

# FINANCING LOW-INCOME HOUSING IN WINDHOEK, NAMIBIA: ASSESSING THE LOAN SCHEME OF THE DECENTRALISED BUILT-TOGETHER PROGRAM USING THE BALANCE SCORECARD

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By Harold Kisting (**KSTHAR002**)

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**Supervisor: Dr. Many Mooya**

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## ABSTRACT

*The purpose of this mini dissertation is to review the adequacy of Built-Together Program loan funds for the large scale delivery of adequate housing for low-income groups and to assess the performance of the loan scheme using the concept Balance Scorecard as an assessment tool.*

*The research method employs interview and survey methods to collect data. Data was collected and analyzed from an administrator and beneficiary perspective to understand the workings and the main characteristics of the program.*

*The primary beneficiaries of the Built-Together Program are the vulnerable in society and comprise primarily of women and single parents. It is therefore critical that the efficiency and sustainability of the loan scheme be improved to ensure that the needy in society continue to benefit.*

*One of the major findings of the research is that the Built-Together Program is inadequate to deliver the most basic low-income house. It is therefore not surprising to hear and read about the dissatisfaction about the Built Together Program expressed by the Namibian Government, local and regional councils and beneficiaries in the local media.*

*The research recommended that the authorities review the Program and bring it in line with the critical successes requirements for national housing policies and strategies.*

## **DEDICATION**

I would like to pay tribute to my wife Susan and children Hernovan, Kaydeah and Jade for their understanding, patience and prayers.

Much family time and resources have gone into the research and they have sacrificed so much during the 2 years of my studies.

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## LIST OF ACRONYMS

1	BS – Balance Scorecard
2	BTP - Built-Together Program
3	COW- City of Windhoek
4	DBTP - Decentralized Built-Together Program
5	IPPR-Institute for Public Policy Research
6	LA – Local Authority
7	MDG’s-Millennium Development Goals
8	MRLGH&RD- Ministry of Regional Local Government, Housing and Rural Development
9	NHAG- National Housing Action Group
10	NDP4 – Fourth National Development Plan
11	RC – Regional Council
12	SDFN- Shack Dwellers Federation of Namibia
13	UN -United Nations
14	UNDP-United Nations Development Program
15	UNCHS- United Nations Centre for Human Settlement
16	Namibia Household Income and Expenditure Survey

## **1 Introduction:**

### **1.1 The International Challenge:**

Housing delivery to the poor remains a major challenge in the world, especially in the developing countries where the bulk of the estimated 863 million worldwide slum dwellers lived in 2012 (UN 2012: 56). The challenge of housing is expected to get worse with the number of Informal settlements growing faster than the delivery of formal housing. According to the UN-Habitat, the urban slum dwellers are expected to reach 2 billion in 2020 unless radical efforts are made to provide a range of affordable housing options (UN-Habitat 2009: 1).

The world's population was estimated to exceed 7 Billion on 31 October 2011 according to the United Nations and the world population numbers are increasing albeit at a slower pace (Worldometers 2012). These 7 Billion people need housing, food, water, sanitation, electricity, jobs, education and health facilities. Most of this growth in population is also experienced in developing countries who do not have the resources to accommodate the increasing numbers.

In addition to the absolute increase in the numbers of people, most of the growth occurs in urban areas. According to the UN more than half the world's population lived in urban areas by 2008 and the proportion is increasing (IHC 2009). The world will grow at a forecasted rate of 1% for the period between 2000 and 2030 (*ibid*). In comparison, the growth rate of the urban areas is estimated at 1.8% and the urban population is expected to double in 38 years (*ibid*).

The UN is forecasting that 60% of the world population will live in urban areas by 2030 (*ibid*). In the developed world urbanization has stabilized at around 75% and is anticipated to increase to 84% in 2030. In contrast, most of the urbanization is forecasted to occur in less developed countries. The urban population in less developed countries is expected to grow from 1.9 billion in 2000 to 3.9 billion in 2030. The urban population of the developing countries is expected to reach 50% only in 2020 (*ibid*).

Sub-Saharan Africa is still rural with only 37.3% living in urban areas in 1999 (UN 2012). Africa is the continent with the fastest urbanization rate of 4.87%. In 2012 about 62% of urban population in Sub-Saharan Africa lived in slums compared to 65% in 2000. The tipping point (the point where more than 50% will live in urban areas) for Sub-Saharan Africa is expected to be reached only in 2032 (*ibid*).

Another dimension to the rapid urbanization of the developing world is the increasing levels of poverty concentrated in the urban areas of the developing world. According to the World Bank, the poor are urbanizing faster than the population as a whole. Data published by the World Bank suggest that urbanization is a positive force to development. However, poverty is becoming more urban as urban slums multiply while the rural poor and overall poverty decrease (Ravallion 2007).

The United Nations with the Millennium Declaration in September 2000 at the Millennium Summit responded to the urban challenges with the adoption of 8 Millennium Development Goals (MDG's) and 21 targets. Of particular importance to this paper is Goal 7: Ensure Environmental Sustainability, Target 11 which aims to significantly improve the lives of 100 million people in urban slums by 2020 (UN 2012). According to The Millennium Development Goal's Report of 2012, urban slum residents in the developing world declined from 39% in 2000 to 33% in 2012 (*ibid*). Despite the achievement of reducing the proportion of urban residents in slums the absolute number of people in slums continues to increase as a result of an increasing rate in urbanization.

The 2012 report estimates that about 863 million people live in slums compared to the 650 million in 1990 and the 760 million in 2000 (*ibid*).

In summary, housing the world population is an international challenge that is expected to get worse going forward especially in developing countries. The numbers of people involved and the rate of urbanization in particular in developing countries are overwhelming for national and local governments. Developing countries that experience the fastest population growth and the highest urbanization rates are also the least prepared and have the least resources to deal with the housing challenge.

## **1.2 The National Challenge**

According to the Namibia Household Income and Expenditure Survey (NHIES) of 2009/2010 about 24% (about 105 000 households) of Namibia's estimated 436,795 households live in improvised houses (NHIES 2009/2010: 63). This figure is an increase of 7% compared to the previous survey of 2003/2004. According to the Namibia Housing Action Group and Shack Dwellers Federation of Namibia the number of households living in impoverished housing is estimated at 134,884 units, housing an estimated 541,119 people. NHAG also estimates that up to 25% of Namibia's estimated 2 million people live in informal settlements (NHAG 2009: 8). The NHAG and SDFN figure is about 20 000 households more than the NHIES estimate The 2011 Census counted a total of 465,400 households with a population count of 2,104,900 and an average household size of 4.4 people. A total of 882,100 people live in urban areas or an estimated 42.1%. In 2001 only 33% of Namibians lived in urban areas (GRN 2012).

In Windhoek the capital of Namibia with about 322 500 people, the Municipality of Windhoek estimates that about 99,370 people, or about 31% of the population live in informal settlements with a growth rate of 9.47%(City of Windhoek 2012). The city as a whole in contrast is only growing at an annual rate of 3.28% (*ibid*). The growth rate of the City of Windhoek as a whole at

3.28% compared to the growth rate of the informal settlements at 9.47% confirms the international trend of the urbanization of poverty (*ibid*).

The Namibian Government as a signatory to the Millennium Development Goals (MDG's) has identified housing as one of the top development priorities in all its national policy documents. Of particular importance is Goal 7, "Ensure Environmental Sustainability", Target 11 which states that "By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers" (UN-HABITAT 2012).

Vision 2030 envisions Namibia as a highly urbanized country by 2030 with about 75% (2.6 million people) of the estimated 3.5 million people living in urban centers (GRN 2004: 49). Based on an estimated 80,000 housing backlog at the time of compiling the vision, a target was set to build a minimum of 3000 houses per annum to meet the housing needs by the year 2020 (GRN 2004: 106). Houses are to be built through the Build Together Program and the National Housing Enterprise.

The Fourth National Development Plan (NDP4) of Namibia states that Namibia will by 2017 have in place well established standards that allow every Namibian to have access to affordable housing with a total of 60% of the households living in modern houses from the 41% in 2009-2010 financial year. (GRN 2012: 14).

Namibia celebrated independence in 1990 and adopted the National Housing Policy in 1991 as a guide to address the national housing need. The National Housing Policy changed the role of the state from a provider of housing to a facilitator, effectively withdrawing the state from the direct construction of housing. The policy puts the responsibility of housing on the shoulders of the household head. The National Shelter Strategy developed by Namibia with the assistance of UNDP (United Nations Development Program) and UNCHS (United Nations Centre for Human Settlements) identified housing finance as a critical constraint in the delivery of housing to the poor. The Shelter Strategy

led to the adoption of the Build Together Program (BTP) in 1992 as a key strategy in addressing the housing needs of the poor (Simion Undated: 6).

The Built Together Program focuses on individuals with incomes between N\$100 and N\$3,000 who do not have access to credit from the traditional financial intermediaries. Housing loans vary between N\$3,000 and N\$40,000 per beneficiary. Following a bottom-up approach, the program has delivered on average 1,300 units per annum in rural and urban areas (MRLGH&RD 1997).

Unfortunately, the program has experienced many challenges. One of the key accusations is that, Local Governments who are responsible for the identification and allocation of funds to individual households allegedly misallocates built together funds to pay service accounts for bulk water and electricity. *“You received millions, but houses were not built”* (Steenkamp 2011). At the time, the minister also threatened to terminate the program in its current form and adopt a more centralized approach to provide finished houses and financing to the poor. *“Instead of giving funds to people to construct or acquire their own low cost housing, Build Together will construct a range of pre-designed houses of different sizes, which people can then apply to buy. He explained that this is a more economical option, as it cuts out unnecessary intermediate costs, while spending will be cost effective”* (Steenkamp 2011:1).

After so many warnings from the Minister, the BT Scheme continues to be mired with problems. In August 2012, The Namibian ran a story with the headline *“Tses low-cost houses remain incomplete”* (Cloete 2012:3). According to the article houses of some people whose loans were approved in 2008 are still not finished. According to the community, the construction of the houses came to a standstill because the Council was withholding loans. According to the Council, they stopped loan payments to some beneficiaries who failed to build their houses to a required level and spent the money on other things (Cloete 2012:3).

According to the Auditor-General's report the record for book keeping for local and regional council's remains a source of concern. According to Isaacs 2012 a common thread that ran through the audit reports of 14 councils was a complete lack of internal controls at the councils on which the auditors could rely for their auditing purposes. Isaacs further highlights that a major challenge to many of the councils evaluation was the administration of Build Together groups funds. "Issues here ranged from councils not having any supporting documents for the movement of these funds, to loans being granted to individuals not legally qualifying for such (Isaacs 2012: 5). Khorixas for example failed to update their system since 2006 and there were no records of new loans issued or repayments made since then. The Hardap Regional Council who was found as prudent, failed to record N\$100,000 grant to the Build Together Fund in its cash books. In the Hardap region recipients apparently also failed to make repayments in 2008 (*ibid*). " It was also not possible to determine the repayments of the loans as the council does not have a system of collections of loan repayments from the beneficiaries. The auditors also noted that the councils do not conduct reconciliation and age analysis ... (and) that the Chief Regional Officer did not sign the applications for approvals of the loans as required by the (manual)" (Auditor General, Junias Kandjeke quoted in Isaacs 2012: 5).

According to Dr. Anna Muller of the National Housing Action Group (NHAG) any formal process of addressing the housing problem of the poor in Namibia will fail because the majority in need of housing has incomes that do not allow them to purchase houses through banks. According to her, the only affordable solution to housing the urban poor is through the Shack Dwellers Federation of Namibia (SDFN). The SDFN caters for people with an income below N\$2000, and members can qualify for a loan of N\$25,000 to build a dwelling (Paulus. 2012).

The SDFN was established in 1998 and comprise a network of saving schemes that aims to improve the living conditions of low income people living



in impoverished housing. The SDFN is supported by NHAG a local NGO who coordinates professional services for the community savings scheme. The SDFN has a revolving fund namely Twahangana Loan Fund that is partly funded by the government, re-payments and donors. Local savings groups are required to save up to 5% of the deposit before they can access the fund. Within a 12 months period between July 2009 and June 2010, the SDFN delivered 366 houses and a further 322 were in progress (IPPR 2011:18).

To qualify for a Namibia Housing Enterprise (NHE) loan, a household requires a monthly income of between N\$5000 and N\$20,000 and a maximum joint income of N\$30,000. The NHE also requires 20% collateral or a deposit of 5%. The NHE delivered an average of 457 houses per annum since 1990, but since 2003 the rate of delivery has decreased with the lowest recorded in 2007 when only 129 houses were delivered compared to the 600 houses per year between 1990 to 2002 (IPPR undated: 18).

## **2 Research Problem: Context.**

Firstly, Namibia's overall response to the housing problem is also not very clear. According to the National Housing Policy (2009), the government aims to delivery 2,200 units per annum, in contrast the Medium Budget targets to deliver 1,300 units per annum until 2014, while governments TIPEEG (Targeted Intervention Program for Employment and Economic Growth) program targets to deliver 1,507 low cost housing units per annum until 2014. Vision 2030 published in 2004 on the other hand targets to deliver 3,200 units per annum until 2006 while NHE targets to deliver 7,937 houses with 1,000 affordable units delivered by 2006 (IPPR undated:23).

Secondly, the scale of the housing problem is immense. Housing the world's population is an international problem that is expected to get worse with more than 2 billion urban slum dwellers estimated in 2020 from an estimated 863 million in 2012. This is more than 1.1 billion additional urban slum dwellers in less than 10 years time.

In Namibia, official sources estimates the number of people without adequate shelter at 24% or about 105,000 households. In Windhoek, the capital about 31% or 99,370 people live in impoverished housing, growing at 9.47% per annum.

Thirdly, the rate of housing delivery is far below the required rate to firstly address the annual demand for housing and secondly, to reduce the backlog. In 2004, Namibia's Vision 2030 determined a delivery rate of a minimum of 3000 housing units annually to eliminate the estimated backlog by the year 2020. Instead of decreasing the estimated backlog of 80,000 units overtime, the backlog has increased to an estimated 105 000 households according to the latest government report (NHIES 2012).

Taking a look at the actual housing delivery rate in Namibia, the housing problem is expected to get worse overtime. The BTP program overtime has delivered on average 1,300 units per annum while NHE delivered on average 600 units per annum. Compared to a target of a minimum of 3,000 units per annum, the actual average delivery of 1,900 units per annum is simply inadequate to reach the Vision 2030 target of adequately housing Namibians by 2020. The failure to deliver the targeted minimum of 3,000 units per annum will also frustrate the NDP4 with its aim to allow every Namibian to have access to affordable housing with a total of 60% of Namibians living in modern houses by 2017.

Government alone cannot adequately address the housing problem. A successful solution requires the involvement of communities and the private sector. The regulatory environment must therefore be conducive for communities, non-government organizations and the private sector to participate.

Fourthly, the people in need of housing have the least resources and can least afford to house themselves. The poor are continuing to flood to urban areas urbanizing faster than the population as a whole.

The pyramid below shows the overall response of Namibia to her housing problem. Looking at Namibia’s overall response to the housing problem, it is clear that various actors are involved focusing on very distinct markets. As expected, the banks are focusing on the high end of the market while government involvement increases to the lower end of the market.

Table: 1.1 Namibia’s response to the housing need:

More than 20,000	High	Banks and other Financial Institutions
N\$5000-N\$20,000	Middle	NHE and Other Institutions
N\$100-N\$3,000	Low	Build Together Programme and Shack Dwellers Federation
Less than N\$100	Ultra-Low	Housing Trust Fund and Shack Dwellers Federation
No Income	Social Cases	Housing Trust Fund and Shack Dwellers Federation

(Adapted from the National Housing Enterprise: Undated)

It is clear from the pyramid that the Build Together Program is critical in delivering housing to the poor. According to IPPR , about 52% of the backlog in housing falls within the income group earning less than N\$1,501. An additional 35% of the backlog falls between the income groups of N\$1,501 to N\$4600. Only 12.9% of the backlog earns more than N\$4601. (IPPR undated: 7)

Finally, adequate housing is defined as more than shelter and puts additional resource requirements on national governments. To understand the full scale of the housing problem one needs to understand the definition of adequate shelter by Habitat. The definition of adequate shelter by the Habitat Agenda is much more than a roof over ones head. It includes adequate privacy, adequate space, physical accessibility, adequate security, security of tenure, structural stability and durability, adequate lighting, heating and ventilation, adequate basic infrastructure, such as water-supply, sanitation and waste-management facilities; suitable environmental quality and health related factors; and adequate and accessible location with regard to work and basic facilities (UN-Habitat 1997).

To recap, the actual demand for housing and the annual growth rate in the demand for housing in Namibia is overwhelming. The failure of Namibia to address the housing problem is evident in the ever increasing numbers and densities of informal settlements. To address the Namibian housing problem requires coordinated and sustained efforts, matched by the allocation of sufficient resources at national and local level.

### **3 BTP Research Problem Statement.**

Following the discussions on the international and national challenges and the discussion on the context of the housing problem, it is clear that the provision of adequate housing remains a tricky matter to solve. Although the nature and the scale of the Namibian housing problem are different, the issues that the Namibian authorities battle with are the same as those at international level. Adequate housing, especially for the poor and the vulnerable in society remains a challenge for the Namibian government.

The problem the research will address is how an internationally award winning program, like the BTP that has such a large proportion of beneficiaries as

women, who are considered a vulnerable group can be regarded as a total failure by the Minister responsible for housing.

Research Questions:

This paper will consider why the BT Program in Namibia can be considered a success or a failure?

The specific questions to be answered in this paper are:

- 1 Is the BTP a focused and targeted program?
- 2 Are the targets of the BT Program clear and do these targets motivate and inspire stakeholders and institutions involved in the program?
- 3 Is the BTP response informed by the nature and size of the housing problem within the targeted group?
- 4 Is the current rate of delivery of the BTP and financial resources adequate to address annual demand in the target group and to reduce the housing backlog on a sustainable basis?
- 5 Can the target group afford the products offered by the BTP?
- 6 Does the housing solution offered by the BTP meet the requirements of 'adequate housing' as defined by the UN?

#### **4 Conceptual and Analytical Framework**

The research uses the Balance Scorecard as a conceptual and analytical tool to assess the adequacy of the BTP in addressing Namibia's housing need.

There is no formal tool to assess the effectiveness of housing policy in an objective manner. Assessments normally focus on specific areas like product quality, financial performance, beneficiary acceptance and the sustainability of the policy. The Balance Scorecard was selected as an analytical tool to make a holistic and balanced assessment of the BT Program using the four perspectives of the BS. The BT Program might fare very well on the one

theme for example on the financial indicators while it fails dismally on the indicators measuring beneficiary satisfaction. The Balance Scorecard is therefore used as an analytical tool to give a balanced and objective view of the BT Program.

