



REPUBLIC OF NAMIBIA

## STATEMENT ON THE MASS HOUSING DEVELOPMENT PROGRAMME (MHDP)

1. On 03 November 2015, Honorable Shixwameni enquired about the status of the MHDP and demanded answers about what is going to happen on the way forward. Citing newspaper reports on the matter, he expressed some confusion regarding the awarding of tenders to the same tenderpreneurs “who inflated their prices in the first instance....to continue with the same mess they had under your watch and clock”. Honorable Shixwameni strongly suggested that the process of ‘re-awarding’ the same tenders to same people who could not deliver, should be reviewed and that said contractors should be blacklisted if they are not delivering.
2. In addition to the above, an editorial in the *Confidenté* newspaper, titled “Mass Housing Blackmail”, dated 29 October – 04 November 2015, contained conflicting and contradictory information which served no purpose other than to negate the hard work done during negotiations with the MHDP contractors as well as to sensationalise the outcome.
3. In the above mentioned editorial, the opening paragraph states that “Government and taxpayers appear to have been held hostage and blackmailed into conceding into the corrupt terms by some state officials tasked to find a settlement with some of the rogue contractors on the disputed financial claims”. Words like “corrupt terms” and “rogue contractors” carry negative connotations and should not be taken lightly. Furthermore, allegations of impropriety are made in the following paragraphs:
  - a) The third paragraph reads “some of the negotiated settlements stink of suspicion and defeats the logic of any concerned taxpayers because some of the negotiators tasked by Government to protect Government interests have behaved to the contrary.”

6. **DID THE OFFICE OF THE ATTORNEY-GENERAL SIDELINE THE MINISTRY DURING NEGOTIATIONS WITH MHDP CONTRACTORS?**

6.1 On 20 July 2015, an Agenda Memorandum from the Honorable Sophia Shaningwa, who by the way, is the Minister of Urban and Rural Development, titled **“BRIEFING ON THE FUTURE PROSPECTS OF THE MASS HOUSING DEVELOPMENT PROGRAMME (MHDP)”** was delivered to Cabinet. The Agenda Memorandum recommended that Cabinet:

6.1.1 Takes note of the legal and financial implications outlined in the legal opinion received from the Attorney-General;

6.1.2 Supports the revocation of the mandate given to the Namibia Housing Enterprise (“the NHE”) under the Blueprint on the Mass Housing Development Program (MHDP);

6.1.3 Supports the settlement of all invoices of houses constructed under the MHDP; and

6.1.4 Supports the establishment of a committee responsible for negotiating and settling contracts entered into between NHE and contractors under the MHDP, said committee falling under the chairmanship of the Attorney-General and comprising of Permanent Secretaries.

6.2 In Cabinet Decision 7th/21.07.15/001, Cabinet approved the following:

6.2.1 Settlement of all invoices of houses constructed under the MHDP;

6.2.2 The establishment of a Committee that will be responsible for negotiating and settling contracts entered into between the NHE and contractors under the MHDP to be chaired by the Attorney-General and comprised of the Permanent Secretaries involved in the coordination of implementation of the MHDP; and

6.2.3 The revocation of the mandate given to the NHE under the blueprint of the MHDP.

6.3 The above Cabinet Memorandum and Cabinet Decision indicate that approval was given to the Attorney-General to negotiate and settle contracts entered into between the National Housing Enterprise (NHE) and contractors under the MHDP.

6.4 At all times during the negotiations, daily reports were submitted to the Minister electronically as well as through the Special Advisor. Other Ministers, such as the Minister of Finance, Minister in the Presidency and

- 7.2.4 Completion of partially-constructed-but-incomplete-houses will be done by the same contractor/developer with the NHE contract, but NHE will no longer be a party and the Government and that contractor/developer will enter into a separate construction agreement for that purpose (price per house remains); and
- 7.2.5 Should the Government re-commence the process, they shall be invited to tender under that new regime.
- 7.3 The agreement to give contractors the contracts to complete the commenced but incomplete houses was done with a view to ensuring that contractors finish what they started.
- 7.4 In addition, it made sense cost wise to continue with the original contractors because they are operating on the old prices as quoted at the time the contracts were entered into. A new contractor would give a new quote based on current prices and this is going to be more expensive. This is what our quantity surveyors advised us.
- 7.5 Lastly, the continuation is important as far as liability for defects and safety for the envisaged homeowner is concerned.
- 7.6 With a view to avoiding future issues with regard to liability for defects, it seemed prudent to allow the contractors to finish the houses which they had started because if these houses had been passed on to another contractor to finish, it would in future become very difficult to determine who went wrong.

## 8. **WHY DID WE SETTLE AND THEN ENTERTAIN ANOTHER CLAIM FROM THE SAME CONTRACTOR?**

- 8.1 Power-Oyeno sued government in June 2015 and in a court related settlement agreement signed on 21 August 2015, the contractor was paid N\$ 104,068,674.85 for outstanding payment (N\$ 93,908,196.26), approved variation orders (N\$ 2,709,652.32), materials on site (N\$ 5,781,295.20) and interest on value added tax (N\$ 1,669,527.77).
- 8.2 It should be noted that the court related settlement agreement was based on claims that were argued on the basis of what was on the papers, it did not mean that the contractor was not entitled to additional claims.
- 8.3 During the Cabinet approved negotiations, Power-Oyeno claimed N\$ 30,964,329.15 for Time Charge Suspension, Additional Security, Bulk Discount, Employee Dismissal of Local Labour Severance Packages, Architects and Land Surveyor Fees. The final settlement amount was N\$ 17,516,066.72 and



## **BILLS OF QUANTITIES**

- 9.4 We want to use Bill of Quantities. The Bills of Quantities are prepared by Quantity Surveyors to provide an extensive and itemised trade list, including a description and quantity, of each of the components or items required for a construction project.
- 9.5 The Bills of Quantities are also a tool for monthly valuations and assist in calculating the final cost of the project.
- 9.6 Bills of Quantities are more reliable because they can be used to determine a fair price and reasonable market rates to obtain prices for each house type.

## **GOING FORWARD**

- 9.7 New contracts will be entered into with the same contractors and Government (acting through the Ministry), to complete the commenced but not yet completed units.
- 9.8 The revised contracts will contain Bills of Quantities prepared by the independent Quantity Surveyor firms that have been appointed by the Ministry of Works and Transport. The main purpose of using the Bill of Quantities is to itemise and define the project so that all contractors prepare their price and submissions on the same information.
- 9.9 Ultimately, the Minister will be presenting to the Cabinet and eventually to this August House, how the Mass Housing Development Program will be reconceived as a long term, comprehensive, sustainable targeted housing plan incorporating the identification of the ultimate beneficiaries of the houses, the identification of land, urban planning and town planning upon the land, acquisition of the land, servicing of the land and construction of townlands upon such land where people live, play and work. This would be Phase 2 of Mass Housing under the Government auspices.
- 9.10 Yes, mistakes were made. With big projects of this nature, what we have learnt is that we need to take time to plan things properly and deliver services and amenities to our people correctly, with prudence and for the long term.
- 9.11 I hope this clarifies the misconceptions that were flying around.

Thank you.