

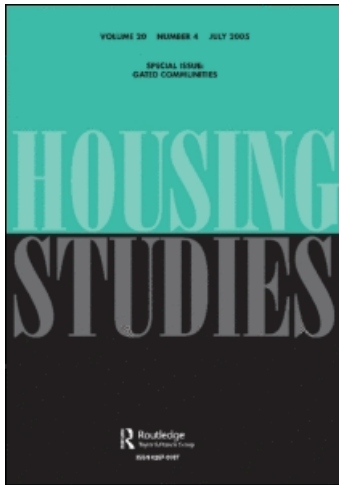
This article was downloaded by: [University of North Carolina Chapel Hill]

On: 11 September 2008

Access details: Access Details: [subscription number 788793152]

Publisher Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



Housing Studies

Publication details, including instructions for authors and subscription information:

<http://www.informaworld.com/smpp/title-content=t713424129>

Community Reinvestment Legislation and Access to Housing Finance in Post-Apartheid South Africa

Allison Freeman ^a

^a Center for Community Capital, University of North Carolina, Chapel Hill, NC, United States

Online Publication Date: 01 September 2008

To cite this Article Freeman, Allison(2008)'Community Reinvestment Legislation and Access to Housing Finance in Post-Apartheid South Africa',Housing Studies,23:5,697 — 716

To link to this Article: DOI: 10.1080/02673030801981704

URL: <http://dx.doi.org/10.1080/02673030801981704>

PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: <http://www.informaworld.com/terms-and-conditions-of-access.pdf>

This article may be used for research, teaching and private study purposes. Any substantial or systematic reproduction, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

Community Reinvestment Legislation and Access to Housing Finance in Post-Apartheid South Africa

ALLISON FREEMAN

Center for Community Capital, University of North Carolina, Chapel Hill, NC, United States

(Received January 2007; revised February 2008)

ABSTRACT *Using legislation as one of its main tools, the apartheid government provided white South Africans with abundant resources and economic opportunities. Correlated with the opportunities provided to whites was the systematic denial of opportunity to members of other groups. Since 1994, the African National Congress- (ANC-) led government has worked to remedy the effects of apartheid through legislative means. South Africa's Department of Housing has attempted to use community reinvestment legislation as part of this effort. This paper assesses the various political and economic factors that led to the failure of South Africa's reinvestment legislation process. These fall into two categories: extra-legislative factors and factors internal to the process itself that, even should other inhibitions not have existed, might still have undermined South Africa's reinvestment legislation process. The paper relies largely on analysis of interviews conducted with South African bankers, government officials, community representatives, and housing and lending specialists.*

KEY WORDS: Housing finance, South Africa, community reinvestment legislation

Introduction

Using legislation as one of its main tools, the apartheid government provided white South Africans with abundant resources and economic opportunities. Correlated with the opportunities provided to whites was the systematic denial of opportunity to members of other groups. Since 1994, the African National Congress- (ANC-) led government has worked to remedy the effects of apartheid through legislative means. Community reinvestment legislation has been part of this effort: the Department of Housing has attempted to use such legislation to redress unequal access to housing finance—and thereby unequal access to housing—in post-apartheid South Africa.

South Africa's community reinvestment legislation efforts have been continually thwarted by the country's banks as well as by those governmental bodies charged with

Correspondence Address: Allison Freeman, Center for Community Capital, UNC CB 3452, 1700 Martin Luther King Blvd., Chapel Hill, NC 27599-3452, USA. Email: allison-freeman@unc.edu

ISSN 0267-3037 Print/1466-1810 Online/08/050697–20 © 2008 Taylor & Francis
DOI: 10.1080/02673030801981704

overseeing the nation's economy, and despite fierce determination on the part of members of the Department of Housing, there has been little progress toward the passage of reinvestment legislation in South Africa. This paper explores the conflict over South Africa's efforts to broaden access to housing finance and assesses the various political and economic factors that led to the failure of these efforts. These fall into two categories: extra-legislative factors and factors internal to the process itself that, even had others not been present, might still have undermined South Africa's successful adoption of reinvestment legislation. The paper relies largely on analysis of interviews conducted with bankers, government officials, community representatives, and housing and lending specialists¹ during field trips² to South Africa.

The paper is structured as follows. It first situates South Africa's reinvestment legislation process within the context of housing policy shifts that occurred during and after South Africa's transition to a non-racial democracy; in particular, this section elaborates on the several collaborative efforts between government and the country's 'big four' banks³ to increase access to affordable housing finance following apartheid's end. The second section introduces South Africa's community reinvestment legislation and offers a brief overview of efforts to pass this legislation. Following this comes a thorough analysis of the macro- and micro-level political and economic factors that have thwarted the passage of South Africa's draft Community Reinvestment Bill. The paper concludes by considering South Africa's Financial Sector Charter, which helped displace the Bill, and assesses whether or not the Charter might achieve what the Community Reinvestment Bill intended.

Changing Priorities, Changing Policies

Not only is South Africa engaged in a transition to democracy, but the government is simultaneously attempting to transform the country's economic system to a non-racialized form of capitalism. 'Racial capitalism', as the apartheid economic system is sometimes called (African National Congress, 1998; Legassick & Hemson, 1976; Wolpe, 1995), involved the concentration of property and the means of wealth-creation in the hands of South Africa's white minority. This concentration of property and wealth came about through legislation that restricted, among other things, black⁴ South Africans' freedom of movement, ability to own property, and access to well-paying jobs.

