



REPUBLIC OF NAMIBIA

**A PRESENTATION ON THE
TOPIC: “AFFORDABLE HOUSING AND PROPERTY
DEVELOPMENT OPPORTUNITIES”**

BY

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Mr. Moderator

Distinguished Discussants

Esteemed invited guests and participants

Ladies and gentlemen

I wish to start off by thanking the organisers of the Invest in Namibia Conference and particularly the Minister of Industrialisation, Trade and SME Development for having selected the housing and property development sector as one of the key sectors to be showcase at the Conference, and for inviting me to present my perspective at this breakaway session on the topic *“Affordable Housing and Property Development Opportunities”*.

The topic refers to “Affordable Housing”. It is important that as we go about discussing this topic we have agreed on a common understanding or definition of what constitute **“affordable housing”**. Although different countries have different definitions of “affordable housing”, there is a common denominator, namely that affordable housing should address the housing needs of the lower and middle income households. In other words affordable housing refers to **the provision of housing units that are priced in that manner that will allow the target beneficiaries, that is the lower and middle income earners, to also be able to afford other basic living costs such as food, clothing, transport, education and medical care.**

Affordable housing has become a key issue especially in the developing nations of the world where majority of the population is not able to buy houses at market prices.

Assuming that we are in agreement on this, let me now move on to give a brief overview of the housing situation in the country. I am starting off with a problem statement because like Robert South I believe that and I quote *“Problems can become opportunities when the right people come together”* (end of quote). We are here because we have a shared interest, which is that the housing backlog is a challenge that can be addressed through joint action and it represents an investment opportunity.

Former US President John F. Kennedy has summed this up nicely when he said and I quote: *“When written in Chinese, the word “crisis” is composed of two characters - one represents danger, the other represents opportunity”* (end of quote).

Esteemed discussants and participants

There is a direct link between housing, urbanization, population and economic growth.

According to the World Bank, Africa is urbanizing very fast and will lead the world's urban growth in the coming decades. This is supported by a UN-Habitat Report of 2014, which concluded that based on its current and future rate of urbanization, Africa will overtake Asia as the world's most rapidly urbanizing region by 2015.

Globally, urban areas are major drivers of economic growth, and the location and quality of housing has long-term effects for inclusive growth. However in Namibia as it is the case with most of Sub-Saharan Africa, urbanization is not accompanied by the level of per-capita economic growth and investment in housing and property development that is observed elsewhere in global trends.

In general terms, this gap represents huge opportunities for investment in the various sectors of Namibia including housing and property development and manufacturing of building materials. I will discuss this point again later as part of the opportunities.

Let me now zoom into the housing situation in Namibia.

HOUSING SITUATION IN NAMIBIA

According to the Namibia Population & Housing Survey of 2011, the rate of **urbanisation in the country increased** from 28% in 1991 to 43% in 2011. This trend has resulted in a **proliferation of informal settlements in the major towns and urban centres**. According to the 2009/2010 Namibia Household and Income Expenditure Survey (NHIES) 24% of Namibians do not have access to decent shelter. We can expect the 2015/16 Survey to indicate a higher percent when it is released.

The Community Land Information Program (CLIP), which has been carried out by Shack Dwellers Federation of Namibia/Namibia Housing Action Group, estimated that up to 25% of the Namibian population (which translates into 134,884 households or 541,119 people) live in informal settlements without security of tenure.

In 2013, the national housing backlog was estimated at 100,000 housing units and growing at an annual rate of about 3,700 units. The largest backlog of housing is in the lowest income sectors, with monthly incomes of N\$0 to N\$1,500 (estimated at 45,000), and incomes between N\$1,501 and N\$4,600 (estimated at 30,000).

The reasons for this state of affairs are many but can generally be summarised to be as a result of the rate of urbanisation outstripping the rate at which serviced urban land and basic services as well as housing are delivered. And where such services and facilities are provided, they are often at prices that majority of the needy cannot afford.

In other words, the **scarcity of available serviced land is both pushing up the prices of serviced land and also slowing down the process of housing delivery, and is perceived to be the key challenge facing the housing sector.**

In addition to the low delivery of and access to serviced land, a long-term sustainable solution to the housing problem in our country should also take into account of and involve the following:

- **The affordability levels of the target end users** – The reality is that local authorities have been selling and continue to sell land (serviced and un-serviced) to private property developers who have built and continue to build various types of housing units. However, such properties are often unaffordable to the many needy.

According to the December 2015 First National Bank (FNB) Housing Index, the median house price for 2015 was N\$800,000 (about US \$56,125.34), up from N\$700,000 (US \$49,109.67) in 2014, representing an annual increase of 14.26 percent. Majority of the working Namibians cannot afford houses in this price range.

