



MINISTRY
HUMAN SETTLEMENTS
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ADDRESS BY THE RSA HONOURABLE
DEPUTY MINISTER OF HUMAN SETTLEMENTS,
MS PAM TSHWETE, AT THE AFRICAN UNION
FOR HOUSING FINANCE 39th ANNUAL
CONFERENCE.

**UNDER THE THEME: *AFFORDABLE HOUSING
ON THE FRONT LINES: CASES FROM THE
CONTINENT.***

31 OCTOBER TO 02 NOVEMBER 2023,
WINDHOEK, NAMIBIA

Master of Ceremonies

Deputy Minister of Urban and Rural Development,
Honourable Evelyn Nawases-Taeyele

Honourable Ministers and Deputy Ministers Present from
the Continent

Honourable Chairperson of the African Union for Housing
Finance, Mr. Kehinde Ogundimu

Namibian Executive Director: Ministry of Urban and Rural
Development

Distinguished Guests

Ladies and Gentlemen

I would firstly like to extend my appreciation to the African Union for Housing Finance (AUHF) for choosing Southern Africa and Namibia in particular, to be the international platform for this important gathering.

I must tell you that South Africa owes much of its political struggle against apartheid to the beautiful and resilient people of Namibia.

Thank you for inviting us to participate in this Conference and to share some of our country's models and experiences.

Yesterday I was privileged to be part of the round-table discussions on the impact of housing in the economy, leveraging affordable housing for economic growth and development.

We consider the AUHF Annual Conference as an important occasion in the calendar of events due to its magnitude and global outreach.

I am therefore extremely delighted to be standing here today as we commemorate the World Cities day. We are gathered here under the Conference theme, **AFFORDABLE HOUSING ON THE FRONT LINES: CASES FROM THE CONTINENT** - which could not have come at the best possible time as the global residential property market activities are slowing down.

In South Africa, the affordable housing market outlook is facing a massive challenge with respect to supply and demand side challenges. The sluggish economic growth, weakening fiscal outlook, diminishing revenue, increasing borrowing costs, shrinking public expenditure, high unemployment rate, rising interest rates, energy challenges and the rate of urbanization, impact the market adversely.

The affordable housing market also known as the Gap Housing Market is defined as those households whose income exceeds maximum limit for a full subsidy house but earn too little to acquire a mortgage loan, typically a household with a monthly income of R3 501 to R22 000 (N\$3 728 -N\$23 426).

The functioning of the residential property market, especially the affordable housing market is of fundamental importance from the perspective of the state. The activity in the affordable housing market in South Africa reflects the prevailing market conditions.

The lack of housing supply is caused by a shortage of affordable housing stock as well as well-located land.

Mortgage loan data analytics from our Office of Disclosure show that mortgage affordability and credit extension in the gap housing market have been gradually deteriorating as access to finance by low-income households remains a challenge in our country.

Data shows that in the first quarter of 2023/2024, a total of 1.3 million applications for mortgage finance were received by financial institutions, a massive total of approximately seven hundred and twenty thousand (54.8%) were declined. Of the approved loans, a large majority (88%) of the approvals were granted to households earning well above R15 000 a month.

The biggest risk factors attributable to the rejection rate were the following:

- (i) High levels of indebtedness
- (ii) Impaired credit records
- (iii) Lack of deposit; and
- (iv) Low income/affordability

To fill-in the Funding Gap in the Affordable Housing Market:

Government has a programme called First Home Finance (FHF) that offers a once-off housing subsidy to qualifying beneficiaries to assist them to buy or build their first home on an affordable basis. The subsidy is offered at a sliding scale with a maximum of R169 295 for households earning R3 501 per month and minimum of R38 911 for households earning R22 000 per month.

We are also massively subsidising the social housing programme for households earning R1 850 to R22 000 a month to provide quality rental housing in well-located areas through investments in restructuring zones. We allocate on annual basis capital funding of approximately R900million to the Social Housing programme and R74million for operational expenditure.

