

Namibia - Low-Cost Housing II and III

Ex post evaluation report

OECD sector	16220 / Low-cost housing	
BMZ project ID	1) 1995 66 712 2) 1995 67 017	
Project executing agency	1) National Housing Enterprise (NHE), Municipality of Walvis Bay, Municipality of Swakopmund 2) NHE, Municipality of Windhoek	
Consultant	1) SUM Consultant GmbH, Wiesbaden 2) Gitec Consultang GmbH, Düsseldorf	
Year of ex post evaluation	1 and 2) 2006	
	Project appraisal (planned)	Ex post evaluation (actual)
Start of implementation	1) 02/1996 2) 06/1999	1) 02/1996 2) 09/1997
Period of implementation	1) 36 months 2) 36 months	1) 54 months 2) 52 months
Investment costs	1) EUR 9.1 million 2) EUR 9.8 million	(1) EUR 10.3 million 2) EUR 7.4 million
Counterpart contribution	1) EUR 3.5 million 2) EUR 2.1 million	1) EUR 4.4 million 2) EUR 1.9 million
Financing, of which Financial Cooperation (FC) funds	1) EUR 5.6 million 2) EUR 7.7 million	1) EUR 5.9 million* 2) EUR 5.5 million*
Other institutions/donors involved	None	None
Performance rating	1 and 2) 3	
• Significance/relevance	1 and 2) 3	
• Effectiveness	1 and 2) 3	
• Efficiency	1 and 2) 3	

* Including interest revenues from the disposition fund in the amount of EUR 0.28 million (Phase II) and EUR 0.6 million (Phase III)

Brief description, overall objective and project objectives with indicators

The project Low-cost Housing II comprised measures in urban residential areas of Swakopmund, Walvis Bay and other secondary towns aimed at improving the housing conditions and environment of the poor black population. The project consisted of the following

three components: Component A, implemented by the National Housing Enterprise (NHE) in various Namibian towns, comprised the construction and financing of core houses (low-cost houses with land development), a community centre and the granting of home improvement loans. Component B was implemented by the municipality of Walvis Bay and comprised the upgrading of former "single quarters" (workers' accommodation), the construction of alternative housing for single quarter residents willing to resettle and the construction of "starter solutions" (basic housing units). Component C was implemented by the Swakopmund municipality and included similar measures as Component B. The target group purchased most of the homes with the aid of loans. The total project cost was EUR 10.3 million, of which EUR 5.6 million was financed from FC funds.

The project Low-cost Housing III financed the construction of homes by the NHE in Windhoek and other towns as well as corresponding consulting services. The target group purchased the housing units with loans made available by the NHE. Following extensive preparation, the originally planned second component of the development of 2,800 plots of land in Windhoek was suspended in early 2000. After the second component was suspended and FC funds of EUR 2.78 million were reprogrammed, the cost of the programme amounted to a total of EUR 7.35 million, of which EUR 4.91 million was financed from FC funds.

The overall objective of the two projects, which were designed as open programmes, was to contribute to the sustainable improvement of the living conditions of the poor (Phase II) and the very poor (Phase III) black population of secondary towns such as Walvis Bay, Swakopmund, Otjiwarongo, Keetmans-hoop und Lüderitz (Low-cost Housing II) and Windhoek as well as other provincial towns (Low-cost Housing III). In both cases the programme objective was to bring about a significant improvement in the target group's housing conditions and housing environment (infrastructure and other improvements). A secondary objective of Phase III was the revolving use of the home loans that were granted.

Project design / major deviations from the original project planning and their main causes

The project Low-cost Housing II was designed as an open programme - with the requirement that details on the ensuing rough planning were not to be defined until after a preceding inception phase. The table below contains an overview of targets and actual values achieved in the three programme components which were subdivided into separate programme measures (PM).

Programme component	Target (number)	Achievement of objectives;	
		abs.	in %
Programme Measure			
NHE – National Housing Enterprise - construction and sale of core houses in various secondary towns, including necessary site and infrastructure development			
PM 1: Construction of core houses	460	731	158%
Site development / improvements	460	731	158%
PM 2: Community centre	2	1	50%
PM 3: Loans for home improvement / enlargement	620	69	11%
Municipality of Walvis Bay - upgrading of the Otto Gawanab Flats			
PM 4: Partitioning of sites and sale of units	120	73	61%
PM 5: Upgrading of SQ / modernisation of housing units	150	73	49%

