

**Utshani Fund**

Report

2010

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Empowering the poor to  
help themselves, to take  
control of, and to actively  
participate in, their own  
development and upliftment.

## INTRODUCTION

### UTSHANI FUND

The uTshani Fund is a Section 21 company (Registration Number 97/10227/08) that acts as Accounts Administrator for the Federation. As an approved administrator of subsidies in terms of the agreement signed with the National Housing board, uTshani Fund acts as Accounts Administrator for FEDUP. uTshani Fund is an accredited lender with the Department of Housing for the purposes of distributing housing subsidies. The uTshani Fund was established in 1995 to partner and support development initiatives of the Federation and its affiliates and has been mandated by the Federation to function as the primary Support Organisation in terms of the guidelines set out for projects implemented according to the People's Housing Process in Chapter 8 of Part 2 of the National Housing Code.

The uTshani Fund is a revolving fund providing low-cost housing finance directly to the savings groups affiliated to the FEDUP. It is able to provide loans of a much smaller size and at lower interest rates than formal lending institutions, primarily by relying on the organisation, capacity and relational security of homeless communities.

The basis of uTshani Fund's operations is the network of savings groups affiliated to the FEDUP. uTshani Fund makes bridging finance, general development finance and loan finance available to these savings groups directly, on the basis of affordability assessments and organisational capacity.

### OBJECTIVES

Our goal is to bring the huge collective resourcefulness, creativity, energy and critical mass existing in the slums to the task of delivering secure, affordable housing to everyone. This alliance has initiated housing projects in urban and peri-urban communities across all nine provinces in South Africa.

### ORIGINS

The Federation was established in March 1991. Subsequent to its founding, a national network of community groups from informal settlements began to form. This network then began to develop links with international organisations. One of these links was with the Indians. It began with an exchange in December 1991. This gave birth to a strategy of savings and credit as the basis for organizing the urban poor.

The Federation is a Community-Based Organisation (CBO) operating across all provinces in South Africa. The organisation can trace its origin to a Southern African Catholics Bishops' Conference held in 1991, where a need was identified for a sustainable network of communication and experience-sharing amongst the grassroots organisations that had participated in the conference. Following from this realisation, a national network of community groups from informal settlements began to form.

Eventually, this network started fostering ties with international organisations with similar objectives. One such engagement was an exchange in December 1991 with organisations from India, which inspired a move towards a strategy for organising the poor on the basis of savings and credit. In June 1992, Indian slum-dwellers helped their South African counterparts launch the first savings schemes in South Africa. Reflecting local priorities, a primary focus of the South African groups was savings for housing. The focus was also on the most marginalised – the "poorest of the poor".

The basic building blocks of the Federation are women's savings collectives. By means of savings, exchanges, enumerations, negotiation and dialogue, the Federation develops its members' capacity to conceive, control and implement their own poverty alleviation strategies through the development of their own communities.



By early 1993, there were more than 50 active savings schemes in South Africa. From these emerged a collective national Federation of Housing Savings Schemes and by March 1994 there were 200 savings groups.

The Federation has since gone from strength to strength, amassing a national network of some 1,500 autonomous savings and credit groups whose sizes range from a minimum of 15 to a maximum of more than 500 members. It is currently South Africa's largest people's housing process community-based organisation (CBO).

The uTshani Fund is the finance facility of the South African SDI alliance. It capacitates mostly women-led savings groups through pre-finance for pro-poor housing. uTshani works with its main affiliate FEDUP to facilitate its access to the government's People's Housing Process.

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## OUR PARTNERS

The uTshani Fund works closely with several organisations in mutually beneficial partnerships. The most significant of these are:

- The Federation of the Urban and Rural Poor
- The uDondolo Trust
- Shack/Slum-Dwellers International
- Local Metros
- Provincial Government
- National Department of Human Settlements
- Other NGO's

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## OBJECTIVES

The core objective of the FEDUP – one that underlies all of its activities – is that of *empowering the poor to help themselves, to take control of, and actively participate in, their own development and upliftment.*

The following objectives may be seen as supportive of this primary one:

- Deepen and strengthen savings schemes – Ensure that settlement-wide savings schemes, accountable to local households and structures, are established in all informal settlements across the country
- Deepen and expand information gathering and management capacity through self-surveys, enumerations, settlement profiles and mapping
- Expand the participation of women in the Federations processes
- Positively engage with the State to ensure that the Federation-driven social technologies are incorporated into its policies and programmes
- Develop and implement in-situ upgrading and housing pilots. Of particular focus here is building community capacity to participate in these pilots in an active and constructive manner

In addition to the above, administrative objectives include:

- Effectively manage the funds and information that are core to the Federation's efforts
- Engage with professional support where necessary for support on these initiatives.

***The uTshani Fund's role is a supportive one. uTshani serves to manage and administer funds on behalf of the FEDUP. The organisation is also playing an increasingly significant role in the procurement of funding/financing and other support for the FEDUP's work.***



## BENEFICIARIES

The direct beneficiaries of the FEDUP's work are generally the poorest of the poor, the shack dwellers of the country's informal settlements. Our community-capacitation based processes extend our reach country-wide.



Figure 1: Pictures of typical federation members and the homes they've built through the Federation

## KEY CONSIDERATIONS REGARDING THE URBAN AND RURAL POOR

In this section, we present a brief view of the issues affecting uTshani's beneficiaries and some of the important ways in which these can be addressed (from the uTshani standpoint).

## SLUMS: THE GROWING PROBLEM OF A SOCIAL, ECONOMIC AND ENVIRONMENTAL DISASTER

UN-HABITAT, an agency of the United Nations (UN), defines a slum – or informal settlement – as a run-down area of a city, characterized by substandard housing and squalor and lacking in tenure security. By far, the majority of slum dwellers are to be found in the towns and cities of Africa, Asia and Latin America, where the battle against poverty is of necessity shifting from rural to urban areas, as migration to the latter continues. Currently, Africa accounts for approximately 20% of all slum dwellers. In South Africa, approximately 30% of the urban population is made up of slum dwellers. Living conditions in these areas are poor, as evidenced by the data in the table below.

Table 1: Overview of Infrastructure in Informal Settlements (UN-HABITAT, *The Challenge of Slums*, Nairobi 2003)

Water Connection (Piped water to household)	Sewerage	Electricity	Telephone	Access to Water (Potable Water within 200m of household + Water
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					Connection)
Sub-Saharan Africa	19.1%	7.4%	20.3%	2.9%	40.0%
North Africa and Middle East	35.7%	21.5%	35.9%	30.0%	42.7%
Asia and the Pacific	38.3%	7.4%	75.7%	25.4%	89.1%
Latin America and the Caribbean	57.9%	30.3%	84.7%	32.0%	66.8%

As is clear from Table 1 above, access to basic amenities is severely lacking in informal settlements and by far, the situation is the worst in Sub-Saharan Africa. People in these areas have limited access to water. Furthermore, the lack of facilities generally results in a build up in uncollected waste and undermined air quality.



Figure 2: Rescue efforts at an Informal Settlement in the Western Cape (2007)

These conditions combine to create a myriad of environmental and health hazards that are difficult to ignore. These dangers are often exacerbated by the actual location of these settlements. Typically, slums emerge on the fringes of formal cities, often in hazardous areas, such as river banks and floodplains. The recurring flooding in settlements in the Western Cape in South Africa, and the subsequent financial impacts, are an example of the dangers that this poses.

While access to basic amenities and environmental issues may vary between settlements, one common factor that all have to contend with is that of poverty. Indeed, the UN has estimated that approximately 40% of slum dwellers in Africa live in a state of poverty that is “literally life-threatening”. Not only does such poverty make it near-impossible for these people to survive, but it also severely restricts their access to basic rights of healthcare and education. Indeed, research has shown severe disparities in the mortality rates between people living in slums/informal settlements and their neighbors in urban areas.