The Balance Scorecard was developed by Kaplan and Norton as a tool to solve a measurement problem in assessing the performance of commercial organizations, not for profit organizations and government institutions. Over the years the BS has development into a tool to describe, measure and manage strategy.

In short the BS according to Ahn claims to fill the gap between the development of a strategy and its realization by supporting and linking four “critical management processes:

- 1 Clarify and translate vision and strategy,
- 2 Communicate and link strategic objectives and measures;
- 3 Plan, set targets, and align strategic initiatives;
- 4 Enhance strategic feedback and learning (Ahn 2001: 441).

The BS is organized along four perspectives namely, financial perspective, customer perspective, process perspective and learning and Growth perspective

The financial perspective tries to answer the question what do investors expect and what are the strategic goals from a financial perspective? The customer perspective ask the question which strategic goals are to be set to meet the customer needs in order to attain the financial goals? The process perspective asks the question which strategic goals are to be set for the internal processes in order to fulfill the expectations of customers and investors? Finally, the learning and growth perspective ask the question how must the organization learn and improve to develop key potentials in order to provide an excellent basis for outstanding results in the other perspectives?

The structure of the BS is streamlined to achieve targets and ultimately the vision of the organization. According to Kaplan et al, the execution of strategy is more important than the quality of strategy and having a vision. Strategy is defined as “the unique and sustainable ways by which organizations create value” (Kaplan 2001: 2).

The table below gives an overview of the generic structure of the BS system. It is in this simplicity and connectivity of the logical framework that the power of the BS as a tool for defining, measuring, communicating strategy lies.

**Table: 1.2 Example Balance Scorecard**

Strategy Theme	Objective	Measurement	Target	Initiative
<b>Financial Perspective</b> “ If we Succeed, how will we look to our Shareholders?”	Grow Revenue	Operating Income	20% increase	Broadening Revenue
<b>Customer</b> “To achieve our vision, how must we look to our customers?”	Shopping Experience	Loyalty	60% satisfaction of surveyed customers	Loyalty Programs
<b>Internal Processes</b> “To satisfy our customer, at which processes must we excel?”	A class factories	Stock Levels	85% of customer orders delivered within 24 hours	Just In Time
<b>Learning &amp; Growth</b> “To Achieve my vision, how must my organization learn and improve?”	Factory Relationship Skills	% of Skills	50% of staff attended refresher courses	Skills Plan

Source: Adapted from Kaplan 2001:71

## **5 Aims, Objectives and Hypothesis:**

The aim of this research paper is to assess the adequacy of the Namibian BTP by taking a closer look at how focused the BTP is and if the Program is delivering at an appropriate scale with sufficient resources delivering a product that meet the requirements of adequate shelter as defined by the UN.

As earlier stated, the Namibian Shelter Strategy lead to the adoption of the Build Together Program (BTP) in 1992 as a key strategy in addressing the housing needs of the poor (Simion Undated: 6).

The key objective of the research paper is to assess the overall performance of the BTP using the Balance Scorecard methodology. In particular the research has the following objectives:

- 1) To assess the focus of the Program;
- 2) To review the adequacy of delivery targets and the actual delivery of the BTP;
- 3) To review the adequacy of allocated resources to BTP;
- 4) To assess if the targeted population can afford the housing solution offered by the BTP;
- 5) To assess if the housing solution offered by the BTP meet the requirements of 'adequate housing' as defined by the the UN.
- 6) To review the systems and procedures of the BTP;
- 7) To improve the effectiveness and sustainability of the BTP; and
- 8) To make recommendations for improving the BTP.

The hypothesis of this paper is that the BTP failed to provide adequate and affordable housing at an appropriate scale, because funds are inadequate while the process of allocation allows for misappropriation at local government level.

## **6 Significance of Work**

Firstly, the work is significant because the minister responsible for housing has threatened to terminate the program because of perceived poor delivery of the BTP. The BTP was awarded the Habitat Scroll of Honour in 1993 and World Habitat Award in 1994 (Simion Undated). Further, women as a vulnerable group comprise 47% of the BTP beneficiaries in terms of access to shelter, land, finance and are involved in organising local committees,



producing building materials and constructing their own housing ( *ibid*). The BT Program has further provided an opportunity to many destitute households to house themselves with very little financial support provided by central government through the program. A house in the urban area is the base from which a household access jobs, services and other opportunities and it will be a tragedy if the only program that provides hope to so many poor households in Namibia is terminated by government without a proper assessment of the performance of the program.

As previously stated, the problem that has to be addressed is how a program that received international acclaim and have such a large proportion of beneficiaries as women, who are considered a vulnerable group can be regarded as a total failure by the Minister responsible for housing.

Given the scale of the Namibian housing problem, it appears that the BTP is one of the more successful strategies of the Namibian Government to respond to the immense housing problem. The BTP is the only program in Namibia that allows households to actively take part in housing. It will therefore be a great loss if the program is stopped. In light of the above it appears that the BTP must remain and it should in fact be amplified.

Secondly, it is the first time that the Balance Scorecard is used in assessing housing policy and strategy. It appears that the use of Balance Scorecard concepts and analytical tools will add significantly to the focus and effectiveness of housing policy in general. In particular the Balance Scorecard conceptual system can contribute to the improvement of the BTP in Namibia.

The BTP has four sub programs namely, Urban/Rural housing loans, social housing, informal settlement upgrading and single quarter's transformation. This paper will focus on Urban/Rural housing loans and in particular BT Program loans in the City of Windhoek.

## **7 Method:**

The paper will use various research methods to test the hypothesis that the BTP failed to realize the objective of providing adequate housing at an appropriate scale that is affordable to low income groups in Namibia.

Firstly, the Balance Scorecard concept and analytical tools were adopted as appropriate to assess the BTP program.

Secondly, a literature review was done to review and understand the latest developments in assessing the performance of low-income housing.

Thirdly, face to face interviews with key personnel at key institutions involved in the BTP were done to establish their perspectives on the success of the Program and how the Program can be improved. Officials interviewed were from the Ministry of Regional, Local Government, Housing and Rural Development, the City of Windhoek, Namibia Housing Action Group and the Shack Dwellers Federation of Namibia.

Finally, the main empirical data was obtained from a sample of 30 households who benefited from the Program.

## **8 Limitations**

The research aims to analyze the effectiveness of the BTP and the focus therefore is on the beneficiaries of the program. Most of the BTP houses were built in the City of Windhoek and Windhoek is therefore taken as the laboratory for the study.

## 9 Structure of the Report:

The structure of the report is divided into 5 chapters as listed below:

Chapter 1: Establish the rationale for the research;

Chapter 2: Literature Review;

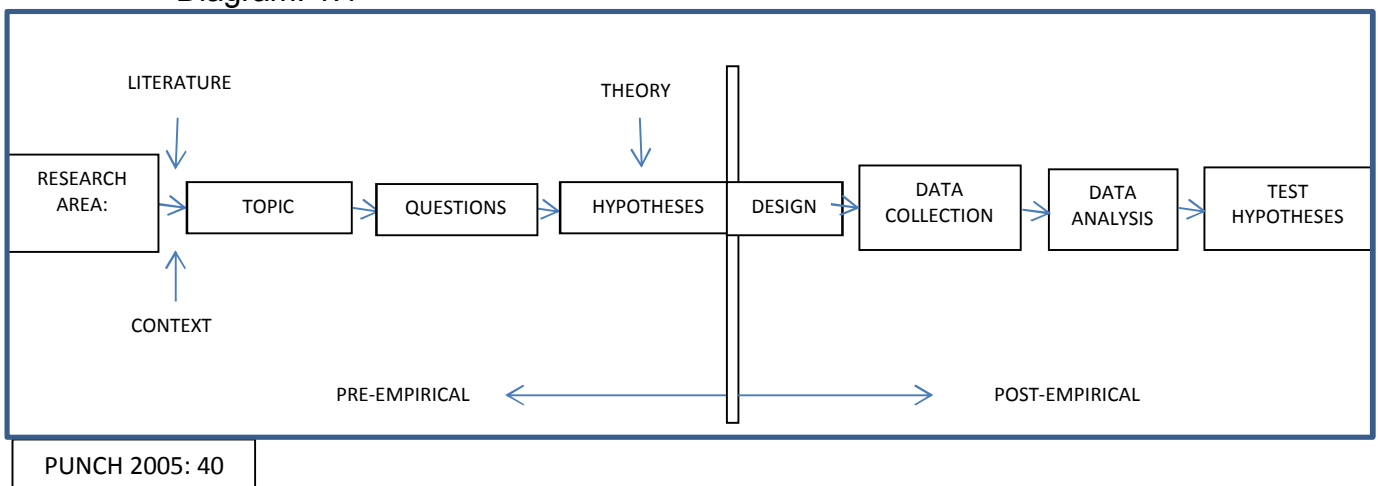
Chapter 3: Research Method;

Chapter 4: Data Analysis;

Chapter 5: Findings, Recommendations and conclusions.

The structure of the report is informed by the diagram below as captured by Punch 2005. Chapter 1 and 2 deal with pre-empirical concerns of defining the research area, reviewing the literature and context, defining the topic, research questions and the hypothesis. Chapter 3 and 4 define the research design, the data collection method, data analysis and finally test the hypothesis. The final chapter, Chapter 5 provides the key findings of the research and make recommendations to improve the BTP program.

Diagram: 1.1



Chapter 2 develops the critical success factors of a successful housing strategy drawing from the literature and case studies. The chapter critically reviews the literature and goes on to conceptualize how housing markets work and then discuss housing finance systems. Finally the chapter discuss various case studies to inform the research.

Chapter 3 focuses on the research method used for data collection and reporting. The chapter highlights the challenges of doing research in low-income settlements and introduces the Balance Scorecard as the primary assessment tool to be used in the research. Chapter 3 then moves into discussing the research design and research execution.

Chapter 4 concentrate on data analysis and analyze and report on the data collected through interviews and the survey. The chapter then tests the hypothesis that the Built-Together Program's has failed to realize the objective of providing adequate housing to the poor.

Chapter 5 is the final chapter and highlights the main findings and recommendations and goes on to make final concluding remarks.

## **2 LITERATURE REVIEW**

### **2.1 Introduction**

The literature review for the research starts with a brief overview of housing policy and its successes followed by a discussion on the housing market and financial issues in the low-income housing sector. The section ends with a review of empirical work in the field and a discussion of two case studies namely the Experimental Housing Allowance Program and the Grameen Bank to inform the research.

### **2.2 Housing Policy Antecedents**

The rationale for public intervention in housing markets is based on the three traditional reasons namely public health, housing as a 'merit good' and market imperfections. Over the last 60 years, housing policies have gone through a number of alterations to respond to the economic and social challenges of the day (Choguill 2007).

Governments are generally limited in how they can respond to the challenge of housing. Firstly government can build houses and rent the houses out at full or subsidized rates or give the houses to "deserving" recipients. Secondly governments can make houses more affordable by lowering the price. Thirdly, governments can improve the housing market to improve home ownership by making for example mortgages readily available and improving access to land (Choguill 2007:142).

Immediately after World War 2 up to about the 1970's governments responded to the housing market by delivering large-scale public housing programs. Public housing units were mostly for rent although few could afford to pay market related rent. Western planning principles and techniques were seen as the solution to the problem of informal settlements (UN Habitat: 2003

and Ward 1982 quoted in Mooya 2009: 58). The model developed by the United Kingdom for its own people was also promoted in its colonies depending on the availability of resources. Governments started by determining the demand for housing by quantifying housing shortages considering the existing backlog (families who were living in substandard housing) and the additional units needed in the future. The next step involved the supply of the required number of units by delivery of conventional 'low-cost' housing units (Mooya 2009: 59). The approach to housing delivery in the first phase was supported by an underlying belief that the state is responsible for housing its citizens (Beal 2000 quoted in Mooya 2009:59). Congruent to the belief that the state was responsible for housing the poor was a perception that informal settlements and slums were a scar on the urban landscape. As a result, demolitions and forced evictions were rife during this time (Mooya 2009:59).

Unfortunately, public housing programs failed to deliver housing at a significant scale to ameliorate the housing challenge (Choguill 2007:143). Most governments could not deliver 'low-income' housing at an adequate scale because financial resources were scarce and the houses were primarily provided for civil servants and the military. At the same time, the poor could not afford the housing units and also could not make the repayments or pay true rent on public housing while governments were not in a position to extend subsidies to the general public. During this time it was common to find houses constructed for the poor occupied by middle income families, a phenomenon known as downward raiding (Choguill 2007:143, Mooya 2009:59).

According to Mooya the failure to make significant inroads at the housing problem was as a result of limited supplies and wrong targeting (Mooya 2009:59). In addition to the shortage of finances, housing projects also failed to recognize the needs of the poor. Governments focused on issues of sound building design and adequate sanitation at the expense of sound location, especially proximity to workplaces. The poor were also prohibited from using their newly acquired houses as a base to earn an income through hawking

and home industries. In addition these houses also had limited space and the relocation broke down social networks which are critical to the survival of the poor (Mooya 2009:59).

The second phase in housing policies started with the launch of self-help projects when international institutions and governments realized in the face of resource scarcity and low affordability levels that providing housing to the poor was not the solution to solve the housing problem (Ward 1982, in Mooya 2009:60). In the face of resource scarcity and in a political climate that emphasized restraint on government spending, the previous Welfare State system of providing housing to the poor was terminated and the more cost effective self-help schemes were adopted. The self-help model was based on the poor building their own houses and with government assistance the cost per house could be reduced to allow the poor to own a home. Policy makers now advocated the approach of moving away from expensive 'package' housing such as the conventional 'low-income' fully serviced housing projects toward elements of housing delivery such as infrastructure, the provision of construction materials and technical advice (Ward 1982, in Mooya 2009:60).

During the 1970's, the idea of aided self-help was born, a concept that still informs present day housing policy (Choguill 2007). Aided self-help has a number of variants with sites and services and upgrading dominating the policy front. The premise of the site and service concept was that government should provide serviced land and allow the poor to build their own houses. Sites and services holds that the poor would be in a position to house themselves if the government provide building sites, basic infrastructure and improve environmental conditions. The model was based on full cost recovery as resources were scarce and few governments could subsidize the projects (Choguill 2007).

The World Bank championed the idea and promoted sites and services projects beginning in 1972. Even with minimal government investments, the sites and services projects were still too expensive for at least 20% of most

urban populations (Choguill 2007). To make the projects more affordable, efforts were focused on reducing standards, but there was little improvement in the cost recovery record of the projects. Even, when the emphasis moved to up-grading existing housing as opposed to undertaking comprehensive sites and services projects on greenfield sites, the required cost recovery objectives were not met (Choguill 2007:143). In short, the sites and services programs were met with widespread failure, as projects experience problems with land acquisition, insufficient resources and poor cost recovery for the infrastructure and services proved (UN Habitat 2003; Werlin 1999 quoted in Mooya 2009: 60).

The third phase of housing policies started in the mid 1980's when in particular the World Bank realized that the sites and services model to housing delivery was not going to work on the scale required to meet the housing shortages at the time. The upgrading philosophy holds that the poor has already showed organizational skill in erecting their own houses under challenging circumstances and will maintain improved facilities provided by governments, while gradually bettering their homes (UN Habitat 2003; Werlin 1999 quoted in Mooya 2009: 60). The concept of upgrading involves *in situ* regularization of the rights to land and housing and the improvement of existing infrastructure. Upgrading policies tend to focus on three main areas according to the UN (Mooya 2009: 61) namely:

- 1 Provision of basic urban infrastructure (water, sewer, electricity roads;
- 2 Provision of secure tenure and facilitating access to land;
- 3 Facilitating access to credit based on the economic profile, needs and requirements of communities.

In-situ upgrading was accepted as the ultimate solution to forced relocation and eviction as it minimizes the disturbance to the social and economic life of the poor. Unfortunately, upgrading programs could not be sustained because of limited financial resources and the continued increase in the number of the



urban poor. Governments failed to provide essential services while the communities failed to maintain facilities (Mooya 2009: 61).

In 1993 the World Bank adopted a new housing policy statement which emphasized enablement, the sector's contribution to macroeconomic development, and pro-poor policies involving targeted subsidies where required. In contrast to the earlier policies that targeted solving the housing problem through the construction of houses and self-help, the 'enablement strategy' was now directed on removing bottlenecks in the housing markets (Choguill 2007:143).

The thinking now shifted to providing an 'enabling environment' within which governments can develop policies to solve the housing problems (Mooya 2009: 61). The enabling approach adopted by the Habitat Agenda of 1996 was widely accepted as the best way forward. Government now withdrew to a facilitative role and fostering efficient markets an approach based on the neo-liberal principles. The 'enabling approach' advocates for the involvement of informal settlement dwellers not only in the construction process, but also in the decision making and design process that establishes priorities for action and support for implementation (Mooya 2009: 61). The focus was now on devising ways of providing the economic, financial, legal and institutional environment required to support the housing sector (Choguill 2007:143).

To remove bottlenecks in the housing delivery system, governments over the years intervened either on the supply or demand side of the system (Galster 1997). On the demand side, governments intervened by giving financial assistance directly to the household to boost the financial capacity of households to occupy an appropriate house. Demand side interventions include providing housing allowances, housing vouchers or rent supplements (Galster 1997). The key characteristic here is that the financial assistance goes to the individual household. The supply side strategy in contrast is attached to the structure as opposed to the household. It involves the subsidizing of the construction or refurbishment of existing housing to reduce

the rent or the price charged to low-income households (Galster 1997). The buildings may be owned by private entrepreneurs or public bodies and are normally labeled as council housing, public housing or social housing. Over the years since 1980s the emphasis in the US, Canada and several European nations has shifted to demand side approaches that are generally regarded as more effective (Galster 1997: 561).

### **2.3 The Success Record of Housing Policies**

Over the years all government interventions in the housing delivery system fared dismally because the number of people living in inadequate housing continues to grow according to UN reports.

According to Choguill, sustainable housing solution should be designed to meet three primary objectives (Choguill 2007:143). The first objective is that housing policies must provide the basis for household improvement. Secondly poor people must be empowered and finally the policies must give psychologically the poor a feeling of self-worth.

In order to achieve sustainability in the housing sector, policies in five areas must be devised and implemented (Choguill 2007:143). The first policy area requires the involvement of the community, secondly access to good quality building materials at an affordable cost, thirdly appropriate building standards, fourthly accessible housing finances, and finally the availability of adequate land.

## 2.4 Understanding How Housing Markets Work

A proper understanding of how the housing market works is necessary to understand and predict the effectiveness of housing policies.

The conceptual framework for understanding how housing markets operate has two essential elements (Galster 1997: 561). Housing markets are understood as a choice of interrelated sub markets of distinct qualities. The supply of private housing changes through new construction and conversions in response to alterations in the cross-sub-market pattern of profitability.

