



CHAIRPERSON'S  
REPORT

## Chairperson's Report

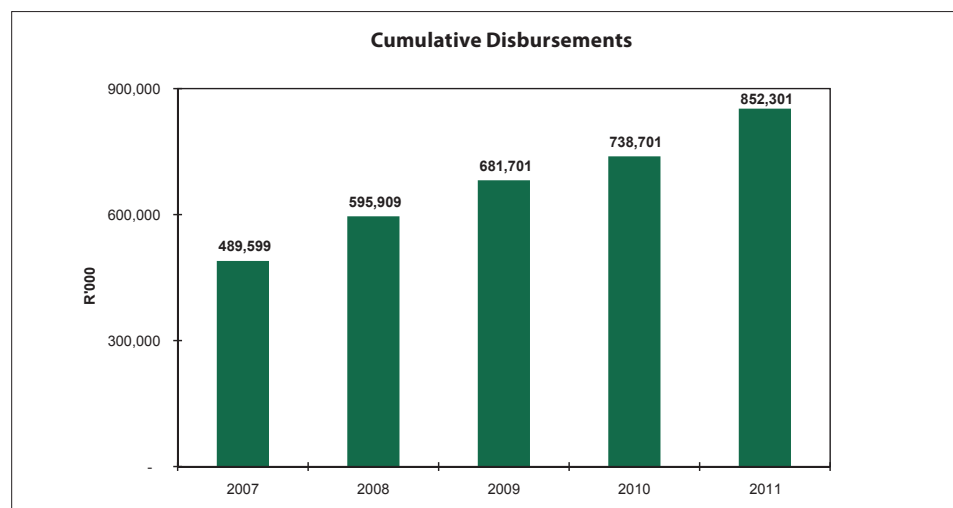


Fifteen years ago, the Government of South Africa recognised the need to enable people living in rural areas and small towns to access housing finance loans so that they could incrementally improve their housing conditions and living environments. As a result, Rural Housing Loan Fund (RHLF) was established in 1996 with the benefit of initial grant money of about R150 million from the German Government via KfW. Since then, RHLF has achieved significant milestones in addressing the housing needs of the rural working poor.

I am pleased to report that, since its inception, RHLF has disbursed R852 million, represented by a little over 278,000 individual end-user loans to the target market. During the year under review, RHLF disbursed just over R224 million, which translated into 40 289 loans, an indicator of how much the incremental housing finance industry that RHLF champions, has grown.

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To me and my colleagues on the Board, it is not just milestones in numbers that bring satisfaction as to how RHLF has performed, but our joy comes from seeing the positive development impact that RHLF has had on people's lives over the years. Importantly, RHLF has enabled people to access money, which they have used to embark on their own home building processes, thereby taking charge in the improvement of their quality of life. This is the essence of the RHLF mission—to empower people to improve their own living conditions by accessing loans that they can afford to repay. The mission of RHLF talks to people driven development process and RHLF has passionately facilitated this over a period of a decade and a half.



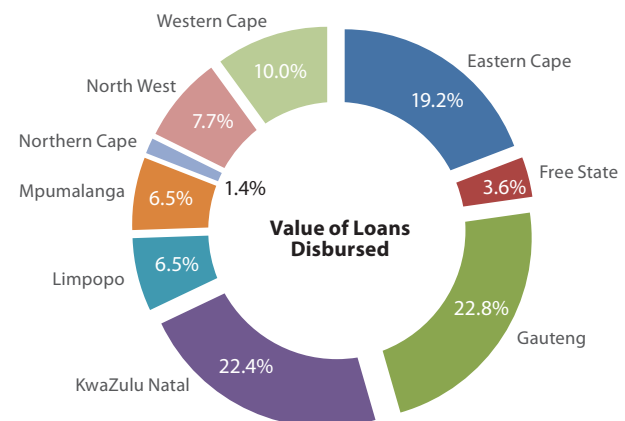
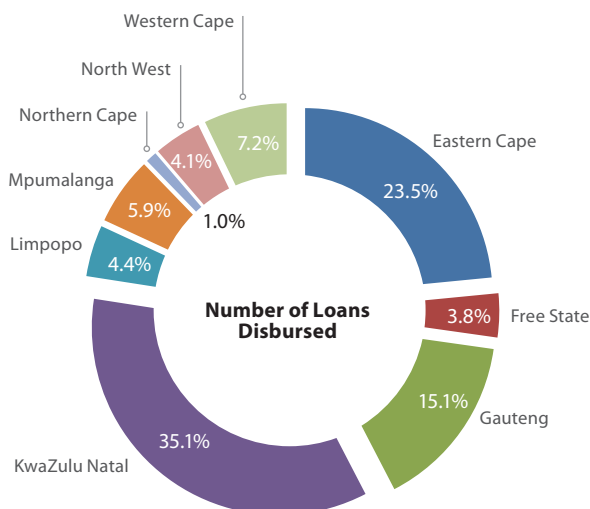
## Chairperson's Report *(continued)*

