

Chapter 23

Leveraging Hybrid Value Chain for Affordable Housing Delivery in the City of Windhoek

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ABSTRACT

Hybrid Value Chain (HVC) has emerged both as a business model and development innovation that leverages joint capabilities of the business and citizen sectors to enable the delivery of essential goods and services to low income consumers in cost effective ways. In Namibia, especially in Windhoek, limited access to affordable housing for the low-medium income households is a major concern. Adopting an interpretivist perspective, an in-depth literature review of published records, and using hybrid value chain analysis; this chapter aims to identify an effective and efficient strategy for the delivery of affordable housing in Windhoek using the stakeholder engagement approach. HVC provides mechanisms to analyse the roles and duties of the public, private and community institutions, and thereby suggests possible policy interventions for a viable affordable housing delivery strategy. Presently, there are several non-integrated housing initiatives in Windhoek; however, the proposed Public-Private-Social-Sector Partnership model represents a new business model in the affordable housing sector.

INTRODUCTION

In most cases, housing the poorest citizens in a society is the responsibility of the government through social or public housing programmes; but housing the low-middle income households requires market-based mechanisms. According to Zaefarian et al. (2015), market-based approaches usually develop business solutions in the form of new business models that deliver products and services that are sold at prices affordable to the target consumers. The basis for market-based interventions to solve social problems finds support in the neoliberal economic governance paradigms revolving around private entrepreneurship and human capital development the complements of a knowledge based economy, where the state contribution to economic development is primarily for building public confidence through

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efficient regulation and creating the best entrepreneurial opportunities (Jessop, 2002). For example, in such cases when public confidence is diminishing, the government's role is articulated to provide economic stability through proper governance (Campbell, 2009). In this context, the State and the market are viewed as institutions of society and its instruments of collective action and the main tools for each society to achieve its goals (Bresser-Pereira, 2009). By providing a stable macroeconomic environment for economic growth, price stability, enforcing and defending property rights among others, the government assures private citizens that their counterparts in the marketplace are accountable. Hence market participants are encouraged to invest their resources in areas where they are most productive. This argument supports the Ministry of Regional and Local Government, Housing and Rural Development's (MRLGHRD) (2009) stance in Namibia - that a properly functioning market economy, underpinned by a dense network of civic associations and overseen by a strong and accountable government, is the best framework for economic growth, prosperity and social development. The Namibian government is also a signatory to the Habitat II Agenda of 1996 which provides for an integrated framework to implement the Global Shelter Strategy. This strategy aims at influencing national housing policies to pursue the goal of providing adequate shelter for all (United Nations Centre for Human Settlements (UNCHS), 1997b). However, full reliance on market provision of affordable housing is at variance with the provisions of Habitat II Agenda of 1996, and thus, the need to reconceptualise affordable housing.

The Government of Namibia recognises and acknowledges the centrality of affordable housing in achieving national development priorities and millennium development goals, and subsequently, the socio-economic stability of the country. However, limited access to housing in Namibia, more so in Windhoek, is of great concern considering that 70 percent of the population cannot access decent housing mainly due to affordability related problems (Fleermuys, Fillipus, & Mwilima, 2011). The Namibian housing market features inflated property prices and a consistently limited capacity to meet the demand for land and housing development. The coexistence of low incomes and high housing related services' costs excludes many residents in Windhoek from acquiring land or a house.

Although Namibia is classified as a middle-income country, the Gini coefficient of 74.3 suggests the existence of a dual economy. The ratio indicates a coexistence of two economies in Namibia – one modern with a skilled workforce of around 200 000, and the other based on subsistence farming, employing the majority of the population (Centre for Affordable Housing Finance in Africa, 2014). Furthermore, according to Kalili (2014), a small housing unit in Windhoek costs N\$500 000 (US\$45 482), while a medium-sized property costs N\$1 229 000 (US\$111 798). Considering affordability at the prevailing interest rate, per month, households need to earn N\$13 500 (US\$1 228) to afford a small house and N\$33 200 (US\$3 020) for a medium house. The average price of a house financed by First National Bank (FNB) costs N\$720 000 (US\$65 498). Since 93 percent of the population earns less than N\$7 000 (US\$637) a month, mortgage housing facility is not an option to the vast majority of Namibians.

MRLGHRD (2009) through the Namibia Housing policy proposes four main housing strategies. These include credit linked-housing, rental accommodation with an option to buy, social/subsidy housing, and community housing initiatives and programmes. The first and second strategies are earmarked for Namibia Housing Enterprises (NHE); the MRLGHRD, Local Authorities and Regional Councils are assigned the social/subsidy housing, while private developers and commercial banks mainly develop houses for the credit linked-housing. Community-based programmes like the Shack Dweller Federation of Namibia (SDFN), Otjiwarongo based Namibian Clay House Development Trust etc. also play a major role in facilitating housing for the people. However, despite the existence of these initiatives, the housing

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