The racist division of resources in pre- and apartheid South Africa has had a drastic effect on access to housing in post-apartheid South Africa. In 1994, the year of South Africa's first democratic elections, it was estimated that as many as 1.5 million South African households lacked adequate shelter (Goodlad, 1996). The scarcity of safe, affordable housing in South Africa meant that 18 per cent of households, or approximately 7.4 million people, were living in squatter settlements or backyard shacks, while a further 500 000 people were living in hostels (Jones & Datta, 2000). The staggering need for affordable housing at the time of the transition to democracy was undeniable, which is why the Mandela-led Government of National Unity made the provision of such housing one of the top priorities in its Reconstruction and Development Program.⁵

Despite the assertion in its Freedom Charter that "the mineral wealth beneath the soil, the banks and the monopoly industry shall be transferred to the ownership of the people as a whole" (as quoted by Thompson, 1995, p. 209), the ANC-led government has not attempted to implement a nationalized economy since it came to power in 1994. Instead,

the new government has retained the basic capitalist economic structure it inherited during the political transition and has focused on making that economy more inclusive.

This mandate is reflected in the government's post-apartheid housing policy, which has at its center a subsidy scheme intended to be used for the promotion of single-family homeownership. Numerous authors have documented the National Housing Forum (NHF) process through which this policy developed, a process that resulted in the short-term economic interests of business, the outgoing National Party government (who were not actually formal participants in the Forum), and large development/parastatal organizations taking precedence over the long-term concern of citizen groups for a genuine restructuring of the racially segregated apartheid landscape (Bond, 2000; Lalloo, 1999; Tomlinson, 1998; Wilkinson, 1998). The triumph of these interests is clearly reflected in the new government's demand-side approach to the provision of housing, an approach that is remarkably similar to that undertaken in the 1980s by the apartheid government⁶ (the similarity is not surprising, given that those who held sway in the NHF had a hand in developing the 1980s strategy).

In order to achieve its goal of building 1 million fully serviced stands or completed units within five years, and in order to address the need for the approximately 350 000 new units required each year to meet the demand of new household formation (South African Institute of Race Relations, 2001), the Government of National Unity undertook three strategies to provide such housing on its own and to promote banks' participation in financing such housing. First, the main thrust of its housing policy has been a subsidy program, the central component of which is a once-off capital subsidy set at different levels for different low-income groups. Government subsidies of varying amounts are available for households earning less than R3501 (\$637)⁷ per month, with the poorest 50 per cent of households eligible for a subsidy that covers almost the entire cost of a government-provided, R28 279-value home (\$5147-value home) (Table 1).⁸ When it designed its program, the government's intention was for the subsidy to be supplemented by formal finance and/or personal savings; however, given the income distribution in post-apartheid South Africa (Table 2), both were unlikely. Indeed, estimates suggest that between 1994 and 1999, only 5.8 per cent of the subsidies distributed for affordable housing were linked to credit of any kind (Porteous & Naicker, 2000); Department of Housing officials suggest that the actual number of finance-linked subsidies may have diminished to a low of 2 per cent (Mthembi-Mahanyele, 2002).

The second strategy aimed at increasing levels of affordable home lending was to address banks' concerns about the risks of such lending. Because of their experience with lending in the townships in the 1980s when mortgage bond boycotts were one form of popular resistance to apartheid, banks had become reluctant to engage in such lending.

Table 1. Eligibility for government subsidy as of 2004

Monthly income	Once-off subsidy
0–R1500	R25 800
R1501–R2500	R15 700
R2501–R3500	R8600

Source: Department of Housing website.

Table 2. Income distribution in post-apartheid South Africa

Monthly household income	Percent of households
0–R1500	50
R1501–R2500	14
R2501–R3500	8
R3501–R6000	11
≥ R6001	17

Source: South African Institute of Race Relations (2001 and 2002).

At the time of South Africa's first democratic elections, large banks and the state-owned mortgage lender Khayaletu Home Loans held in their possession some 49 000 properties and non-performing loans on which they could not gain access to the properties as security; the estimated exposure on these loans was close to R2 billion (\$364 million) (Porteous & Naicker, 2000). Consequently, a Record of Understanding was negotiated between the Department of Housing and the Association of Mortgage Lenders.

The Record of Understanding contained two provisions. First, the government would provide a guarantee on problem loans made before 1994, which were grouped into a portfolio and managed by a new public–private organization, Servcon Housing Solutions (Servcon). Second, the government would provide a guarantee on new lending through a newly created Mortgage Indemnity Fund, the function of which would be to assess whether previously redlined areas were now safe to lend in and to offer coverage against any political risk lenders might encounter there.⁹ In return for these guarantees, South Africa's major retail banks agreed to provide 150 000 new affordable home loans over the next three years (i.e. by 1998).

Finally, recognizing that it would take time for the banking sector to begin lending for affordable housing, the government created the National Housing Finance Corporation (NHFC), a development finance institution in which the South African Government is the sole equity investor. NHFC was established for three reasons: to involve banks in lending to low-income markets; to develop funding models for non-bank lenders; and to develop funding models for institutions lending for non-freehold tenure (Jones & Datta, 2000).

Despite efforts to re-involve banks in lending to redlined areas, by the late 1990s and early 2000s the use of bank finance for housing remained restricted to the wealthiest 17 per cent of South Africa's population (mainly whites). While the poorest 50 per cent of households, those earning between 0 and R1500 per month, were eligible for a housing subsidy that covered almost the entire cost of a government-provided home, a further 22 per cent of lower-income households, those earning between R1501 and R3500, were eligible for a partial subsidy but would require additional finance in order to afford a government-provided home. For the (mainly black) 11 per cent of the population earning between R3501 and R6000, a group popularly referred to as the 'credit gap', neither a government subsidy nor bank finance was available to help them purchase a home they could afford (generally estimated to cost between R35 000 and R100 000, or \$6370 and \$18 200).¹⁰

Unfortunately, despite initial indications that the government and banks were going to work together to address the need for affordable housing finance, these efforts deteriorated into squabbling and finger-pointing. South Africa's Department of Housing accused the banks of failing to provide the 150 000 new loans agreed to in the Record of Understanding, of failing to be proactive about affordable lending, and of redlining¹¹ without cause. Banks

in turn expressed frustration over the government's failure to 'normalize' the lending environment by properly enforcing law and order, addressing poverty and unemployment, and promoting the development of infrastructure in former township areas, all of which, they say, would allow them to re-engage in lending to township areas.

