Case 86
National Urban Reconstruction and Housing Agency (NURCHA)
Open Society Institute, 1995
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Background. On May 10, 1994, Nelson Mandela was sworn in as South Africa’s first black president, and its first president ever chosen in a fully open and democratic election. President Mandela immediately identified as one of the nation’s greatest challenges the vast shortage of housing for its poor, that is to say, for its black citizens. The South African federal government estimated that some 1.5 million low-cost housing units would be needed to fill this shortage, but even this figure was little more than a guess, since vast numbers of South African blacks lived in informal settlements—legacies of apartheid marked by extreme poverty and deplorable living conditions. In the township of Soweto, outside Johannesburg, for example, government figures estimated a population of 750,000; “unofficially . . . [however, estimates ranged] from 2.5 million up.”

Soon after the 1994 elections, Frederick Van Zyl Slabbert, chairman of the Open Society Foundation for South Africa, proposed to George Soros the creation of a loan guarantee fund “that could bridge the gap between the banks and the poor.” According to the OSI-published Building the New South Africa: One House, One Dream at a Time, “Soros embraced the idea, but insisted that he would only get involved if the South African government was willing to contribute.”

Strategy. The South African government responded enthusiastically, and in December 1994 the new collaboration was formally announced. The National Urban Reconstruction and Housing Agency (NURCHA) was created with donations of $5 million each from the Open Society Institute (OSI) and the South African government. In addition OSI appropriated a further $50 million to guarantee bank loans for bridging finance. NURCHA’s goal was to make available funding for real estate developers and contractors to build low-cost housing for South Africa’s poor. Banks in South Africa (as elsewhere in the world) have traditionally been reluctant to make loans for such housing projects because the profit margins on low-cost development are very low. Furthermore, as cottage industry construction companies proliferated on the chaotic post-apartheid landscape, it was difficult for banks to assess which borrowers were skilled at, or even serious about, their new jobs.

This is where NURCHA came in. It would identify viable projects in need of finance, and find a way to make the required funds available. Most often this was accomplished by guaranteeing a bank loan to the developer or contractor. When necessary, however, NURCHA would also “raise the finance and lend it itself.” NURCHA also took advantage of a national housing subsidy program enacted by the federal government to promote home ownership. So, in addition to facilitating the construction of housing units, NURCHA would make loans to enable the poorest South Africans—its clients have an average gross income of approximately R1,500 ($240) per month—to use government subsidies to buy a home.

More recently, NURCHA has expanded its operations to include a wider range of financial instruments. It has also fostered personal savings, and entered the broader field of community development, by making and guaranteeing loans for the construction of schools, roads, street lighting, and other community development facility and infrastructure projects. Recognizing that home ownership is simply not yet a realistic goal for many South Africans, NURCHA also supports rental-housing programs. From its inception, NURCHA has worked with developers both small, as in the enterprising individual with some bricks and a wheelbarrow, and large, as when it guaranteed the loans financing construction of the All Africa Games Village and then, after the September 1999 Games, oversaw the conversion of the athletes' village into 1,800 low-cost housing units sold to the working poor.
Outcomes. To date, NURCHA has helped finance the construction of over 135,000 houses, with a combined worth of more than $257 million. This success has been recognized by the U.S. government, which, in 2003 committed to NURCHA $15 million through the U.S. Overseas Private Investment Corporation (OPIC). Combined with another $5 million from OSI, this gift will, according to the U.S. Department of State, “facilitate construction of a further 90,000 homes, housing up to half a million low-income South Africans.” In addition, more than 44,000 people have opened savings accounts through NURCHA’s nationwide personal savings program.

Impact. Because its work has benefited exclusively the South African poor, NURCHA has been at the leading edge of the South African government’s massive effort to solve its housing shortage. This effort has, according to a press release of the U.S. State Department, led to the construction or renovation of some 500,000 housing units since 1994, with NURCHA supporting the bridging finance of the bulk of the low-cost units from among this total. In fact, the estimates of the South African government are considerably more generous. Sankie Mthembu-Mahanyele, the former South African Minister of Housing writes that “NURCHA’s intervention has enabled the Department of Housing, as well as the government of South Africa, to deliver over a short period of time more than one million houses in South Africa. This accomplishment has . . . dramatically improved the lives of more than four million people in the country.” Ms. Mthembu-Mahanyele goes on to declare, “there is no question in my mind that without NURCHA . . . R1 billion [about $160 million] would not have been possible.”

Finally, it is worth mentioning that NURCHA almost single-handedly fostered the emergence of “a new generation of developers and contractors.” Perhaps most significantly, much of this new generation is composed of women and blacks—two groups for whom it is especially difficult in South Africa to secure access to credit. According to Nonhlanhla Mjoli-Mncube, who chairs NURCHA’s board and is a former executive director, “[a]lmost every woman contractor and every black contractor in this country who has made it, has made it through NURCHA.”

Notes

1232. Ibid.
1233. Ibid.
1235. Korpivaara, Building the New South Africa.
1238. Ibid.
1239. Ibid.
1242. Ibid.
1243. Korpivaara, Building the New South Africa.
1244. Ibid.
1245. Ibid.