PM 6: Construction of core houses for SQ dwellers prepared to resettle (incl. infrastruct. measures)	140	67	48%
PM 7: Home improvement loans	45	0	0%
Municipality of Swakopmund - upgrading of the single quarters in Mondesa and low-cost housing for squatters			
PM 8: SQ&C: Partitioning and sale of sites and homes	540	744	138%
PM 9: upgrading / modernisation of existing units (intended for sale)	290	344	119%
PM 10: Construction of core houses for SQ&C dwellers prepared to resettle (incl. infrastr. measures)	252	379	150%
PM 11: infrastructure development of sites (in some cases "site-and-services")	285	446	156%
PM 12: Home improvement loans	72	0	0%
PM 13: Construction of "Kandjemuni starter units"		130	new

As a result of the programme measures implemented with the NHE, around 3800 residents were able to considerably improve their housing conditions. The components put in place via the NHE were exclusively credit based. The components implemented through the municipalities were mainly credit based, and some single quarters were also let out. Unlike the Municipality of Swakopmund (MSW), which recognised the central importance of rental fees for the achievement of the programme objective and drew the necessary consequences in the form of higher rents, the municipality of Walvis Bay (MWB) was initially not prepared to gradually raise the rents in order to create the preconditions for successful continuation of the upgrading and privatisation of the workers' quarters. Failure to reach agreement with the MWB on the excessively large sites (300 square metres and more), the participation of the target group and decision-making competencies of the department in charge of implementation, led to premature suspension of the programme component in April 1999. As a result of this, the residents of only around 213 poor households were able to considerably improve their housing conditions. Around 2000 poor dwellers were able to considerably improve their housing conditions with the programme measures implemented with the MSW. A further 1000 people were able to improve their housing situation through the private sector participation supported under the programme. This made it possible to greatly exceed the initial goal of improving the housing environment for around 1600 people. The financial execution of the project, from credit worthiness appraisal through the inspection of the use of the loan funds to the supervision of debt service by the NHE, was done properly and regularly checked by the consultant. As their experience with the lending business was limited, the municipalities used Bank Windhoek for the handling of the loans, an institution for which this form of lending, however, is hardly profitable. The municipalities guarantee the repayments to Bank Windhoek. As was the case in the preceding project, the number of loans for construction materials remained low for lack of demand and because the programme-executing agency did not market them sufficiently. The repayments received from borrowers of core houses financed under German Financial Cooperation are being used to finance further core houses for poor households and to finance the construction of necessary infrastructure.

Low-cost housing III: The project was designed as an open programme with the requirement that details on the rough planning set forth in our appraisal report not be defined by the programme-executing agency and the consultant until after an inception phase. The project was to be composed of two largely independent programme components that were to be implemented with different executing agencies (NHE, municipality of Windhoek). As the following table shows, several shifts occurred under the NHE component against the initial package of measures. The programme implementation was delayed because suitable sites were not available, particularly in Windhoek. As the ministry obviously clung to excessive standards and a minimum site area of 300 square metres, the Windhoek component was suspended after a long phase of preparation.

Programme component		Target size at PA (number)	Target Inception Report	Target achievement
A. NHE – National Housing Enterprise: Construction and sale of core houses, including necessary development of sites and infrastructure in Windhoek and in other towns				
PM 1: Construction and financing of <i>core houses</i> (low-cost houses) in Windhoek	Construction and financing of <i>core houses</i> (low-cost houses) in other towns	460	460	399
		75	70	427
PM 2: Construction and financing of <i>starter solutions</i> (basic housing units) in Windhoek		200	140	441
PM 3: Construction of rental flats – <i>lodger units</i> – in Windhoek		50	0	0
PM 4: Community centres		4	0	0
PM 5: Granting of building material loans in Windhoek	Granting of building material loans in other towns	150	100	34
		50	30	0
B. CoW - City of Windhoek:				
PM 6: Infrastructure development of sites for sale	Infrastructure development of sites for lease	1.700	1.179	0
		1.100	2.550	0
PM 7: Creation of “informal” markets		4	4	0
PM 8: Vehicles and equipment for the municipality (in N\$ 1,000)		300	300	91

As a result of the programme measures implemented, around 1300 families in Windhoek and in Okakarara, Eenhana and Walvis Bay were able to considerably improve their housing conditions. However, the households reached by the programme were the somewhat better well-off ones. The minimum family income (PHSL) in Namibia is around N\$ 1400 (around (EUR 190). Seventy percent of households have less than two PHSL and 85% of households less than three PHSL at their disposal. Poorer groups of the population with not more than two PHSL of monthly income (around N\$ 3400 or around EUR 450) were not reached because the Windhoek component was suspended. When the decision to suspend the Windhoek component was made, the NHE component was already in an advanced stage, so that suspending this component would no longer have been justifiable.

Available data only refers to the average income of the families supported under the two projects. The average family income of the participants of Low-cost Housing II was around N\$ 2.400 (1.67 PHSL; around EUR 320). The component implemented via the municipalities plays an important role here. Under Low-cost Housing III the programme participants' average family income was much higher, at around 3 PHSL. It must be assumed that the maximum income limit of 3 PHSL was exceeded in some cases. The poverty relevance of this project suffered from the deletion of the more poverty-oriented component which should have been implemented by the municipality of Windhoek.

