none"> •Include solar power and dry sewage systems in projects 			<ul style="list-style-type: none"> •Work together with NHE and LAs to further roll out use of solar power and dry sewage systems 	
Use housing as a tool for integration	<ul style="list-style-type: none"> •set requirements for private developments to include a certain percentage of affordable housing 		<ul style="list-style-type: none"> •combine different income segments in housing developments 		<ul style="list-style-type: none"> •combine different income segments in housing developments 		
Utilise private sector resources	<ul style="list-style-type: none"> •invite private sector proposals under TIPEEG 						
Revive the National Housing Advisory Committee			<ul style="list-style-type: none"> •to invite representatives of all housing market actors to participate in a forum to discuss new developments and suggestions 				

The sections below further describe each recommendation, the relevant actions and the parties involved.

7.2 Increase data availability and transparency

Government needs to provide better insight into the Build Together programme. As the largest government-funded programme, government is expected to publish annual results of housing delivery. Government should cascade targets to local authorities, who should report on progress in their annual reports. In addition, MRLGHRD should collate the data and include this in annual reporting, such as the Accountability Reports.

This is in line with the recent request by Minister Jerry Ekandjo to Local Authorities to draw up reports to explain how the Build Together funds were spent.

In addition, government should review its targets on housing and ensure that they are aligned, realistic and provide a basis for the targets – for example to catch up on the backlog of housing.

7.3 Scale up delivery

It is evident that the current pace of delivery is not going to make a real difference to the housing situation in Namibia. The availability of TIPEEG funding should

be used as an opportunity to scale up delivery. Current TIPEEG documents recognise housing as a priority, with additional budget for housing, but the targets are not ambitious enough to provide a real change to the delivery of housing. Housing delivery is an excellent opportunity to create employment while at the same time increasing the number of houses available. Although the employment might not necessarily be sustainable in the long-term, it will create skilled people that can further increase their employment opportunities in the future.

In addition, the key actors in delivery, government, local authorities, NHE and the private building industry should not shy away from higher-density housing, to meet the increasing demand of urban populations. Examples of other countries have shown that it is possible to deliver a large number of housing units, and thus serve a large group of people, through high-density housing. See also the example of Ethiopia in Box 2. Naturally, as with all housing, there needs to be attention for quality and location, which also became clear during the project in Ethiopia. Coordination between the different parties involved is therefore crucial for the success of high density housing (see also section 7.9).

Furthermore, the recent statement by Minister Jerry Ekandjo to develop a range of pre-designed houses of different sizes could scale up delivery, as it would make the process of delivering houses simpler and possibly more cost effective.

7.4 Increase available serviced land

As already promised by the Minister of MRLGHRD and as stated in the National Housing Policy, the process of acquiring land needs to be simplified and shortened, to allow more serviced land to come on the market within shorter time frames and create more competition across house builders. This includes the abolishment or the revision of the minimum erf size. Government should treat this as its first priority: without changing the process of land acquisition, housing delivery will not be able to be scaled up. Alongside a revision of the process, local authorities need to be trained to be able to participate in the process of servicing and selling land. In the short-term, the extra funding to the NHE could provide some relief. However, government and the NHE need to ensure that the funding going to the NHE is used efficiently by setting clear targets. However, in the long-term, financing of land should be left to the banking sector, who can provide long-term

liquidity without extra strain on government's budget.

Another element of making more land available is linking up with existing and planned infrastructure. For example, links with public transport could make land that is currently difficult to access more attractive.

Box 2: High density housing in Addis Ababa, Ethiopia

Ethiopia's Integrated Housing Development Programme proved to be an effective tool for affordable housing delivery at large scale: the programme delivered 171,000 housing units in five years. Housing was provided in condominiums, and aimed at the low- and middle-income groups, while creating jobs and promoting the development of small enterprises. The programme has greatly increased the number of homeowners, and benefited the housing market by increasing the supply of owner-occupied housing and rental units. Furthermore, the programme managed to build the capacity of the local construction sector, while addressing the existing slums and creating employment opportunities. Issues that arose during the programme are the unexpected higher costs of the development, making them less affordable for low-income earners. In addition, the location of the condominiums on the periphery of Addis Ababa increased transport costs for the people living there. (UN Habitat, 2011)

7.5 Reach the people who need it most

To make a real impact on poverty reduction and to ensure that the major backlog in the lowest income groups is addressed, a number of options are available. First of all, it seems evident that the NHE is focusing on the wrong target group, as their products are unaffordable for the majority of the population, where the highest backlog in housing exists. In addition, it seems that the private sector is moving into the segment that NHE currently services. The focus of the NHE should therefore shift to the lower income groups. This might require a change in the NHE's approach, with a movement to lower cost (but high quality) housing, with more focus on alternative energy sources

and materials.