Another common facet of slums/informal settlements is that of a lack of secure tenure. The most troubling consequence of this is the propensity for mass evictions. These evictions disrupt the lives of millions of people around the world and the affected are often not resettled. Furthermore, such evictions are violent in nature. As an example, consider that the UN Human Rights Commission (UNHRC), the Zimbabwean government’s country-wide forced eviction program has impacted the lives of as many as three million people, with over two-hundred thousand left homeless.

On the social front, Anna Tibaijuka, UN-HABITAT Director, sums up the problem: “*Extreme inequality and idleness lead people to anti-social behaviour. Slums are the places where all the evils come together, where peace and security is elusive and where young people cannot be protected.*” In South Africa, poverty, a lack of employment prospects,



rampant crime and the rise of alcoholism and drug use have merged to create a spiral of social ills that is becoming increasingly difficult to bring under control.



Figure 3: Pictures of typical informal settlements in South Africa, in the Western Cape (left), Johannesburg (right), and Durban (centre)

This brief account of life in the slums/informal settlements of the world paints a bleak picture of people living in abject poverty amid conditions of squalor, plagued by environmental threats, health concerns and evictions. Certainly, these are conditions under which we should not allow our fellow human beings to live. Yet, according to UN-HABITAT, over one billion people around the world currently live in such communities, a number which is expected to increase to two billion by 2030 – which equates to one in every three people. Clearly, there exists a strong need for redress.



## AN UNWANTED IMPASSE: ISSUES IN RESOLVING THE PROBLEM

The need to address the burgeoning of slums/informal settlements and the resultant social, environmental and health impacts cannot be overstated. Indeed, access to housing and basic amenities are included in the UN's Millennium Development Goals (MDG), underscoring the broader importance of these issues. Many would defer responsibility for the alleviation of these issues to governments and in fact, this is technically correct. The sad fact though, is that most governments have failed in this regard. In some cases, it is a matter of the incorrect approach having been taken, while in others it is one of a lack of political will.

Even in the case of South Africa, where the State is ostensibly committed to development, there exists, at grassroots level, a feeling that not enough is being done by the government to solve these issues. The resultant frustration on the part of people living in these communities is made all too clear by the recent – and apparently increasingly common – spate of service delivery protests.



Figure 4: Typical scenes of frustration at service delivery protests: Police clash with demonstrators (left), a typical march scene (right)

However, one may argue that the government is doing all it can do to deliver the basic services required by the poorest in our society. One may argue that all the government can do is not sufficient. It is clear that the government simply does not have the resources at its disposal to immediately address these needs for all of its citizens. In addition, there is the issue of capacity – even if the required financial resources did exist, the government does not have the capacity or systems to increase volume of expenditure. The consistent under-spending by departments in the social clusters demonstrates this point. Thus we may say that quantitative limitations on the part of government, in the form of resource and capacity levels, undermines its ability to properly and speedily address the issue of informal settlements in the country.

There is another limitation at work here, one that we may consider a qualitative one. It is the limitation that stems from the nature of the relationship between the government and the communities living in the country's informal settlements. On the one hand, Government adopts a paternalistic approach to the situation, seeing its role as guardian of the poor, as opposed to a partner. On the other hand, these communities tend to wait passively for the state to deliver, until their patience runs out, whereupon they resort to confrontational tactics (in the form of service delivery protests), seldom seeking to be stakeholders and participants in the crafting and delivery of solutions. Thus, government is seen as being solely responsible for delivery of basic services and it is only when it fails to deliver as per their expectations that the communities affected become involved – by mobilising *against* government, so that their participation in development becomes a matter of making further, often unreasonable demands on the government.

So we have an impasse of sorts here – a government with limited resources and capacity, expected to deliver services and development to communities that play either a passive or an antagonistic role in the process. This has led to frustrations on both sides and in many ways, not least of all by the lack of trust that it breeds, undermines

development efforts. As noted by Pakistani Professor Arif Hasan, *“The problem with development is that politicians and officials believe that only they have the answers, and communities think that there are 150 cents in every Rand.”*

It is clear from the foregoing that the issues faced by informal settlement dwellers in South Africa are severe and can be expected to grow in both scale and severity – along with the accompanying socio-economic and political implications – if rapid steps for redress are not taken soon. It is also, sadly, clear that Government processes and mechanisms cannot possibly deliver on time. An alternative approach is needed to effectively address these issues. Enter the Federation of the Urban and Rural Poor...

The South African Federation of the Urban and Rural Poor is an affiliate of Shack/Slum Dwellers International (SDI) – a confederation of national organisations of the urban poor from 33 countries in the Global South. As part of this confederation, the mission of FEDUP has been to link poor urban communities together to transfer and adapt successful mobilisation, advocacy, and problem-solving strategies that are developed in one location to other cities, countries, and regions. Since FEDUP is consummately focused downwards – on the local needs of slum dwellers – it has generated the traction to advance the agenda of creating “pro-poor” cities that integrate rather than marginalise the interests of slum dwellers.

FEDUP’s primary vision has been to ensure that the urban poor – and particularly poor women – gain full citizenship rights and become key actors in determining the development priorities and policies of cities. The Federation has worked to move both urban policy and poor communities away from crisis-led reactive interventions to long-term partnerships in which the urban poor themselves play a key role as visionaries and *partners* in generating “win-win” solutions that create revised models of development. FEDUP engages the full spectrum of actors – national and provincial governments, municipal authorities, quasi-governmental bodies, developmental organisations, financial institutions, the private sector, and intellectuals – in order to change the dominant discourse and approaches to the urban poor, and in particular their rights to secure tenure, self-designed housing, and access to basic services

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## CHALLENGES FACING THE URBAN AND RURAL POOR

Here, in brief, some of the challenges facing the urban and rural poor that we seek to address through our work.

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### THE CHALLENGE OF LAND TENURE

The establishment of land tenure is perhaps the most important component in overcoming the housing challenges faced by poor communities. Tenure serves as a source of security and stability for communities as it is essentially a promise of residence and removes the threat of eviction. But there is another, perhaps more important aspect to this: the psychological effect of ownership. For as long as people do not own the land on which they live, the propensity towards improvement is stifled, since there is a n economic risk attached to expending resources on something that can be removed suddenly and sans negotiation or compensation. Provide a formal address and documented ownership, and the situation changes: communities start to improve their living conditions incrementally and continuously.

We work with our beneficiaries and the government to find tenure solutions for communities that form the foundation for them to improve their living conditions.

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### UPGRADING OF INFORMAL SETTLEMENTS

The general experience of those involved in the upgrading of informal settlements (including the communities themselves) is that these initiatives are often difficult to realise successfully. This arises to the various complexities that still beset this practice. It has emerged that the key to overcoming these challenges lies in ensuring that the affected communities are involved in the process. For indeed, upgrading initiatives are not merely a matter of providing infrastructure or buildings, but also affect, at the most basic level, the day-to-day lives of the communities





impacted. The involvement of communities as partners in these upgrading initiatives, from the planning stages right through to post-implementation review, is of prime importance and a necessary – vital – precondition for success.

The community-led upgrading and development approaches that we have adopted have demonstrated that communities can in fact not only participate in, but also manage initiatives related to their own upliftment.

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## THE USE OF SAVINGS COLLECTIVES IN COMMUNITY DEVELOPMENT AND UPLIFTMENT

The Savings Collective is the quantum that drives the work we do. Our members' savings activities do not only serve a monetary purpose, empowering members to build savings and to help each other through loans. Indeed, there is a social capital that these activities build: the incremental equity inherent in savings activities is the cohesion, understanding, trust and confidence that these create amongst those involved. The trust built thorough savings is not only essential to the formation of a strong and active Federation, but also critical to take pro-poor development initiatives to scale.

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## ROLE OF WOMEN IN COMMUNITY DEVELOPMENT AND UPLIFTMENT

Our work, drawn from the SDI's approach, uses the savings collective methodology to develop the leadership capacity, financial management skills, and confidence of women in informal settlements. The very same skills women have cultivated to run the household, are leveraged by our processes to manage savings collectives and associated activities. The management of these savings collectives enables women in these communities to enter decision-making roles in a manner rarely resented by men. Our women-lead savings collectives provide the foundation for all of our work.