South Africa's Community Reinvestment Legislation

In frustration over what it perceived as banks' reluctance to 'come to the party' (Mthembi-Mahanyele, 2002; Rust, 2002) and increase their affordable lending, South Africa's Department of Housing moved to enact community reinvestment legislation to mandate such lending.

South Africa's reinvestment legislation efforts began several years before the Department of Housing introduced its first piece of legislation in 2000. The impetus for these efforts came from a 1997 meeting of the South African–United States binational commission, within which one of the working groups focused on housing (Department of Foreign Affairs, Republic of South Africa, 2007; Joseph, 1997). According to one interviewee familiar with these proceedings:

there was a meeting in Washington that the Minister, Sankie [Mthembi-Mahanyele], attended. And at that thing, Fannie Mae and others all gave presentations. [It was] organized by [the US Department of Housing and Urban Development (HUD)], mainly. And they showcased what they saw to be the good results of CRA [Community Reinvestment Act] type of things ... They wheeled out someone ... who ran the Citibank program, and then they wheeled out some of the NGOs that had benefited from bank funding as the result of CRA pressures, and they wheeled out one of the CRA pressure groups. So they gave a sort of a showcase ... And the Minister's mind started working. (Interviewee 11a)

A government employee confirmed that there had been extensive consultation between South Africa's Department of Housing and HUD, stating that the Department had studied CRA for four years before embarking on their legislative process (Interviewee 23).

In 2000, the South African government began its reinvestment legislation process with passage of the Home Loan and Mortgage Disclosure Act (HLMDA) (similar in intent to the US Home Mortgage Disclosure Act) which mandated that banks release lending data so that these might be examined for patterns of discrimination. Seven years later, in July of 2007, South Africa's Department of Housing issued the regulations that make the act operable. This means that HLMDA languished on the books for almost a decade before becoming enforceable.

In May of 2002, South Africa's Department of Housing released a draft Community Reinvestment Bill. Careful reading of the draft Bill reveals two underlying goals. First, the Department hoped a Community Reinvestment Act would broaden access to the services of South Africa's banks. To achieve this, the Bill included principles that targeted four areas of potential discrimination: application procedures; acceptance or denial of the home loan application; determination of loan terms; and loan administration. Second, whether or not access to the country's banks was broadened, the Department expected CRA to result in an increased flow of funds into previously marginalized communities. This increased flow of funds was expected to follow from the Bill's most contentious requirement, i.e. that banks "meet or exceed the targets and standards¹² prescribed by the Minister [of Housing]

for lending to households with low- and medium-income levels” (Department of Housing, 2002a, Section 4.1 [g]).

By mid-August of the year that it was released, South Africa’s draft Community Reinvestment Bill was no longer on the table. Members of the Department of Housing took active steps to ensure that both the Community Reinvestment Bill and the regulations for the Home Loan and Mortgage Disclosure Act would be submitted for parliamentary approval before the end of 2003.¹³ Neither of these things took place. Rather, as of October of 2007 there has been no further mention of the Community Reinvestment Bill’s release.¹⁴ The remainder of this paper consists of an analysis of exactly what went wrong with South Africa’s community reinvestment legislation process.

Factors Affecting the Passage of South Africa’s Community Reinvestment Bill

Both economic and political factors have served to thwart South Africa’s reinvestment legislation process, some extra-legislative and some internal to the process itself. This section explores both types of obstructions in turn.

Factors External to the Legislative Process

Around the same time that the South African government provided its expanded citizenry with constitutionally guaranteed access to the resources and opportunity denied to so many under apartheid, the government embarked on a path of neo-liberal economic growth that has made the country subject to whims of the global economy and the dictates of the international financial institutions controlling that economy. This constitutes the fundamental barrier to the successful adoption of community reinvestment legislation in South Africa, and it will be explored fully here.¹⁵ First, however, it is necessary to situate South Africa in the global economic context. Dependency theory provides the theoretical framework for doing so.

Dependency theorists divide the world into two camps: poorer nations whose economic well-being relies heavily on the export of primary commodities, and industrialized, wealthy nations that extract resources from poorer nations and market the resulting goods back to those nations. These two groups of states have been commonly referred to as the ‘periphery’ and ‘core’ of the global economic system. In this scheme, peripheral countries are subordinate to core ones, and the unequal power relations between the two are reinforced over time by the many means through which the center advances its economic interests: tariffs on imports, foreign aid and the resultant debt burden peripheral countries bear, international institutions (the World Bank and IMF) whose decisions and decision-making processes favor wealthy nations, the mobility of capital, and the global reach of multinational corporations.

While South Africa has a higher gross national income per capita than many developing countries (and is therefore classified under the World Bank’s three-tier system as an upper-middle income country¹⁶) in terms of the global economic system, South Africa is still a peripheral player. This is evidenced by the fact that the country’s economic well-being depends in good part on the export of mineral commodities (South Africa is the world’s largest producer of platinum, gold and chromium (Central Intelligence Agency, 2005)) and by the fact that the South African government is determined to attract foreign investment as a central means toward facilitating the nation’s economic growth.