According to Galster *ibid*, from an analytical perspective, a locality's housing market should be understood as a segmented, interconnected array of housing sub-markets. The different sub-markets are a representation of the different set of exchange possibilities for the rental or sale of dwelling units. The different sub-markets, although different in building, parcel, status, environment and neighborhood conditions, are perceived as reasonably close substitutes by the consumers and suppliers of housing. Quality is perceived in a range by consumers and suppliers (Galster 1997: 563).

Galster *ibid* notes that the quality segmentation of the housing market has two important implications. Firstly, each sub-market has its own demand and supply dynamics because the quality attributes of houses are not perfectly substitutable. Secondly, the sub-markets are interrelated, because there is some substitutability among them. Households might switch between the different sub-markets, but also suppliers can move their stock from one sub-market to the next by either upgrading or downgrading their units while builders of new units might view the different sub-markets as competition. Housing sub-markets therefore respond to demand/supply dynamics within the sub-market, but also across submarkets. The magnitude and patterns of demand and supply adjustment are not uniform and will differ across the different sub-markets. The magnitude of sub-market responses is higher where there is closer substitutability (Galster 1997:563).

According to Galster *ibid*, the number of private suppliers of housing stock is significant in the low and moderate quality sub-markets in a given locality. These private suppliers are assumed to respond to changing market conditions by physically modifying the existing stock to improve or degrade its condition and/or build new units in some of the sub-markets to maximize the rate of return on their investments (Galster 1997).

Galster *ibid* notes that in each sub-market a short term rent and occupancy will be defined by the interaction of the sub-market determined by the sub-market demand and the stock potentially available in the sub market. Demand in each of the sub-markets is determined by income and household type, composition, distribution and relative rents across substitute submarkets. The return for private property owners is defined by the rents and occupancy levels and the cost structure of each of the submarkets. The rate of return may be higher or lower across the different sub-markets or investments achieved outside the housing sector (Galster 1997).

According to Galster 1997, the conceptual model has three key implications for housing policy interventions. Firstly, policies that target to improve the living conditions of the lowest quality sub-markets may not necessarily be constrained to the sub-market to affect them. Secondly, impacts of policies targeted at the lowest quality level sub-markets will not be contained within that sub-market, but will spread to near-quality sub-markets through mobility of households between the sub-markets and response of private property owners. Third, the immediate, short-term impacts of the policy are likely to be modified significantly over a longer period as the private suppliers of housing alter the distribution of housing stock across sub-markets in response to policy induced changes in the rate of return property owners can earn in the various sub-markets (Galster 1997: 563).

## 2.5 Housing Finance Systems

Providing proper housing is capital intensive and not even the well-off middle income group in developed and developing countries can acquire a house without a mortgage or long term financing. Although the nature of the problems, resources and modes of delivery differ, many governments even in first world countries are faced with the challenge of providing financing for social housing.

According to Renaud 1999, obtaining commercial housing finance for the poor especially in developing countries is normally close to impossible. The current mortgage lending practices require that households have sustainable jobs linked to predictable income streams together with collateral to qualify for a mortgage. A significant proportion of the households in especially the developing countries do not have collateral, permanent jobs or predictable, secure incomes. These households are normally linked to the informal economy where no official records exist of their historical income (Renaud *ibid*).

Developing countries according to Renaud *ibid* normally lack pro-active and well articulated housing finance strategies that are concerned with the overall efficiency of financial markets. New housing finance strategies are focused on the efficiency of mortgage markets. Safe and sound housing finance systems organized on a commercial basis is facilitated by the acceleration of world urbanization and the global transformation of financial systems. (Renaud 1999: 760). The rapid expansion of private competitive commercial housing finance is essential to finance the waves of urbanization in developing countries as national and local governments do not have the resources to meet the housing challenges presented by rapid urbanization (Renaud 1999: 760).

According to Renaud *ibid* the forces that are changing financial systems and are also affecting housing finance services include financial liberation,

financial innovation, global convergence of banking regulation and supervision and the digital transformation. Financial liberation began in the US already in the 1970's and has since spread across financial markets. Financial innovation is leading towards seamless financial markets focusing on providing specialized financial services as opposed to specialized institutions such as mortgage finance. The other forces that shape housing finance are the global convergence in banking regulation and supervision that was set in motion by the Basle Committee and the digital information revolution that is changing every aspect of banking and finance such is payment systems, settlement systems and risk management, automated loan underwriting systems and home banking (Renaud 1999:760).

According to Renaud "The number and condition of our houses is a symptom of our methods of financing them ..."(Renaud 1999: 151). Renaud continues by highlighting that unless we fully understand the implications of our methods of financing, taxing and subsidizing our houses we cannot arrive at any solution to our housing problems. The basic principle of finance is that the financial services that we are designing should fit the economic characteristics of the product or activity that we intend to finance. Therefore to design a sound housing finance a thorough understanding of housing markets is essential..."(Renaud 1999: 151).

According to Mitlin 2008, over the last 15 years, innovative housing finance solutions were developed by low-income groups to support housing, infrastructure and community development. Low-income households especially in informal settlements have managed to improve their living conditions by negotiating tenure security, constructing and extending their houses and in some cases even providing their own water and sanitation networks. The schemes in informal settlements normally combine individual savings, group savings, loans from the group, government and micro loans and subsidies from governments to improve the living conditions of the poor. The environment created by the withdrawal of the state from direct provision of housing, the focus of governments on working with finance to enable

greater choice for beneficiaries, financial deregulation and growth in the microfinance industry has improved access to finance. According to Mitlin, innovative approaches using savings and loans to transform low-income neighborhoods have demonstrated impact at scale (Mitlin 2008: 1).

## **2.6 Typology of Housing Finance Systems**

According to Renaud, it is possible to determine from their visual appearance, how housing units and neighborhoods have been funded in developing countries. Renaud distinguishes among three main types of housing production systems that are shaped by their financing (Renaud 1999: 762).

Informal financing according to Renaud *ibid* relies on small, localized mutual and irregular forms of finance that are usually dependent on common local ties. The system is based on various ways of pooling savings. Informal financing leads to incremental forms of housing investment and owners become 'self-developers'. According to Renaud *ibid*, this system dominates many cities and their neighborhoods look like endless, almost permanent construction sites.

Renaud *ibid* notes that private bank financing facilitates the production of a diversified stock of completed housing units that are built in a relatively short time, by professional and experienced developers. The units are produced in a very competitive real estate industry with a wide variety of enterprises of all sizes (Renaud 1999).

According to Renaud *ibid* state financed projects are characterized by large-scale housing projects dominated by engineering objectives and consist of standardized, monotonous units of relatively high cost by low value for their occupants (Renaud 1999: 762).

## 2.7 Issues in Housing Finance

According to the UN 2009, there are two essential issues that stand out in housing finance in developing countries. First is the mobilization of household savings in the form of financial assets. Household savings form the largest part of domestic savings and are therefore an important source of housing finance. The second issue deals with the process of lending and determines how financial institutions give various income groups access to housing loans (UN 2009:3).

Domestic saving according to the UN are influenced by inflation, returns on savings, liquidity, security, access to financial services and the level of the country's development. Access to housing loans on the other hand is primarily influenced by transaction costs, collateral requirements, affordability and subsidies (UN 1994).

According to the UN *ibid* domestic savings in developing countries are generally low for a number of reasons. Developing countries are normally characterized by high inflation which erodes the value of financial assets and thereby discouraging households to save. High inflation raises the risk of long-term financial contracts and makes it difficult to make sensible long term investment decisions. In an environment of rapid inflation and administered interest rates, financial institutions cannot offer positive real rates of interest to depositors which further discourage long term savings. Many savers in developing countries in particular those with low incomes have a preference for high liquidity and want their savings to be instantly available for when it's needed. Confidence in the financial sector is also low which further discourages domestic savings (UN 1994).

Savings according to the UN *ibid* are also influenced by the access that households have to financial services. Low-income households are normally excluded from financial services as financial services are lacking in low-



income areas while low-income residents do not feel comfortable to deal with formal institutions. The level of economic development is also generally low in Developing countries and the financial dept is low. Financial depth is the ratio measure as the ratio of financial assets to GNP (UN 1994).

Sources of housing finance according to the UN *ibid* are also limited in developing countries. Developing countries primarily rely on voluntary savings and government allocations to finance housing development. Voluntary savings consist of household savings in formal and informal institutions.

Budgetary allocation by government which can either come from tax revenue, loans and guarantees are normally an important source of finance for housing through subsidized loans. Budgetary allocations normally depend on the state of the local economy and the ability of national governments to collect tax revenue (UN1994).

Funds from mandatory savings such as pension and provident funds are normally not available for housing although these funds are ideal for housing finance because they are typically large, buoyant and long-term (UN1994: 8).

Secondary markets according to the UN 1994 are limited in developing countries because they are still in their infancy stages to play a significant role in housing finance. According to the UN *ibid*, the process of financing in developing countries is complex and intricate, increasing transaction costs on loans issued because of their requirements for collateral and proof of affordability. Transaction costs for long term financing like mortgage lending is accompanied by cost of monitoring and enforcement. Most poor households cannot produce formal evidence of their income and financial institutions face significant difficulty in establishing creditworthiness of applicants. In order to reduce lending risk, housing-finance institutions require information on borrowers, design appropriate mortgage contracts, monitor loan recovery and foreclose where necessary (UN 1994:10). All these costs refer to transaction costs and can be high especially in developing countries where land and

income information is difficult to verify and incidence of default is high and foreclosure is constrained by legal and cultural barriers. Loans in low-income areas are generally small and transaction costs can form a substantial proportion of the total costs. Housing-finance institutions therefore have little incentive to lend to low-income groups.

## **2.8 Empirical Research**

No empirical studies on government subsidy loan schemes similar to the BT Program could be found. Research on assessing the performance of government housing policies was discovered, but none have used the Balance Scorecard concepts and analytical tools in their assessments.

The empirical research identified, is based on the upfront capital subsidy program invented by Chile in 1973. The Chilean housing model was praised by USAID in the 1990's as 'best practice' because it incorporated three elements namely private market provision, explicit targeting of the poor and transparency (Gilbert 2004). Allan Gilbert's research provides useful insights for Namibia's BT Program loan scheme. The research makes a comparative study on the success of implementing the capital subsidy program in Chile, Columbia and South Africa.

The research paper by Gilbert *ibid* examines whether capital subsidies have reached the poor, whether they have provided satisfactory housing solutions and whether the policy demonstrates consistent weaknesses across the three countries.

Evidence for the research is taken as a by-product of a research project undertaken by the British Economic and Social Research Council's 'Global Governance Programme' which focused to understand how housing policy experience is diffused between countries and how Washington has been involved.

According to the findings of Alan Gilbert *ibid*, the capital subsidy model received many criticisms in all three countries, but research showed that the new model was perceived to be better than the previous systems. The general view about the capital subsidy program in all three countries is however one of mixed success.

The study found that the principal challenge to governments in the housing field is how to bridge the gap between substantial demand for housing and limited resources to satisfy that demand. The main challenges listed are the size of the task, the resources available for housing subsidy programs, target proliferation, and breath versus depth concerns.

The size of the task highlights the reality that the housing deficits and therefore the housing problem is much bigger than what governments can deal with. For example, the housing deficit in 2001, for South Africa was estimated to be between 2 and 3 million units. (CDE 2001 quoted in Gilbert 2004).

In terms of the available resources, none of the three countries have funded their housing programs very generously. South Africa for instance spent less than 1% of its budget on housing (RSA, Department of Housing 199a: 17 quoted in Gilbert 2004). According to Renaud, Third World governments typically spend 2% of central government expenditure on low income housing (Renaud 1999: 1 quoted in Gilbert 2004).

In terms of target proliferation, all three countries aimed to achieve more than assisting the poor by improving access to homeownership and to improve the quality of housing stock. In Chile housing was redesigned to form part of the revolutionary new economic and social model. In Columbia, in addition to the having the same goals of Chile, the housing program was used to generate more employment while the South Africa government used the housing subsidy program to generate employment and to encourage the development

of black entrepreneurs. According to Gilbert 2004, target proliferation makes it more difficult to achieve the basic goals and complicates evaluation.

The basic dilemma according to Gilbert *ibid* of any government is the breadth versus depth questions. The basic question in the housing sector remains how to maximize government expenditure in the housing sector? The government can decide to maximize the number of subsidies and accept a lower standard house or it could maintain a certain standard of house with fewer subsidies. There is therefore a basic trade-off between the number of subsidies and the quality of the final housing products. In the beginning Chile was determined to maintain standards and therefore over time fewer subsidies were given to the better-off for proper housing. The accuracy of the targeting however, improved greatly after 1990. In Columbia, beneficiaries received small subsidies to increase the number of subsidies, but these small subsidies were backed-up by the offer of credit. In Columbia, subsidies to build informal housing were only embraced fully in 1994 after the new government realized that few subsidies went to the poor. South Africa on the other-hand committed itself to maximizing the number of subsidies and adopted a formal sector housing approach. South Africa only accepted the need for aided self-help with the adoption of the 'Peoples Housing Process' in 1998 (Gilbert *ibid*). Political conditions normally influenced the choice between breadth and depth of the housing program.

According to Gilbert 2004, there are a number of challenges in attempting to do too much with too little as evidence from the three countries show.

Firstly, there is an immediate development of housing queues with the introduction of capital subsidies. The number of families who would like to receive a subsidy normally far exceeds the subsidies available. In Chile for example, the average wait for any subsidy is 15.6 years and the wait for a basic housing unit is 21.4 years. During the first phase of the capital subsidy program in Colombia, 73% of all the households in the country were eligible for subsidies. Families were expected to contribute a minimum of 5% of the

price of the house, a total of 150,000 families were waiting for approvals. In 2000 while officials were denying the existence of a queue, 100,000 families were chasing after 3,300 subsidies. In South Africa the demand for subsidies also exceeds the supply. According to Merten, 221,000 families were on the waiting list, with 26,000 additional families joining each year (Merten 1999, quoted in Gilbert 2004).

Secondly, the subsidies were generally targeted to poor families who wanted to become home owners. Qualifying households were also required to be nationals rather than foreigners. In addition there were special exclusions for each country. Chile targeted the 'deserving poor' by giving priority to those willing to save. Columbia initially had the same criteria as Chile, but changed to reach those who were even poorer, but later changed back to the old system. Columbia also tried to focus on reaching women-headed households after 1998, but cancelled the program after it was too successful. Both Chile and Colombia have had real problems in reaching the poorest families because the poor could not maintain the savings record in Chile or could not access credit in Columbia. Building standards were also set very high and the poor families could not afford to buy houses (Gilbert *ibid*). South Africa on the other-hand promises the capital subsidy to virtually all families who earn less than R3,500. South Africa claims that over 92% of its subsidies granted went to households earning less than R1,500 per month. (RSA, Department of Housing 2001 quoted in Gilbert *ibid*)

The third challenge is the quality of the housing solution. According to Gilbert *ibid*, none of the three countries has managed to provide good quality housing. In Chile, who produced the most complete house, most of the homes were very small and the basic house in Santiago in 1990 was 33-34 m<sup>2</sup> in extent. The average size rose in the 1990's. In 1998 every family had only 9.3 m<sup>2</sup> per occupant (Niето, 2000:38 quoted in Gilbert 2004). Other complaints of the quality of the house related to poor design, thinness of walls and premature deterioration. In Columbia there were complaints of the small plot sizes which measured 18.74 m<sup>2</sup> (2.5 meters frontage by 7.5 meters deep).

Beneficiaries in South Africa have also criticized the quality of housing (Tomlinson 1999a quoted in Gilbert 2004). In the beginning, the average size of the units was only 25 m<sup>2</sup> with no partitions. Later the Department of Housing has insisted that the floor size of state subsidized houses be a minimum of 30 m<sup>2</sup>.

The fourth challenge relates to the location of subsidized housing. A common criticism in all three countries has been the poor location of subsidized housing far from the main centers of employment.

The fifth challenge highlights the creation of slum neighborhoods. According to Gilbert *ibid*, the program is criticized to create neighborhoods that are unsafe and deteriorate quickly because of the grouping of poor households. Many of the new owners cannot afford to maintain the accommodation or pay municipal service fees. The small size of the new houses has also helped to destroy the concept of the extended family. Further, the real estate market barely functions as it is difficult to obtain mortgages to buy these houses. In South Africa many families have opted to move out of the neighborhoods as a result (Gilbert *ibid*).

The six and final challenge highlighted by Gilbert *ibid* is access to credit. Faced by limited resources, all three governments committed themselves to improve the poor's access to housing finance. Governments realized that subsidies are small and that proper houses can only be provided if credit supplements the subsidy. All three countries have faced problems in convincing the banks to lend to the poor. According to Gilbert 2004, most banks regard lending to the poor as both an unprofitable and problematical exercise (Gilbert *ibid*). According to Tomlinson (1999c) traditional mortgage bonds are inappropriate for low income consumers because of the absence of collateral combined with the limited disposable income of households (Tomlinson 1999c quoted in Gilbert *ibid*).

Although the empirical study of Chile, Columbia and South Africa refers to the capital housing subsidy scheme which is different from the subsidized loan scheme of the BT Program, the lessons in the three countries provide insights that can improve the BT Program in Namibia. The issues and challenges highlighted in the empirical study will be used to develop a framework to assess the performance of the BT Program loan scheme.

Taking a closer look at the individual housing capital subsidy scheme in South Africa, Huchzermeyer 2001 highlights that the scheme is a result of intense negotiations within the National Housing Forum from 1992-1994. According to Huchzermeyer *ibid*, housing policy at the time focused on resolving tensions between product and process in an attempt to combine the dominant position of the private sector for the commodification of housing with the people-centered housing process advocated by the democratic movement (Huchzermeyer 2001:303).

Housing in South Africa is regarded as a basic need and the right for access to adequate housing is protected by the Constitution (Huchzermeyer 2001:305). Adequate housing is defined by the Housing White Paper of 1994 as *“viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities, within which all South Africa’s people will have access to*

- *A permanent residential structure and with secure tenure, ensuring privacy and providing adequate protection against the elements; and*
- *Potable water, adequate sanitary facilities including waste disposal and domestic electricity sup[ply]” (Department of Housing, 1994, p.12)*

This definition is wider than a top structure and in line with the broad definition of adequate shelter put forward by the Habitat Agenda.

Adequate housing in South Africa is the responsibility of the state according to the constitution. To address the housing need, the government created the

once-off product-linked capital subsidy. The subsidy requires home-ownership of a standardized housing unit. The model created large-scale developments of uniform, free standing, mostly one-roomed houses with individual freehold title in standardized township layouts located on the urban peripheries (Huchzermeyer 2001:306). The private sector promotes this model as a means for the poor to escape the poverty cycle while others hold that the model creates poverty traps.

According to Huchzermeyer *ibid* there is a gradual shift away from the once-off capital project-linked subsidy model producing free-standing houses on individual plots with freehold tenure (Huchzermeyer 2001:305). Firstly, private sector induced shifts focus on providing conventional mortgage finance to the low income groups through agreements with government and banks. These agreements led to the formation of the National Housing Finance Corporation and the National Urban Reconstruction and Housing Agency. Private sector top-up funding is however still not accessible to the low income groups. The proposal from the private sector is now to mobilize savings at the community level in the lowest income groups as opposed to forcing banks to extend conventional financing. Individual savings history should then determine eligibility for subsidies and loans (Huchzermeyer 2001:313).