## PROGRAMMES

### SAVINGS ACTIVITIES AND THE URBAN POOR FUND

#### SAVINGS ACTIVITIES

The Federation has to demonstrate savings for uTshani to assist them as an organized group. It is a common experience that once communities overcome the challenges of land tenure and the provision of basic services, the next step is to secure the finance for the actual implementation and delivery. Indeed, it is at this critical juncture that, due to a lack of access to funds, project delays occur, resulting in loss of project momentum and, perhaps more importantly, a lowering of community morale. Community-driven savings initiatives represent a means of ensuring that communities establish their own financial wherewithal. It is not simply that these activities enable and empower community members to raise funds for their own upliftment, but they also help to inculcate a culture and habits of tenacity, perseverance, trust and dedication. It is for these reasons that such savings activities represent the core of the FEDUP approach.

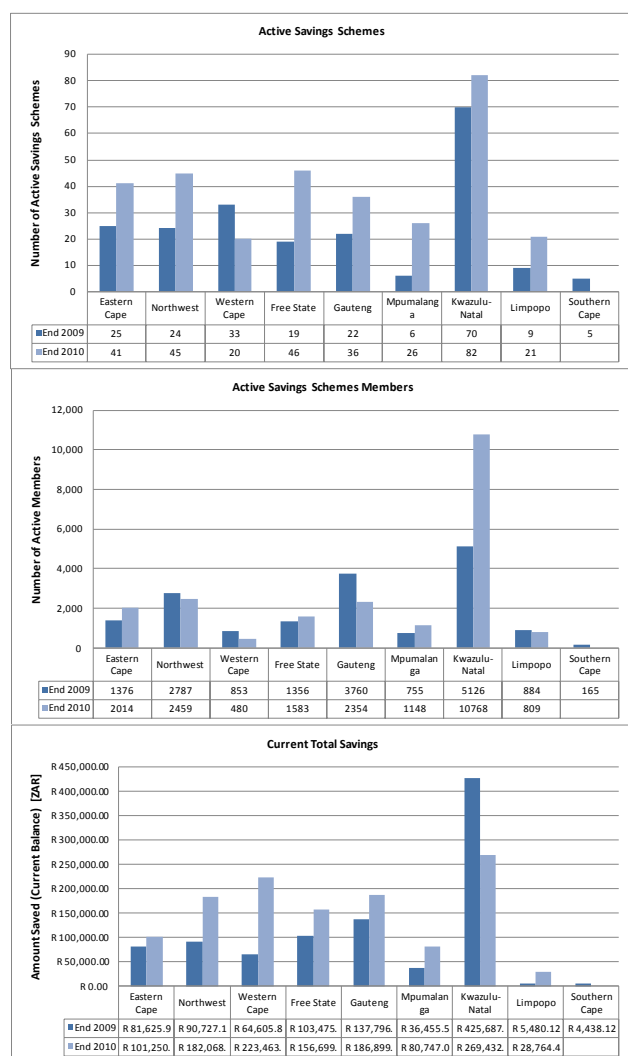


Figure 5: Summary of 2010 Savings Performance

Figure 6 below shows an analysis of the savings performance for 2010.

The process that the FEDUP has adopted is centered on the concept of the Daily Savings Ritual, adapted from the SDI's approach. The entire process is designed to maximize the contact that people have with each other, enabling strong bonds to form around their shared identity as poor people. When people interact with each other every day - whether it be over savings and loans or the threat of eviction - their sense of being a community intensifies. As members say, "Daily savings is a ritual that is not just about collecting money, it is about collecting people, collecting information about their lives and learning how to best support them".

Figure 5 shows a summary of our work in this area. As can be seen, most provinces showed improvements in the number of active Savings Schemes and membership levels of these schemes. Of note in particular is the fact that all but two provinces experienced a growth in actual savings levels as compared to 2009. The number of active Savings Schemes grew by almost 50% during the year, with a corresponding 27% improvement in the number of Savings Scheme Members. This led to an improvement of 29% in the total savings level of participating Savings Schemes. These numbers indicate an improved vitality in the savings activities of the organisation.

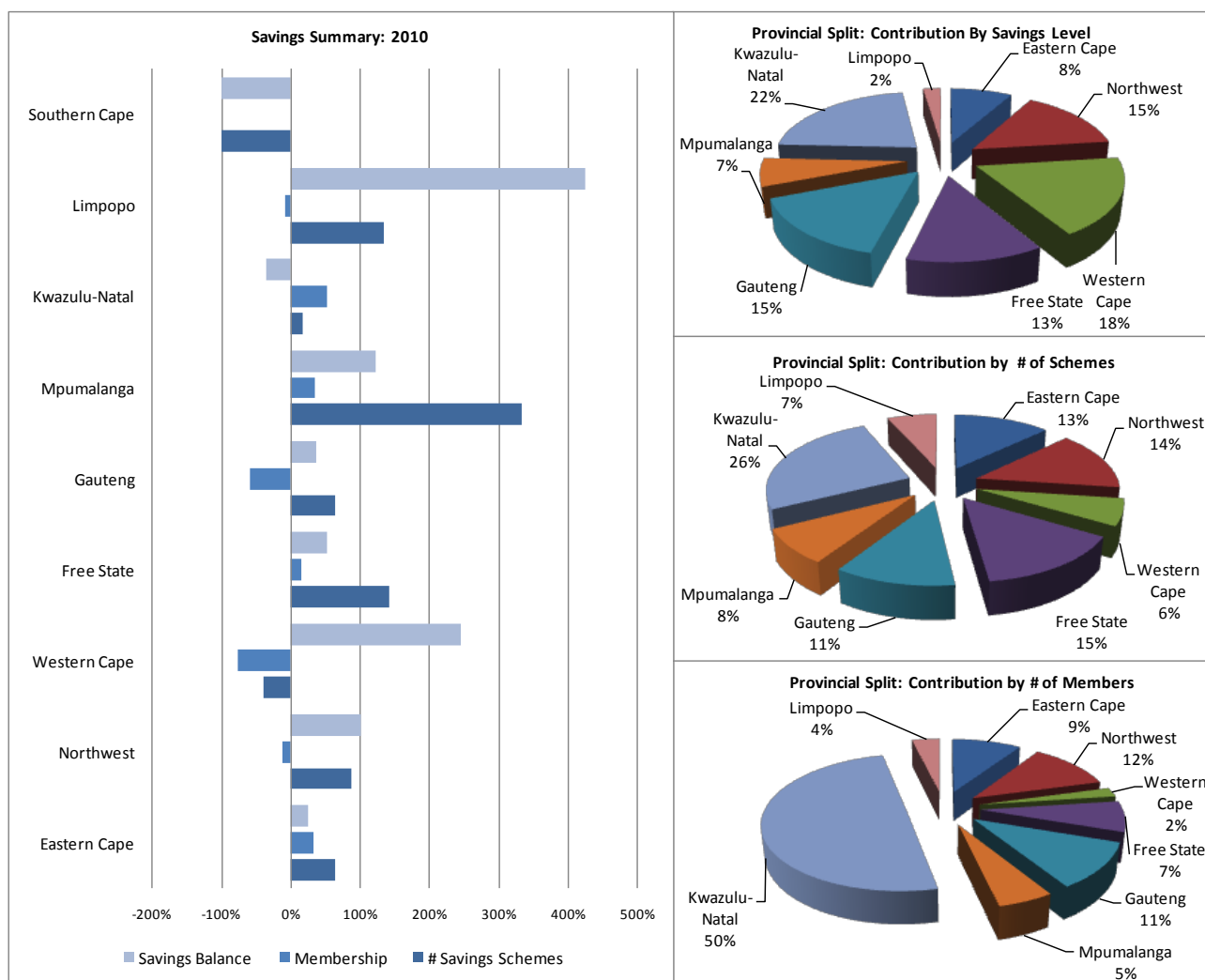


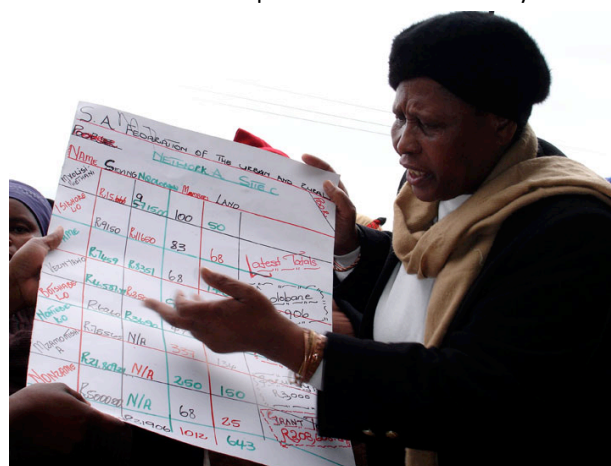
Figure 6: Analysis of Savings Initiatives Results for 2010