However, the situation in South Africa is somewhat more complicated than a straightforward analysis of international center/periphery relations can capture. This is due to South Africa's having been divided internally into a core and periphery during the years leading up to and including apartheid rule, a situation sometimes referred to as 'internal colonialism'.¹⁷ Internal colonialism comes about through use of the same mechanisms of cultural domination, political oppression and economic exploitation that at the international level result in the development of industrialized capitalist states and an under-developed colonial periphery. When employed within one territory, these structures lead to the creation of racially- and geographically-linked disparities in access to resources and opportunities.

The ANC-led government now faces a complicated task: the government is attempting to correct an extreme, racially-biased distribution of resources within the country while simultaneously grappling with South Africa's subordinate role in the global economic system. What are the possibilities of effecting a redistribution of resources within South Africa given the country's peripheral placement in a global environment that is hostile to such initiatives?

The case of South Africa and its CRA demonstrates two ways in which countries on the periphery are constrained as they attempt to address the needs of their citizenry through the use of progressive policies. First, these countries are constrained by the dictates of what is commonly referred to as the 'Washington consensus'. Second, these countries are inhibited by their governments' desire to compete for increasingly mobile short-term capital. Each type of constraint will be examined.

According to Joseph Stiglitz, the term 'Washington consensus' refers to "development strategies focusing around privatization, liberalization, and macrostability (meaning mostly price stability); a set of policies predicated upon a strong faith... in unfettered markets and aimed at reducing, or even minimizing, the role of government" (as quoted by Noman, 1995, p. 234). While the World Bank and International Monetary Fund (IMF) have been seen as two of the main exporters of the Washington consensus, in today's competitive economic environment, countries also choose on their own to adhere to these dictates in order to attract foreign investment.

How did the South African government decide to adhere to these dictates and what effect has this had on the government's development strategies? At the beginning of its rule, the new government maintained a public stance that South Africa would rely on the IMF and World Bank only in ways truly beneficial to all South Africans. In the Reconstruction and Development Programme (RDP) policy document, the ANC, COSATU, and SACP stated that:

relationships with international financial institutions such as the World Bank and International Monetary Fund must be conducted in such a way as to protect the integrity of domestic policy formulation and promote the interests of the South African population and the economy. Above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions. (African National Congress *et al.*, 1994, Section 6.5.16.)

Unfortunately, before the RDP policy document was even issued, South Africa's leaders had already accepted the dictates of the Washington consensus by borrowing money from the International Monetary Fund in order to carry the country through financial difficulties.

At the end of apartheid, South Africa's economy was in dire straits. As an economist advising the ANC leadership at the time of the transition summarized the situation:

[the economy] hadn't been growing since 1984... The tax base wasn't growing, there had been disinvestment and boycotts, all of which meant the economy had gone through ten years of fiscal crunch. Now the ANC inherited that crunch. (Iraj Abedian as quoted by Sparks, 2003, p. 188)

Terreblanche (2002) describes the process surrounding acceptance of assistance from the IMF as follows:

in 1993 the corporate sector and core ANC leaders reached a hugely important elite compromise. This happened before the transitional executive council (TEC)¹⁸ accepted a secret \$850 million loan from the IMF to help tide the country over balance of payment difficulties in November 1993. Before the TEC signed the loan agreement, the corporate sector and NP government on the one hand and ANC leaders on the other signed a secret protocol on economic policy. In the 'Statement on economic policies' agreed with the IMF, the TEC committed itself to a neo-liberal, export-oriented economic policy... (p. 96)¹⁹

Despite the government's public assertion that it would only accept aid insofar as that aid advanced the government's progressive, people-centered policies, in fact the new government accepted aid conditional upon a set of practices demanded by the IMF and World Bank.²⁰ As a result, South Africa found itself bound by the dictates of these institutions and thereby profoundly restricted in the economic policies it could consider. Therefore, it is not surprising that the Reconstruction and Development Programme was quickly supplanted by a new economic strategy known as Growth, Employment and Redistribution (GEAR).²¹ GEAR is considered by many progressives to be:

an unvarnished free-market programme, directly in line with the neo-liberal agenda . . . , a combination of relaxed exchange rates, privatization, fiscal discipline and collaboration with the private sector to produce export-driven growth. (Sparks, 2003, p. 193)

Once a peripheral country becomes bound by the dictates of the Washington consensus, the likelihood that the country will be able to enact progressive economic policies appears to be nil. South Africa's community reinvestment legislation process seems to provide an example that this is the case. As one interviewee commented:

... if you're the United States, you can introduce a whole lot of market interfering legislation and activities. If you do that in a developing economy, the World Bank and the IMF say that you're not friendly to investors, the rating agencies all downgrade your currency and your institutions, and bang, your currency goes for a loop. (Interviewee 12)

The issue of international financial markets raises a second way in which countries on the periphery are constrained as they attempt to address the needs of their citizenry through the use of progressive policy: they are inhibited by their governments' desire to compete for increasingly mobile short-term capital. As Held (2004) notes:

while free capital markets and the cross-border flows of financial resources do not shape the terms of national economic policy in a straightforward way, they can radically alter the costs of particular policy options and, crucially, policy-makers' perceptions of costs and risks ... There has been a growth of perceived risk in this regard because markets are more liquid than ever before and are an enhanced source of instability. Accordingly, the costs and benefits of pursuing certain policies become fuzzier, and this encourages political caution and 'adaptive policies' ... (p. 26)

This tension was at the heart of the debate over South Africa's CRA. The desire to attract international investors means the Reserve Bank, National Treasury, and financial institutions are extremely concerned with South Africa's international ratings. Not surprisingly, bankers referred often to the need for good credit ratings; they also frequently mentioned their concern that reinvestment legislation might hurt their ratings. As one banker stated:

... if [CRA] went in right now, I think based on the proposed targets that they're putting in, you would actually undermine all of banking in the country. Within a year or two of the implementation of it, we would probably lose our international ratings, [because] we wouldn't be from day one complying with the Basel requirements. So at that point you destroy your total bank infrastructure. (Interviewee 6)

As a result of their desire for good ratings, actors in the financial sector feel a need to adhere strictly to the Basel Accord on capital requirements for internationally active banks (Basel II was instituted in 2004; Basel I has been in place since 1988). South Africa's banks are determined to be world-class institutions. As one banker explained:

both [the] regulators and the National Treasury have basically taken the decision that not only will the banks in South Africa meet international best practice, but [they] will be at the cutting edge of international best practice. So when the Basel committee for bank supervision decided that capital and liquidity requirements should be put up as a guideline, the regulators here said we are going to meet the top end of those capital requirements. (Interviewee 3b)

Bankers interviewed for this paper repeatedly expressed the belief that the risk associated with CRA's targeted lending requirements would affect their adherence to the Basel requirements.

Another concern of those in the financial sector is with the short-term profitability of the country's banks. As has been mentioned, South Africa's financial institutions are concerned with attracting foreign investment into the country. The astonishing mobility of investment capital these days means that South Africa's banks are competing for these limited funds with other investment opportunities around the world. This increased competition means South Africa's banks are keen to show immediate, quarterly profits.

The desire to show increased profits each quarter affects banks' willingness to become involved in reinvestment legislation activities in two main ways. First, the focus on immediate gains makes banks reluctant to embark on projects, such as lending to low- or medium-income populations, which might only show profits in the long run. As one housing and lending specialist put it:

the pressures of globalization say, 'This quarter's results are critical to our share price, and therefore we're not going to take on any business that requires a five-year lead time to develop and turn into a profitable business.' [This] is the kind of constraint that the major banks are in ... (Interviewee 12)

Second, because banks want to show profits each quarter, they want to focus their efforts on attracting high-end, profitable customers; they do not want to add low-yield customers to their portfolios. As one community representative noted: "... the banks are opening up now to international competition, globalization, and they really want to focus on the top end of the market. That's where they make their profits from" (Interviewee 26). Indeed, banks' intense concern over their international competitiveness ultimately played a role in the withdrawal of the Community Reinvestment Bill: the Bill was withdrawn after bankers stated that it had had a negative effect on international investment in the country.

As the case of South Africa shows, countries in the developing world that set their sights on foreign investment as an instrument of economic growth and development become cautious about adopting policies that might affect their attractiveness as sites of investment. This makes policy development in the periphery a reactive, adaptive process. South Africa's draft Community Reinvestment Bill illustrates just this point. The Department of Housing developed a piece of legislation that was expected to redistribute access to resources and opportunity. The country's bankers accordingly perceived the Bill as a threat to foreign investment in the country. The general consensus among interviewees was that economic considerations were always going to be given primacy in the government's decision making processes; since the draft Community Reinvestment Bill was seen as a potential threat to South Africa's position in the world economy, it was unlikely that the Bill (in its original form, at any rate) would be allowed to pass. As one government employee concluded:

what's happening here is we're in a massive bun fight.²² The Reserve Bank talks to [National Treasury, which] is the flagship department. It has enormous power and influence in government. [National Treasury] go to Thabo [Mbeki]²³ and they say, 'Look, Housing is going to kill the golden goose.' Housing is stymied because of that, and we're back to square one. (Interviewee 19)

Factors Internal to the Legislative Process

Having examined the macro-level factors that served to thwart South Africa's reinvestment legislation process, it is now important to consider the micro-level factors that also contributed to the legislation's demise. There are three of these: limited capacity within South Africa's Department of Housing, the banking sector's power compared to that of the Department of Housing, and a paucity of popular support for CRA. Even if the government in South Africa had not chosen to adhere to a neo-liberal path of economic development, and therefore subjugate itself to the dictates of the global economy, the combination of these three internal factors might in and of themselves have doomed CRA.

When seeking to explain the fits and starts of South Africa's reinvestment legislation process, the majority of interviewees identified limited capacity within the Department of Housing as a significant cause of these difficulties. This finding supports the theoretical work of Jenkins & Smith (2001), who apply Grindle's theory of state capacity in an

examination of South Africa's housing policy and delivery. These authors note that capacity can be of several types: institutional, political, administrative, technical and economic. Those interviewed for this paper identified both limited administrative and technical capacity within the Department of Housing as a major inhibition to the passage of CRA. While one might expect those in the banking sector to blame the demise of CRA on the Department of Housing's incompetence (rather than on the co-ordinated efforts of the banking sector and government financial departments), it is somewhat surprising that those who are dedicated to the same goals as the Department felt the same way. This section explores housing and lending specialists and government employees' concerns about the Department's ability to create and enact effective reinvestment legislation due to limited technical and administrative capacity.

In South Africa, the community reinvestment legislation process has been the responsibility of the Department of Housing: the Department drafted the relevant statutes, it is responsible for creating the regulations that would provide these laws with procedural teeth, and it would oversee compliance with both HLMDA and CRA. Interviewees expressed concern about the Department's ability to see reinvestment legislation through to becoming enforceable law. What are their concerns?

