

New Alliances and Microdevelopment Approaches for Affordable Housing in Southern Africa

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1 ABSTRACT

This article aims to explain how new alliances between private initiatives and actors and the relevant administrative authorities and politicians are changing the way affordable housing is created in southern Africa, particularly in the Republic of South Africa and in Namibia. The goal is to supplement or replace the state-controlled housing supply systems in South Africa and Namibia with a more development-oriented approach, which is currently being promoted “from the bottom up” by many new actors and real estate companies. In both countries, there is still a significant shortage of affordable housing, especially for the lowest income groups. These target groups are generally not well served by the top-down housing programs of recent decades. This article attempts to clarify the significance of these new “bottom-up” approaches in a sustainable housing policy and how their “dormant potential” can be leveraged.

Keywords: Affordable Housing, Microdevelopment, South Africa, Namibia, Informal Settlement

2 NEW ALLIANCES AND MICRODEVELOPMENT APPROACHES

2.1 The initial situation

First, it must be noted that over the past three decades, a strong wave of urbanization in the major cities of South Africa and Namibia has led to a dynamic increase in the demand for housing. Depending on the source, the backlog, i.e., the shortfall, in South Africa is estimated at 2.4–2.6 million households that do not have adequate, permanent (urban) housing (DEP. STATISTICS REPUBLIC SOUTH AFRICA, 2024; MC.GAHEY, 2024). In its 2021 human settlements strategy, the city of Cape Town, for example, assumed that around 50,000 additional apartments would be needed there alone each year. In reality, however, only around 20,000 new homes are being built (TUROK, 2025). Depending on the source, the backlog in Namibia is estimated at up to 300,000 homes in total, which is also many times the annual production (approx. 2,000 residential units per annum) (PETERSEN, 2024). The shortage on the housing market is therefore continuing to worsen. Cape Town is representative of the housing markets in many cities in both countries.

Over the past three decades, official housing policy in both South Africa and Namibia has tended to focus on “building out of the problem” (TUROK, 2025, p. 2) through top-down approaches and the large-scale construction of detached housing units for poor households. The problems and limitations of these approaches are well documented in the literature and in studies (KLUG et al., 2013; PIETERSE, 2019). This model of housing provision was predominantly based on the “ownership model” with a continued commitment to state-subsidized housing, which was often built on the outskirts of cities.

The top-down approaches of the public sector have neither produced the necessary production figures nor, with their financing programs and a kind of overregulation (administrative regulations, inappropriate standards), supported the efforts of small private developers and homeowners to participate in housing production, but rather hindered them.

2.2 What’s new?

Meanwhile, both residents and the private sector are increasingly responding with new approaches to the construction and financing of affordable (rental) housing, e.g., in the townships of larger cities. Many of these approaches have their origins in the organically grown housing solutions that have been a feature of local accommodation since the townships were established. From the outset, these settlements offered inadequate housing to meet the needs of black city dwellers. Residents responded to this as so-called DIY developers by expanding their homes and, where possible, building housing in private gardens.

Beyond large-scale top-down approaches in the conventional housing market, homeowners and small-scale developers could become important players investing in higher-quality brick-and-mortar rental apartments. A

number of players have emerged who help residents and owners of small areas to develop them appropriately and finance this development.

This enables a decentralized approach that can be tailored to the capabilities of each individual, thereby unlocking the “dormant potential” of the housing supply. Some authors already refer to this sector as the “largest provider of housing” in large cities (MC.GAHEY, 2024, p. 193). Moreover, it offers considerable advantages for urban densification, income generation, and the development of a stronger local economy.

However, this microdeveloper and small-scale housing segment is less formalized in Namibia than in South Africa. Instead, Namibia has several alternative models, mostly community- or government-driven, that pursue similar goals: more affordable housing, lower barriers to entry, and participatory processes. In South Africa, the formalization of this segment is more advanced. In the meantime, the attitude of the official authorities towards these new approaches and partners has also changed.

For example, the City of Cape Town's current Review 2025/2026 of the five-year plan “Integrated Human Settlements” (2022/2023–2026/2027) states: “The private sector can play a critical role in the provision of affordable housing (...). Considering the reality that demand will increasingly outweigh supply of housing, combined with the pressure that human settlement grant funding is under, it is critical that the City begins considering innovative approaches to incentivise or collaborate with the private sector to enable affordable housing” (CITY of CAPE TOWN, 2025, p. 100).