KwaZulu-Natal remains the most active province, accounting for half of the total membership and approximately a quarter of all Savings Schemes and contributions. The work underway in this province and the successes we have seen there bear testament to the importance of strong savings initiatives. The Western Cape saw significant declines in the number of active Savings Schemes and participating members, but the per-member contribution in this province is far higher than anywhere else in the country. There was substantial increase in savings activities in Limpopo, Mpumalanga and the Free-State. Savings levels also grew in all provinces, with the exception of KwaZulu-Natal and the Southern Cape.

An interesting dynamic emerged in the reporting period. While the number of active savings schemes

35%, as compared to 2009 levels. Despite this, savings levels rose by 29%. This is indicative of a more dedicated and active membership, which bodes very well for the success of these Savings Schemes.

grew by close to 50%, as reported earlier, the average number of members per scheme declined by about



The new Savings processes that were implemented by the Savings Schemes during 2009 appear to have borne fruit. During 2010, there were significantly fewer reported inefficiencies and shortcomings in the savings activities of our members. Quantitatively, this is reflected in the fact that average savings contribution per Savings Scheme increased from R3,818.48 in 2009 to R4,255.99 in 2010. Per-member average savings improved even more dramatically, from R49.44 in 2009, to R112.40 in 2010. Once again, this is a demonstration of the effectiveness of community-led problem-solving.

In summary, savings performance has been encouraging in most areas. That our members were able to achieve this performance is particularly impressive in light of the global economic conditions that prevailed during much of the reporting period. Indeed, many areas reported members to be under severe pressure from the twin burdens of unemployment and the consequences of rising inflation. Savings performance is therefore heartening from the perspective that not only does it highlight the tenacity and dedication of the members themselves, but also the effectiveness of the Federation's processes and activities.

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## URBAN POOR FUND

### BACKGROUND

Utshani administers the UPF. While savings initiatives are critical to the improvement of the lives of the urban and rural poor, there are constraints in the amount of savings that can be contributed by people who are already under extreme financial stress. These constraints in individual-level financial wherewithal in turn lead to constraints in the scale and scope of what communities are able to do with their savings.

This situation has prompted the creation of an institution called an Urban Poor Fund (UPF). These UPF's are aimed at monetizing the social and political capital of Savings Schemes in order to leverage additional resources from formal institutions such as banks, governments and donor agencies. The UPF approach allows for the combination of the savings of the poor with contributions from external sources, thereby providing the capital to enable large-scale construction and infrastructure development.

UPF's promote the closer cooperation between savings communities and other stakeholders involved or interested in the development sector. To wit, the approach taken to creating and managing the UPF

mechanisms enable involved communities to build transparent, accountable finance systems, create responsive allocation mechanisms, and accommodate increases in scale and volume. Finally, it has been found that the ability of these mechanisms to utilize funds effectively, deliver outcomes reliably and demonstrably recover costs provide a solid foundation upon which to build mutual trust between savings-committed communities and their formal-sector benefactors, thereby strengthening the relationship and establishing a good precedent for future investments.



### HOW IT WORKS

Loan funds provide a basis for FEDUP to manage subsidy funds. The uTshani Fund is used as a conduit for state subsidy funds. Monies are released directly to the local savings scheme for project planning, house construction and other development needs. In essence, saving provides the deposits needed for uTshani loans. In addition to their daily savings activities, members who are at the stage where they are preparing for land acquisition, house building and/or infrastructure development start saving via the UPF in order to provide security for an uTshani loan.

The process associated with the Urban Poor Fund (UPF) program is outlined below:



- Savings Scheme members are encouraged to contribute at least R750.
- Contributions from all savings schemes within a given region are combined.
- Upon doing this, the region is enabled to access, via uTshani, an amount equivalent to that which they have contributed.
- These funds are administrated and are accessed through either the uTshani Fund or through the International Urban Poor Fund.
- When the total UPF amount saved by a region reaches a defined threshold value, the two organisations named above may then pre-finance the intended housing projects depending on the amount of UPF contributed by the various saving schemes.
- Upon the completion of the housing project, government subsidies are received.

The UPF schemes are intended to be self-governed, self-managed, ongoing and expanding financial facilities. UPF gives the poor direct control of capital, thus empowering them in their dealings with institutions such as government and banks.

## PERFORMANCE IN 2010

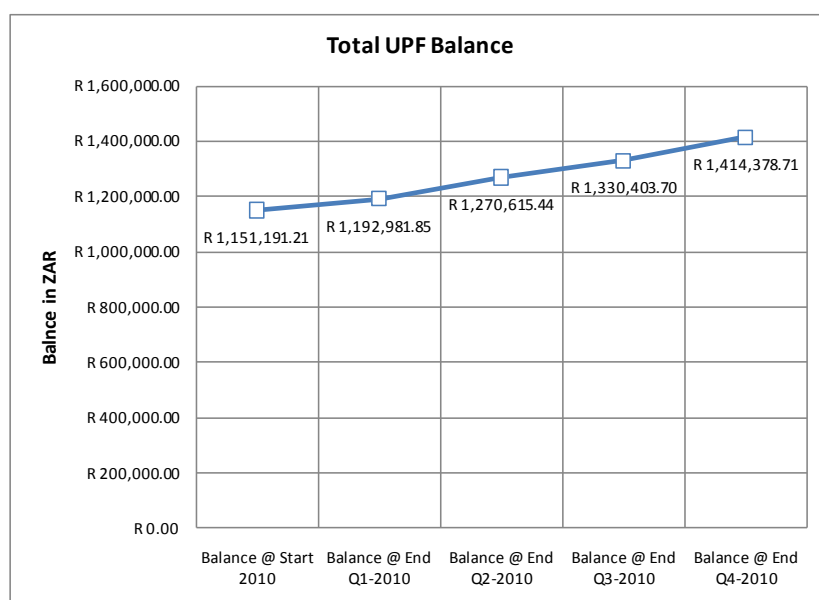


Figure 7: UPF Summary for 2010

Figure 7 above shows the overall UPF performance for the reporting period. As can be seen, there was a steady improvement over the year in the UPF balance. This culminated in a 23% increase in UPF balance over the year. This is indicative of consistent UPF savings practices on the part of our members throughout the reporting period. We hold that this rate, given the twin pressures of unemployment and significantly high inflation, is very favourable. The associated range (province split) is wide, ranging from 2% to 63%. This may reflect regional differences in terms of availability of cash for savings (this being a function, for example of local employment prospects and food prices).

The total fund value as at the end of 2010 was R1,414,378.71. Figure 8 shows a summary analysis of the data.

As can be seen, the largest contribution is from the Western Cape and KwaZulu-Natal provinces which together accounted for about 37% of all savings. Contribution from Limpopo and Southern Cape were understandably low, given the socio-economic limitations in those regions, as well as the relatively small number of Schemes operating there.