We present RHLF's 2010/11 results on the back of a very challenging economic period—the period when the democratic South Africa experienced its first recession resulting in more than a million job losses. Despite recorded economic improvement in recent quarters, many people remain unemployed and the reality is that the reported improvement in growth of the economy has not made any dent on the unemployment situation. Yet, in spite of these tough market conditions, RHLF achieved a surplus after tax of a little over R18 million.

The fact that we present positive results of RHLF performance is testimony that the business of helping the working poor is good business. In other words, market based solutions are critical in addressing development needs of low income earners. Such solutions complement government grant money in addressing development needs that our people face. For many low income earners, the main challenge is to access credit that they can afford and which they can then use as means towards improving their quality of life. It is amazing to see how our end-user borrowers take pride in the housing outcomes resulting from the loans and sweat equity that they invest in the improvement of their living conditions.

Working with its intermediary lending partners, RHLF has been able to enhance access to housing loans to many people in all provinces of South Africa. It is pleasing to see how such small loans get converted to decent shelter and homes of our ultimate customers. It is therefore important that I convey RHLF's sincere gratitude to our intermediary partners for sharing our vision of enabling the working poor in rural areas to have access to finance so that they can achieve their housing dreams. Despite very challenging economic conditions, our retail intermediaries have been able to help RHLF deliver such impressive development impact and financial results. I and my fellow colleagues in the Board are grateful to these business partners.

During the year under review, RHLF received a capital injection of R49.5 million from its sole shareholder, the South African government. This concrete support has contributed to the strengthening of the RHLF balance sheet—a necessary step in scaling up incremental housing finance. We are grateful to the Honourable Minister of Human Settlements, Mr Sexwale, for delivering on the promise he made in his 2010/11 budget speech. In the 2011/12 financial year, RHLF is expecting an additional R49.5 million from the same source. Our Government's



## Chairperson's Report *(continued)*

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endorsement of RHLF's housing microfinance model for improving living conditions in rural human settlements is beyond doubt as evidenced by its continued investment in the Company.

Over the years RHLF has also benefitted from support of other funding partners: the KfW and the Development Bank of Southern Africa. KfW's initial grant to the South African Government was used to establish RHLF. This grant capital was followed by the soft loan of 12.5 million Euros. Both these generous funding arrangements led to the growth of RHLF business. We are indebted to KfW for their continued support to RHLF, including the accompanying grant of 500 000 Euros that is currently being finalised KfW's support is testimony of German Government's support of South African development efforts. We are also grateful to the Development Bank of Southern Africa for the role it played in enabling RHLF to access KfW soft loan on the back of its government guarantee. Without the support of these two institutions, RHLF would not have reached the milestones it has today. They are true development partners.

During the course of this year, the following Board members resigned: Mr Pepi Silinga, Ms Nocawe Makiwane and the Board's former Chairperson, Ms Totsie Memela-Khambule. We are greatly indebted for the sterling service they offered to RHLF during their long tenure as members of the Board. I would especially like to convey the Board's sincere gratitude to the former Chairperson for the leadership she provided to the Board and the RHLF team as a whole. We wish them all the best in their future careers.

While we miss the members who resigned during the year, we are happy to welcome the equally capable new members who were appointed to the Board in October 2010, namely: Mesdames Venete Klein, Maureen Manyama-Matome, Adrienne Egbers and Asmita Thakor as well as Mr Molefe Mathibe. Collectively, they bring a diverse set of skills that are critical for the organisation's success. These skills include finance and accounting, credit policy, and human settlements development. Our Board remains a balanced Board. I am sure we will all enjoy a fulfilling tenure as we give guidance to management in ensuring that RHLF reaches new heights.

The Board appreciates the work of the executive management and the whole RHLF team in growing the RHLF business. Each and every member of the RHLF staff is committed in the achievement of the RHLF mandate. On behalf the Board, I would like to sincerely thank all of you for the tremendous job you have done over the years. I would like to urge you to remain steadfast in ensuring that housing microfinance is scaled up for the benefit of our customers in rural areas in all provinces. The driving force in our business career at RHLF should be that, together as a team, we make a positive impact on the quality of life of the people we serve.



**Ms Thembi Chiliza**  
*Chairperson*