This is leading to new alliances between various initiatives and actors from the private sector, especially the non-profit segment, and the relevant administrative bodies and political decision-makers, who have now recognized the potential of the new microdevelopers for the development of low-cost rental accommodations.

2.3 Institutions and players of microdevelopment

In order to better assess these new players in microdevelopment and the thrust of their activities in both countries, this section provides a brief introduction to some of these players and institutions, without claiming to be exhaustive. This segment is a constantly growing cosmos of initiatives and players that promise to form the basis of a new dynamic for expanding the housing stock in both countries. Sections 2.3.5 and 2.3.6 deliberately include the two most important funds, known as non-profit financial institutions in South Africa and Namibia, which were established in the mid-1990s and on which microdevelopment projects in the housing sector can rely.

2.3.1 South African Shack/Slum Dwellers International Alliance (SASDI)

SASDI is the South African branch of the Shack/Slum Dwellers International network and represents an alliance of movements, NGOs, and community-based actors working to combat poverty and promote bottom-up development processes. As an alliance, it includes other institutions and actors such as the Informal Settlement Network (ISN), the FEDUP savings groups and community organization, and the Community Organization Resource Centre (CORC), which, as a registered non-profit organization (NPO), provides professional support and mediation services for organized resident networks, in particular for ISN and FEDUP. CORC's main tasks are to support communities in developing their structures, strategic planning, and organization.¹ CORC organizes peer learning and the exchange of experiences between various community and settlement projects (CORC, 2015).

While the Informal Settlement Network (ISN) mobilizes and negotiates for better infrastructure and housing upgrades, SASDI sets the framework for collaboration, policy influence, and joint programs. CORC provides planning, data tools, dialogue platforms, and negotiation support close to the settlement groups. This three-part alliance of ISN, SASDI, and CORC thus strengthens the planning capabilities and bargaining power of poverty-affected communities, enabling them to realize self-designed improvements, partial infrastructure development, and long-term housing options.

The alliance therefore does not primarily operate as a construction company in the traditional sense, but rather as a social movement and support infrastructure. The result is not just “a house,” but an inclusive

¹ <https://www.devex.com/organizations/community-organisation-resource-centre-corc-63894>

urban development process that improves housing, safety, and social conditions in the long term – often complementing government housing subsidies.

To date, the Alliance has built approximately 15,000 houses, of which around 13,000 were built as part of the People's Housing Process (PHP).² A further 6,500 households have benefited from improvements to their homes or infrastructure through upgrading. In addition, land tenure security (legal or de facto secure housing in informal settlements) has been achieved for approximately 20,000 households.

2.3.2 Shack Dwellers Federation in Namibia (SDFN) & Namibia Housing Action Group (NHAG)

The Shack Dwellers Federation of Namibia (SDFN) is a community-based organization in Namibia that works to improve the housing and living conditions of low-income people, especially those living in informal settlements, shacks, or without secure shelter. It receives administrative and technical support from the Namibia Housing Action Group (NHAG), for example in informal settlement upgrading processes, infrastructure installations, and house construction, for example through consulting or project planning.

The SDFN is a nationwide network of savings and housing groups, which today consists of over 1,000 savings groups with more than 30,000 members in all 14 regions of Namibia. Members form savings groups in which they regularly deposit small amounts of money. Each group manages its own funds and has its own bank account. These savings form the basis for further steps such as land purchases, services, and construction projects.

Since its inception 20 years ago, the SDFN has built over 7,000 homes for low-income families (ENDJALA, 2025). In 2023, the number of completed houses amounted to approximately 350, which corresponds to an approximate average value over all 20 years (PLENTZ, 2024). In 2025, a further 3,310 residential units were announced for the coming years (ENDJALA, 2025).

2.3.3 Development Action Group (DAG), South Africa

The Development Action Group (DAG), established in 1986, is a leading South African non-governmental, not for profit organisation focused on urban development and housing issues. It worked to create equal, inclusive, and sustainable neighbourhoods and cities through development processes that foster human rights, equity, and dignity.

DAG's impact in the urban sector over the years can be attributed to the organisation's role in unlocking the development of approximately 8,000 new low-cost housing opportunities; facilitating improved security of tenure for 27,000 people; providing direct assistance in securing community services to over 100,000 households in over 85 projects; securing and unlocking R275 million (app. 14,5 Mio. EUR) for housing projects. The Contractor and Developer Academy (CDA) was established under the umbrella of the DAG to support the construction of affordable small rental apartments in townships. The CDA provides advisory services, targeted training, and direct support to emerging contractors and developers to provide affordable, better-managed housing. In addition to this, the CDA aims to raise awareness around the crucial role played by emerging developers and contractors in the delivery of affordable housing, and thus is involved in numerous lobbying and advocacy activities.