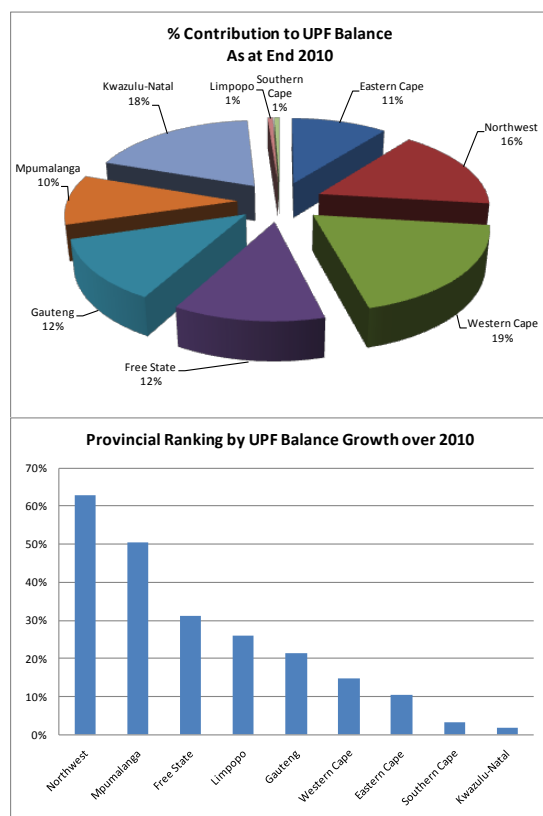


Figure 8: Summary Analysis of UPF Performance

Encouragingly, the contribution to UPF levels was more evenly spread between the various provinces in 2010 than in previous years. This provides an indication that the UPF activities in most provinces that underperformed in previous years have reached a par with the others. The clear exceptions here are the Limpopo and Southern Cape Provinces, which are still lagging the others.

Within the constraints and challenges, in some cases precipitated and in others, made worse, by the economic downturn, the UPF savings performance achieved is generally satisfactory.

## SAVINGS ACTIVITIES SYNOPSIS

At a purely economic level, the success of our savings-related initiatives may be measured in quantitative metrics: how many savings schemes, how many savers, how much money saved, how much capital geared up through savings. From a developmental perspective, however, there is a qualitative component to this as well: the value of these initiatives is also contributed through the cohesion, understanding, trust and confidence generated by them. The trust built through savings is not only essential to the formation of a strong and active Federation, but also critical to take pro-poor development initiatives to scale.

## OLD DEBT

### BACKGROUND: ORIGIN OF THE ISSUE

As a result of negotiations between uTshani Fund, the SA Homeless People's Federation (now split into the Federation of the Urban Poor with majority membership and SAHPF as separate entity), and the national Department of Housing, the National Housing Board (NHB) and uTshani Fund entered into two Agreements, viz:

- A **Grant Agreement** (July 1996) with the national Department of Housing. In this, the Department made a grant of R10 million to uTshani Fund which was intended to facilitate pre-financing of housing construction by members of the SA Homeless People's Federation (SAHPF) by means of credit agreements;
- The **uTshani Agreement** (September 1996) with the National Housing Board. In terms of this, uTshani Fund was appointed an agent of the National Housing Board and authorised to apply for, receive, and disburse housing subsidies for members of housing savings schemes affiliated to the SAHPF.

The combined effect of these agreements was to recognise and authorise uTshani's intention to provide pre-finance to Federation members and to apply for subsidies from the provinces in order to retire these loans. Having signed the

uTshani Agreement, and under pressure from the legitimate expectations of the members of the Federation to implement it and disburse funds made available under the Grant Agreement, from 1996 uTshani began in good faith to issue subsidy pre-finance loans in all provinces.

However, some provinces refused to accept the uTshani Agreement. Although uTshani submitted numerous subsidy applications to these provinces, these applications were either not prioritised as required under Paragraph 4.1 of the uTshani Agreement, were rejected as unprocedural, or met with no response. For reasons also unknown to us, the National Housing Board, and its successor in legal title, the national Department of Housing, also failed to exercise its obligations under Section 7 of the uTshani Agreement.

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## IMPACT OF THE ISSUE

By 2001 uTshani had engaged in strenuous and costly efforts to secure subsidies under the uTshani Agreement for over five years, to no avail. The effect of this included, *inter alia*;

- The exhaustion of the R10 million grant made by the national DOH, since loans issued using this resource were not being recovered through subsidy transfers from the provinces;
- A significant decrease in housing delivery by uTshani and the Federation, since our funding was all out on loan, preventing further prefinancing;
- Significant loss of social capital in the communities in which uTshani had made loans under the uTshani Agreement, as households blamed government and eventually uTshani Fund for the failure to release new loans and secure subsidies, leading eventually to a decline of credit discipline and repayment; and
- A general decline in the cohesion of the Federation as a result of uTshani's decision to suspend subsidy prefinance lending in December 2001 pending a resolution of the impasse over the uTshani Agreement.

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## ACTIONS TAKEN TOWARD REDRESS

uTshani's efforts to secure subsidies since 2001 have been met with many difficulties. Only Gauteng has entered into an agreement with uTshani, the 1025 Project (2004), to recover that number of subsidies.

The main obstacles to progress can be summarised as follows:

- The housing subsidy system is not and has never been geared for the situation where subsidies are applied for after the construction of the house. Provincial officials have no guidelines to handle such a situation.
- The longer the period between uTshani's disbursement of loans to the Federation and provincial consideration of our subsidy proposals, the less provincial officials and politicians have felt responsible for the "uTshani problem". As provincial personnel have changed over the years, the new incumbents neither know the background to, nor consider themselves responsible for, actioning the uTshani Agreement, which is generally seen as a "political" matter. Combined with the previous point, this has led to official reluctance to consider uTshani subsidy applications unless instructed to do so at a political level.
- Similarly, over time, national and provincial subsidy regulations, procedures, and norms and standards have changed considerably. Eventually the gap between the rules applicable at the time uTshani loans were made and houses built, and when applications were considered, grew quite large. Provincial and local government, however, have no permission to approve subsidies except under current regulations. Thus a significant proportion of uTshani-financed houses that would have qualified for subsidies when they were built no longer qualify, and our applications are therefore rejected.
- A significant proportion of the households to whom uTshani made loans have been awarded subsidies, via other developers or provincial and local government projects, even though they already had houses financed from the Grant made by the Department of Housing. In many of these causes there has clearly been fraud.
- Many Federation households have evolved subsequent to receiving an uTshani loan, such as the death of the head of household, transfer to other relatives, or the transfer of the property to a third party.

- After 2001, the enforced suspension of uTshani prefinance led to a weakening of the social cohesion of the Federation, which has made it progressively more difficult to obtain the support and cooperation, in applying for subsidies, of households who received loans from uTshani many years ago.
- Finally, it must be said that despite the provisions of the uTshani Agreement, the national DOH did not intervene in the provinces in a significant way in this matter until Minister Sisulu's actions in mid-2005. Since the uTshani Agreement of 1997 was essentially political in nature, giving effect to a partnership between government and slumdweller, without political backing, uTshani Fund had little chance of success.

uTshani currently finds itself still in pursuit of the outstanding debt owed by the various provincial governments.

## FEDUP /SDI PLEDGE

Subsequent to much engagement and collaborative support, a Memorandum of Understanding (MoU) was signed between the Government of the Republic of South Africa, the Federation of the Urban and Rural Poor and Shack Dwellers International on the Cooperation in the Eradication of Informal Settlements. This MoU translated into the pledging of 1000 subsidies by each Provincial Housing MEC, except for Gauteng Province where a monetary pledge of R50M was made.