First, some interviewees think that the Department of Housing lacks the ability to draft a Home Loan and Mortgage Disclosure Act and a Community Reinvestment Bill that could work well together to promote lending to previously marginalized communities. Interviewees expressed concern over the process through which the two pieces of legislation were being developed, fearing that an incoherent policy process would lead to HLMDA and CRA's not complementing one another. According to one interviewee:

we do everything backwards. There should have been a policy process that resulted in a policy framework document and then, following that, ... the two pieces of legislation should have been drafted sort of in parallel, because the regulations for one really affect what's happened in the other. We haven't followed that at all. [The Department of Housing] just said, 'Do this,' and then 'Do this,' and so there are a whole lot of gaps ... You know, there's no capacity in the Department [of Housing]. Zero. (Interviewee 7)

Second, several interviewees felt that the timing of the release of these two pieces of legislation was problematic, asserting that HLMDA data should have been gathered and analyzed before the draft Community Reinvestment Bill was created. According to one housing and lending specialist:

... you know that the HLMDA law is ineffective without regulations. Now, [there were] discussions 18 months ago around regulations, but nothing's happened ... That's a capacity issue in the Department, to actually take those through to regulations that can be signed into law effectively and then implemented. (Interviewee 11b)

Another government employee believed that the Department of Housing's unwillingness to wait for analysis of HLMDA data before drafting a Community Reinvestment Bill had

weakened the Department's position that the banks needed to increase their lending to lower-income people. According to this interviewee:

you need the [HLMDA] regulations... You need the information [they] provide. If you do your data mining correctly, you will understand very clearly the patterns. Then you can draft the CRA. Because the CRA is the method you use to push where you can push, but the database from the regulations tells you where you can push. Now the banks are, in my view, in a very strong position. They're saying to the Minister, "You're like a raging bull in a china shop. You're going to destroy the banking sector in this country." And there's nothing beyond accusing them of being capitalists and racists and rapacious that the Minister can say to them to gainsay that. (Interviewee 19)

While there is no guarantee that the data provided by HLMDA would result in agreement about the need for, or the approach to providing, equitable access to housing finance in post-apartheid South Africa, there is no denying that these data would strengthen the Department of Housing's argument that there is indeed inequitable access to such finance. Therefore, one must question why the Department of Housing took so long to develop regulations for the Home Loan and Mortgage Disclosure Act, in essence leaving this piece of legislation inoperable for seven years. Responsibility for leaving HLMDA languishing on the books for seven full years rests solely with South Africa's Department of Housing, and this failure reflects either a lack of political will or a lack of capacity within the Department. It is immaterial whether the Department of Housing's limited capacity stems from the rapid turnover of staff following apartheid's demise (Jenkins & Smith, 2001), from rapid turnover at the ministerial level,²⁴ or from a dearth of educational programs focused on the provision of housing (Jenkins & Smith, 2001); what matters for this analysis is that the failure of capacity affected the Department's ability to draft, enact, and create regulations for HLMDA and CRA.

The second micro-level factor that hindered South Africa's reinvestment legislation efforts was the banking sector's power vis-à-vis that of the Department of Housing. The three public agencies most concerned with the enactment of community reinvestment legislation in South Africa are the Department of Housing on the one hand, and the National Treasury and South African Reserve Bank, the two agencies who manage South Africa's financial system, on the other. The mandate of the Reserve Bank ("the achievement and maintenance of financial stability") and of the National Treasury ("promoting the national Government's fiscal policy framework and co-ordinating macroeconomic policy") and the profit-motive of the country's private banks give these actors a shared goal, i.e. maintaining and enhancing the profitability of the country's financial sector. This alliance of interests means that when the Department of Housing challenged the banking sector with its proposed Community Reinvestment Bill, it was by proxy challenging the Reserve Bank and National Treasury. In essence, the Department of Housing took on a fight against a coalition that it could not beat.

Most interviewees were aware of the alliance between the banks, National Treasury, and the South African Reserve Bank, and several felt that this alliance was directly responsible for the withdrawal of the draft Community Reinvestment Bill. A government employee acknowledged that the financial departments might have put pressure on the Department of Housing to withdraw the bill, stating that

the banks are up in arms [about CRA] and they're speaking to their connections in Treasury ... in other words they're using Treasury ... to put pressure on Housing to back off ... [The banks] are actually being very clever to go to the Reserve Bank, because they're literally using government to fight government, which is a very strategic move. (Interviewee 19)

Another government employee stated that it is sometimes hard to tell the banks and government financial departments apart, so closely aligned are they in their views, and especially their views on CRA. According to this individual:

I know that the banks have been speaking to National Treasury on a fairly regular basis. And [when you're] reading letters or documents from National Treasury, sometimes you feel that it's not them writing the letter, it's the Banking Council.²⁵ So I feel there must be something going on between them ... (Interviewee 9b)

The tight alliance between South Africa's banks and the public institutions that monitor and regulate them makes it unlikely South Africa's banks will ever be subject to the Department of Housing's community reinvestment legislation. Power in South Africa's government lies with those who determine the country's economic policy, and any attempt to disturb the current configuration of the economy is likely to be squelched by the government's financial departments.

The final obstruction to the passage of South Africa's reinvestment legislation was the paucity of popular support that existed for such legislation. While this has been written about extensively elsewhere (Freeman, 2007) it bears looking at here.

Scholars and activists are well aware of how crucial citizen activism was to the enactment of fair lending and community reinvestment laws in the United States (Immergluck, 2004; Sidney, 2003). Indeed, Immergluck (2004) believes that the "public appeal" of HMDA was sufficient to overcome opposition from "industry interests, the [Federal Reserve Board], and HUD" (p. 144). In the United States, public vigilance and input remain crucial to the Community Reinvestment Act's enforcement, a situation that at least one scholar has referred to as 'regulation from below' (Shlay, 1999). Although CRA was designed so that federal regulators would monitor the community-based lending activities of financial institutions, in fact, it has been community advocates who have ensured that CRA has been implemented. Just as they were fundamental to the passage of reinvestment legislation in the United States, so too do community advocates remain a crucial part of CRA's success.