Secondly, access to finance could be further improved, to ensure that people with incomes over N\$ 5,000 can access their housing needs fully or partly in the private sector. There is an important role for the financial institutions to play, in making consumers more aware of the options of mortgage availability. In addition, government states in their Housing Policy the set up of a 'home loan guarantee trust'. Assuming that this means that government would provide a certain guarantee to financial institutions as part of this

Box 3: The Individual Housing Subsidy Scheme in South Africa

South Africa provides capital subsidies to first-time home buyers with an income of less than R3,500 per month. The amount of the subsidy for the building of a house is currently R55,706 for a house of 40 square metres. Beneficiaries with incomes up to R1,500 do not need to provide an own contribution, for incomes between R1,501 and R3,500 an own contribution is expected of R2,479.

Interestingly, private-sector developers wishing to develop low-cost houses on their land may also apply to reserve individual subsidy funding for their low-income clients. The subsidy scheme has been able to improve access to mortgage finance for low-income earners, and has delivered an impressive number of houses: Between 1995 and 2001, one million subsidies were allocated. Of these, 90 percent were allocated to people earning less than R1,500 per month; 8 percent to people earning between R1,501 per month and R2,500 per month, and the remainder to those earning between R ,500 and R3,500 per month. In the early stages of the project, the large scale of the programme led to a concentration of low-cost housing of sometimes variable quality and location. However, to deal with quality issues, the South African government established the National Home Builders Registration Council in 1995, with the aim of protecting home owners from inferior workmanship. (UN Habitat 2008, www.dhs.gov.za, Department of Human Settlements, 2010)

scheme, this would be able to mobilise further private sector resources. A more direct option would be to provide capital subsidies for low-income mortgages. In this respect Namibia can learn from the long experience from the South African government in this regard, where this is a key component of housing policy (see Box 3).

Thirdly, government should not just focus on home ownership, but should – in close consultation with the private sector, NGOs such as the SDFN, and consumers - develop a housing market that includes other alternatives. First of all, for those without any form of income, government should provide further programmes to upgrade informal settlements as a matter of priority. This could be combined with employment and training opportunities for people living in informal settlements, and lessons can be learned from the experience by NGOs such as the SDFN and the Clay House project. Another option is the further expansion of subsidised rental, which could be made available to people with low incomes. In addition, government should offer products for people who might not be able to buy at this point in time, but might be able to do so in the future. For example, rent-to-buy schemes (see Box 4), where the tenant has a right to buy the property at a later point could be an interesting option for middle-income earners.

Box 4: Rent to Buy schemes

Rent to Buy schemes are typically schemes whereby a tenant rents a house for a certain period (for example five years) after which the tenant can buy (a share of) the house, often at a discounted price. During the period of rental payments, the tenant can prove affordability and creditworthiness to improve the chances on securing a mortgage at a later stage and has the ability to save up for a deposit.

7.6 Promote alternative and local materials and energy use

Through continued close cooperation with the HRDC and for example through setting a certain percentage of all governmental projects that should use solar power (see Box 5) and dry sewage systems, government can further harvest the benefits from its investment into the area of alternative and local materials and technologies. Although this might require a higher upfront

investment, it will decrease the costs in the long term and has the potential to decrease the cost of servicing areas, which in turn could increase the amount of land available for development.

Building regulations could also provide provisions for the promotion of alternative technologies. Also, if more emphasis would be placed on quality of building in Namibia, it is likely that banks will be more interested in providing mortgages and more sustainable long-term housing would be available. It is therefore important that building regulations are aligned with mortgage requirements. Although government will take the lead on regulation, other parties, such as Kavango-Brick have done some preliminary work on building regulations and can make a valuable contribution to the further development of this type of regulation in Namibia.