Key results of the impact analysis and performance rating

The benefit of the project for the target group families as individual economic units was that of giving them the possibility of acquiring improved housing through loans from both the NHE and, in particular, from the municipalities. For a vast portion of the target group families this would not have been possible without the projects because they do not have proper access to the loans offered by private banks. For most households that serviced their debts regularly in the past years the burden of repaying the loan declined as a result of falling capital market interest rates (reduction in loan interest rates from 17.5% in 2002 to 11.75% in 2006). The average term of a home loan was 15 years and the average loan amount was around N\$ 36,000 (around EUR 4,800). The interest level is on the level of market rates, at around 12%. The borrowers' debt

service is still below the limit set at 25% of monthly income. The lending operations enabled the executing agencies to utilise the repayments for further housing measures on a revolving basis, benefiting them as economic units.

The project conception was flawed in regard to its financial sector orientation. Shortcomings include comparatively low repayment rates of 80-85% and a considerable portfolio at risk of 15% at the NHE, which does not have particularly good access to poorer sections of the target group either. These deficiencies contrast with comparatively good results on the level of the overall economy. Both the NHE and the municipalities dispose of revolving funds from repayments of principal and interest. However, the revolving funds received from the FC projects are not being managed by the NHE through a separate account, as had been agreed. In the ex post evaluation it was calculated together with the NHE that the revolving funds currently available amount to around N\$ 19.1 million. In accordance with the calculation, 582 additional core houses were financed from revolving funds thus far. The two municipalities set up separate accounts for the revolving funds. The revolving fund of the MWB shows a balance of around N\$ 5.9 million. The revolving fund of the MSW shows a balance of around N\$ 19.4 million. Bank of Windhoek is currently handling 508 home loans for the MSW. So far there have been 30 foreclosures as a result of loan repayments outstanding (> 90 days), and 15 proceedings are ongoing. This means a current portfolio at risk (> 90 days) of approx. 3%. Overall, all executing agencies were able to maintain the funds in nominal terms. They continue to form an important building block in the financing of housing in the municipalities.

As they are loan-financed, the programmes did not reach the poorest families, but they have given the population living in absolute poverty improved access to housing, building land and formal loans, as well as to basic technical and social infrastructure, thereby contributing to considerably improving the target group's housing and living conditions. The measures financed through the MSW in particular reached relatively poor groups of the population, while the financing schemes provided by the NHE were directed at the more well-off sections of the target group. The projects were designed to directly reduce poverty. The data on income distribution make it appear uncertain that the share of poor people in the target group was greater than 30%. The projects were not directed at improving participation and governance. They had a potential for improving gender equality which was not fully utilised as no specific measures to use this potential were implemented. The projects did not pursue the goal of improving the environment. Their implementation did not have any substantial negative environmental impact.

In summary, taking into account that the projects were largely oriented towards the economy as a whole, we arrive at the following assessment of their developmental efficacy.

Effectiveness:

The programme objective of improving the housing conditions of poorer families in particular was achieved sufficiently under the programme LCHP II. While the number of projects financed in Walvis Bay under LCHP II remained behind expectations for lack of agreement on the standards and levels of rent between the municipality and KfW, the number of measures implemented in Swakopmund and via the NHE exceeded those originally planned. The beneficiaries' average family income of around N\$ 2400 (around EUR 320) was below the N\$ 3000 limit set at the time of project appraisal, but given the uneven distribution of income the measures reached mainly the households that were somewhat better off. Most of the homes financed are still in fair condition even after almost 10 years. The financial sector component still has weaknesses. The financial sector indicators subsequently formulated (repayment rate) are being achieved only in part. The repayments from home loans are continuing to flow back to the municipalities and the NHE in the form of revolving funds, and they are still being used in the area of social housing construction. Overall, we rate effectiveness of the LCHP II programme as sufficient overall (sub-rating 3). The programme LCHP III was implemented exclusively via the NHE after the component planned for implementation with the municipality was abandoned, so the target group was not fully reached. The project objective indicators referring to the financial

sector were achieved only with significant restrictions. Overall, we rate the effectiveness of LCHP III as just sufficient (sub-rating 3).