However, in South Africa despite a co-ordinated and vocal cry for financial sector reform, the Home Loan and Mortgage Disclosure Act and the draft Community Reinvestment Bill never had the popular support that their American counterparts had. Rather, the popular push for reform of South Africa's financial sector focused on the provision of basic banking services to the general public. In 2000, the South African Communist Party (SACP), the Congress of South African Trade Unions (COSATU), and various community groups launched the Campaign for the Transformation and Diversification of the Financial Sector, whose slogan was 'Make the Banks Serve the People' (National Economic Development and Labour Council Community Constituency, 2001). As part of this Campaign, participating organizations mobilized over 40 000 people throughout South Africa to take part in the 'Red October' march in 2000.

The Red October march culminated in the presentation of a list of demands to both the South African government and to the Banking Council. The demands concerned the need for banks to invest in affordable housing, provide credit to small, medium, and micro-enterprises (SMMEs), and provide finance for infrastructure in black areas. In addition, the Campaign called for diversification of the financial sector through the establishment of community-based banks (such as co-ops and credit unions). According to Communist Party General Secretary Blade Nzimande, “the campaign should be seen as an integral component of building a co-operative movement and a strong co-operative sector in our economy. This is a campaign for building a people’s economy” (Jayiya, 2000).

The Communist Party and COSATU’s campaign for financial sector reform undoubtedly helped push this issue to prominence on the government’s agenda. Minister of Housing Mthembu-Mahanyele then made use of the popular mood to help advance her draft Community Reinvestment Bill; she did so by uniting support for financial sector reform to the central problem her department was charged with, namely, ‘housing the nation’. The Minister was tireless in making the argument that the main obstacle to the development of low-cost housing was the stubborn refusal of banks to provide affordable housing finance. The solution to this problem, of course, was her draft Community Reinvestment Bill, a piece of legislation she had been considering for several years.²⁶

Unfortunately, when South Africa’s draft Community Reinvestment Bill was challenged by those within the government financial departments and the banks, the Bill did not have the popular backing needed to complete its journey through the legislative process. By that point, banks had undertaken an effort at self-reform via creation of a Financial Sector Charter, which stemmed from an agenda developed between bankers, community representatives, labor representatives and members of government who met at the National Economic, Development and Labour Council (NEDLAC) in August of 2002; the NEDLAC meeting took place in large part due to the pressure exerted during the Campaign for the Transformation and Diversification of the Financial Sector.²⁷

Those involved in the campaign to transform the financial sector were not pushing primarily for access to mortgage finance, but were rather pressing for the creation of a new tier of financial institutions that would be community-centered and cater to the business and infrastructure finance needs of communities. Basic access to financial services was more important to the majority of South Africans than access to mortgage finance was. While the need for financial sector reform remained a pressing problem in South Africa, the need for mortgage finance was not seen as the most crucial component of this reform process. The reforms that the banking sector agreed to in the NEDLAC summit were more in keeping with what community groups actually wanted, and this helped shift attention away from CRA and toward the NEDLAC Framework Agreement and the resulting Financial Sector Charter, which was released in October of 2003, three months after CRA’s withdrawal.

Conclusion

This paper has explored the conflict over legislative efforts to broaden access to housing finance in post-apartheid South Africa and has assessed the various political and economic factors that led to the failure of these efforts. These factors were broken into two categories: those external to the community reinvestment legislation process, including the government’s decision to embark on a neo-liberal path of economic growth which enslaved it to the dictates of the Washington consensus and forced it to compete for

increasingly mobile short-term capital; and factors internal to the process itself, specifically, a lack of administrative and technical capacity on the part of the Department of Housing, the overwhelming power of the banking sector vis-à-vis that of the Department of Housing, and a paucity of popular support for CRA. In analyzing the final point, it was determined that CRA was dealt a death blow by the adoption of South Africa's Financial Sector Charter, an agreement that reflected community concerns more closely than CRA had done. Therefore, this paper concludes with a brief examination of the Charter and assesses whether or not it might achieve what the Community Reinvestment Bill intended.

The Financial Sector Charter went into effect in 2004 and runs until 2014. It is a voluntary agreement that commits participating members of the financial sector to (among other reforms) promote access to financial services, including finance for low-income housing, and to engage in targeted investment, including investment in low-income housing projects. A newly established Charter Council²⁸ is responsible for setting investment goals and reviewing institutions' progress in meeting these goals.²⁹ The Charter commits South Africa's banks to specific goals for investment in affordable housing: according to the 2005 review of transformation in the financial sector (Financial Sector Charter Council, 2006), banks have committed to invest R31.8 billion in affordable housing (that is, housing for households earning less than R7900 per month) by 2008.

As of the writing of this paper, it is difficult to measure the success of banks in meeting their Financial Sector Charter commitments. While the first annual review of transformation in the financial sector is available for calendar year 2005,³⁰ since it was the first review, it was intended to provide a baseline against which future progress could be measured (Financial Sector Charter Council, 2006). With regard to housing in particular, the 2005 review states that "data and information provided on low-income housing funding was, for the most part, not quantifiable against the requirements of the Charter. No reliable findings could be made in this area" (Financial Sector Charter Council, 2006, p. 2). While banks claimed to have on their books R19 billion-worth of investment in low-income housing, the review identified several problems with this figure. First, the review notes that there is strong evidence that low-income housing investments "are over-claimed by the sector" (Financial Sector Charter Council, 2006, p. 27). Second, two types of reporting failures made it impossible for the Council to assess banks' performance in meeting their affordable housing commitments: first, banks reported their affordable lending based on unit cost (setting R180 000 as the ceiling) rather than based on household income; second, most banks grant loans based on *individual* rather than *household* income, so when banks claim credit for loans going to parties earning less than R7900, in fact these loans may have gone to households that are wealthier than the Charter targets (if the households contain multiple earners).