Box 5: Solar Power in Namibia

Namibian-based Emcon Consulting Group has done several studies for the government on the efficiency of solar power. One such study focuses on solar water heaters, which was done in 2005. This study shows that in the majority of Namibia, the break-even point for solar water heaters is within 5 years. They also state that if the initial cost of the solar water heater would be included into housing loans, the break even point from the perspective of the consumer is zero years, as immediate cash flows accrue to the home owner. The report further highlights other benefits, such as a reduction in green house gas emissions and recommends active promotion of solar water heaters through – among others – the National Housing Enterprise (Ministry of Mines and Energy, 2005).

7.7 Integration

Housing policy can be used as a tool to facilitate integration between different income groups. For example, if the NHE would focus on the lower income segment, they could combine housing from different income segments in one development. The same would hold for private sector parties applying for planning permission: government could request for example that

20 percent of housing development is within a set affordable range, as is common in Malaysia, the Philippines and the United Kingdom (see Box 6). Through this approach, higher-income housing could cross-subsidise housing for lower-income segments, through close cooperation with the private building industry. However, there are negative externalities that need to be managed closely, such as a potential negative impact on the price of the higher value properties.

Box 6: Integration through private sector involvement

Both the governments of Malaysia and the Philippines require that all private sector housing developers dedicate 20 percent of the housing units at government-determined prices (UN Habitat, 2008, Ballesteros, 2010). Furthermore, in the UK, the planning act allows a local planning authority to enter into a legally binding agreement with a developer to grant planning permission based on a number of conditions. This agreement is a way of addressing matters that make a development acceptable in planning terms, and often includes provisions of affordable housing or other services, such as recreational and educational facilities (www.idea.gov.uk).

7.8 Utilise private sector resources

Further to requirements for the private sector to include housing for different income groups in any housing development, government can invite the private sector to provide proposals under TIPEEG. This funding, when used efficiently, could generate interest from the private sector to deliver affordable housing in a quick and efficient way, and could generate short-term employment opportunities, while delivering long-term housing. In addition, other incentives could be developed to get the private sector more involved, such as the a system similar to the South African subsidy scheme, where developers can apply for subsidy if they provide housing for low-income groups (see Box 3). However, it should be noted that this should be developed as a short-term incentive scheme, to get the private sector involved in this section of the market with the aim to further develop this market segment.

7.9 Revive the National Housing Advisory Committee

Although a National Housing Advisory Committee (NHAC) is in place, it became clear during the consultative workshop for this report that this committee is not an active participant in the housing dialogue. There was a call among the stakeholders attending the workshop for more communication between the stakeholders, on all areas of housing. It would therefore be a logical step to revive the NHAC and to ensure that it undertakes the actions as outlined in the National Housing Policy, such as organising annual housing forums and conferences and providing a platform for the various stakeholders to interact. The NHE, as the key body responsible for governmental housing delivery, could take the initiative for such a committee, whilst inviting all relevant parties to participate.

7.10 Areas for further research

The goal of this research has been to provide a global overview of housing in Namibia, and to review housing policy and delivery in its entirety. As a result, the research has not been able to go into depth of all issues. Therefore, we recommend that the following research should be undertaken to further progress housing delivery in Namibia:

- Detailed review of the land acquisition process, including a review of the cost drivers of land and researching best practices from other countries, with the aim to develop recommendations for simplification and shortening of the process
- Need for housing in the lowest income segments of the Namibian population: quantity, quality and ability to pay for housing
- Research into the demand and acceptance for other forms of housing besides home ownership, such as subsidised rental housing and rent-to-buy schemes

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Annex I: Interviewed Stakeholders

Organisation	Name
Bank of Namibia	Michael Mukete Ntwala Mwilima Ebson Uanguta
Clay House Project	Peter Arndt
FNB	Namene Kalili
Fritze & Quelle	N. G. Fritze
Habitat Research and Development Centre	Andreas Wienecke
K Brick Housing	James Arm Heinrich Schroder
Ministry of Regional and Local Government, Housing and Rural Development	Martin Shikongo
National Housing Enterprise	Uazuva Kaumbi
Polytechnic of Namibia	Andrew Niikondo
Shack Dwellers Federation/ Namibia Housing Action Group	Anna Müller
Windhoek City Council	

Annex II: Participants of Consultative Workshop

Date: 23 June 2011

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Windhoek City Council	David Negonga
World Bank	Philip Schuler

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