2.3.4 Urban Think Tank Empower (UTTE), South Africa

Urban Think Tank Empower (UTTE) is also a Non-Profit Company (NPC), dedicated to developing and implementing a new public housing model with the potential to improve South Africa's difficult public housing conditions (DU PLESSIS, 2024). Urban-Think Tank's association bringing together an alliance of local and international partners. These partners include local community members, government officials, built environment practitioners, impact investors, NGOs and international donors, pioneering innovative approaches to driving impactful change by combining collective expertise and resources.

Empower Khayelitsha was the first full community development built as a live prototype to demonstrate the alternative affordable housing solutions. They create a triangle of terraced housing that it says provides a model for how to build in the country's informal settlements. Completed on a site called BT-Soweto in Site C of Khayelitsha, just outside of Cape Town, the development is the company's first using their Empower Upgrade model and includes a public open space, community centre and playground as well as 72 homes for

² <https://towardsthehumancity.org/initiative-76-south-african-sdi-alliance-slum-upgrading-cape-town>

428 residents. UTTE aimed to create a financially and ecologically sustainable community-focused model for developing these areas while addressing some of the deficiencies of the post-apartheid building programme, which has focused on relocating residents to new low-cost mass housing (AOUF, 2025). Since starting work on BT-Soweto 10 years ago, the team now have 14 other developments in the works, most of them instigated by the communities themselves. UTTE relies on complete buy-in from residents, which includes a 10 per cent monetary contribution to the cost of the housing, financed through microloans. The rest of the funding comes from a mix of government subsidies and charitable giving.

2.3.5 uTshani Fund, South Africa

The uTshani Fund is a non-profit financial institution in South Africa that was founded in 1994/1995. It is closely linked to the South African Homeless People's Federation (SAHPF) and the Federation of the Urban and Rural Poor (FEDUP) (DEPARTMENT for HUMAN SETTLEMENTS, 2014, pp. 39). It was created to pool financial resources and pass them on to savings and credit groups among the poorer population so that they can build socially acceptable and affordable homes or improve their living situation. The uTshani Fund uses a financing model that specifically targets community savings and credit structures (mostly through nsuku zonke groups). Instead of granting traditional mortgage loans, the fund provides pre-financing or low-interest loans, essentially as “bridge financing”, which enable savings groups to build their own homes while receiving government housing subsidies at the same time (UTSHANI FUND, 2010).

The fund can administer and distribute government housing subsidies, which is particularly important because many households without their own creditworthiness would otherwise be unable to access these funds. The loans are granted at relatively low interest rates and with longer terms (e.g., 15–24 years, often much cheaper than standard market loans) (OMENYA, 2007, pp. 111). The fund thus enables communities with very low incomes to build or improve their own homes – with sustainable financing instead of purely government-funded construction methods. Poor households often have no collateral and no access to traditional bank loans. The uTshani Fund creates an accessible financing option that is specifically designed for low incomes. It is therefore an important financing and empowerment tool for affordable housing outside the traditional banking and government systems.

According to an evaluation, between the mid-1990s and 2000, 3,906 houses were built exclusively with uTshani Fund loans (i.e., before the government subsidy was paid out), and an additional 1,250 houses were supported by a combination of uTshani bridge financing and government subsidies. This means that by July 2000, at least 5,150 households had benefited directly from uTshani financing during the construction process. For various reasons, there is no concrete and exact record of the projects supported in the years that followed. However, there are reports that a total of approximately 8,000 houses have been built to date through the Federation's structures, which include the uTshani Fund (BAUMANN, BOLNICK, MITLIN 2012). Other studies even mention more than 11,000 houses that are said to have been built in the broader network context (GUMBO, ONATU, 2015, pp. 27).