The organisation has undertaken to leverage this MoU via a community-driven process. Within such a community-driven human settlement development process, far greater attention is paid to community participation and a high value is placed upon finding creative solutions that meet the community and individual households. In keeping with such an approach, Community Construction Management Teams (CCMT) are being developed and utilised at all projects throughout the country. These CCMTs are being developed and deployed in partnership with the Sustainability Institute (SI) in Stellenbosch

One key intent of uTshani/FEDUP in undertaking such new learnerships in Community Development Management is to eventually obtain accreditation with the Government's Construction Education and Training Authority (CETA). The curriculum will be submitted to the CETA for registration as a Level 3 learnership leading to a National Certificate in Community Development Management. This means that participants in the programs not only utilize their new-found skills in uplifting themselves and their

communities, but also gain formal recognition of these skills, which makes them more saleable and the participants therefore more employable in the general market.



## PROJECT IDENTIFICATION

- Projects are identified and approved through engagement with Provincial housing departments. Projects must show a clear methodology for community mobilisation and community management of projects.
- There exists a project pipeline in each Province. Projects that are approved will need to meet existing conditions for subsidy applications as well as the community-based practises under-pinned by the MoU, viz.: savings, central participation of women, people-centred construction management processes, potential for setting precedents.

## PROJECT ROLLOUT

- FEDUP utilizes construction methods, viz.:
  - Contracts for community contractors and construction management teams, supervised by identified and approved professionals;
  - Self Build
  - Outsourcing to small/emerging contractors ;
- A minimum of 60% of all projects in every Province will be delivered by Community Contractors and Construction Management supported by Technical Supervisors.
- All outsourced projects are supervised by the local savings collective/housing association, with active support from FEDUP .
- In certain conditions self-build is an option for construction.
- All projects are subject to specific conditions aimed at ensuring sustainability and Community Involvement.
- uTshani Fund oversees all projects undertaken.
- Savings collectives will have to make direct financial contributions to the project. These contributions will be relatively small and will go directly into the size and quality of the housing unit but will be a pre-condition for approval of the project at the PJWG.
- All contractors, whether they be private or community based, will need to sign a contract that commits them to build the housing typologies to emerge from the house modelling process. These houses will conform to existing regulations and will be at least 10% larger than the minimum size stipulated by each province.

There are two important details in this community based methodology that specifically address some of the key principles that inform the MoU.

- The MoU is motivated to kickstart a process that will mainstream community driven initiatives in the Government's housing delivery agenda. The Government wishes to mainstream community driven initiatives in order to scale up housing delivery, improve the quality of houses delivered and to address the problems of dependency/entitlement, patronage and pork barrel politics that characterize the current housing process.
- The SDI model has demonstrated that it is able to address housing quality, self-reliance (but not at the expense of engagement), and scale. Community Action Planning, Layout (in-situ and relocation) and House Modelling help address the issue of entitlement and at the same time ensures an improvement in the quality of housing.

## PROCESS FOR COMMUNITY CONTRACTS AND COMMUNITY CONSTRUCTION MANAGEMENT

FEDUP work with uTshani and CORC, as well as with savings scheme/housing associations to:

- conduct community-based house models (human scale to life size);
- layout plan for relocation or in-situ upgrade;
- enumerations (household socio-economic profiles);
- submit final layout and house plans to architect for formalisation, costing and preparation for approvals;
- set up housing association;
- Prepare business plan and subsidy applications, finance models etc;
- Work with Savings Scheme or Housing Association to prepare and consider tenders from CCMTs or community contractors (following the specific conditions outlined above);
- Enter into contract with CCMT or community contractors (including the technical professional supervisor for that specific contracting team);
- Assess, accredit, or defer accreditation of CCMT, community contractors and labourers.

## PROGRESS

FEDUP has already begun to train and accredit community workers on the basis of the training curriculum submitted for registration. Once the registration process is complete the newly trained community workers in the nine provinces

would be able to secure project management contracts in the low cost housing sector and CETA would cover the training and labour costs in the secured projects. This would lead to a dramatic and sustainable scaling up of the People's Housing Process and would strengthen and capacitate existing social movements in the FEDUP network. Such an arrangement has a multiplicity of benefits.

- It ensures that community-based training based on horizontal learning through exchange programmes will continue and will lead to the development of capacity required for people-centred development;
- It ensures that community leaders are accountable to communities, since payment depends on the delivery of services and skills to poor communities;
- It breaks the culture of dependency on NGOs and donor finances, since community development workers are paid through the state on the basis of their demonstrated capacity to deliver;
- It provides community development workers with formal accreditation as trainers and as trained workers, thereby ensuring them employment opportunities outside of the scope of the programme.

The overview below provides a view of CCMT status through the various Provinces:

Province	Project Name	Project Size	Current CCMT status as at End 2010
Free state	Kroonstad	50 units	6 CCMT members and 7 Steering committee members were trained initially and the project is closed out.
	Qwaqwa	50 units	7 CCMT members and 5 Steering committee members work-shopped
	Bothaville	50 units	7 CCMT members, all work-shopped and informally trained
	Odendulsrus	50 units	7 CCMT members, all work-shopped and informally trained
Mpumalanga	Standerton	100 units	National technical workshop and practical training and supervision by NHBRC and Peer Africa (24-28 March 2009). 30 CCMT members and 15 steering committee members work shopped. 7 CCMT trained
	KwaNdebele	50 units	7 CCMT members, all work-shopped and informally trained
	Delmas	50 units	7 CCMT members, all work-shopped and informally trained
KwaZulu-Natal	KwaNyuswa	250 units	40 CCMT members and management committees work-shopped.
	Namibia Stop 8	96 units	7 CCMT members, all work-shopped and informally trained
	Lindelani/Ntuzuma	250 units	
	Piesang River	126 units	
Gauteng	Dooronkorp	150	25 CCMT members and 3 steering committee members (24-25 June 2009). Trained and skilled
	Orange Farm	200	
	Duduza	150	
Limpopo	Elias Motsoaledi	100 units	34 CCMT members and Steering committee members and the ward committee reps were work-shopped (18-19 Nov 2009).
	Greater Tzaneen	100 units	
	Lepelle Nkumpe	50 units	
Northwest	Haartbiesfontein	96	7 CCMT members, all work-shopped and informally trained
Eastern Cape	Joe Slovo	181	7 CCMT members, all work-shopped and informally trained

The CCMT process is expected to become of increased importance to uTshani's *modus operandi*, given the organisation's move toward a greater focus on the upgrading of informal settlements. The CCMT process will become one of the central tools that we use in these activities.

#### Brief summary of the projects

As a Federation of the Urban and Rural Poor, the Peoples Housing Process (PHP) is followed within all of the housing projects. FEDUP strive to the best of ability to achieve housing for communities despite often



experiencing difficulties that retard the process. The problems that arise vary and they attempt to address these collaboratively with the various Housing Departments.

#### **(A) Mpumalanga**

All projects are peoples housing process projects. The projects had to be pre-financed by Utshani Fund and recovery of funds from Government is based on milestone achievements. Funding from government to drive the projects is dependent on submission of required claim forms after inspections and validation by provincial inspectors and project managers. This process is challenging as Provincial Inspectors are often unavailable and difficult in assessments.

The FEDUP Mpumalanga – Standerton – project comprises construction of 100 housing units, of which there are 74 approvals:

1. 100 houses in Standerton,
  - a. Construction at Standerton was initially subcontracted to JEFISA who had to work collaboratively with the local CCMT, community groups and Super CCMT.
  - b. In the course of development, many challenges experienced within the project have led to the cancellation of the project by the Provincial Department. Amongst those include:
    - Delayed payments from the Department
    - Overdue Inspections on site
    - Setting out/pouring of the foundation on top of retrofits only when inspectors could be present
    - The house plan versus specifications of the department of human settlement
    - Heavy rains experienced in the past two months in Standerton
    - The civil unrest that led to a shut down of government offices as well as adversely affecting progress on the site. This also had a severe impact on our costing
  - c. The Mpumalanga FEDUP met with the Provincial Housing Department to address the cancellation and salvage the Standerton project. It was agreed that the existing 23 units be completed and the balance of 37 houses be re-assessed.
  - d. Completion of the 23 units has been achieved and approved by the Inspectors.
  - e. FEDUP escalated the matter of the balance units to higher political level in dispute of the appointment of a private developer to complete these units as the members loyal to PHP insisted on following their process. It was agreed to reinstitute the contract and that a balance of ten (10) units be completed.
  - f. Currently eight (8) units are completed and two (2) are at foundation level. These two awaited application approvals which has now been received, hence the reason for being at this level only.
  - g. Claims have been submitted to the Department and with their Finance department for final release.