Secondly, shifts away from the once-off capital project-linked subsidy model are initiated by the mass democratic movement consisting of organized labour with its constituency of formally employed low-income sector pushing for combining government subsidies with private sector finance to allow for longer term financial support for affordable housing. The ideal vehicle is seen as a national housing bank or housing “parastatal” (Huchzermeyer *ibid*).

Lastly shifts are initiated by the Homeless People’s Federation supported by the People’s Dialogue and by an international movement which encourages the poor to mobilize their own resources and find their own housing solution. This approach known as the People’s Housing Process (PHP) has been



associated with sustainable housing. According to Huchzermeyer 2001 the People's Housing Process could officially access the portion of the capital subsidy earmarked for the top structure only in May 1998. The ministry is also placing more reliance on the process of people building their own houses while government will focus on providing people with the necessary infrastructure (Huchzermeyer *ibid*).

## **2.9 Case Studies**

### **2.9.1 The Experimental Housing Allowance Program (EHAP)**

Most of the housing policies and interventions in the West, Europe and the Developing countries are based on the Experimental Housing Allowance Program (EHAP) that was implemented by the US in 1973 and ran until 1982 when its final evaluation was completed. The main goal of EHAP was to determine whether low-income families in need of decent housing might be better serviced if they received housing allowances – direct cash payment for housing than if they were offered subsidized housing built by or for the government (Renaud 1999: 151).

The core finding of the experiment is that beneficiaries do not have housing problems as much as they have an income problem (Renaud 1999: 151). Another important finding by the experiment is that demand-side housing allowances are better than supply-side subsidies from a social and economic perspective for three reasons. Firstly, the 'deadweight losses' in consumer welfare were lower for housing allowances compared to public housing because the programs are experienced by beneficiaries much more as income-transfer programs than housing programs. Secondly, losses in consumer sovereignty are lower because tenant satisfaction are lower when given access to a specific housing unit than when they can exercise choice of rental units with the help of a housing allowance. Thirdly, and finally the resource costs of providing units under the supply-side program was found to be considerably larger than under the demand-side program (Renaud 1999: 151).

A number of other key findings from the experiment were also substantial. Firstly, public housing programs were inequitable and wasteful because the units serviced only a fraction of the population eligible for housing assistance while the subsidized units were more expensive to build and maintain than similar units in the private housing market (Renaud 1999: 151). Secondly, some poor households spend half or more of their income for housing while others chose to live in inexpensive and inadequate dwellings. Consequently, budgetary relief is probably a higher priority for low income households than better housing (Renaud 1999: 152). Thirdly, imbalances in supply and demand tend to be reflected in vacancy rates rather than remedied by price changes.

According to Renaud 1999, these findings are also applicable to developing countries where the key findings of the EHAP were extended by the implementation of site specific experiments in developing countries. Although, the context differs with regard to the availability of financial resources, the scale of needs and the availability of skills, the key findings of the EHAP program were confirmed and extended in experiments conducted in Developing Countries (Renaud 1999).

### **2.9.2 Grameen Bank (GB) Bangladesh**

The GB presents an excellent case study on how to provide credit to low-income groups. The bank won the Nobel Peace Prize in 2006 for its concept and methodology of micro-credit. GB was started by Professor Muhammed Yunus in Bangladesh and literally means village bank. Bangladesh had an estimated 150.49 million people in 2011 according to the World Bank. GB is based on action research conducted during 1976 to 1979 and in 1983 the banking project was converted into an independent bank. The banking system is based on mutual trust, accountability and creativity. The purpose of the project was to start a credit delivery system to provide banking services targeted at the poor (Grameen Bank 2011).

The bank has the following objectives (Grameen Bank 2011):

- "Extend banking facilities to poor men and women;
- Eliminate the exploitation of the poor by money lenders;
- Create opportunities for self-employment for the vast multitude of unemployed people in rural Bangladesh;
- Bring the disadvantaged, mostly the women from the poorest households, within the fold of an organizational format which they can understand and manage by themselves; and
- Reverse the age-old vicious circle of "low income, low saving & low investment", into virtuous circle of "low income, injection of credit, investment, more income, more savings, more investment, more income".

In October 2011, the bank had 8.349 million borrowers of which 97% are women. The bank has 2,565 branches covering more than 97% of all the villages in Bangladesh. Borrowers of the bank own 90% of its shares while government owns the remaining 10% (Grameen Bank 2011).

The bank requires no collateral and does not wish to take any borrower to the court of law in case of default. Although the borrower must belong to a five member group, the group is not required to give any guarantee. Repayment responsibility solely rest with the individual borrower (Grameen Bank 2011).

Total loans since inception amounts to U\$11.35 billion and 10.11 billion is repaid. Outstanding loans amount to U\$968.31. Between November 2010-October 2011, the bank disbursed U\$1480.53 million which is on average U\$123.38 million per month. The bank has a recovery rate of 97%. All loans are financed from the bank's deposits while 56% of the deposits at the bank came from the banks own borrowers. The deposits are 145% of outstanding loans.

The bank does not receive any donor funds or outside borrowings since 1998. GB earned profits every year since its establishment except in 1983, 1991 and 1992. During 2010, the total revenue of the bank was U\$252,05 million and total expenditure U\$241.29. The largest component of expenditure was interest payments on deposits comprising 54%. GB earned a profit of U\$10.76 million in 2010 (Grameen Bank 2011).

GB has a number of different products including housing loans, micro enterprise loans, scholarships, education loans the beggars program and the social venture capital fund. What is of interest in this paper is the housing loans. The housing loans operate since 1984. The maximum loan in 2011 was U\$354 to be paid over 5 years in weekly installments at an interest rate of 8%. Since the introduction of the housing loans, more than 690,737 houses were constructed at an average cost of U\$181.50. In total U\$211.21 million was disbursed for housing loans. During November 2010 and October 2011 a total of 4,482 houses have been constructed with housing loans totaling U\$0.69 million (Grameen Bank 2011).

According to Morduch, part of the success of GB has been built around subsidies and it explains why similar models of banks have not sprung up around the world (Morduch 1999). Subsidization is critical during the start-up phases of the bank, but once the bank has matured the need for subsidies recede as shown by GB.

## **2.10 Housing Policy Lessons Learnt**

Following the literature review, it is essential to identify a few key success factors for national housing solutions.

**Targeted Policy:**

Firstly, the policy must be focused and clearly identify the target groups. An important realization with the understanding of how housing markets work is that assistance in one sub-market cannot be contained in the specific sub-market. However, it is critical that the direct beneficiaries fall within the target group.

**Appropriate Scale:**

Secondly, housing policies must deliver at an appropriate scale and sufficient resources must be available to deliver at the required scale. The policy must at least deliver sufficient units to address the annual demand. This is where the tension of product versus process comes to the fore. History has shown that, an over emphasis on technology and product to deliver units in mass like the public housing programs has failed for various reasons as discussed earlier, but in particular because financial resources were scarce while the targeted beneficiaries could not afford the units.

**Enabling Environment:**

Thirdly, to be successful the housing policy must involve and empower the targeted beneficiaries. The policy must draw on the resources of the poor in particular their skills. The policy must create an 'enabling environment' to create the necessary economic, financial, legal and institutional environment required to support the housing sector. In particular, the government must focus on the demand side interventions to ensure that assistance go directly to the individual.

#### Quality of Units:

Fourthly, the policy must deliver units that create value for money. Units must be completed and must be of sufficient size to meet the needs of beneficiaries. Further, the units must be located close to work, recreation and social facilities within healthy neighborhoods, with diversified housing stock and access to basic services namely water, electricity, sewer and social facilities. Beneficiaries should also have a choice to own or rent units and should have security of tenure.

#### Policy Sustainability:

Funds should not be limited to government funding only. Private sector and community financing must be mobilized. Access to credit is critical for the overall success of the housing solution.

#### Operational efficiency:

Grameen bank has proven that the long, complex operational procedures can be replaced by an operational system that can be understood by low-income groups. Risk management practices must also be suited for the targeted group.

#### Capacity to learn:

Over the years housing policies have adjusted as institutions learnt what works and what does not. It is important that the policy is reviewed on a regular basis to ensure that it remains relevant.

### **2.11 BTP Critical Success Factors**

The critical success factors identified for general housing policy is also applicable on the BT Program. These critical success factors form the basis of assessment for the BT Program within the four main perspectives of the Balance Scorecard. Some of these critical success factors will be expanded to agree with the structure of the Balance Scorecard.

#### Targeted Policy:

Firstly, the degree of focus of the BTP will be assessed by looking at the target group and who actually benefits from the program.

#### Appropriate Scale:

Secondly, the BTP will be assessed if it has clearly defined the scale of the housing problem within the BTP target group. The rate of delivery of the BTP will be assessed if it is adequate to meet the required annual demand within the target group and if it tackles the existing housing backlog within the target group

#### Enabling Environment:

Thirdly, the BTP will be assessed on the level of involvement and empowerment of the targeted beneficiaries. The BTP must create an 'enabling environment' that must draw on the resources of the poor in particular their skills.

#### Quality of Units:

Fourthly, the BTP will be assessed on the quality of the units it delivers looking at the level of completion, size of the units and the level of tenure security the units offer. The research will also assess the location and accessibility of BTP houses to municipal and social services such as water, sewer, electricity, roads; economic opportunities like jobs and social and recreational services such as schools, hospitals and parks.

#### Policy Sustainability:

The BTP will be assessed for sustainability and the availability of finance outside government funding especially looking at the availability of private sector and community financing. In addition, the research will assess if the target group of the BTP can afford the products offered by the BTP.

Operational efficiency:

The operational procedures of the BTP will further be assessed to determine its complexity and level of understanding by low-income groups and if risk management practices are suited for BTP beneficiaries.

Capacity to learn:

Finally, the research will assess if the BTP learns from past experiences and adapts to changing circumstances to remain relevant.

## **2.12 Contribution to Research**

The BTP is a supply side intervention that aims to follow an enabling approach focused on communities hence the name 'Built-Together'. However, different municipalities implement the program differently and the result is that BTP interventions vary from the typical supply side oriented council housing to the pro-poor people's housing process. In Windhoek, the people's process is promoted as BTP loans are limited to groups. Households must form part of a group to qualify for BTP loans. The BTP is further a subsidized loan program, unlike the capital subsidy programs that are promoted in South Africa, Chile and Columbia.

The research will test the theory that government housing programs normally do not deliver adequate, affordable houses at an appropriate scale that meet the needs of the target group. The critical success factors for housing delivery will therefore be tested on the products the BTP deliver. The research will therefore look at issues of focus, social acceptability, affordability, access to basic services and the sustainability of the BTP and how it compares to the general view of government housing programs.

Secondly, it is the first time that the Balance Scorecard is used in assessing housing policy and strategy. It appears that the use of Balance Scorecard concepts and analytical tools will add significantly to the focus and effectiveness of housing policy in general. In particular the Balance Scorecard conceptual system can contribute to the improvement of the BTP in Namibia.



## - CHAPTER 3 –

### 3 RESEARCH METHOD

#### 3.1 Introduction:

Chapter 3 gives a brief overview of the theory of research, it then goes into discussing the research method and proposing a design and a measurement tool to assess the success of the BTP loan scheme. The chapter concludes with a discussion on the execution of the research.

#### 3.2 Theory of Research

In designing the research, it is necessary to quickly divert to the difficulties in adopting the overall approach to test the hypothesis. There are basically two dominant approaches in social science research, namely quantitative and qualitative approaches. Social science is defined as the scientific study of human behavior (Punch 2005: 7). The aim of social science according to Punch *ibid* is to build explanatory theory about people and their behavior. Research is defined as ‘organized common sense’ (Punch 2005: 7). Empirical research refers to the collection of observable real world data both quantitatively (numbers) and qualitatively (not numbers) (*ibid*).

Quantitative and qualitative approaches are widely used today to explain people and their behavior and there is an increasing tendency to combine these approaches (Punch 2005: 1). It is therefore critical to have an understanding of both approaches in informing research.

Quantitative methods dominated before the 1960’s and focused on replicating the scientific method of doing research. The objective of the scientific method in social sciences is to use theory to explain data and use data to build and test theory (Punch 2005). The overall approach of the quantitative method has a problem statement, a hypothesis (optional) that has to be accepted or

rejected, research questions, observations, theory, prediction, experiment and measurement. Quantitative research questions are prespecified and follow a tightly structured design (*ibid*). Data to be collected is numerical and measurement systems use counting or scaling to give data a numerical structure. Data analysis use statistical methods to categorize, describe and explain data. Practical and ethical limitations of the experiment led the development of the quasi-experimental and the non-experimental situations (*ibid*). However, the quasi-experimental and non-experimental designs continue to apply the scientific design principles.

In contrast to the quantitative approach, the qualitative approach has multiple methodologies and research practices (Punch 2005: 134). These research methodologies and practices include case studies, ethnography, grounded theory and action research. The objectives and research environment will determine which methodology is used in the research. The main data collection tool for qualitative research is the interview. Interviews can be structured, semi-structured or unstructured depending on the aims of the research. The overall approach of qualitative research recognize that there is a continuum of possibilities to structure research and the structure chosen depends on the objective of the research i.e if it is theory generation or theory verification. Research questions are general and unfolding. Data are unstructured in the beginning in particular when it's collected and categories and codes unfold as data are analyzed. Structure is therefore introduced at a later stage. Data can consist of numbers, words and other observation material depending on the situation and the phenomenon under study. Various analytical methods for qualitative data exists including coding, memoing and discourse analysis.

In selecting a data collection method, it is necessary to give a brief overview of the methods that can be considered for this research.

## Experimental Designs:

The experiment involves the physical manipulation of variables for research purposes using controlled comparison groups (Punch 2005). In its simplest form, the experiment has two groups, the treatment group and the control group. The independent variable is manipulated in the treatment group while nothing or something different is done to the control group. The groups are then compared based on the dependent variable to conclude that the differences between the treatment and control groups are a result of the treatment administered or the independent variable (*ibid*). The experiment takes the variables out of their natural occurring environment to isolate and test cause and effect relationships of the variables under study. A key assumption of the experimental design is that the comparison groups are the same except for the different exposure to the treatment variable. Historically, the core of the scientific method for data collection was the experiment and measurement.

“The experiment was seen as the basis for establishing cause-effect relationships between variables, and its variables had to be measured” (Punch 2005: 65). The cause-effect relationships meant that there was a dependent variable, control variable and an independent variable on which data was collected. According to Punch *ibid* the conceptual framework of the experiment shows the structure of the study in terms of these variables. The experiment looks forward from the independent variable to the dependent variable, namely from causes to effects and ask the question: what is the effect of this cause?

## Quasi-experimental and Non-experimental Designs:

Quasi-experimental designs came about primarily because of the practical and ethical limitations of the experiment (Punch 2005). The logic of the experiment was however still applied.

Quasi-experimental designs are applied between naturally occurring treatment groups where comparison of variables are possible to study the relationship between variables. A key requirement of the quasi-experimental design is that the boundaries of the naturally occurring groups are clear cut. Comparison groups are not specifically setup for research and therefore other variables that can influence outcomes cannot be eliminated in the design. Because variables are not isolated in the design, statistical methods are used to approximate the experiment and isolate the variables using correlation and regression as its main features.

In non-experimental designs, comparison groups are not easily distinguishable and the natural variation in the independent variable is studied. According to Punch *ibid*, the researcher has little control over when to measure outcome variables in relation to the exposure to the treatment variable. Statistical methods are also used to approximate the experiment and isolate the variables using correlation and regression as its main features.

Correlation surveys look backward, from the dependent variable to the independent variable or from effects to causes. The key question according to Punch *ibid* is: what are the causes of this effect?

### Case Study

A case study although mostly associated with qualitative technique, can also be quantitative and is therefore briefly discussed as it also informs the selected method of research. Case studies according to Punch "is more strategy than method" (Punch 2005:144) The case study studies one case in detail in order to develop a full understanding of the case. According to Punch *ibid*, the purpose of the case study is to understand the case in detail in its natural environment taking full account of its complexity and context. It further aims to have a holistic outlook, focused to preserve and understand the overall case.

A case is defined as a phenomenon of some sort occurring in a bounded context and can be an individual, a small group, an organisation, a community or a nation (Punch *ibid*). A case, according to Punch *ibid* can further be a role, a decision, a policy, a process, or an incident or event.

According to Punch *ibid*, the four characteristics of a case study are:

- 1 Firstly, the case is a bounded system;
- 2 Secondly, the case is a case of something;
- 3 Thirdly, a case study preserves the wholeness, unity and integrity of the case.
- 4 Fourthly, the case study can have multiple sources of data and a number of data collection methods.

### **3.3 Research Method**

Research design is the basic plan for the research and has four major questions according to Punch 2005 namely:

- 1) Following what strategy?
- 2) Within what framework?
- 3) From Whom?
- 4) How?

Following what strategy?

Research strategy deals with one primary question which informs the overall design namely is it quantitative or qualitative or is it a combination? Depending on the answer to the first question, the structure and design of research questions and the data to be collected and the method of collection will be determined. "Quantitative questions require quantitative methods to answer them, and qualitative questions require qualitative methods to answer them" (Punch 2005: 19).

This research follows a quantitative approach, but with a mix of qualitative approaches where required. The research will therefore take a snapshot of a particular situation at a particular time and will collect and analyze quantitative and qualitative data primarily using statistical methods to describe the data in order to develop a profile of beneficiary households and a profile of the administrative issues in the daily operations of the BTP.

1) Within what framework?

Framework refers to conceptual status of the variables being studied and their relationship to each other (Punch 2005: 64).

The purpose of this research is to compile a status or descriptive profile of the beneficiary households while having a proper understanding of the administrative issues involved in the daily administration of the BTP.

No inferences will be drawn to the entire population and the research is not aiming to identify causal relationships to develop predictive models.

2) From Whom will data be collected?

Data will be collected from two sources namely BTP beneficiary households and key informants from institutions involved in the daily administration of the BTP.

A detailed analysis of beneficiary households will be done in order to compile a status profile of beneficiary households to assess the success of the BTP.

Key informant surveys are conducted to collect data about the BTP from institutions involved in administering the program. A key-informant of the BTP system is defined as someone knowledgeable about the BTP system and involved daily in implementing the BTP system. Informants were defined by

the institution at which they are employed, the nature of what they do and their respective positions.

### 3) How will the data be collected?

Data will be collected from a non-probabilistic sample of the population using the status survey and from key informant structured surveys.