Relevance/significance

In general, the hypothesis that improving the housing situation would improve the living conditions are of poorer sections of the population in particular was plausible (relevance). Restrictions in regard to significance must be acknowledged with a view to target group outreach in that, given the income situation in Namibia, a considerable portion of the very poor and poor population does not have the necessary disposable income to perform the debt service involved in the purchase of a low-cost house. The revolving use of the repayments from home loans enables more low-cost houses to be built than in a low-cost housing project financed purely from subsidies. Poor groups of the population continue to have very restricted access to home loans. None of the two projects has any structural impacts in this area. In comparison with the municipalities of Walvis Bay and Swakopmund, which are involved in the implementation of the LCHP II programme, the NHE tends to focus less on poor target groups. We rate the relevance/significance of the programme LCHP II as sufficient and that of the programme LCHP III as just sufficient (sub-rating 3).

Efficiency

The comparatively high administrative costs and the decline in lending in the past years have had a negative impact on production efficiency at NHE. In most of the measures the NHE remained below the unit costs estimated following the inception phase. The comparatively high default rates in the loan portfolio of the NHE have a negative impact on allocation efficiency. The municipalities work quite efficiently overall. They have managed the revolving funds well and lending to somewhat poorer groups of the population than at NHE has not had an adverse impact on the repayment rate. Lending operations were transferred by the municipalities to the efficiently operating Bank Windhoek, which charges market-driven interest rates for housing loans. We rate the efficiency of both projects as just sufficient (sub-rating 3).

In a summarised assessment of the above aspects we rate the developmental efficacy of the programme LCHP II as sufficient and that of the programme LCHP III as just sufficient (overall rating 3). In this assessment the overall economic impacts are the main focus. The rating would have turned out less favourable if the customary performance criteria for financial sector programmes had been applied.

General conclusions and recommendations

Where very poor and poor target groups in particular are to be supported by way of loan-based housing projects, a baseline survey should first be conducted in order to ascertain the actual distribution of income in the programme region. Only on this basis can it be assessed which groups of the population dispose of the necessary funds that enable them to pay the corresponding loan instalments. Where financial support based purely on loans turns out to have very limited poverty relevance, it should be examined independently from lending at market conditions whether particularly poor groups of the population could be given income-dependent investment grants. Alternatively, it should be examined whether particularly poor groups of the population could be better reached by letting existing homes out to them that meet minimum quality standards than through housing construction measures.

The sector analysis should include a critical assessment of whether the national building requirements are flexible enough. High building requirements raise the cost of low-cost housing to a level that makes it unaffordable for poorer groups of the population without permanent subsidies which usually cannot be raised by the municipalities. Where the sector dialogue reveals that the government of the recipient country is not willing to make exaggerated building requirements for low-cost housing more flexible, it appears reasonable to withdraw financial cooperation from this sector.

State home finance institutions are usually interested in keeping their loan risks as low as possible. Where this leads to a situation in which their loans go mostly to public servants and people with a regular income they are not fully suited for implementing poverty-oriented housing programmes. Indeed it could be a sound approach for municipalities to transfer lending operations that do not belong to its core competences to a private bank and assume a corresponding (partial) guarantee for the repayments. The risk for the municipality would be limited as it would keep the financed real estate as collateral.

From today's point of view a housing project that is mainly implemented through financial sector institutions and focuses on the provision of housing finance should be designed strictly in accordance with the sector policy paper "Financial System Development". Objectives and indicators should refer equally to the project executing agencies (and their overall performance) and to effects on the real economy.

Assessment criteria

Developmentally successful: Ratings 1 to 3	
Rating 1	Very high or high degree of developmental effectiveness
Rating 2	Satisfactory developmental effectiveness
Rating 3	Overall sufficient degree of developmental effectiveness
Developmental failures: Ratings 4 to 6	
Rating 4	Overall slightly insufficient degree of developmental effectiveness
Rating 5	Clearly insufficient degree of developmental effectiveness
Rating 6	The project is a total failure

Criteria for the Evaluation of Project Success

The evaluation of the "developmental efficacy" of a project and its classification during the ex-post evaluation into one of the various levels of success described in more detail below concentrate on the following fundamental questions:

- Are the **project objectives** reached to a sufficient degree (aspect of project **effectiveness**)?
- Does the project generate sufficient **significant developmental effects** (project **relevance** and **significance** measured by the achievement of the overall development-policy objective defined beforehand and its effects in political, institutional, socio-economic and socio-cultural as well as ecological terms)?
- Are the **funds/expenses** that were and are being employed/incurred to reach the objectives **appropriate** and how can the project's microeconomic and macroeconomic impact be measured (aspect of **efficiency** of the project conception)?
- To the extent that undesired (**side**) **effects** occur, are these tolerable?

We do not treat **sustainability**, a key aspect to consider for project evaluation, as a separate category of evaluation but instead as a cross-cutting element of all four fundamental questions on project success. A project is sustainable if the project-executing agency and/or the target group are able to continue to use the project facilities that have been built for a period of time that is, overall, adequate in economic terms, or to carry on with the project activities on their own and generate positive results after the financial, organisational and/or technical support has come to an end.