



**PRESENTATION TO
WHARTON BUSINESS SCHOOL
HOUSING FINANCE COURSE**

THURSDAY, 6 NOVEMBER 2008

NURCHA

- AN OVERVIEW OF NURCHA
- LENDING TO SMALL CONTRACTORS
- WHAT GOVERNMENT SHOULD DO

OVERVIEW

FOUNDED IN 1995, WE ARE:

- **A PUBLIC ENTITY**
- **A DEVELOPMENT FINANCE INSTITUTION**
- **A JOINT VENTURE BETWEEN**
 - **GOVERNMENT OF SOUTH AFRICA**
 - **SOROS ECONOMIC DEVELOPMENT FUND (SEDF)**

NOTE:

PARTNERSHIP AFFIRMED IN NEW AGREEMENT:

AUGUST 2005

CURRENT MANDATE

TO ENSURE THE AVAILABILITY OF PROJECT BRIDGING FINANCE TO SMALL, MEDIUM SIZED AND LARGE CONTRACTORS AND DEVELOPERS WHO ARE BUILDING HOUSES, INFRASTRUCTURE AND COMMUNITY FACILITIES NECESSARY FOR THE DEVELOPMENT OF SUSTAINABLE HUMAN SETTLEMENTS

NURCHA OUTPUTS

SINCE INCEPTION – JULY 2008

PROGRAMME	SUBSIDY HOUSING	AFFORDABLE HOUSING	COMMUNITY FACILITIES & INFRASTRUCTURE (SINCE 2005)	TOTALS
NUMBER OF LOANS	774	127	129	1 030
HOUSES IN LOANS	270 900	24 000		294 900
HOUSES BUILT	195 200	19 300		214 500
VALUE OF LOANS	R721 million	R429.5 million	R165.6 million	R1.32 billion
VALUE OF PROJECTS	R4.7 billion	R1.95 billion	R1.008 billion	R7.7 billion

WHERE HAS THE MONEY COME FROM?

DONOR SOURCED:

- GOVERNMENT R186 MILLION
- SOROS FOUNDATIONS (GRANTS, "LOANS", GUARANTEES) R157 MILLION
- SIDA, NORAD, USAID ±R45 MILLION

BANK FACILITIES:

- FIRSTRAND BANK: SUBSIDY HOUSING – EMERGING CONTRACTORS ±R170 MILLION
- FNB: SUBSIDY & AFFORDABLE HOUSING – ESTABLISHED CONTRACTORS R85 MILLION
- FMO: INFRASTRUCTURE – SMALLER CONTRACTORS R64 MILLION

CUSTOMER PROFILE

BLACK OWNED COMPANIES 80%

FEMALE OWNED COMPANIES 22%

EMERGING 85%

LENDING TO EMERGING CONTRACTORS

- **LOAN SIZE : R500 000-R5 MILLION**
- **NO SECURITY FROM CONTRACTOR**
- **NO MONEY COMMITTED TO THE PROJECT BY CONTRACTOR**
- **KEY IS TO CONTROL CASH FLOW**
- **LENDING THROUGH NURCHA'S TWO INTERMEDIARIES**
- **PROJECT ACCOUNT IN CONTRACTOR'S NAME, JOINTLY CONTROLLED**
- **CASH ADVANCED AS REQUIRED FOR LABOUR**

LENDING TO EMERGING CONTRACTORS

continued

- MATERIAL SUPPLIERS PAID DIRECTLY
- EMPLOYER PAYMENTS INTO PROJECT ACCOUNT (AND NO OTHER)
- CONTRACTOR ASSISTED WITH:
 - BUDGET
 - CASHFLOW
 - PREPARATION AND SUBMISSION OF PAYMENT CERTIFICATES
 - FOLLOWING UP ON PARTIAL OR NON PAYMENTS
 - NEGOTIATIONS OF PRICE AND PAYMENT TERMS WITH MATERIAL SUPPLIERS

LENDING TO EMERGING CONTRACTORS

continued

CRITICAL TO SUCCESS OF PROGRAMME IS ROLE OF EMPLOYER:

- **IRREVOCABLE UNDERTAKING TO PAY INTO AGREED ACCOUNT**
- **NO CESSIONS OF PAYMENTS**
- **PAYMENT ON TIME**

PERFORMANCE OF LOAN BOOK: EMERGING CONTRACTORS: CURRENT PROGRAMMES

TOTAL LOANS OUTSTANDING **R132 MILLION**

TOTAL PROVISIONS **R15.2 MILLION**

PROVISIONS FROM ONE PROVINCE **R10.8 MILLION**

WHAT GOVERNMENT SHOULD DO:

- **EMPLOY REAL CONTRACTORS**
- **PRICE TENDERS ACCURATELY**
- **PROFIT IS A GOOD THING**
- **SIMPLE (AND FAIR) CONTRACTING PROCESS**
- **PAY CORRECTLY AND ON TIME**
- **CONSISTENT DEAL FLOW**