Sampling is the process of selecting a representative subset of observations from the population (Wegner 2001:170) All research, qualitative and quantitative involves sampling as the research cannot study everyone, everywhere doing everything (Punch 2005). According to Neal, the interpretation of the results of a survey hinges on the method of sampling that was used in gathering the data (Neal 1986:49). Wegner *ibid* lists two basic methods of sampling namely non-probability sampling methods and probability sampling methods.

Non-probability sampling methods are defined as any sampling method in which the observations are not selected randomly. Wegner *ibid* lists three types of non-probability sampling techniques namely convenience sampling, judgment sampling, and quota sampling. Each of the non-probability sampling methods has their advantages and disadvantages listed in Neal 1986. The basic difficulty with non-probability sampling is they are not representative and inferences drawn to the population are questionable (Neal 1986).

Probability sampling on the other hand includes sample selection procedures where the observation to be included in a sample have been selected on a purely random basis from the population (*ibid*). It is only when samples are randomly selected that sampling errors can be measured to establish the representativeness of the sample. Inferential statistics can only be applied to data collected from a probability sample where the sampling error can be statistically measured (*ibid*).

“The logic of quantitative sampling is that the researcher analyses data collected from the sample, but wishes in the end to make statements about the whole target population from which the sample is drawn” (Punch 2005:101). The findings of the sample are about the sample, but through inferential statistics the findings of the sample are extrapolated or generalize to the population (*ibid*). The sampling plan should fit in with the logic of the research questions. If the research questions require representativeness, the probability sampling procedures should be employed (*ibid*).

Traditionally, mathematically sophisticated sampling plans were regarded as critical in research design, but it seems to be no longer so important because of the growth of interest in qualitative methods, a swing from large samples in quantitative studies, and the growing practical problem of obtaining access to large and neatly configured samples required by sophisticated sampling plans (Punch 2005: 101). “Very often indeed, the researcher must take whatever sample is available, and the incidence of convenience samples (where the researcher takes advantage of an accessible situation which happens to fit the research context and purposes is increasing” (Punch 2005:101).

Sampling principles however remain important as it remains a key decision-making tool in quantitative research and because the principles give a useful model to sample selection. According to Punch (*ibid*) there are three questions to be addressed irrespective of the sampling method:

- 1) How big will the sample be, and why?
- 2) How will it be chosen and why?
- 3) What claims will be made for its representativeness?

The data collection method is primarily informed by the information to be collected. The primary data collection method to be used is the survey method which is a non-experimental method and is used to collect quantitative and qualitative data from the sample selected by the research. According to Punch 2005, there are three different survey methods namely the status survey, the correlation survey and the longitudinal survey. Firstly, the status survey, also



known as the normative survey or the descriptive survey has the objective of describing the sample in terms of proportions and percentages of people who respond to questions. Secondly the correlation survey is used to identify and study relationships between variables using conceptual frameworks similar to those used in experimental design (Punch 2005). Variables will therefore be conceptualized as independent, control and dependent. Thirdly longitudinal studies are a correlation study that makes recurring observations of the same variables over long periods of time.

The three primary data survey techniques are the distributed questionnaire, phone surveys and systematic interviews. According to Neale 1986, the systematic personal interview is an effective technique for reducing some of the biases created by the distributed questionnaire and phone surveys. However, a systematic sampling plan is required to provide adequate data. According to Neale *ibid*, the personal interview is the preferred technique for gathering survey data.

The research employs a non-probability sampling method, accidental sampling namely snowball sampling by using contacts to identify the first households to be surveyed and using study subjects to recruit additional households for survey. A non-experimental survey technique using the status survey (descriptive survey) is selected to describe the sample in terms of proportions and percentages of people who respond to questions. The focus of the analysis is to develop a detailed profile of the characteristics of the BTP clients at a particular point in time and not to predict variables.

In determining the sample size, the key question asked was 'How many responses are required to compile a descriptive profile of beneficiaries of the BTP?' The follow-up question of course is, how representative is this sample of the population? Sample size and representativeness is dependent on the population size, the required confidence level and how much variance is expected in the population.

Since the research is a status survey and the population is expected to have small variations, a small sample size is acceptable. In a resource (time, money) constrained world, there is always a dilemma between having complete data (a number of questions) per unit of analysis versus having a number of households with limited data (few questions). Qualitative surveys are purpose driven, and because the research questions and hypothesis required detailed information about each household on four different perspectives, the choice was made to collect detailed information about the households as opposed to collecting data on one or two variables on a number of households to meet the criterion representativeness. A detailed survey of each household was therefore employed to obtain detailed information to understand the household in depth. A proper description of the characteristics of the BTP client is essential to understand the significance of the program in the delivery of affordable housing. The research is not aiming to draw inferences of the population and a limited sample size is adequate to draw a complete profile of the sampled households.

There are a number of practical difficulties in working in low-income settlements highlighted by Mooya 2009. Despite these difficulties, experiences and perspectives of clients in housing programs are critical in ensuring that programs and policies best meet client needs.

To apply quantitative methods in informal settlements by observing phenomena independently as a researcher is in short simply impossible. Human behavior and responses cannot be reduced to a deterministic mathematical model. However, the proposed method does present a structure to begin to understand the workings of low-income households in various neighborhoods.

### **3.4 Analytical Framework**

In determining the success of the BTP we need to develop a measurement tool to assess the performance of the program objectively. Measurement is defined as the process of using numbers to link concepts to indicators when a continuum is involved (Punch 2005: 87). The measurement system starts with defining what is successful performance, selecting measures and indicators for measuring successful performance and finally obtaining empirical information for the indicators.

The balance scorecard was used as an analytical framework for the BTP because of its versatility. The history, applications and the applicability of the Balance Scorecard as a measurement tool was already discussed in Chapter 1. The indicators for success for the BTP program were derived from the literature review in Chapter 2.

The BS was used as a tool to assess the achievements of the BT Program from the perspective of the Ministry of Regional and Local Government, Housing and Rural Development. As highlighted above, the objectives and measurements for the scorecard were derived from the critical success factors for housing policies identified under the literature review. Targets were identified from historical performance or industry standards.

Critical success factors identified are targeted policy, appropriate scale of delivery, enabling environment, quality of units, policy sustainability, operational efficiency and capacity to learn. These critical success factors were structured according to the Balance Scorecard and measures and targets were identified for each success factor.

The Balance Scorecard will ensure that the BTP is assessed on critical success factors without over emphasizing one factor at the expense of another.

A) Financial:

The financial perspective addresses the concerns of the ministry and asks key questions to satisfy central government.

Objectives to be achieved under the financial perspectives are adequate scale of delivery, value for money, maximization of available funds and achieving program sustainability.

B) Customer:

The customer perspective addresses the concerns of Local Authorities (LA's) and Regional Councils (RC's) who are the customers of the line ministry.

Objectives to be achieved are the creation of an enabling environment and beneficiary satisfaction.

c) Internal Processes:

The internal process focuses firstly on the operational processes of the ministry to deliver grants in an efficient and effective manner and secondly on ensuring that grants allocated are used for intended purposes and not miss-allocated.

Objectives to be achieved are efficient and effective loan application processes and the minimization of risk.

d) Learning and Growth:

Learning and Growth focuses firstly on the ability of the ministry to focus and learn from the implementation of the BT Program and secondly on the capacity of the ministry to review and implement the learning's.

Objectives to be achieved are a learning organization and adequate capacity of the ministry for optimal functioning.

**Table: 3.1 Proposed Balance Scorecard**

Theme	Objective	Measurement	Target	Comments	
Financial Perspective “ If we Succeed, how will we look to our Financiers?”	Adequate Scale of Delivery	Adequate number of units delivered per year	110 Average number of units per annum	Average annual delivery of City of Windhoek and SDFN per year. (CoW 88 and SDFN 30)	
		Adequate Funds Approved	100% approval for funds applied per project.	Instead of approving an amount in isolation, funds should be approved on a project basis.	
	Value for Money	% Completion of Units	100% completion	Households must live in units	
		Average total number of beneficiaries per Year	484 Average number of beneficiaries	Beneficiaries = Average national household size times number of hh who benefited	
	Return on Investment	Total interest payments	4% return	In line with median interest rate charge	
	Maximize Available funds	Value over Funds allocated	100% increase in value	The total building cost of the unit on the ground must be at least 100% of funds allocated.	
		Total Funds re-invested	100% reinvestment	Total loan repayments by beneficiaries reinvested into the BT Loan Scheme	
	Program Sustainability	Loan Repayment %	96% recovery	To recover principal loan	
		Average Loan Value	Linked to annual inflation	To protect the time value of money.	
		Identify alternative funding sources	10% of total required funds	10% of funds required by projects to be financed by external funds.	
	Customer “To achieve our vision, how must we look to our customers”	Enabling Environment	Satisfaction % of Councils	Number of Complaints received	Number of complaints received from councils
Win-Win Relationship with Councils			12 Councils engaged per year	Number of Councils visited per year, at least 12 to cover all regions	
Participation of Private banks			Mortgages available	Additional credit for extensions	
Participation of communities			Communities involved	Progressive Housing Process should be supported	
Adequate			Units should	Units must be well	

		Shelter	have easy access to work, play and social facilities	located with full municipal services and easy access to facilities in the City.
	Beneficiary Satisfaction	Satisfaction % of surveyed households	90% of households satisfied	Conduct satisfaction survey amongst beneficiary households
Internal Processes “To satisfy our customer, at which processes must we excel?”	Efficient and Effective Loan application process in the ministry	Clear documented loan application process	Prescribed Application forms available	Prescribed forms to guide applications
		% of council projects approved	% of approved projects	Number of projects approved as a percentage of total projects applied for.
		Total number of Council projects on Waiting List	Total Number	Actual number
		Time on the waiting list per project	12 months	To coincide with GRN Budget Schedule
	Risk Management	Average lead time for project implementation	3 months from date of money transferred	The sooner funds are allocated to groups, the less opportunity for misallocation within councils
		% of Funds allocated to BT Scheme within Councils	100% allocation	All funds
		Number of Council Audits	30% of councils	30% of councils who received grants
Learning & Growth “To Achieve my vision, how must my organization learn and improve?”	Focused Strategy	Clear Vision and objectives defined	Specific deliverables to achieve a defined vision	Objectives and deliverables should be clear to guide and focus operations
	Learning Organization	Reviewed number of procedures and standard revisions per year	Number	At least one procedure or standard should be reviewed per year
		Review of Program	Every 5 years	Overall review and documentation of program
	Capacity of Line	Adequately Staffed	90% staffed	90% of positions must be filled

	Ministry	Refresher courses attended per year	50% of staff	To keep staff in touch with latest developments
		Computerized System	Yes/No	To ensure timely reports

### 3.5 Research Execution

In answering our research questions and testing the hypothesis, the research will collect information from households selected from snowball sampling and key informants selected from institutions responsible for implementing the BTP in Windhoek as discussed under the research method.

In conducting the survey, the unit of study was defined as the household as the decision making unit. The population is defined as the “the total target group who would, in the ideal world, be the subject of the research, and about whom one is trying to say something” (Punch 2005: 101). The population for the purposes of this research is therefore defined as all the households who received BTP loans within the boundaries of the City of Windhoek. In 2012 the Windhoek municipality had 1,054 beneficiaries while the SDFN/NHAG had 615 beneficiaries. The total population for the study is therefore 1,669 households.

The sample is defined as the actual group who are included in the study, and from who the data are collected (*ibid*). In this research, as previously discussed, the households were selected using the snowball sampling method. Households were surveyed using the status survey technique to collect detailed information per household in order to compile a profile of the households sampled.

The size of the sample was determined based on the detail to be collected from each household to assess each of the measurement indicators of success identified in the Balance Scorecard. Instead of collecting data about

one or two measurements of success from a representative sample, the choice was made to collect information on all indicators from each household in the sample. Households were personally surveyed to ensure that questions are adequately understood and answered. Because of the number of indicators to be measured, it was too expensive and too time consuming to have a large sample of the defined population. The data collected from the sample can therefore not be inferred to the entire population. The data is however complete per household and therefore gives a good descriptive profile of the sampled households.

There are basically two categories of household beneficiaries operating within the confines of Windhoek. Firstly, households who belong to groups administered and supported by the Windhoek Municipality and secondly, households who form part of groups administered and supported by the NHAG/SDFN. In order to develop a profile of the average beneficiary of the BTP, the sample of households for survey was stratified into two groups. The first group was selected from beneficiaries where the City of Windhoek was the loan grantor and the second group where the NHAG/SDFN was the loan grantor. The assumption was that the two groups might have different results and perspectives on the success of the BT Program as a result of different experiences with the BT loan processes. The target was to survey at least 15 households from the City of Windhoek groups and 15 households from SDFN groups bringing the target of the total number of households to be surveyed to 30. In selecting the households to be surveyed, snowball sampling was employed as alluded to earlier. Households were selected where household heads were present and willing to take part in the survey.

Approval for the survey, interview questionnaires and consent form was received from the University's Ethics Committee before the survey started.

Officials from the different institutions namely SDFN/NHAG, City of Windhoek and the Ministry of Regional Local Government, Housing and Rural Development were identified for personal interviews by the researcher.



Discipline and consistency of collecting empirical data remains a key requirement in both data collection methods (Punch 2005). In conducting the surveys and interviews extreme care was taken to remain objective in the interviews and the surveys.

Precaution was taken by drawing-up structured surveys and semi-structured interviews asking short, simple, and clearly worded questions as recommended by Punch (*ibid*). The survey and interview questionnaires start with simple and demographic questions to help respondents get started. As far as possible questions were asked with dichotomous (yes/no) answers while open-ended questions were used cautiously to have some control over the possible responses. Survey and interview questionnaires were tested on people with knowledge on the BT Program before the final questionnaires were produced. Questions were focused on finding data on the effectiveness of the BT Program in delivering adequate housing to low-income households.

The researcher understands that his previous exposure to the BT program and the people involved in the program will influence the research. A complete audit trail will be available by keeping survey and interview records. The signed consent form was presented before a household was surveyed or an administrator was interviewed. The consent form and the detailed survey questionnaire are attached as Appendix A and B.

Although time was taken to explain the purpose of the survey, some beneficiaries simply refused, sometimes very aggressively to complete the survey forms. In particular households were very suspicious, with many questions as to the purpose of the survey and how the data will be used.

The planned 30 surveys were collected from the SDFN and City of Windhoek groups. All the respondents were household heads as it was a requirement for the respondent to take part in the survey.

**Table: 3.2 Response Rate**

<b>Response Rate</b>		
	<b>Count</b>	<b>%</b>
Population Size	1,669	100%
Sample Size	30	1.8%
Number of Responses	30	100%

The actual response rate as a percentage of the total population is relatively low, but as discussed earlier a conscious decision was made to have detailed survey information per household as opposed to having a large number of households with limited information per household. This choice was made to compile a full profile of the sampled households. In contrast, a representative sample of independent households could be drawn from the population, but detailed information per household would not have been available.

Sampling and non-sampling errors can be expected because of the nature of the population under investigation. Sampling errors can be expected because the researcher used snowball sampling to select the households. Surveys were only done where the household head was present and willing to be surveyed. Non sampling errors are also expected in the data set because of low literacy and language barriers of the sampled households.

Structured interviews were conducted with key informants from important stakeholders namely the head of the Housing and Property Division at the City of Windhoek responsible for BT loans, the Regional Coordinator at NHAG and the Chief Control Officer Housing Administration from central government. Unfortunately names cannot be given to protect the identity of the officials interviewed. The local authority (City of Windhoek) and NHAG (National Housing Action Group) are implementers of the program while the Ministry of Regional, Local Government, Housing and Rural Development (MRLGH&RD) is the custodian. The structured interview questionnaire is included as Annexure C.

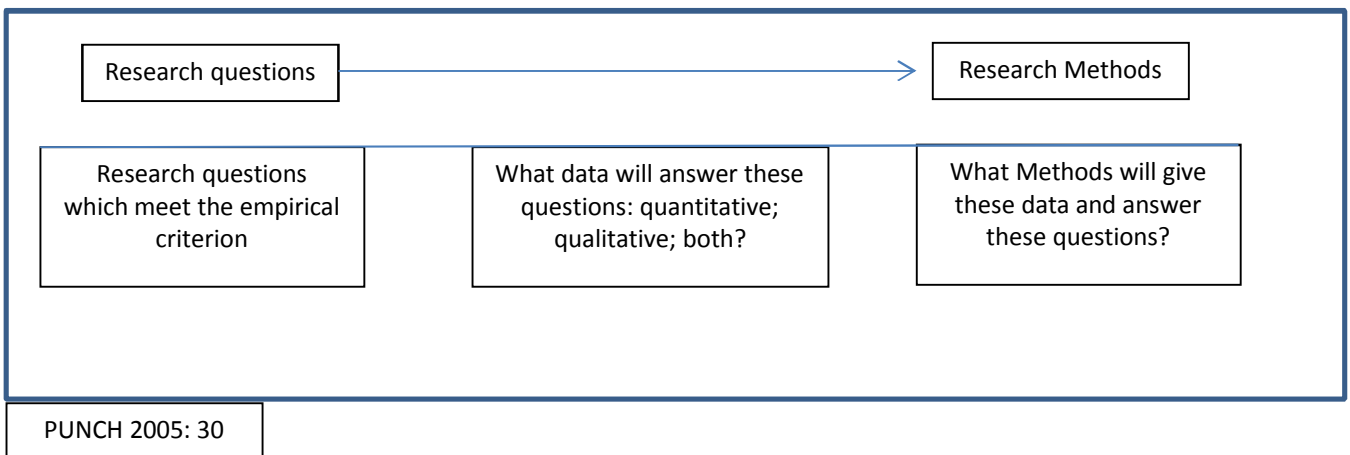
-CHAPTER 4 –

4 DATA ANALYSIS

4.1 Introduction:

Chapter 4 presents and analyzes the empirical data collected through personal key informant interviews and household surveys. In deciding on the data to be collected and how it's to be collected, the diagram below is used to structure the questions, define the information to be collected and to define the methods to collect the information.

Diagram: 4.1



PUNCH 2005: 30

The study intends to answer the questions if the government's response is focused?; if the government is aware of the nature and scale of the housing problem?; are the rate of response and financial resources adequate?; can people in need of housing afford the products offered by the BTP? and finally does the housing solution offered by the BTP meet the requirements of adequate shelter?

Data was collected through personal structured interviews with key informants responsible in the implementation of the BTP and personal structured surveys of beneficiary households. Data collected focused on testing our hypothesis that the BTP failed to realize the objective of providing adequate housing at an appropriate scale that is affordable to low income

groups in Namibia, because funds are inadequate while the process of allocation allows for misappropriation at local government level.

The chapter will end with formally assessing the BT Program using the Balance Scorecard and testing our hypothesis.

## **4.2 Administration and Operation of the BT Program**

Data collected from key informants were collected on three themes of the Balance Scorecard namely learning and growth, financial perspective and internal processes and were reported in the same format. The primary objective of the key informant surveys is to understand the administration and the operations of the BTP along the main themes of the Balance Scorecard.

