



## Chairperson's Report

## CHAIRPERSON'S REPORT

I AM PROUD OF THE RESULTS THAT WE HAVE ACHIEVED ON THE BACK OF A VERY CHALLENGING YEAR- A YEAR IN WHICH THE SOUTH AFRICAN ECONOMY EXPERIENCED ITS FIRST RECESSION IN 17 YEARS. WHILE THE NUMBERS ARE IMPRESSIVE, NOTHING SPEAKS TO ME AS CLEARLY AS THE PICTURES OF BENEFICIARIES IN THIS REPORT AND THE PERSONAL FEEDBACK WE RECEIVE WHEN WE HAVE A CHANCE TO GO OUT INTO RURAL AREAS AND MEET RHLF BORROWERS AND THEIR FAMILIES.



The photographs in this report are a true representation of our end user customers. These are proud, independent, hard working individuals, who are taking matters into their own hands and are determined to make a better life for themselves and their children. These people can make it without hand-outs. A small loan from RHLF provides the encouragement to keep striving towards their dreams, and it may get our clients to their housing goal a little faster and with more dignity.

loans averaging R4,865 after disbursing over forty thousand loans the year before. It is obvious that low-income households prioritise putting food on the table and providing essentials over making housing investments in times of economic hardship. The last thing we would want is to push loans on people that they cannot afford and make them poorer in the process. As incomes recover from the recession this year and beyond, so will our housing microfinance business.

The small improvements in people's homes and lives are what motivates me, my colleagues on the RHLF board and our very talented and dedicated staff at the Rural Housing Loan Fund. This is why we stuck by our mission and continued to make thousands of new housing microloans even under the difficult economic conditions that we experienced throughout the 2009/2010 fiscal year.

Because the rural low-income families we serve were particularly impacted by retrenchments and shrinking disposable incomes, we had to slow down the pace of new lending to just 33,112

I commend the Executive Leadership under the stewardship of Jabulani Fakazi, our Acting Chief Executive Officer, and the team for the prudent management of the RHLF retail partner network during this difficult period. They kept additional impairments of our wholesale portfolio to a minimum and delivered another excellent set of financial results. The operating profit came in above prior year results at R13,7 million. This is a remarkable achievement against the backdrop of a major recession, falling market interest rates and a slow-down in disbursements. In this environment, cost control is very important, and RHLF

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## CHAIRPERSON'S REPORT *(Continued)*

is indeed a very lean operation with only 10 staff and a tight lid on general operating cost. As the highlight of the 2010 financial statements, I am absolutely elated to announce the successful sale of our stake in Bayport Financial Services that delivered an exceptional profit of R20.6 million. This is welcome fresh funding that will allow us to scale up outreach into deep rural areas.

Over the course of the current business year, RHLF's balance sheet will be further strengthened by a R49,5 million capital increase from our owners, the Department of Human Settlements. We see this investment as an endorsement of RHLF's contribution to human settlements delivery and the relevance of our housing microfinance methodology to the rural target market. We will do everything in our power to turn this additional capital into greater rural human settlements impact.

The Board and staff of RHLF are proud to serve under the energetic leadership of the new Minister of Human Settlements Mr. Tokyo Sexwale. We share his vision of making human settlements delivery a national priority. This would be a challenge not unlike that of the World Cup, which will galvanise our collective efforts and give us the momentum to tackle this formidable task. The urbanisation challenge that government faces is daunting indeed as evidenced by the mushrooming of informal settlements around urban areas of South Africa. We fully support

the government in its efforts to address the informal settlements households' needs. Over the years, RHLF has assisted borrowers in many informal settlements around small towns to incrementally improve their housing conditions. However, in supporting government's informal settlements eradication efforts, RHLF will continue to play a critical role in addressing the needs of rural households, especially on communal land and prioritised rural nodes.

Of course, RHLF is but one element in the national housing and human settlements delivery effort. Most of the credit is due to our current network of ten retail lenders who intermediate the wholesale funding provided by RHLF to the individual end borrowers in all nine provinces. On behalf of the entire Board, I would like to thank all of our retail partners for their dedication and skill in enabling RHLF to deliver on its mandate.

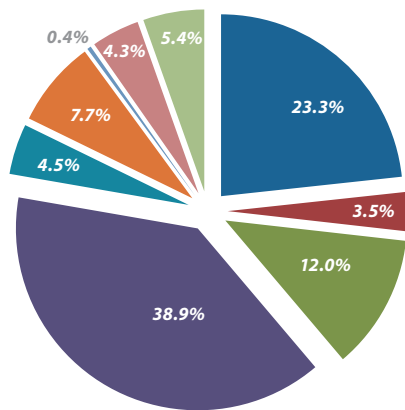
After many years of service, Board members Mr. JH de V Botha, Mr. L Mashaba and Ms. G. Mthethwa resigned over the course of the reporting year. We are greatly indebted to them for their competent strategic guidance and lasting contribution to the success of RHLF.

Our important work in the rural housing space is made possible only by the dedicated support of our stakeholders: the National Department of Human Settlement as the owner of RHLF, the German Government who contributed

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# CHAIRPERSON'S REPORT *(Continued)*

Number Loans Disbursed as %



- Eastern Cape
- Free State
- Gauteng
- Kwa-Zulu Natal
- Limpopo
- Mpumalanga
- Northern Cape
- Northwest
- Western Cape

the original equity endowment of the Fund, as well as KfW and DBSA who provided concessionary debt funding. This year we also received the commitment for a second €500,000 accompanying grant from the German Government via KfW. RHLF stands to benefit greatly from this generous grant once the South African government fulfils the KfW requirements in order to enable RHLF to access the grant. We are very grateful for the continued generous support from our stakeholders and will use these resources wisely for strategic initiatives that directly contribute to resolving the housing backlog in rural communities.

We look forward to working even more closely this year with the Minister of Human Settlements and the Deputy Minister who provide us with very valuable guidance on strategic issues. On behalf of the Board, I would like to welcome the new Director-General of Human Settlements, Mr Thabane Zulu; and we at RHLF pledge our full support to him in his task of providing

leadership in the delivery of human settlements.

Furthermore, the RHLF Board fully appreciates the oversight role that the Parliamentary Portfolio Committee on Human Settlements exercises on RHLF as a public entity. In this regard, we as the RHLF Board appreciate this role as it keeps our organisation focused on achieving its mandate.

On behalf of the Board, I would like to thank each and every member of the RHLF staff for their commitment to the course of rural development and the impressive professionalism they bring to the task. Together with the entrepreneurial talents of our retail partners, you are the ones who keep RHLF going and make it possible to deliver on the promise of rural housing finance, year after year.

**Totsie Memela-Khambule**  
Chairperson