This means that there is **a mismatch between the types and pricing of the housing products that are dominating the market and the needs and affordability levels of the large section of market especially the low to middle income segment.**

- Available serviced land and housing units is often pricy due to the **high cost of inputs;**
- The other factor is **limited housing financing facilities especially for the low to middle income groups.** According to the World Bank's Doing Business 2016 Report, about 74 percent of Namibian households do not have access to conventional home loan facilities that are offered by the financial market as access to such credit facilities remains difficult to the majority.
- **Lengthy and outdated approval processes** of proclamation of townships, surveying, subdivision and registration of land;
- According the Africa Housing Finance Yearbook 2016, Namibian commercial banks are over-exposed to mortgages and **there is a need and an opportunity to introduce new or additional financing instruments** such as through securitisation, which will increase the number of investment instruments and deepen the financial sector. In turn, this will increase the range of funding options including for local authorities and developmental agencies for urban and housing infrastructure development.

POLICY INTERVENTION

In order to arrest the escalating housing situation, the Government has been leading national efforts aimed at accelerating the delivery of land and housing in the country with special focus on the needs of the lower and middle income groups.

These national efforts have been summed up under the Mass Housing Development Programme (MHDP).

Mass Housing Development Programme (MHDP)

The Programme was adopted in 2013 following the approval of the Programme's Blueprint by Cabinet in that same year. Through the Programme, the Government seeks to rally national efforts in order to bring about an accelerated production and supply of the housing stock in the country through increased investment in the housing sector in general and particularly to meet the needs of the lower income groups.

In terms of the Blueprint, the programme targets the construction and delivery of a total of 185,000 housing units by the year 2030. This translates into an average of 10,300 houses per annum. The first phase of the programme which kicked off in 2014 however only involves the construction of some 4,204 housing units. This indicates a huge shortfall. The funding that has been secured through the national budget is also far below the estimated financing requirement of N\$2, 5 billion.

Given the complex nature of the housing situation as well as the direct link between the housing and land delivery, the Mass Housing Development Programme proposes an integrated and multi-pronged approach consisting of the following interrelated **sub-programmes**:

- ❖ Land delivery – Land use planning, design and infrastructure development (reinforced through the introduction of the Massive Urban Land Servicing Project);
- ❖ Development of credit-linked or conventional housing products;
- ❖ Development of social/subsidized housing;
- ❖ Informal settlement upgrading;
- ❖ Community-based housing development;
- ❖ Rural housing and sanitation; and
- ❖ Reform of the legislative, regulatory and policy environment as well as capacity building related to housing and land delivery.

In order to achieve the Programme objectives, **a mixed financing model** has been identified and is proposed. This consists of four major sources of funding:

- Government grants and subsidies – This entails the Government, within its resource capacity, providing annual grants towards land development, building input cost mitigation, rural sanitation and programme management. Such a support is specifically aimed at influencing the delivery of housing products that are meant for households in the lower to middle income categories (N\$1,500 to N\$4,900);

- Public Private Partnerships (PPPs) – This entails turnkey funding and construction solutions by the private sector on terms agreed upon with the Government or its agencies. It also includes end-user or mortgage financing by commercial banks.
- Debt financing by local and foreign financial institutions – The programme also recognises the option of debt financing through conventional way of borrowing to finance part of the housing stock to be delivered, particularly for housing products meant for the middle to upper income categories.
- The other source of financing is group (community) savings and lending schemes such as the one operated by the Shack Dwellers Federation of Namibia (SDFN).

The Blueprint has also outlined the **types of housing products** that are required. These are conventional or credit-linked housing units, rental accommodation, social houses, detached or semi-detached, sectional titles and high rise accommodation units as well as housing units built through group saving and lending schemes.

Mr. Moderator

Ladies and gentlemen

Having given you an outline of the state of housing and the environment in the country, let me conclude my presentation by touching on what I believe are opportunities for direct private sector

investment as well as partnerships with the Central Government, local authorities and government agencies.

OPPORTUNITIES

Political will and support

The Government has shown and continues to show renewed interest in addressing the housing needs of the country. This is evident through the following:

- Continuous allocation of resources to land servicing and housing development, including grant funding to community-based housing initiatives and groups such as the Shack Dwellers Federation of Namibia;
- Budgetary allocation to local authorities, Regional Councils and the National Housing Enterprise to scale up land and urban infrastructure development and housing;
- Ensuring a conducive policy, Legal and regulatory environment and framework for investment in land and housing delivery through national development and policy instruments such as the National Development Plans (NDPs), the Harambee Prosperity Plan (HPP), the Mass Housing Development Programme (MHDP) and the Massive Urban Land Servicing Project (MULSP).
- In response to the identified lengthy and cumbersome administrative and approval bottlenecks, the Government, as part of national legal and administrative reform initiative that has been sanctioned by Cabinet in 2015 and through the Ministries of

Urban & Rural Development and Land Reform, has initiated a review and reform of policies and laws dealing with land and housing. Among this is the repealing of the outdated urban and regional planning laws and replacing them with a single planning legislation (Urban and Regional Planning Bill), which provides for a single administrative body as well as the delegation of some of the approval functions that are currently performed at the centre down to local and regional government levels.