This structure of key informant surveys is important as the implementation of the BTP differs from implementing institutions while the ministry responsible for the program only provides general guidelines.

### **4.2.1 Ministry of Regional, Local Government, Housing and Rural Development**

The purpose of the interview conducted with the Ministry of Regional, Local Government, Housing and Rural Development (MRLGH&RD) was not to assess the performance of the ministry, but to understand the operations and dynamics of the program.

Learning and Growth:

The Chief Control Officer Housing Administration at the Ministry of Regional, Local Government, Housing and Rural Development (MRLGH&RD) was interviewed. She has been working at the division for 7 years providing administrative support to regional and local councils.

According to the Chief Control Officer, the Build Together Program was decentralized in 1998/1999 financial year and is now formally referred to as the Decentralized Built Together Program (DBTP). Government sees their role as to facilitate funds, provide support to authorities and monitor the sustainable implementation of the program.

There are 25 people involved in loan administration at the Directorate including administration, financial management and technical assistance.

#### Financial Perspective:

According to the Chief Control Officer, for the 2012/2013 budget year the various regions and town councils applied for N\$57.034 million to implement DBT loan scheme projects. The ministry approved N\$30 million or 52.6% of the amount applied for. This translates into one thousand (1,000) BT houses based on an average loan size of N\$30,000 for the entire country.

According to the Chief Control Officer, the DBT loan funds supplied by the ministry to the various regional and town councils are grants to the respective council. The only requirement by the ministry is that recipients report back on the application of the funds. No payback of the grant is expected. The councils in turn lend the money to approved beneficiaries who are required to pay back at low interest rates prescribed by the ministry. The idea is that the grants and repayments from beneficiaries will establish revolving funds in various localities to augment the direct grants from the ministry.

The ministry does not provide assistance to individual beneficiaries according to the Chief Control Officer. Assistance is given to regional and local councils and includes financial administration, professional assistance, assistance with municipal services and general administration services to ensure that operations and reports are within the guidelines of the ministry.

The ministry only approves funds where councils have properly completed Project Identification Reports and where councils have a dedicated bank account for the DBT revolving fund. In addition, Councils must have allocated land on which the houses will be built and there must be satisfactory progress on previous projects.

According to the Chief Control Officer, the loans are limited to individuals who are older than 21 years earning between N\$100 –N\$3000. Individuals older than 50 years need a co-applicant and no formal employment is necessary.

Loans between N\$3,000 and a maximum of N\$40,000 are available. The loan funds can also be used to buy land. The loan is repayable monthly over 20 years. Interest rates start at 4% for loans up to N\$34,000 and increases with 0.5% for every additional N\$1000 up to N\$40,000 with the highest interest rate at 7%.

According to the Chief Control Officer, the previous financial system used by the ministry to collect basic loan data was shelved as the person who operated the system retired and no one else knew how to operate the system. A new system was purchased purposefully developed for the BT Program that will be rolled-out to all regional and local councils.

According to the ministry, the group system of awarding BT loans has presented some problems in the past especially where members do not pay on time. The municipal accounts are in the name of the group and the group is compelled to pay. Municipalities are now advised to provide individual accounts even if a household belongs to a group.

Arrear accounts also present a problem when the current beneficiary wants to sell the house and move to another area. There are no waiting lists at the ministry, each year councils have to apply for funding. Funds are paid in a lump sum to the respective council.

## Internal Processes:

The ministry developed a procedures and a technical manual for the BT scheme and all councils are expected to comply with the manual.

The technical manual has different types of proposed houses with the respective quantities required to build the houses. The smallest house measures 18m<sup>2</sup> and the biggest 44.5m<sup>2</sup>. At 2009 prices the material for the small house was estimated at N\$23,880 excluding labor and plot costs. The biggest house at March 2009 prices was estimated at N\$43,068.13 excluding labor and the plot. The price for the 18m<sup>2</sup> unit in November 2012 was N\$33,022.50 and for the 44.5m<sup>2</sup> N\$61,401. The building plans and detailed quantity list with 2009 and 2012 pricing are attached as Appendix D.

Households can choose to accept the plans as is or they can modify. The respective council is responsible to ensure that the house is complete. There is no universal implementation system in place and different councils implement the BT Program differently. Therefore the scheme has mixed results. Some councils will take it on themselves to construct the houses and the beneficiaries will only move in, other councils disburse funds to groups who will organize and allocate the funds, some will pay funds directly in the beneficiary's personal accounts, while others will only pay the labor part and pay suppliers for materials.

#### **4.2.2 NHAG/SDFN AND THE BT PROGRAM**

Learning and Growth:

NHAG/SDFN was represented by the regional coordinator at NHAG (Namibia Housing Action Group) a not for profit organization providing technical support to the SDFN (Shack Dwellers Federation of Namibia) who works with NHAG for 19 years providing technical support to low-income households.

He received structured in house training and attended short training courses in administering the BTP loan scheme. Training covered record keeping, customer care, financial literacy and loan administration.

According to the Regional Coordinator, NHAG has its own procedures within the guidelines of the procedural and technical manuals adopted by the line ministry. The loans are run on excel and no specialized loan administration program is in place. All the essential loan information is supplied and manually kept by the beneficiary groups who report the information to the NHAG office who captures the information in excel.

Only 2 people are involved in loan administration at NHAG's office. Beneficiary groups are regarded as responsible for record keeping and administering the loans.

Financial Perspective:

According to the Regional Coordinator, NHAG applied for N\$1,390 million during 2011/2012 financial year. Project identification reports were completed and they received positive feedback for funding to that amount from the ministry. The groups were then pre-financed by Shack Dwellers International (SDI) to speed-up implementation of the project.



The total funds released for 2012 is N\$5,262 million for new houses and N\$1,542 million for extensions. This is funded by funds applied for from the ministry, an annual grant from the ministry and the revolving funds available from payments of previous loans disbursed. NHAG received a total of N\$16.58 million since 1992 and benefited a total of 906 household across Namibia.

According to the Regional Coordinator, NHAG contributes to the program by providing pre-financing support, professional assistance, technical assistance with municipal services, assistance to source building materials and general administrative support.

Beneficiaries start repaying immediately when the loan is disbursed. The loan cannot be used for land. NHAG however does support groups to acquire land with savings and a separate loan.

The loans are not adjustable and are at a compounded interest rate of 5% for a loan up to N\$30,000. Loans are provided over 11 years for upgrading or 15 years for a new house.

Internal Processes:

There are 226 individuals organized in groups on the waiting list for 2012. Groups must first qualify by acquiring land before they are registered on the waiting list. Groups normally stay about a year on the waiting list.

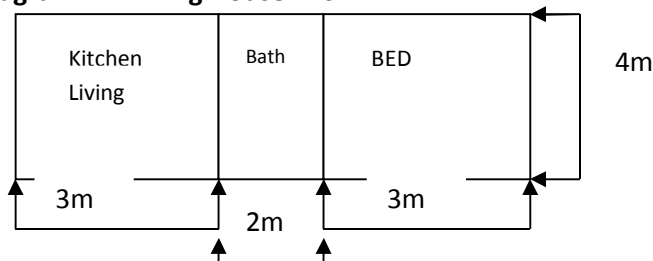
NHAG does not assist individuals in applying for loans, only active saving groups that can prove that they saved regularly are assisted. They must have land and have visited other groups to be physically exposed to loan administration and the construction process before they qualify for a BT loan. The individual groups are also required to report twice a year to the national meeting of SDFN groups.

About 90% of the groups are up to date with their loan repayments. The group administration is responsible for collecting, record keeping and depositing loan repayments. Members in arrears are first dealt with by the group administration before NHAG is consulted. NHAG will appoint professional debt collectors to collect the outstanding amounts when absolutely necessary. To date no house was repossessed.

Funds are disbursed to the groups into a bank account. There are no progress payments. Payments out of the group's account are made to suppliers for material and to the group for labor. The beneficiaries and NHAG /SDFN are responsible to ensure the houses are completed. NHAG has 2 standard plans, a 20m<sup>2</sup> house that can be extended to 32m<sup>2</sup> depending on affordability.

The building quote from 'Build It', a local building material supplier estimated the material for the 20m<sup>2</sup> house at N\$12,118.85 including 15% VAT on 12 September 2012. The quote by Built-It excludes labor, bricks, building sand and building stone. Labor is estimated at N\$3000, sand and stone N\$4000, and bricks at N\$1,200. Bricks are made by the group. The total cost for the small house will therefore be about N\$20,318.85.

**Diagram: 4.2 Big House : 20m<sup>2</sup>**



The small house will exclude the bedroom and the living room will function as a bedroom.



Plate 1: Environment created by SDFN/NHAG Initiatives

#### **4.2.3 CITY OF WINDHOEK AND THE BT PROGRAM:**

##### Learning and Growth:

The interview was conducted with the head of the Housing and Property Division at the City of Windhoek responsible for BT loans. He is engaged with the BT Program for more than 6 years.

According to the official, some training was provided by the City of Windhoek and the line ministry on loan administration for the BT Program. A total of 6 people are involved in the loan administration process, four people in the properties section and two in the Finance Department. Additional support is provided by the Community Development Department and the building inspectors to provide training to the groups and inspect building progress.

##### Financial Perspective:

The loan application process is based in Excel while the loan disbursement and receipt payments are run on CoW (City of Windhoek) financial system.

CoW did not apply for funding for the 2012 financial year. They however received N\$1.092 million in 2012, an amount applied for in the previous financial year. The amount of N\$1.092 million was based on a pilot project proposal to provide potential beneficiaries with fully serviced land and full title with a top structure. The project has however not started as building costs have escalated and the funds are not enough to accommodate the original target group. The CoW provides assistance to groups in financial reporting, technical assistance, assistance with municipal services, assistance in procuring building materials and general administrative assistance. Beneficiaries are expected to procure their own land through the normal process.

BT loans are restricted to groups to a maximum value of N\$40,000 as prescribed by the line ministry. The City has its own Windhoek Housing Scheme which provides loans from N\$41,000 to N\$80,000 to groups. BT loans are charged at the prescribed annual interest rate of 4% from N\$3,000-N\$34,000 increasing with 0.5% for every additional N\$1000 up to a maximum of N\$40,000.

According to the official, the City has the same requirements as prescribed by the ministry and in addition require applicants to be in groups that own land. Beneficiaries only start with the payments after the building is completed. BT loans cannot be used to buy land.

The City has a revolving fund within its books that accounts for receipts of loan payments, but the money is not available to the BT program. The City has now opened a call account with its bankers to receive payment from the central government and a disbursement account to payout loans to beneficiaries.

Taking a closer look at the data provided by the City it is clear that the books of the BT loan fund is not as rosy as indicated in the discussions.

Since October 2000 the City of Windhoek received grants from the line ministry to the value of N\$21,983,460. The grant is equal to an average of N\$1,831,955 per annum which is about 61 units per annum at a cost of N\$30,000. There is no account of the monies received from the repayment and accrued interest from the grants.

A total of N\$15,035,972.86 was allocated to 1,054 beneficiaries that works out to an average of N\$14,265 per beneficiary and 88 beneficiaries per year. A total of N\$6,947,487 remains to be allocated. See table below.

**Table:4.1: City of Windhoek BT Allocations**

<b>Total Received</b>	<b>Total Allocated</b>	<b>Total Beneficiaries</b>	<b>Average Allocation per Beneficiary</b>	<b>Balance Remaining for Allocation</b>
21,983,460	15,035,973	1,054	14,265.63	6,947,487

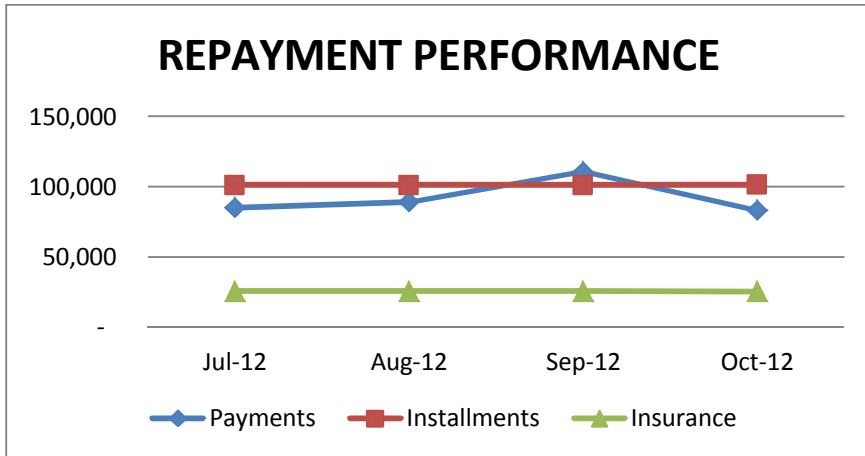
The table below shows the total receipts and installments of BT loans from beneficiaries in the City of Windhoek.

**Table:4.2: City of Windhoek BT Loan Receipts**

<b>Month</b>	<b>Payments</b>	<b>Installments</b>	<b>Insurance</b>	<b>Arrears</b>	<b>Arrears Increase</b>	<b>Rate of Increase</b>
Jul-12	85,176	101,383	25,718	3,143,568		
Aug-12	89,142	101,383	25,646	3,211,888	68,321	2.17%
Sep-12	110,913	101,298	25,636	3,255,501	43,612	1.36%
Oct-12	83,266	101,450	25,543	3,388,199	132,699	4.08%
Average	92,124.34	101,378.30	25,635.70			2.54%

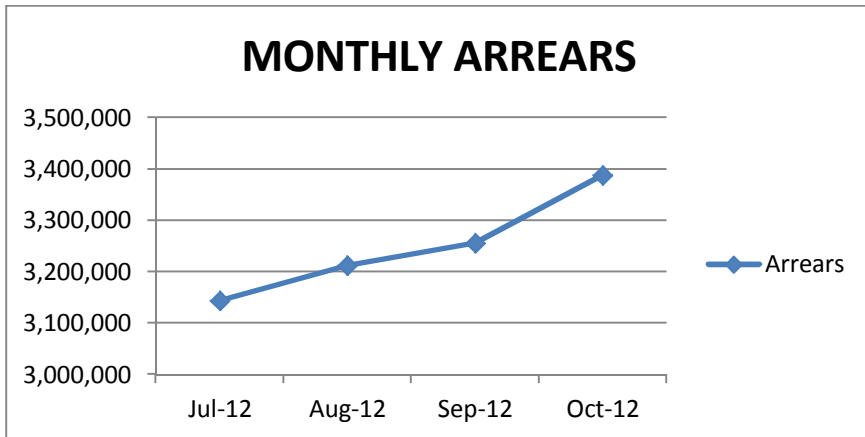
Except for September 2012, the payments are consistently lower than the charges between July and October 2012. The graph below gives a graphical picture of the total payment compared to the total charges.

Figure: 4.1 Repayment Performance



Arrears on total loans have also increased consistently between July 2012 and October 2012 and grew with N\$244,632. The average rate of increase in arrears is an alarming 2.54% per month while the proportion of areas is 23% of the total allocated funds. The graph below depicts the graphical image in the monthly increase in arrears.

Figure: 4.2 Monthly Arrears



## Internal Processes

The CoW use the manual designed and adopted by the line ministry to guide procedures.

The CoW has no waiting list. The City only allocates loans to groups with land ownership who's members can prove their income either with a salary advice or a sworn declaration of income. Applicants must be older than 21 and younger than 50 years.

About 80% of the group members are up to date with their payments. Normal debt management procedures are implemented against those who are in arrears. Apart from the normal principle and interest payments, the CoW also has an insurance component which includes a life policy and a fire damage insurance to settle the loan in the case of death of the principle debtor or repair/replace the property in case of fire damage. The BT loans provided by the City are also interest rate adjustable loans.

The City has a progress payment system that is agreed with the group. The group must provide a quotation for materials and labor before the work can start. Funds are disbursed to contractors and suppliers. Beneficiaries do not receive any payments directly. Building inspectors from the CoW inspect buildings before payments are done to contractors.

The beneficiaries and the City take responsibility for the completion of the building. The CoW uses the building plans from the ministry's technical manual and beneficiaries can choose their own building plans.

A Built Together Committee represented by City Officials and beneficiary groups used to be in place. The committee members were selected by the CoW and are appointed by the minister for 3 years. The committee is no longer functional.

Environments Created by City of Windhoek BT Program Initiatives:



Plate: 2 City of Windhoek BT House



Plate: 3 City of Windhoek BT Program Houses and street



### **4.3 BT PROGRAM BENEFICIARIES**

The data tables for the survey results are attached as Appendix E and the detailed analysis of the survey results is included as Appendix F.

The analysis was necessary to have a detailed understanding of the profile of the BTP beneficiary population. Information collected from personal surveys with households are on demographics, economic status, housing conditions, housing market, the BTP loans and the application of loan funds.

This section therefore discusses the characteristics of our respondents. A proper understanding of the profile of the sample was necessary to determine if the program is reaching the intended target group, if the program delivers more than a top structure, if the program is used for self-enrichment through speculation and if funds are misallocated by beneficiaries.

#### **4.3.1 Sample Characteristics: Demographics**

The respondents are overwhelmingly female with 87% (26) female and only 13% (4) male respondents. The respondents were also primarily single parents with 43% while 57% are not married. Respondents have a mean age of 45.4 years. The average household size is 4.3 persons.

Testing the age of the respondents against the age restrictions of the BT Program it is clear that 74% of the respondents qualify in terms of age. Only 26% of the respondents are older than 50 years. These could be respondents who qualified at the time of applying for the loan, but it could also be beneficiaries assisted by the SDFN through their social responsibility fund. The frequency table below gives an idea of the distribution of the respondents in terms of the age qualification requirements of the BT Program.

**Table: 4.3 : BT Program Age Qualifying Criteria**

Frequency Table: Qualifying Age		
Age	Frequency	Freq %
<21	0	0
21-50	23	74%
50>	7	26%
	30	100%

### 4.3.2 Sample Characteristics: Economic Status:

A total of 80% of the respondents are employed and the nature of employment varies from domestic workers to retail and furniture shops and offices.

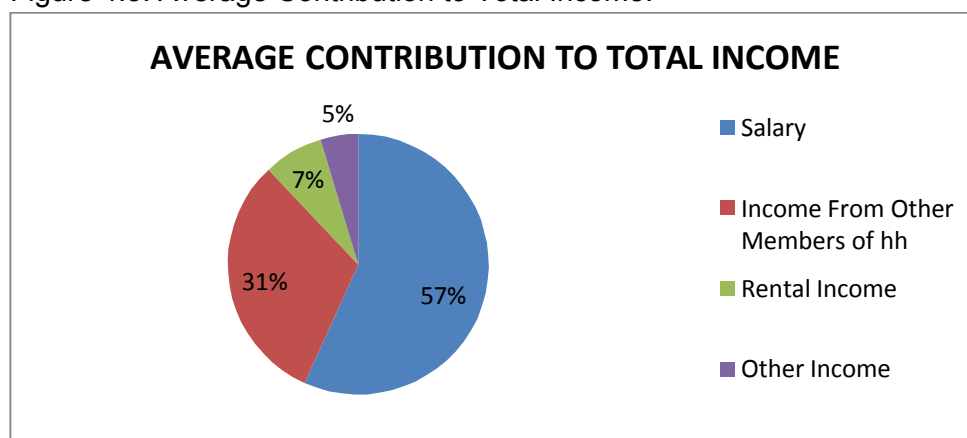
The income of the 24 employed respondents was analyzed in more detail.