2. 50 houses at Kwandebele,

Forty one of the fifty houses have been completed. The balance of 9 units is awaiting approval on the HSS system. As soon as this is obtained, construction will resume.

Construction has gone well with FEDUP CCMT having developed a good working relationship with the Project Management Unit (PMU) of the Department as well as the Inspectors. The only outstanding funds from the Department are the retention fees (5%). Inspection has been arranged for snagging, thereafter this monies will be released.

3. 50 houses at Delmas.

This project was delayed through many technical as well as social issues of the members. Amendments to the house plans and approvals thereof as well as social dynamics between Regional FEDUP leaders and members had procrastinated actual implementation of the project. Despite this, 19 units have been

completed and paid by the Department. The 20<sup>th</sup> unit has been submitted to the Department for consideration that the beneficiary's subsidy be utilized for renovation purposes to the existing structure.

The Housing Department is reviewing an extension request for the remainder of the 30 units and beneficiary approvals. As soon as this is received, the project will resume.

#### **(B) North West**

Hartebeesfontein (Lethabong 96)

A contract for 96 subsidy houses has been signed with the North West Department of Housing. A CCMT has been established and they are actively involved in the development process. Initial implementation was impeded by the need for a geo-technical assessment that has since been concluded and approved by the Province. NHBRC registration has also been concluded.

Currently 28 units are being roofed, 46 at wall plate level and 22 foundations cast. Of claims submitted, the Department has refunded R1,0535,78.00 with an outstanding payment of R725,000.00 due shortly.

#### **(C) Eastern Cape : Joe Slovo**

The Joe Slovo project falls under the Nelson Mandela Metropolitan Municipality in the Eastern Cape and the contract with the Housing Department has been concluded for 181 beneficiaries.

The FEDUP CCMT is functional. A service provider has been appointed to provide project management and technical support. At a technical level training has been provided by the service provider to the local FEDUP members by utilizing skilled builders/carpenters/plumbers and small FEDUP technical teams to focus on specialized construction components. Currently there are 30 certified (NHBRC) completed units.

A major challenge has been unpaid claims submitted to the Eastern Cape Province. This is a consequence of institutional problems on the side of NMMM whereby the subsidies of FEDUP beneficiaries were paid to eThubelisha. The matter was escalated to the MEC level and part payment has been received. The balance payment is still stuck at institutional level. The National Department of Human Settlements has been tasked to deal with the financial winding up of eThubelisha and claims are currently with them. In the meanwhile the construction has been placed on hold until the situation has been resolved and pre-finance reimbursed before construction will be resumed.

#### **(D) Gauteng : Doornkop /Orange Farm/Duduza**

In Gauteng the projects are rolled out in three different townships, two under the City of Johannesburg (Doornkop and Orange farm) and one in the City of Ekurhuleni (Duduza). The project is to benefit 600 beneficiaries, all active members of the Federation. This is an in situ project with the beneficiaries already having serviced erf's and in some instances - like in Doornkop and Orange farm - all have title deeds. The stands have running water and electricity. There are other government developments active in the areas, such as other housing projects, further water and sewerage connections as well as tarring of streets.

Contracts for all three projects have been concluded and signed with the Gauteng Department of Housing. A Technical Supervisor has appointed to oversee and manage all three projects. Active CCMTs' are in place at each project.

*Doornkop:* Due to the soil conditions, specialized foundations (waffle raft reinforced) were required hence the need to have appointed a private contractor to perform this work. The special foundation costs are considerably higher and member households have agreed to contribute where deficits are incurred. Currently 25 units have been completed with occupation certificates, 52 units are at wall plate level and 52 additional foundations constructed.

*Orange Farm:* All 20 units have been completed and certified, 50 units are at wall plate level and 50 more foundations constructed.

*Duduza:* Initial implementation was impeded by social dynamics but has since been resolved by FEDUP. Currently 20 housing units have been completed with Inspection reports; 50 units at the wall plate levels and 50 more foundations constructed.

FEDUP technical teams and community labour are working well under technical supervision and technical abilities have been improved.

Initially turn around time by the Housing Department was slow and impeded progress. However, intense engagement with their Quality Assurance and Finance Departments has seen a major improvement in repayments, hence the milestone progress that has been achieved on the ground.

#### **(D) KZN : Namibia Stop 8**

The Namibia Stop 8 project resorts under the eThekweni Municipality and a contract has been formalized and signed with both the Municipality and the Provincial Department of Human Settlements for the development of 96 housing units.

Currently there are sixty five (65) units completed and fifteen (15) at wall plate levels. The Department has undertaken to match each complete unit – inspections are to be done shortly for this to be activated. As a way of fast-tracking the development process, uTshani is currently bridge financing 20 units.

#### **Impact**

The size of the housing units built by the Federation is **50m<sup>2</sup>**. Government was building **36m<sup>2</sup>**. We have seen a change (first initiated in the Free State) in Government instituting as policy that housing units must be 40m<sup>2</sup> or more, with the result that the community beneficiaries in government projects are benefitting between 40 and 46m<sup>2</sup> houses now, compared to the original 36m<sup>2</sup> units. (though still smaller than what the Federation is building).

There is an immediate social impact on the living conditions of the community as they move out of a shack into a brick and mortar structure, safe from the exposure to adverse weather conditions, better living arrangements with privacy, better ablution in house ablution facilities, which also bodes well for better family hygiene as well as conducive conditions for children to do school work.

The peoples' process is able to construct bigger units (50m<sup>2</sup>) than the government built units which vary from 40m<sup>2</sup> to 46m<sup>2</sup> as a result of sweat equity, savings and UPF. There also better/extra finishes put to the units such as plastering, electrification, painting as well as installing of baths, hand basins, sinks and toilets. This has generated interest (served as mobilizing tool) from other members of the community to join the Federation and be involved in other activities and rituals of the Federation.

The daily management of the construction process is handled by the community members elected from within the beneficiary group to form Community Construction Management Teams (CCMT). This provides exposure to these members to the intricacies of the construction management process and thus empowers them. The labor force is drawn from the community, both skilled and unskilled. Only where there is a shortage of skills are people sought from other areas.

There are also economic benefits for the community members as they are paid for their labor on the project.



At the level of local authority, however, not much change has been noticed from the side of the City of Johannesburg. With regard to the Ekurhuleni Metro, the officials have actively engaged with the Federation at the level of the project and have opened up for engagement to inform housing policy. The Human Settlement manager and the building inspectors in Ekurhuleni have both been co operative and very helpful. In terms of policy change, the size, the finishing and other specifications as found in the FEDUP units are gradually becoming the minimum specifications for the governments built units.

At Provincial level, they have reviewed their financial systems – as a result of the persistence of FEDUP for on-time payments – and their turn around time has now improved.

In North West, the Province has acknowledged and embraced FEDUPs' CCMT process to the extent that the CCMTs have been enrolled with the NHBRC for further training. Negotiations are underway to enrol FEDUP in the other Provinces.

The quality and progress of work is being reviewed with a view to improvement of procedures for these and other projects. There is the need to focus on improving the ability to manage the government 'stage claim payment system'. In the case of the Free State and KZN, upfront payments were received and this was a drastic improvement over the stage payment models in other provinces which require the scheduling of inspections before payment comes at any stage. This has been raised at the National Task Team level and requests made for an initial milestone payment of units to be pre-financed by Government. This was also presented, with other stakeholders, to the National PHP Directorate at the National PHP Indaba held in August 2010. It has been escalated to Ministerial level, but no outcomes as yet.

