

# Progress On Establishment Of The Human Settlements Development Bank

22 September 2021



# The Purpose

- To provide an update on the establishment of the Human Settlements Development Bank



# Overview

- National Treasury undertook a review of the mandates of South Africa's Development Finance Institutions (DFIs) from February 2007 to March 2008 at the request of Cabinet .
- The review was conducted in consultation with the national Departments responsible for the DFIs.
- The DFIs were created to promote social and economic development, by providing finance that supports job creation, industrial development, and infrastructure development. Individual DFIs have specialized areas of operation.
- The human settlements sector was supported by three DFIs – the National Housing Finance Corporation (NHFC), the Rural Housing Loan Fund (RHLF) and the National Urban Reconstruction and Housing Agency (NURCHA).



# Overview....

The Treasury Entity Review Committee recommended amalgamating the three DFIs into a single, consolidated institution, with three main divisions:

- Intermediary finance – Servicing retail intermediaries in both urban and rural areas, with a focus on innovation in retail low-income financing;
- Contractors – Offering the products and services of NURCHA, but with larger balance sheet, this unit would support contractors throughout the construction value chain; and
- Financing – Financing the housing product affordability gap and supporting the sustainable human settlements strategy.



# Overview....

- The proposed financing function would entail project-based application of challenge funds, pure grant and recoverable grant mechanisms, pooled risk products, and building capacity, as opposed to primarily medium to longer-term debt financing.
- Following the Treasury Review, National Department of Human Settlements undertook an investigation into the finance delivery mechanisms for the Human Settlements Sector.
- Each of the three Housing development Finance Institutions that are accountable to the department of Human Settlements operates in a specific niche market



# Overview....

- RHLF addresses lack of end-user finance in rural areas and for those who are unable to access mortgage finance, but only in the non-metropolitan areas. RHLF has expertise in respect of the provision of incremental finance.
- NURCHA focuses on contractor's/developer's finance and support, for both new housing development (affordable and subsidy) and infrastructure backlogs. NURCHA has expertise in bridging loans to contractors and developers for infrastructure and community facilities.
- NHFC addresses lack of project finance for social housing, as well as affordable private sector rental and housing for sale. NHFC has expertise in the provision of project finance for both rental and ownership stock.

# Overview....

- The existing expertise and capacity is an important resource for the sector and needs to be preserved. The DFIs operated at too small scale to impact significantly on the need of housing, thereby necessitating establishment of the **Human Settlements Development Bank**.
- Lack of effective partner funding and development leveraging at scale and within mandate is a key inhibitor in current delivery process
- The Human Settlements Development Bank Bill, 2020 was drafted in close consultation with RHLF, NURCHA and NHFC.
- The Department has finalized a draft Bill that is aligned to the approved policy as well as with the Business Case.
- The Bill has been submitted to the State Law Adviser for a pre-certification legal opinion.

# HSDB Bill Objectives

- To provide for the disestablishment of the National Housing Finance Corporation and the establishment of the Human Settlements Development Bank;
- To transfer the assets, liabilities, rights, obligations and staff of the Corporation to the Bank
- To provide for the governance and management of the bank, as well as for relationship arrangements, financial arrangements and matters connected therewith.



# Projected Timeframes

- Currently we are in the process of processing the Bill through the required process to allow for publication of the Bill for comment.
- Projected that subject to required support and agreement Bill maybe published for comment in the third or fourth quarter of this financial year.
- Process of tabling in Cabinet and then Parliament will take place

# Thank You