#### 4.3.2.1 Income

The average salary of respondents is N\$2,040 with a minimum income of N\$600 while the maximum income is N\$6,595. More than 75% of the sample respondents earn more than N\$1,300 while 50% of the respondents earn between N\$1,300 and N\$2,500.

The importance of the salary of the household head is confirmed by the pie chart below depicting average proportional contributions of various income sources of the employed respondents.

Figure 4.3: Average Contribution to Total Income.



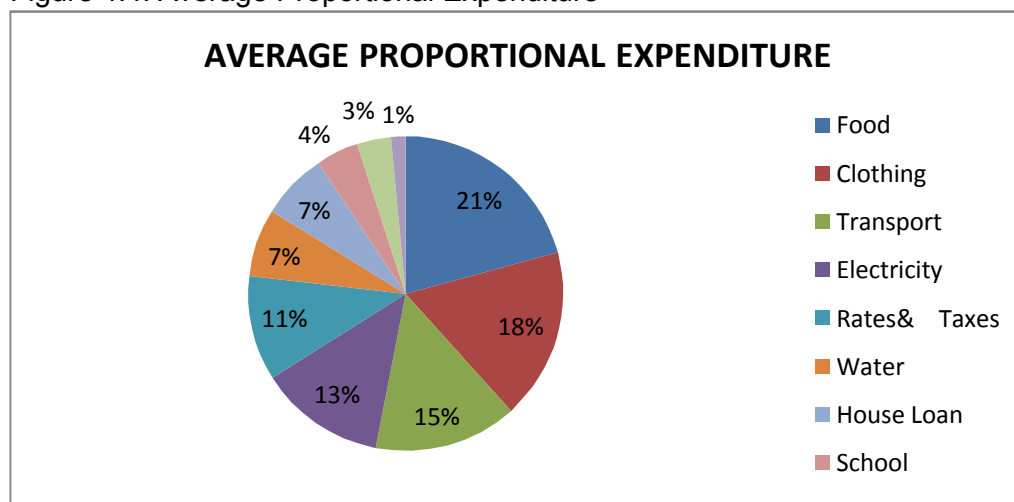
### 4.3.2.2 Expenses

The average expenditure for the 24 households with employment is N\$2,845 with a minimum expenditure per household of N\$815 and the maximum of N\$9,290.

Seventy five percent of the employed respondents have expenditures in excess of N\$2,060 while 50% of the respondent's expenditure falls between N\$2,060 and N\$3,038.

In terms of the average proportional expenditure, the 24 employed respondents spend on average 21% of their income on food, followed by clothing with 18% and transport at 15%. Together the 3 top expenditures make up more than 50% of the total expenditure. Expenditure on the home loan is only 7th in the queue and make up 4% of the total expenditure. The proportional cost of home ownership is high at 38% if we combine the expenditure on rates and taxes, the home loan, water and electricity.

Figure 4.4: Average Proportional Expenditure



According to the BT Program, beneficiaries should not earn less than N\$100 and not more than N\$3000 to qualify for a loan. Most of the respondents fall within the qualifying criteria as indicated by the frequency table and histogram below. Only 27% of households earn more than N\$3000 and none earn less than N\$100.

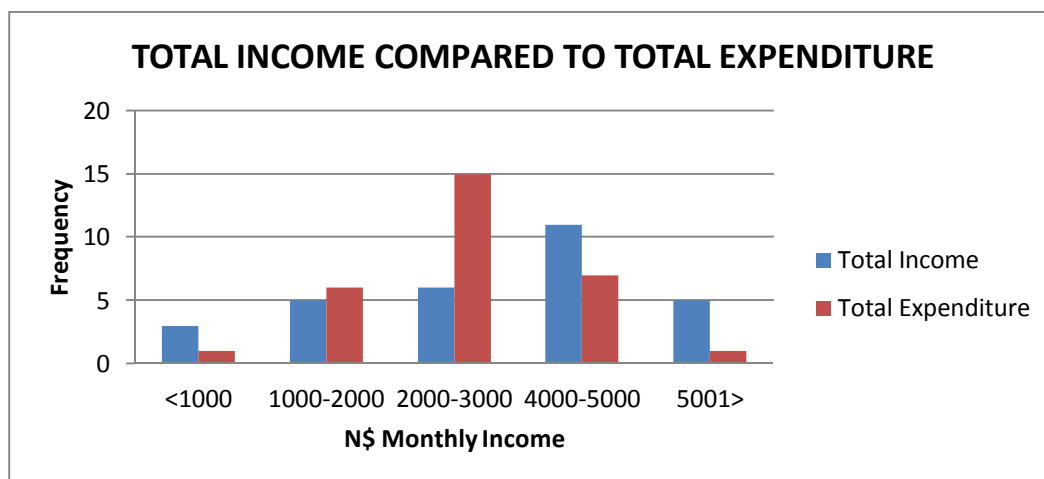
**Table: 4.4: BT Program Income Qualifying Criteria**

Income Qualifying Criteria			
Classes	Upper limit	Freq	Freq %
<100	99	0	0%
100-3000	3000	20	73%
>3000	7000	4	27%

### 4.3.2.3 Income Vs Expenses

Looking at the graph below, the households that fall within the income groups of N\$1000 to N\$3000 have a challenge as their monthly expenses are higher than their monthly incomes. They must have other sources of income to supplement their expenditure. According to the survey, no household has cash loans.

Figure 4.5: Income Vs Expenses



### **4.3.3 Sample Characteristics: Housing Conditions:**

A survey of the housing conditions was necessary to determine the average number of people per room and to assess if overcrowding is a problem.

The average house of the respondents measure 36.73m<sup>2</sup> on an average plot size of 173m<sup>2</sup>. The average house size for SDFN groups is 34 m<sup>2</sup> and for City of Groups 52m<sup>2</sup>. On average SDFN groups have 3 rooms (Shared lounge and kitchen, shared bath and toilet and one bedroom) while City of Windhoek groups have four rooms per house basically comprising of two bedrooms, shared bath and toilet and shared lounge and kitchen.

Seventy five percent of the houses have 3 rooms and more while 50% of the respondents have houses between 3 and 4 rooms.

The average number of years of the sample respondents per house is 9.9 while seventy five percent of the sample respondents stay in their houses for more than 7 years and fifty percent of the respondents stayed in their houses between 7 and 12 years.

The study was interested to find out if respondents were satisfied with the number of rooms in their current houses and if not how many rooms would please them. There were 27 respondents on this question.

The average house people desired was with 6 rooms which are 2 rooms more than the average of their current houses. In particular respondents want 2 additional bedrooms and the fact that the current house had a shared kitchen and lounge and a shared toilet and bathroom did not really worry them.

#### **4.3.4 Sample Characteristics: Housing Market:**

The researcher wanted to know if beneficiaries were taking part in the program to make quick money or if they wanted to improve their living conditions.

There is virtually no secondary housing market to speak about amongst the respondents. Only one of the respondents considered selling his house. Most respondents never considered selling and have no idea of the market value of their houses. Respondents estimated that they could rent out their houses at a minimum of N\$2,000 and a maximum of N\$3,500. There was only one case where the beneficiary household moved into the shack to rent out the main house after losing his permanent employment.

Most respondents estimated that they could sell their houses at about the original loan value used to construct the house and did not take into account the actual cost of the building and the land. Dibasen, a municipal group estimated that they could sell their houses between N\$250,000 and N\$300,000.

All respondents preferred to own their houses as oppose to rent and most preferred individual ownership as opposed to group ownership. Most respondents received ownership through groups.

On a question on how much they spend on building the house most respondents except for Dibasen only quoted the loan value and there is no consideration for sweat equity contributed by house owners.

The average cost of building the house according to the respondents is N\$29,567.

#### **4.3.5 Sample Characteristics: Built-Together Loans**

Most beneficiaries were informed of the loan scheme by group members. They also received the loan the same year they applied for it and received the amount they applied for. Deposits were only required from SDFN members. All SDFN beneficiaries contributed sweat equity while the houses were constructed by appointed builders.

#### **4.3.6 Sample Characteristics: Application of funds**

All SDFN members completed their houses. Three of the 15 City of Windhoek group members did not complete their houses while all respondents drew their full loan amounts. All beneficiaries are however occupying their respective houses. Money was not directly paid to beneficiaries, but to suppliers, contractors/builders and to group accounts.

## 4.4 AFFORDABILITY

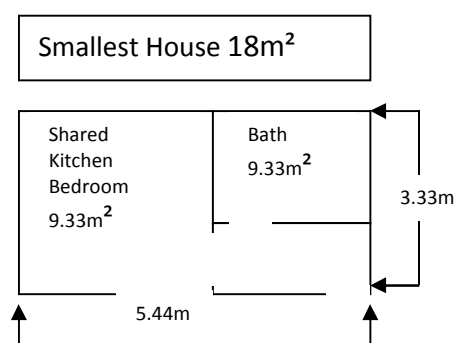
This section will further take a closer look at the affordability of units by describing and analyzing beneficiary average incomes, the average size of units, the cost of BT Program housing units and the value of the loan amounts allocated to beneficiaries.

### 4.4.1 Building Costs

The Ministry of Regional, Local Government, Housing and Rural Development (MRLGH&RD) has four proposed plans for BT houses. The plans are not prescribed, but give local authorities and their beneficiaries an idea on possible structures and associated costs.

The smallest structure has a gross building area of 18 m<sup>2</sup> and is 5.44 meters wide by 3.33 meters in length. The building comprise of one bedroom of 9.22 m<sup>2</sup>, a shared toilet and bathroom of 4.24 m<sup>2</sup> and a corridor of 2.32 m<sup>2</sup> (internal measurements).

Diagram: 4.3



The building material for constructing this structure in August 2009 was N\$23,880 including VAT. Building material for the exact same building in November 2012 would cost N\$33,022. The tables comparing the material cost for the smallest and biggest houses are included as Appendix D for a detailed overview. The N\$33,022 excludes the price increase in plumbing material as plumbing material was not adequately specified in the original bill of quantities.



The cost per square meter on the small house for material only in 2009 was N\$1,327 and in 2012 N\$1,835 representing an increase of N\$508 per square meter or 38% over a 3 year period. The increase in the cost of building materials equates to an annual rate increase of 11.41%. The real value increase in the cost of materials for the 18m<sup>2</sup> is 20.7% as indicated by the building material cost index table below.

#### Building Material Cost Index:

**Table: 4. 5: Building Cost Index**

Period	Inflation Rate	Inflation Index	Nominal Cost Increase	Nominal Cost Index	Real Cost Index	Real Value Increase	Comment
2009	8.8%	1.09	8.8%	1.09	1	0.0%	
2010	4.5%	1.14	0.0%	1.09	0.9569378	-4.3%	Cost data not Available
2011	5.0%	1.19	0.0%	1.09	0.91136933	-4.8%	
2012	6.6%	1.27	38.3%	1.50	1.1822153	29.7%	
Inflation Date Source CBS (2012 Estimate) Base Year 2009: = 0						20.7%	

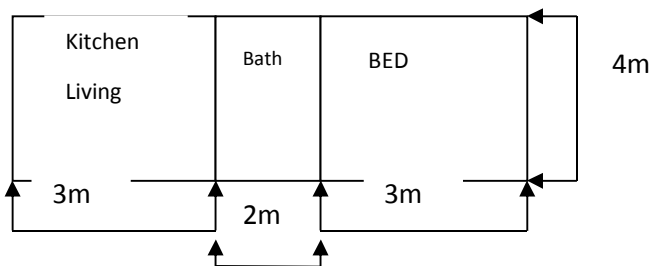
Building cost excludes the cost of labor and the cost of the plot/erf. The cost of labor can vary widely depending on the level of finishes expected. Variables include inside and outside plastering, the type of roof and the floor finish. The cost per square meter will vary between N\$300 and N\$500. At N\$300 per square meter the labor costs works out at N\$5,400 for a 18 m<sup>2</sup> house. The total cost for the entry level house would be N\$38,422 (33,022+5,400) and works out to N\$2,135 per square meter.

The cost per square meter for the 44.5 m<sup>2</sup> house has increase from N\$43,068 in August 2009 to N\$61,401 in November 2012 representing an increase of N\$18,333 or 43%. Prices include VAT but exclude labor. The cost for plumbing was not adjusted for the same reason mentioned earlier.

NHAG in contrast has 2 standard plans, a 20m<sup>2</sup> and a 32m<sup>2</sup> house. These plans are prescribed and the 32m<sup>2</sup> house is basically an easy extension of the smaller house.

The building quote from 'Build It', a local building material supplier estimates the material for the 20m<sup>2</sup> house at N\$12,118.85 including 15% VAT on 12 September 2012. The quote by Built-It excludes labor, bricks, building sand and building stone. NHAG estimates labor at N\$3000, sand and stone at N\$4000, and bricks at N\$1,200. Bricks are made by the group. The total cost for the small house will therefore be about N\$20,318.85 with a cost per square meter of N\$1,016

**Diagram: 4.4 Big House : 32m<sup>2</sup>**



The small house will exclude the bedroom and the living room will function as a bedroom.

The value of that NHAG adds to the building process is clear as households can get more house for their dollar. At N\$1,016 NHAG's building cost per square meter is N\$1,119 cheaper per square meter compared to the N\$2,135 per square meter for other households.

#### 4.4.2 The Cost of Land

Information on the cost of land was drawn from the survey forms.

There were 26 responses to this question and households on average paid N\$5,061 per plot with a minimum of N\$2,250 and a maximum of N\$7,996. Seventy five percent of respondents paid more than N\$4,167 per plot.

The distribution of the cost per plot is indicated by the frequency table below. Seventy three percent of the plots cost less than N\$6000.

**Table: 4. 6: Cost per Plot**

COST PER PLOT		
Classes	Freq	Percent
<4000	3	10%
4001-5000	12	53%
5001-6000	6	20%
6001-7000	2	7%
7001>	3	10%
	<b>26</b>	<b>100%</b>

#### 4.4.3 Household Affordability

The total development cost for a 18 m<sup>2</sup> would be N\$38,422 plus the cost of the land which sells on average N\$5,061 which means that the total cost per family for an entry level house will be at least N\$ 43,483.

Households will therefore have to use the maximum loan value of N\$40,000 provided by the BT Scheme and in addition contribute an additional N\$3,483 to house themselves.

A loan of N\$40,000 at the maximum interest rate of 7% payable over 20 years will cost the household N\$310 per month. The household will have to make an additional contribution of N\$3,483 by accessing savings or take an additional loan at commercial rates to supplement the BT loan.

#### 4.4.4 The Value of the Loan

The maximum value of the loan and the interest payment schedules for the BT loan scheme has remained constant since 2007. Households and local authorities intentionally target to stay within the N\$34,000 range per beneficiary to benefit from the lowest interest rate possible at 4%. A N\$34,000 loan at 4% over 20 years requires a down payment of N\$206.03 per month. The total interest payments will be N\$15,448 bringing the total down payment including capital to N\$49,448. One Namibian Dollar is equal to one South African Rand.

Over the years the value of one Namibian Dollar has decreased by 15.3% just taking the Namibian Consumer Price Index (CPI) published by the Namibian Central Bureau of Statistics in consideration. Building cost inflation is normally much higher than the CPI. So the value of N\$34,000 in 2009 in today's terms is worth only N\$28,812 or N\$5,188 less in 2012.

**Table 4. 7: N\$1 Value Index**

Period	Inflation Rate	Inflation Index	Nominal Value Increase	Nominal Value Index	Real Value Index	Real Value
2009	8.8%	1.09	8.8%	1.09	1	0.0%
2010	4.5%	1.14	0.0%	1.09	0.956938	-4.3%
2011	5.0%	1.19	0.0%	1.09	0.911369	-4.8%
2012	6.6%	1.27	0.0%	1.09	0.854943	-6.2%
Inflation Date Source CBS (2012 Estimate) Base Year 2009: = 0						-15.3%

Just to buy the same value of goods with the N\$34,000 of 2009 the loan value has to increase to N\$43,180 or with 27%.

**Table: 4. 8: Loan Value**

<b>Period</b>	<b>Inflation Rate</b>	<b>Inflation Index</b>	<b>Nominal Value Increase</b>	<b>Nominal Value Index</b>	<b>Real Value Index</b>	<b>Real Value</b>
2009	8.8%	1.09	8.8%	1.09	1	0.0%
2010	4.5%	1.14	4.5%	1.14	1	0.0%
2011	5.0%	1.19	5.0%	1.19	1	0.0%
2012	6.6%	1.27	6.6%	1.27	1	0.0%
Source CBS (2012 Estimate)						0.0%

Households that do not belong to the SDFN network following the standard house building process to build the entry level structure of 18 m<sup>2</sup> will not complete their houses at today's prices of N\$38,422 unless they contribute additional funds or take the maximum loan of N\$40,000 at 7% interest.

Households that belong to the SDFN network and are supported by NHAG on the other hand can easily complete their 20m<sup>2</sup> house at N\$20,318.85. These households in contrast pay 5% interest on their loans through NHAG which works out at N\$224.39 payment per month for a loan of N\$34,000 over 20 years. The total interest payments made by SDFN households amount to N\$19,852 or in total N\$53,852 including capital, a difference of N\$4,404 (53,852-49,448). It is clearly more beneficial for households to be part of the SDFN network.

#### **4.5 Performance Measurement**

Following the analysis above we are now ready to do a performance assessment of the BT Program.

Based on the targets set in chapter 3, the BT Program has performed poorly on a number of critical performance areas. The overall response of the BT Program is not focused and the response does not meet the housing demand indicating that the nature and the scale of the problem do not inform the BT Program. Financial resources are inadequate to finance project applications from Local Authorities and Regional Councils while there is no involvement of the private sector in financing Program. The Program further promotes house ownership and does not allow for rental units while the products continue to be single houses on individual plots.

The research found that the units meet the requirements of adequate shelter as defined by the UN as all BT Program products are fully services and within easy reach of work, recreational and social opportunities. One of the most successful components of the program is its ability to allow for a progressive housing solution by the involvement of housing NGO's such as the SDFN/NHAG and the involvement of smaller community groups.

See table 4.9 below for a detailed assessment of the BT Program using the Balance Scorecard conceptual framework.