2.3.6 Twahangana Fund, Namibia

The Twahangana Fund is a community managed revolving fund that provides microloans to the members of the savings groups of the Shack Dwellers Federation in Namibia (SDFN), for the purpose of land acquisition, servicing of land and the construction of housing. The Fund serves as a tool for the very poor inhabitants of Namibia to access financial assistance, which is not given to them by official banking institutions. Since 1995, the Twahangana Fund channeled over 231 million NAD (app. 13 million EUR) to the different groups of the SDFN for the construction of over 6,000 houses, reaching 24,000 people. The money received through the Fund is repaid by the members of the savings groups and these repayments contribute to the Fund (CAHF, 2021). Since 2000, the Namibian Government has assisted groups from the SDFN through the Twahangana Fund to obtain housing through donations from the Ministry of Urban and Rural Development (MURD). Previously, the groups also benefited from a national housing program, ‘Build Together’. For the past years, the SDFN has shown its community-led capacities to manage donor money and governmental subsidies thanks to years of experience and solid management systems. This encouraged the development of partnerships with the private sector. Transparency seems to be one of the big principles of the Fund. The fund is managed by the communities themselves, together with NHAG and SDFN.

3 EVALUATION OF NEW MICRODEVELOPMENT APPROACHES AND CONSEQUENCES FOR THE POLICY MIX

Both countries already have a very large housing shortage, amounting to 2.4 to 2.6 million housing units in South Africa and 200,000 to 300,000 housing units in Namibia, which is many times higher than the countries' current annual housing production. In South Africa, the annual completion figures for recent years range between 60,000 and 90,000 housing units (public and private), while in Namibia they are around 1,700 to 2,000 housing units (public and private). It is clear that much greater efforts are needed in both countries to catch up with the above-mentioned backlog and the future increase in demand for housing.

Looking at the segment of microdevelopers and small houses for low-income earners, which is the focus of this article, a comparison of project numbers and demand quickly shows that, in quantitative terms, this segment can only be part of the solution to the housing problem in both countries.

Qualitatively, however, these microdevelopment activities are one of the most effective approaches to affordable housing in the low-income segment, as they successfully target a group that would otherwise be virtually unreachable with traditional approaches.

SDFN's offering in Namibia, for example, reaches very low-income households that do not have access to bank loans and are not served by either the private market or traditional government programs. In this segment, SDFN is one of the largest functioning providers overall. Many government programs fail in this area due to solvency and implementation problems.

SDFN houses often cost between N\$120,000 and N\$180,000 per unit, which is significantly less than government- or privately-subsidized social housing. A high proportion of personal contributions and local construction methods significantly reduce costs and improve affordability. Per dollar invested, SDFN is therefore above average in terms of efficiency, even if it scales more slowly.

In addition, repayment rates for SDFN's savings and loan models are comparatively high, as community pressure and personal contributions help reduce defaults. The houses almost always remain in the original ownership of the target group. This is politically significant, as many previous programs have often failed due to defaults and resales.

Similar experiences have been made in South Africa with the offerings of the SASDI Alliance (FEDUP, CORC), the uTshani Fund, and the DAG. Here, too, the costs per housing unit are significantly lower than for government social housing. Social housing achieves higher construction quality and formal security, but at significantly higher costs.

Microdevelopment and community-based approaches are therefore an essential component of a functioning housing policy. However, this is not only about new construction activities, but also about the important housing policy component of existing stock development. For example, around two-thirds of South Africa's backlog is located in informal settlements. Therefore, it must also be about in-situ upgrading of informal settlements, the upgrading of backyard housing, and the overall redensification of existing neighborhoods. These are also important tasks in terms of sustainable urban development.

Although the construction of new social housing is indispensable in terms of quality, it is too slow and too expensive in terms of quantity to solve the urban housing problem in southern Africa on its own. Microdevelopment is not a substitute, but it is the most efficient instrument for relieving the market quickly and cost-effectively.

This is where the scaling argument comes into play. Microdevelopment scales horizontally (many small actors). Social housing scales vertically, but slowly and with limited capacity. Neither segment can reduce the backlog on its own.

Microdevelopment and community approaches offer the advantage of leverage. They act as an innovation platform for participatory modernization and incremental housing construction, gradually changing project architecture and practice as well as the attitude of public authorities. There is therefore a high qualitative leverage effect.

Scaling up microdevelopment approaches can only be successful if sufficient developed and suitable land is made available. Its availability remains a key obstacle. It is also a matter of making planning law (zoning, density, parking) more flexible, which public authorities should ensure. Other important levers include the

adequate provision of microfinance and support for technical standards, such as type plans or building catalogs. Public authorities should also strengthen tenant protection and security, especially in informal settlements (WEBER, MENDELSON, 2017).

However, scaling up and long-term success also require training and education for those involved, as well as the establishment of governance structures that enable institutional stability and efficient management. This is particularly relevant in South Africa, where community organizations are sometimes politicized and conflicts arise with local elites or parties. Here, the danger of instrumentalization or repression should be countered by providing these initiatives with political protection and recognition for their work.

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