Private Investment and Public Private Partnerships

It is a recognised fact that even with the resolve that it has, the Government does not have and will not be in a position to provide all the resources that are needed to address the backlog in land and housing delivery. As such, there is a greater role for the private sector and viable public-private partnerships. This however requires a business unusual and innovative approach and solutions.

As far as housing is concerned, there is a huge shortage of housing products in terms of both number and type. As I have indicated earlier, private developers have been acquiring land from local authorities (serviced and un-serviced) and have been constructing various accommodation units, but majority of homeless Namibians are still struggling to access houses that they can afford. When I spoke on the Mass Housing Development programme, I also referred to a range of housing products that are required, and that there is segment of the needy population that is left out as the types and prices of the houses that are being built are not affordable to them. A discerning investor can turn this situation into an opportunity investment.

The National Housing Enterprise (NHE) and local authorities have long waiting lists of clients and residents who are in need of affordable housing, and they together with the Ministry of Urban and Rural Development will be happy to engage serious investors who want to make reasonable profits and also assist the Government to address the housing backlog by coming with housing products that will be affordable to the lower income groups. The NHE alone has a waiting list of over 80,000 applicants for houses countrywide as at October 2016.

Local authorities and the NHE have large tracks of un-serviced and partially serviced land for which they are seeking affordable private funding and partnerships. In terms of their establishing Act (Local Authorities Act, 1992), local authorities are empowered to engage and venture into joint venture agreements with the private sector for purposes of servicing land and developing affordable housing. The Central Government, through the Ministry of Urban & Rural Development and the Office of Attorney General, has been providing and will continue to provide the requisite technical and legal support. In addition the Ministry of Urban and Rural and the Ministry of Finance have also developed a PPP concept for affordable housing. Entails of this will be given at a dedicated session on PPPs.

Among others, the company in partnership with the City of Windhoek and private investors has submitted a project seeking a US Dollar 1 billion investment.

In terms of the Harambee Prosperity Plan, we need to deliver at least 6,500 serviced residential plots and 5,000 housing units per annum.

Housing micro-financing

The recognised successes of community-based housing development initiatives that have been displayed by organisations such the Shack Dwellers Federation of Namibia through their group savings and lending methods as well as incremental approaches to housing, suggest a high potential for housing micro-financing.

Housing financing and delivery systems

The backlog highlights that there is room and an urgent need for additional or new innovative housing financing instruments and delivery capacities at the level of financial institutions and construction industry.

Manufacturing of building materials and introduction of alternative building technologies

The manufacturing and use of locally made durable and quality building materials as well as such other tested alternative building and energy efficient building technologies will greatly contribute towards the reduction of the costs and consequent prices houses in the country.

Mr Moderator

Ladies and gentlemen

I would like to conclude by presentation with a quote from a former Canadian singer and songwriter, Mr Brian Adam, who said and I quote:

“Difficulties are opportunities to better things; they are stepping stones to greater experience... When one closes, another always opens; as a natural law it has to, to balance”.

Like this renowned singer, I wish to appeal to investors and financiers to see the housing backlog as an opportunity for them to invest and make a difference for themselves and the country. Let us work together in the spirit of Harambee and for shared benefits. I thank you very much for your kind attention.

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World Bank (2016): Doing Business Report 2016: Namibia

ANNEX

Summary of the urban land (as at April 2016)

S/N	Region	Serviced land			Un-serviced land		
		Res.	Bus.	Total	Res.	Bus.	Total
1	//Karas	2,051	105	2,156	8,573	564	9,137
2	Erongo	1,428	29	1,457	6,074	205	6,279
3	Hardap	3,233	82	3,315	14,791	420	15,211
4	Kavango East	13,504	689	4,193	9,120	981	10,101
5	Kavango West	735	234	969	2,855	894	3,749
6	Khomas	1,668	36	1,704	6,953	367	7,320
7	Kunene	1,164	114	1,278	3,049	261	3,310
8	Ohangwena	1,029	220	1,249	3,582	926	4,508
9	Omaheke	1,454	50	1,504	3,451	111	3,562
10	Omusati	324	131	455	4,407	1,134	5,541
11	Oshana	5,058	84	5,142	4,021	216	4,237
12	Oshikoto	930	172	1,102	2,853	561	3,414
13	Otjozondjupa	1,141	53	1,194	20,544	1,249	21,793
14	Zambezi	764	100	864	10,174	398	10,572
Total		34,483	2,099	36,582	100,447	8,287	108,734

The table above indicates an estimated total of 108,734 un-serviced plots countrywide, with residential plots accounting for over 90% of this. A large percent of this un-serviced land is found in the Otjozondjupa region (20.5% for residential and 15,1% for business land), followed by the Hardap Region (14.7% for residential land) and Omusati Region (13.7% for business land).