**Table: 4.9 BT Program Performance Measurement**

**Key:**

	Satisfactory Performance
	Acceptable Performance
	Poor Performance
	No Data Available

Note: Measurements and Targets are limited to City of Windhoek

Theme	Objective	Measurement	Target	Performance 2012	Comments
Financial Perspective “ If we Succeed, how will we look to our Financiers ?”	Adequate Scale of delivery	Adequate number of units delivered per year	110 units per year and SDFN per year. (CoW 88 and SDFN 30)	11 (SDFN)	Only 10% of targeted beneficiaries reached. Only SDFN delivered. The available funds of City of Windhoek was not used to deliver units
		Adequate Funds Approved	100% funds for applied projects approved	100% approval	SDFN received full funding for projects. CoW did not apply for funds.
	Value for Money	% Completion of Units	100% completion	100%	All beneficiaries live in units
		Average Total Number of Beneficiaries per Year	484 number of people	242 beneficiaries (55x4.4)	Number of units times average household size. The number of beneficiaries for Windhoek is too low.
	Return on Investment	Total interest payments	4% return	0%	The loan recovery rates are too low to meet the required ROI standard.
	Maximize Available funds	Value over Funds allocated	100% increase in value	100%	Loans taken-up are only 50% of the building cost of the house. SDFN groups contribute sweat equity while CoW groups contribute finances
		Total Funds re-invested	100%	100% SDFN 0% CoW	CoW only had 280k in 2012 in revolving fund according to SDFN. Repayments from beneficiaries are received but not reinvested.
				85%	The loan recovery

	Program Sustainability	Loan Repayment %	96% recovery	(80% CoW 90% SDFN	rates are too low. Initiatives must be put in place to improve
		Average Loan Value	Linked to annual inflation	0%	Value of loan has decreased in real terms by 15.3% over the last three years
		Identify alternative funding sources	10% of total required funds	0%	BT Funds totally dependent on budget allocation. SDFN received up to 20% of required funds from external sponsors. There is no
Customer "To achieve our vision, how must we look to our customers"	Enabling Environment	Satisfaction % of Councils	Number of Complaints received	?	No Data available. The ministry must keep a complain register
		Win-Win Relationship with Councils	Number of Councils engaged per year	0	No formal visit by ministerial staff
		Participation of Banks	Mortgage finance available	No	Banks are not providing additional financing for BTP Beneficiaries
		Participation of Communities	Communities are involved	Yes	Progressive Housing Process should be supported
		Adequate Shelter	Units should have easy access to work, play and social facilities	Yes	Units are well located within established neighborhoods with full services
	Beneficiary Satisfaction	Satisfaction % of surveyed households	90%	25%	75% of households desired houses with 5 rooms and bigger while the average house size is 4 rooms
Internal Processes "To satisfy our customer, at which processes	Efficient and Effective Loan application process in the ministry	Clear documented loan application process	Prescribed Application forms available	Yes	Application forms are available at customers and customers understand and complete forms
		% of Council projects	% of Approved	100%	100% of SDFN No application from



must we excel?"		approved	Projects		CoW
		Total number of Council projects on Waiting List	Total Number	?	No Waiting list maintained
		Time on the waiting list per project	12 months	?	No Waiting list maintained
	Risk Management	Average lead time for project implementation	3 months from date of money transferred	?	No Data available. Ministry must do an audit
		% of Funds allocated to BT Scheme within Councils	100%	100% SDFN 0% CoW	All funds allocated for BT program not used by the City
	Number of Council Audits	30% of projects	0%	No audit conducted by ministry. The ministry relies on audits from the Auditor General.	
Learning & Growth "To Achieve my vision, how must my organization learn and improve?"	Focused Strategy	Clear Vision and objectives defined	Specific deliverables to achieve a defined vision exist	Does not exist	The program does not have a specific vision and objectives to achieve
	Learning Organization	Reviewed number of procedures and standard revisions per year	Number reviewed	0	No process was reviewed during the year.
		Review of Program	Every 5 years	5 years	Last full review done in June 2008. Program due for major revision.
	Capacity of Line Ministry	Adequately Staffed	90%	100%	All positions filled. Deputy Director position filled in 2012.
		Refresher courses attended per year	50% of staff	0%	No workshops conducted during 2012
Computerized System		Yes/No	Yes	New program purposefully developed was implemented	

## 4.6 Hypothesis Testing

After the detailed data analysis and a formal assessment on the performance of the BT loan scheme, we are now ready to test our hypothesis that the BTP failed to realize the objective of providing adequate housing at an appropriate scale that is affordable to low income groups in Namibia, because funds are inadequate while the process of allocation allows for misappropriation at local government level.

In testing the hypothesis it was found that the Program fared badly in delivering housing consistently while the checks and balances within the system are inadequate to ensure the ministry gets value for its money.

Inadequate housing:

The ministry approves BT Program projects on a project by project basis. It is the responsibility of its customers, in this case the City of Windhoek and the SDFN to complete Project Identification Forms for approval by the ministry.

SDFN has only submitted one project with 11 beneficiaries within Windhoek in 2012. The City on the other-hand has made no application. Even the money that was allocated for the application made in the previous financial year was not used by the CoW for the intended project during 2012. The reason why the ministry took so long to approve the funds applied for in 2011 is because the CoW wanted to deviate from the normal BT Program implementation process.

The primary bottleneck in the housing delivery process is the delivery of serviced land. This is why the SDFN acquires unserviced land (blocks of land without municipal services) for servicing across Namibia. The CoW on the other-hand has access to large tracts of land, but does not have the financing to service the land.

According to the CoW estimates, there were just more than 20,000 households in Windhoek in need of adequate housing in 2012. The population in the informal settlements is estimated to grow at a compound rate of 9.49% per annum. According to these estimates, poor households grew with an additional 2,819 households in 2012.

At an average delivery rate of 110 houses per annum, the average annual delivery of the BT Program in Windhoek is inadequate to meet the demand for low income housing. In short the annual demand far outstrips annual supply which means that the backlog in low income housing is growing at an alarming rate. When one considers the actual delivery of only 11 units in 2012, the real scale of the problem is fully realized.

#### Inadequate Funding:

The ministry normally approves hundred percent of the funds applied for on a project by project basis.

The City of Windhoek has a total of N\$6.9 million unallocated funds from grants received from the ministry. This figure excludes the capital and interest repayments received from beneficiaries.

Funds are therefore adequate to finance approved projects, but the Council fails to implement the approved projects.

#### Misappropriation of Funds

Funds in the Council are ring-fenced for the BT Program, but are not immediately used for the BT Program. Funds might be allocated in time, but the actual transfer of money into the approved projects by the Council is

delayed. The projects might be delayed for various reasons, but the most important challenge remains the availability of serviced land.

There are no formal audits to trace the funds within the City and this allows for a laid-back approach to managing the funds. Funds can therefore be used to finance short term requirements as opposed to approved BT Program projects. This does not prove that there is misappropriation, but it does leave room for misallocation in the interim.

Hypothesis Acceptance:

In view of the above analysis, the researcher has to accept the hypothesis that the BT Program's loan scheme has failed to realize the objective of providing adequate housing to the poor. Funds are available, but are not allocated properly which allows for the misallocation of funds within councils. The average loan value of the BT program has decreased in real terms, but is still adequate to build houses albeit smaller units. BT Program funds are sometimes only book entries, and the actual cash might not be available to fund approved projects.

The main reason for the poor performance of the BT Program loan scheme is the capacity of councils to apply and administer BT funds and to implement BT projects.

## **-CHAPTER 5 –**

### **5 Findings, Recommendations and Conclusion.**

#### **5.1 Introduction:**

Chapter 5 presents the findings, recommendations and conclusions drawn from the empirical data. One of the objectives of the study is to review the BT Program in order to make recommendations to improve the effectiveness and sustainability of the program.

#### **5.2 Key findings and Recommendations:**

##### **5.2.1 Overall Aims, Objective and Hypothesis Findings**

The aim of the research paper is to assess the adequacy of the Namibian response to the housing problem by taking a closer look at the BTP and assess if the program is delivering at an appropriate scale with sufficient resources that delivers a product that meet the requirements of adequate shelter.

Our hypothesis for the research is that the BTP failed to deliver adequate housing, because funds are inadequate while the process of allocation allows for misappropriation. An analytical tool, the Balance Scorecard is used to assess the overall performance of the program and to test the hypothesis.

The research has provided evidence that the BT Program has failed to provide adequate housing to the poor in Windhoek. Funds allocated to the BTP are not immediately used to build houses while the municipal council fails to reinvest capital and interest repayments of beneficiaries. Reporting and monitoring controls of the BT Program are also non-existent and cannot ensure that funds are used for the BT Program. The detailed assessment of the program is included in the final section of the preceding chapter.

The following section reports the key findings on each of the measures and indicators identified in the Balance Scorecard and make recommendations on how to improve on each of these measures.

### 5.2.2 Financial Perspective

#### a) Adequate Scale of the Program:

- i) **According to the data presented,** the scale of the program is not sufficient to tackle the low income housing program. Funds are adequate, but are not applied effectively. The availability of affordable serviced land is identified as one of the main culprits in the slow delivery of the BT Program. The land delivery system has to be expedited to increase the rate of delivery to the poor to facilitate the implementation of the BT Program on a larger scale.
- ii) **It is recommended that** Councils must use revolving funds to facilitate the delivery of housing. The revolving fund should be used to allocate funds to the BT Program not only to supplement the budget, but also to release funds timely in the beginning of each budget year.

#### b) Value for money:

- i) **According to the data presented,** BT loans are on average N\$29,567 per loan and benefits on average 110 households per year and about 4.4 people per loan. Units are very basic, and do not have high quality finishes, but do offer adequate protection from the elements. Units sampled, were all substantially completed to allow households to occupy the houses.

c) Maximize Available Funds:

- i) **According to the data presented**, the cost of the BT Program house is normally double the Namibian Dollar value of the loan received. The market value could be much higher, but because of a lack of a secondary market, the market value cannot be confirmed.
- ii) Unfortunately, **the data shows that** grants received by the Local Authority are not reinvested. There is therefore great potential to increase the benefits of loans.
- iii) **The survey shows that** loans for extensions and new houses are currently funded under the same policy. It is recommended that the building of new houses be funded through grants from the ministry while extensions are to be funded through housing revolving funds administered by councils. Extensions therefore are to be funded by capital repayments and interest charges of existing BT loans.

d) Program Sustainability:

- i) **According to the data presented**, the BT loan scheme is not sustainable at the moment and the program is still dependent on government grants after 20 years. Repayment rates are too low while the real value of the loan has decrease overtime. The loan repayments are fixed over 20 years even for very small loans and the primary objective is to maintain an affordable repayment amount.

It is recommended that the term of the loan be influenced by the loan value and not only by the repayment amount. Smaller loans can be amortized over shorter periods. The credit control system needs to be reviewed and lessons could be learnt from the Grameen Bank in Bangladesh.

- ii) **According to the data collected**, loans are currently offered based on value and there is no association between the value of the loan and the structure to be build.

It is proposed that the loan value be linked to the structure the applicant intends to erect. To maximize the impact a minimum contribution per structure can be defined by the Program.

- iii) It is further recommended that the ministry maintains a building material cost index and associate the loan to a basic structure as opposed to absolute loan values as these loan values do not keep track with inflation

### **5.2.3 Customer and Beneficiary Perspective**

#### a) Enabling Environment:

- i) **The research could not identify** records of **surveys measuring** customer satisfaction. The relationship between the Windhoek Council and the Ministry could not be determined with certainty, but **during personal interviews a sentiment of mutual** mistrust **was identified**. **No evidence could be found on** official efforts from either the Council or the Ministry to build a productive relationship.
- ii) **The research found no evidence** on beneficiary satisfaction **surveys**. The BT Program continues to be implemented



without a clear understanding of the requirements of beneficiaries.

According to the sample data, most of the beneficiaries meet the age and income requirements of the BT loan scheme. The sample data shows that most of the beneficiaries completed their houses which improved their general living conditions. Most of the beneficiaries continue to stay in their houses and were not interested in short term gains of selling their houses. According to the sample data, most of the beneficiaries heard about the loan scheme through group members indicating that the advertisement of the program might be inadequate. The sample data further show that most of the beneficiaries completed their houses which is an indication that funds were properly applied once allocated to beneficiaries.

- iii) The **research found no evidence that formal banks are participating in the program.** Credit is necessary to upgrade units overtime. BT Program houses can serve as collateral as they have security of tenure and full services.

It is recommended that commercial mortgage products be developed in conjunction with banks to make credit accessible to BT Program beneficiaries.

- iv) The **research shows that the** BT Program already follows the Progressive Housing concept. The focus is very much on the process and less on the product.

It is recommended that the involvement of communities and individuals be strengthen even further by making communities part of the revision of the Program on an annual basis

- v) The **research shows that** products delivered by the BT Program are adequate presently, but there is definitely a concern as the units will have to be reduced in size to fit into the available loans. Further, as available empty pockets **of land** are taken-up, the houses are pushed to the fringes of the city away from work, recreation and social facilities.

It is recommended that the ministry defines the minimum size of the structure to ensure that the units remain adequate to beneficiaries. It is further recommended that the suitable land be identified within the existing urban structure to accommodate future beneficiaries.

- vi) The **research shows that the current** program continues to promote owner occupied houses located on individual plots.

It is recommended that rental housing be allowed by the Program and that other housing forms for example row housing be introduced to make products more affordable and promote higher urban densities and integration. Government incentives such as tax breaks can effectively be used to promote other forms of housing at desirable locations.

#### **5.2.4 Internal Processes**

- a) Efficient and Effective Loan Application Process:

- i) The **research discovered that the** BT Program has properly developed and tested implementation guidelines and procedures supported by an administrative and technical manual developed by the ministry.

The application process is prescribed and adequate documentation exists that explains the loan application and approval process. Council projects are approved on a project by project basis while the ministry does not keep a waiting list and the time of projects on the waiting list cannot be determined.

All three organizations use these implementation guidelines and procedures as their main point of reference while NHAG has a few customizations to personalize the procedures.

- ii) **The research shows that** the variation of plans and the degree of freedom to change plans can be regarded as one of the main culprits for not completing houses. The research has shown that the total development cost of the smallest house (18 m<sup>2</sup>) proposed by the technical manual is higher than the maximum BT loan amount of N\$40,000. The technical manual for the program has to be updated to limit the variation in plans. It is recommended that the plans adopted by the SDFN/NHAG be prescribed to all BT beneficiaries. The small house of 20m<sup>2</sup> is easily extendable to 32m<sup>2</sup>. Additional extensions are also relatively easy with the structure proposed by SDFN/NHAG.

b) Risk Management:

- i) **According to the research,** the flow of funds from the ministry to the local authority and ultimately to the beneficiary is not tracked. There is therefore no data available on how soon funds flow to beneficiaries. According to respondents they get funding in the same year they applied, but adequate tracking is required. It seems that projects are delayed and cash might be allocated to more urgent projects within councils. The line ministry relies on the Auditor General to conduct audits to test internal

procedures at councils and ensure the proper allocation of funds.

- ii) The **research shows that** financial administration of BT loans leave much to be desired as confirmed by Auditor General Reports. The ministry has to develop checks and balances to ensure the funds are used for the intended purposes.

It is recommended that the ministry insist on having three separate bank accounts for the councils to qualify for BT loan funds. The first loan account is to receive grants from the line ministry; the second account is a disbursement account for payments to suppliers and contractors. On approval of a BT loan, the funds will be transferred from the central government receipt account to the disbursement account. The third and final account is the receipts from capital repayments and interest charges of existing beneficiaries. Funds in the third account will be transferred to the disbursement account for payment to newly qualified beneficiaries. As previously recommended these funds should be targeted for extensions.

There will be additional bank charges, but the benefits of implementing the three separate accounts outweigh the costs.

- iii) **According to the research,** funds from the Council are not disbursed directly to beneficiaries but to builders/contractors and building material suppliers. This system is adequate, but it allows for poor accountability. Household heads must be trained before funds are allocated to ensure that the ultimate quality of the house is their responsibility. The system of sign-off by the home owner has to be implemented strictly to ensure that builders complete the work that they quoted for and the right

material is supplied and all the material is used in the house. Prospective owners need to know that all excess material is their property because they paid for it.

It is recommended that all beneficiaries undergo a training program to ensure they understand their rights and responsibilities and is part of the project from start to finish. NHAG/SDFN training programs and trainers can be recruited to train non-members.

### **5.2.5 Learning and Growth**

- a) **According to the research**, the strategy and vision of the BT Program is not clear. Targets for housing delivery have to be specified nationally and the different players in housing delivery should specify their targets within the framework of the national targets. Government must base delivery targets and their budget allocations to achieve national targets specified and agreed nationally
  
- b) The **research found that the** line ministry is a learning organization. The BT Program is reviewed on a regular basis and experiences are worked into the procedures. Standard manuals and operational guidelines are in place and are regularly updated. Manuals and guidelines have been reviewed on 5 year intervals.

It is however recommended that annual revision targets be set to ensure that the latest lessons are formally incorporated in the administrative process.

- c) **According to the research**, the ministry is adequately staffed, but more can be done to train staff.

According to information collected from interviews with senior officials at the City of Windhoek and the line ministry officials working on the BT program receive most of their skills and knowledge from workshops and limited training is offered by their respective employers. NHAG is the only institution that provided formal training to employees. Employers rely heavily on prior knowledge and government workshops to train staff.

The basic competencies for a successful BT program officer has to be specified and training material has to be developed to train officials to acquire these skills in a structured manner. All officials must go through refresher training courses to ensure they remain in touch with the operations of the program.

The financial and reporting system of the BT program is poor. A computerized system is available at the ministry to administrate the loans, but the same system is not used by councils for loan administration. The system originally developed by the MRLGH&RD has failed and the ministry is busy rolling out a new system. It is recommended that the IT system be rolled out to all local authorities who are beneficiaries of the BT Program. A centralized system would speed-up reporting and monitoring of the program.

### **5.3 Conclusion**

The primary aim of the research paper was to review the performance of the BT Program to improve the operations of the program. The paper started with a claim that the BTP failed to realize the objective of providing adequate housing at an appropriate scale that is affordable to low income groups in Namibia, because funds are inadequate while the process of allocation allows for misappropriation at local government level.

Using the concepts and analytical tools of the Balance Scorecard, the research has provided evidence that the BT Program has failed to provide adequate housing to the poor in Windhoek. Although the ministry allocates adequate funds on application, funds are not immediately used to build houses while the municipal council fails to reinvest capital and interest repayments of beneficiaries. Reporting and monitoring controls of the BT Program are also non-existent and cannot ensure that funds are used for the BT Program.

The BT program overall is critical to support the weak in society as the primary beneficiaries are women and single parents who are clearly in need of assistance from government. It is therefore advocated that the Program continue, but that it be reviewed to maximize the value of the funds.

Critical to the improvement of the BT Program is the need to define a clear strategy for the program. The Program further needs to define its objectives, measures and targets to achieve the strategy. Targets will have to be set within the framework of present performance and industry benchmarks. Further research is required in defining these industry benchmarks.

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