

Presentation to the African Union for Housing Finance (AUHF) Conference

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The Journey



- Botswana Housing Corporation's Mandate;
- Financing the Corporation's operations;
- Sources of external finance;
- China Exim Bank Loans;
- Housing projects undertaken through China Exim Bank's loans;
- Challenges;
- Preferred procurement mode;
- Conclusion

Botswana Housing Corporation's Mandate



- Established in 1970 by an Act of Parliament with the following mandate:
 - ❑ To provide for the housing, office and other building needs of the Government and Local Authorities
 - ❑ To provide for, and to assist and to make arrangements for other persons to meet the requirements of the preceding bullet point
 - ❑ To undertake and carry out, and to make arrangements for other persons to undertake and carry out building schemes in Botswana.

Financing of the Corporation's operations

- Initially Government provided low interest bearing loans;
- In 1990's Government decided parastatals had be self – sustaining ('swim or sink');
- Principal financing methods:
 - Rolling back sales proceeds;
 - Borrowings;
 - Pre selling, and collecting as development proceeds;
 - Rental stock, for recurrent expenditure.

Sources of external finance

- BHC does not receive annual Government subventions;
- External funding sourced from capital markets;
- Interest rates, in current portfolio, range from 7.5% to 12%;
- Repayment periods range from 8 to 23 years;
- Bonds secured from capital markets range from 5.88% (floating rate of 1.7% above 91 day Bank of Botswana Certificates rate, currently at 4.18%) to a fixed rate of 10.1%

Composition of existing borrowings



- Loan portfolio as at 31/03/13 includes:
 - Loans from Government (pre - 'swim or sink' pronouncement) (**1%**);
 - Ex - Government loans since sold to private sector (**18%**);
 - China Exim Bank loans (**10%**);
 - Bond finance (**56%**);
 - Bank overdraft (**15%**).

Exim Bank Loans

- Government – to – Government loans;
- Must be authorised by Parliament;
- Bots Government on-lends to BHC;
- Bots Government bears exchange risk;
- Fixed interest rate – ranges from 8.4% and 8.5%;
- 8 year – repayment period with a 4 year grace period.

Housing Projects Constructed Using Exim Bank Loans



- 86 housing units in Kasane;
- 293 housing units in Gaborone;
- 104 housing units in Gaborone;
- 120 housing units in Francistown;
- **266 housing units in Serowe meant to use Exim Bank Loan, funds were never disbursed to BHC**
- **During the period when these projects were undertaken, 1999/00 to 2004/05, a total 1, 796 housing units were developed;**
- **Percentage finance by China Exim Bank (33.5%).**

Kasane – 86 Houses

- 86 houses constructed;
- Contractor - Complant Botswana;
- Loan Amount - P12, 249, 612 (**\$2.68 million**);
- Contract Sum - P12, 569,128 (**\$2.75 million**);
- Actual cost of development - P11, 743, 416 (**\$2.57 million**);
- Types of Houses - 86 low - income houses.

Kasane – 86 Houses Pictures



Gaborone – 293 Houses

- 293 houses constructed;
- Contractor - Complant Botswana
- Loan Amount - P49, 657, 860 (**\$7.99 million**);
- Contract Sum - P53, 894, 684 (**\$8.67 million**);
- Actual development cost - P51,050,136 (**\$8.21 million**);
- Types of Houses - 141 low income, 152 medium income.

Gaborone – 293 Houses Pictures



Gaborone – 104 Units

- 104 housing units constructed;
- Contractor - Complant Botswana;
- Loan Amount - P21, 709, 879 (**\$4.54 million**);
- Contract Sum - P21, 899, 913 (**\$4.58 million**);
- Actual development cost - P24, 353, 026 (**\$5.09 million**);
- Types of Houses; 76 townhouses and 28 cluster houses

Gaborone – 104 Units Pictures



Francistown – 120 Houses



- 120 houses constructed;
- Contractor - Complant Botswana;
- Loan Amount - P15, 542, 299 (**\$3.28 million**);
- Contract Sum; P19, 078, 345 (**\$4.03 million**);
- Actual development cost - P19, 057, 930 (**\$4.02 million**);
- Types of Houses - 99 low income and 21 medium income houses.

Francistown – 120 Houses Pictures



Challenges

- Transparency compromised
 - BHC is a state owned enterprise;
 - Bound by Government's procurement rules and regulations (PPADB);
 - Loan condition required use of specific Chinese company;
 - Compromised transparency and desire for value for money;

Challenges (cont)

- Contractor often privy to loan agreement prior to contract negotiation;
- Compromised negotiations in favour of the contractor;
- Delays in concluding loan agreement between Exim Bank and Government;
- Consequently, delays in starting projects;

Challenges (cont)



- As a result, contractor often asked for a review of contract;
- Pricing of houses was cost driven, higher than anticipated house prices;

Preferred Procurement Mode

- Open tendering;
 - Contractors' credentials are tested;
 - Robustness of tender submission tested (duration, delivery team, technical resourcing and pricing);
 - Maximises value-for-money for BHC.

Conclusion



- BHC has developed houses using funds from China Exim Bank;
- Funds availed as loans, not grants;
- BHC prefers a procurement model which is transparent and lends itself to optimising on its purchasing power;
- Strings attached to loans should be removed (contracts executed by a named Chinese construction company).

Thank You

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