Our strategic intent towards stimulating the functioning of the affordable housing market and scalability of human settlements delivery is supported by the setting-up of the new Human Settlements Development Bank (HSDB). We

are finalising the establishment of Human Settlements Development Bank through legislative framework. The HSDB will be catalytic in crowding in the private sector funding to deliver a range of credit linked products and instruments through risk mitigating solutions. Its presence in Africa should also be characterised by strengthening partnerships and collaborations with institutions such as Nigeria's Mortgage Refinance Company, Tanzania's Mortgage Refinance Company, the Egyptian's Social Housing and Mortgage Finance Fund and other multilateral funding institutions, like African Development Bank as well as the World Bank's International Finance Corporation.

We are also in the process of transferring the Government Employees Housing Scheme (GEHS) to the National Housing Finance Corporation. GEHS is an employee benefit scheme that offers housing access support to government employees to ensure that employees have access to affordable housing finance. The number of loans extended through this Scheme since its inception in 2015 is just over 56 000 for mortgages and

3 900 for building loans, largely for rural households. The corresponding value of loans granted is R40billion and R758million respectively. The number of employees receiving housing allowance as tenants and qualifying for First Home Finance (FHF) subsidy is approximately 190 000. The total amount saved in the Individual-Linked Savings Facility (ILSF) by employees that are receiving allowances is R19billion.

On issues of transformation in the sector, given our historical context, we are unapologetic about the transformation agenda. All the Department's delivery Agencies, namely, Provinces, Municipalities and Entities are mandated to deliver on transformation targets. The performance indicators include the value of disbursements targeted towards black owned businesses, procurement spend targeted at enterprises owned by women, youth, and persons with disabilities or put it simply, the designated groups.

Our response to Climate Change issues is that we are now transitioning towards alternative renewable energy

sources and considering implementation of Innovative Building Technologies (IBTs). Our subsidised housing units are now designed to be energy efficient by incorporating the installation of solar panels in these units. This is part of the solution given the current energy challenges in South Africa.

We are very encouraged by the results of the 2022 Census data. The findings show that 91.3 percent of households have access to piped water, 71 percent of households now have access to flush toilets compared with 60 percent in 2011. Also in 2022, 29.9 percent of households in South Africa were living in government subsidised dwellings.

The most critical indicator is that 88.5 percent of households live in formal dwellings in 2022 compared with 77.6 percent in 2011 and that only 7.9 percent of households live in informal dwellings compared with 13.6 percent in 2011. This is a phenomenal achievement and must be celebrated.

Furthermore, our stats indicate that the National Department of Human Settlements has since 1994 to date delivered a total of 3.5 million of housing units and 1.3 million of serviced sites. This represents a collective total expenditure of just over R281 billion for the same period.

Still, we remain mindful of the acute housing shortage in our country. To date a total of 2.3 million people are registered in the Department's Housing Needs Register.

With respect to First Home Finance (FHF), just over 20 000 subsidies were disbursed with a total expenditure of just under R 1.4 billion in the current Mid-term Strategic Framework cycle (2019-2024). A total amount of R6.8 billion has been leveraged from the financial institutions during the same period.

This demonstrates the capability of the Programme to trigger significant private sector investments which epitomizes the optimal use of borrowing and

effectiveness of Public-Private Partnerships (PPP) model.

With the implementation of the non-mortgage products, the First Home Finance (FHF) Programme is well geared to scale up service delivery in the affordable housing market. Part of the non-mortgage products includes addressing the communal land tenure and the registration of land to improve the security of tenure of rural communities. This is an imperative towards revitalizing and creating economic opportunities for rural households.

Honourable guests, as I conclude. It is clear, the trend points towards a coherent response to systemic challenges in the affordable housing market. I have no doubt that at the end of this conference, you would have come up with innovative and sustainable solutions aimed at upscaling the delivery of human settlements across the developing and emerging economies in Africa and beyond.

Let us maximise our collective efforts towards addressing our human settlements' implementation challenges through open and robust debates.

It is an exciting moment in South Africa. We have just won the 2023 rugby world cup Championship. This trophy does not only belong to SA but to Africa as a whole.

I thank you!