### **Scale**

The pledge projects can be scaled up to National as most of the lessons learned on the projects can be implemented when roll out takes place in other areas. Both the financial and operational planning models used on the projects can be implemented with success in the other areas. The current technical supervision and training will stand in good stead and prove a valuable asset when projects are up-scaled to other areas.

The projects are a key component of Utshani's total activities, both in terms of gaining skills for other projects, and earning fees to cover non-recoverable overheads.

The lessons of Standerton (as well as Qwa Qwa in the Free State) have consolidated the need for full time on-site Technical Supervisors with the necessary skills to manage and oversee projects. This strategy ensures quality assurance measures are met, inspections are done timeously in order for claim procedures to be fast-tracked and that unit outputs as deliverable can be attained within the implementation time frames.

Despite some positive progress, the number of houses envisaged to be rolled-out per month has still not been attained and Utshani acknowledges the need for additional financial and technical support to increase roll out.

### **Sustainability**

Housing for the poor - within the South African context - operates within a subsidy system that has created both a sense of entitlement and dependency syndrome. So the expectation is that pre-financing will have a recovery rate of 90 – 100%. The national policy is that the government pays R54 650.00 per beneficiary as a housing subsidy. Added to this could be variation amounts for geo-tech conditions and or special developments expenses.

However, sustainability will depend on securing an adequate system of pre-financing and on greater capacity within the communities. Currently the procrastinated process of the Provinces honouring claims is placing the organisation under financial strain and affecting the roll-out of scale.



The model will be sustainable provided payments are received within stipulated frame frames. This will enable site progress to improve and the desired number of unit outputs to increase.

In the long term the need still exists to restructure the agreement with government as the current funding model is fundamentally wrong for peoples housing process construction which aims to capacitate the local community. It is difficult to anticipate that unskilled people can deliver bigger houses, and at a faster pace, than government in a climate where more sophisticated monitoring and enforcement of building codes is being imposed against singular pre-funding of a Support Organisation.

As a rule, there is no building on a project unless the community is savings and contributing to the UPF

### **Leverage**

The FEDUP/uTshani has signed contracts with the Mpumalanga, North West, Eastern Cape, Free State, KZN and Gauteng Government for 3679 subsidies to the value of R200,527,574.00 (\$28,646,796.29) based on each subsidy having a value of R54 506.00 (\$6750).

Regarding technical assistance, the signed contracts assures the Alliance

R11, 029,016.50 (\$1,575,573.80) in facilitation and establishment grants.

Besides the establishment and facilitation grants, negotiations for additional funding has resulted in the Mpumalanga Housing Department having increased the subsidy quantum scale to a higher band compared to the amounts as at the time of signing contracts with the Department. Negotiations are underway with the other Provinces to institute the same amendments. National Housing is supporting this process.

The community has also managed to engage with private sector companies – LaFarge in particular – to leverage in terms of their social cooperate responsibility reduced cement costs in addition to a percentage free foundation per project. The mining sector in Gauteng is also currently being engaged for bridge funding.

### **Savings**

The Gauteng FEDUP Region is currently re-visiting the utilisation of Savings and UPF for the completion of “old debt” houses – now forming part of the pledge projects- for Quality Assurance completion certificates to be issued and claims lodged.

Savings are not been used to pay contractors. Sweat equity of the members is being used to help offset labour costs on site.

In Doornkop (Gauteng) members have been using some of their savings in the construction of the wall plates to pay their supplier. They have established a good working relationship with the supplier and managed to secure a credit facility with him.

In Kwandebele, beneficiaries used a more aesthetic brick for constructing the external walls. Members used their savings to achieve this. Members also purchased other materials (window frames..etc) to off-set new additional building requirements of the Municipality.

In North West, the FEDUP have used their UPF on a matching basis with uTshani Fund to pay the Engineer’s cost for the geo-tech study, as well as the acquisition of bricks for the wall plate construction of the first batch of ten houses. The geo-tech allowance will be used to refund the UPF.





In Bothaville project, (Free State), the UPF is utilised to accommodate shortfalls in foundations as a result of increased pricing of steel. (at the National FEDUP Legotla a decision was taken that each project should augment shortfalls from their UPF to the amount of R50 000.00)

### **Interaction with Government/Local authorities**

The government at the provincial level was engaged as part of scaling down the pledge agreement signed by the national Minister to the level of provincial government and put realistic project scope and contractual commitments for implementation of the project. This took some time but was eventually in place with clear number of units, time period and all other relevant legal issues signed for into a contract. The sphere of government that proved to be more problematic was the local government level. The reason was that they were implementing agents in their areas of jurisdiction and they saw the Federation as a threat when it comes to implementation independent from them and with a contract signed from top down ( national, then provincial). This resulted in some serious resistance which, through dialogue was eventually turned around particularly in Ekurhuleni, where the Human settlement manager, the building inspector, together with the Councillor of the area are now more supportive to the project.

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## **FUND RAISING**

In its need to achieve objectives, uTshani has geared itself to become more effective in its role in raising funds for the Federation's work. Initiatives include:

- **Formal Large-Donor Fund-Raising:**  
In this space, it is intended to raise the international profile of the organisation and its work. Applications to such institutions as the South African Lottery and Comic Relief have been met with enthusiasm and, as of this writing, show promise of significant income.
- **Grassroots Fund Raising:**  
The intention here is to leverage some of the nascent and established fund-raising portals on the internet, together with a stronger social networking push. The idea is to utilize this channel to raise funds on a project-by-project basis – getting people to support a specific project and a specific cause (as opposed to an organisation). Included here are plans to get onto corporate programmes such as the Woolworths MySchool card and similar. Large numbers of small, targeted donations will go a long way to supporting some of our smaller projects.

It is intended that this strategy would enable uTshani to broaden its funds base, so that its work – particularly the capital-intensive pledge projects and informal settlement upgrading initiatives – can proceed with greater impetus, increasing the scale and scope of impact.

## **2010 REVIEW RETROSPECTIVE**

On review of the foregoing, it is clear that the 2010 period was a busy and productive one for the organisation. Given the nature of the work that is done, performance was particularly good within the context of the various economic and financial pressures brought to bear upon the Federation. Certainly, the reporting period was not without its challenges, but it is believed that these were effectively dealt with so that many have been overcome, while others are in the process of becoming so.

Of particular importance is that it was in this year that uTshani realise the need to change what it does and the way in which it does it in order to remain relevant and optimize the value it offers to its partner organisations. Specifically, we have come to realise that:

- uTshani needs to expand its focus beyond the provision of providing housing pre-finance for the Federation. The current approach has lead to inefficient leveraging of uTshani's financial resources.



- There is a need for uTshani to transform the mindset by which it is driven. uTshani currently finds itself mired in a reductionist thinking paradigm, which needs to change.
- There is a strong need for uTshani to diversify its portfolio and expand its systems of delivery.
- Sustainability and cost recovery (through risk sharing and diversified capitalization) need to be taken much more seriously. This means that outsourcing projects to small contractors, making deals with other NGOs and demanding more accountability from FEDUP must become the order of the day.

uTshani has embarked upon a course of action to address the issues, with the intent of refining the organisation's turnaround strategy, aimed at achieving the above.

It has also established a Community Upgrading Finance Factory (CUFF) , aimed at deploying capabilities related to community upgrading financing and project management . The CUFF is an effort to revive the original objective of uTshani which was much more in line with an open-ended people's process than the hybrid that it has become. Thus, this division will manage a fund for informal settlement upgrading initiatives.

As far as the CUFF is concerned, it is expected to base it around the CODI model (Thailand) and that most of the key SDI rituals will be incorporated into the design of the systems and procedures that govern the Fund and that the regulatory framework will push communities to move towards greater self-management.

## APPENDIX A: DETAILED FINANCIAL STATEMENTS

(As per Audit Report)