Therefore, the first review of transformation in the financial sector reveals more than anything that South Africa's banks excel at what housing and lending activists have long accused them of: creating the illusion of a dedication to serve new populations and manipulating the data in such a way as to make it appear they are doing so. Perhaps banks really did invest R19 billion in affordable housing by 31 December 2005. However, if this was the case it seems strange that they were unwilling to report in a straightforward fashion on their efforts since revealing their success would have benefited banks more than any other party.

This paper concludes that there remains an urgent need for precise information on the current home-lending patterns of South Africa's banks. Perhaps the 2006 review

of transformation in the financial sector will reveal more clearly what banks have done in the arena of affordable housing. Perhaps banks' efforts at serving previously marginalized populations will be clarified when the data from the Home Loan and Mortgage Disclosure Act are finally available for analysis. However, perhaps what banks most fear is in fact true: when these data become public, it will become clear that government intervention, rather than a voluntary commitment, is required to ensure that banks take on the challenge of affordable home lending in post-apartheid South Africa. The issue at that point, of course, will be which parties possess the political will, power, and capacity to ensure that banks do so.

Notes

- ¹ Thirty semi-structured interviews were conducted in total. Representatives from the banking sector included employees of Standard Bank of South Africa, ABSA, Nedcor, and The Banking Council South Africa. Representatives from government included officials at the Department of Housing, the National Housing Finance Corporation, the Micro Finance Regulatory Council, and several private consultants to government. Community representatives included citizen activists, members of the South African Communist Party, and individuals at the Savings and Credit Co-operative League of South Africa. Housing and lending specialists included employees of the National Urban Reconstruction and Housing Agency, Servcon Housing Solutions, and three agencies small enough that identifying them would reveal these interviewees' identities. Four individuals were interviewed on both the first and second research trip to South Africa and their quotations therefore have either an 'a' or 'b' following their identification number.
- ² These trips would not have been possible without generous support from the following organizations: the Mario Einaudi Center of Cornell University, the Institute for African Development of Cornell University, the Program on International Studies in Planning of Cornell University, the Alumnae Association of Mount Holyoke College, and the Department of International Relations, Law and Politics of Mount Holyoke College. None of these organizations is responsible for the content of this work; the paper represents solely the views of the author.
- ³ South Africa's retail banking sector is highly concentrated. Four main banks, Standard Bank of South Africa, ABSA, First Rand and Nedcor, known collectively as the 'big four', dominate the country's retail financial market. The big four are responsible for over 90 per cent of mortgage lending in South Africa (Joffe, 2002).
- ⁴ When the term 'black' is used in this paper, it is used as preferred by South Africa's Black Consciousness Movement, i.e. to refer to all but South Africa's white population.
- ⁵ The Reconstruction and Development Programme (RDP), the major initiative of the Mandela-led Government of National Unity, was upheld by six basic principles: integration and sustainability, a people-driven process, peace and security for all, nation-building, linking reconstruction and development, and democratization. Four of the main programs of the RDP were: meeting basic needs, developing human resources, building the economy, and democratizing the state and society.
- ⁶ The mid-1970s to the early 1980s became known as the years that the apartheid government implemented its 'total strategy', an effort to increase the power of the National Party Government, whose apartheid policies were under increasing attack both from within and outside the country. One element of the total strategy concentrated on giving those agitating for changes to the apartheid state an economic stake in maintaining that state (Morudu, 1993; Worden, 2000) through such things as increased access to both homeownership and housing finance. For example, a 30-year township leasehold system was reintroduced by the South African Government in 1975 and was extended to a 99-year leasehold system in 1978; it was only after the introduction of the 99-year leasehold program that Africans became eligible for finance from South Africa's building societies (most of which were eventually absorbed by South Africa's banks) via the Financial Institutions Amendment Act, No 80 of 1978. Following changes to the provision of household lease arrangements and homeownership schemes in black areas, the South African Housing Trust was established in 1987 as a joint venture between the state and the private sector for the purpose of developing low-cost housing.

The South African government made a R440 million interest-free loan available to the Trust with the understanding that the private sector would match this amount. Khayaletu Home Loans (Pty.) Limited was established as a subsidiary of the Trust with the intention of providing end-user finance for affordable housing. Khayaletu loans were granted on a project (as opposed to an individual) basis, and the interest rates charged were set at slightly higher than market mortgage rates. By 1994 Khayaletu was serving approximately 26 000 clients and had a portfolio in excess of R500 million (Zack, 1994). With regard to business's complicit role in stifling opposition to apartheid, one organization that sought to quell the increasingly visible and vocal dissatisfaction of township residents in the 1980s was the Urban Foundation. Founded by members of the business community in the late 1970s, the Urban Foundation worked to "promote improvement of the quality of life in urban (and primarily African urban) communities" (Urban Foundation pamphlet as quoted by Wilkinson, 1998). The Urban Foundation was at the forefront of promoting a free-market approach to the provision of housing in urban South Africa, with the thought that increased homeownership in the townships would lead to increased stability in these regions. According to Wilkinson (1998), the Urban Foundation promoted two strategies: self-help housing strategies (under which residents were assisted in housing themselves) and the sale of public rental stock. In an effort to address some of the concerns of black South Africans who were agitating for change to the apartheid state, the South African government introduced new means for assisting with property finance in black areas.

- ⁷ The South African rand has fluctuated greatly in value since the political transition in 1994. This paper values the rand using the average of the exchange rates for every 1 July 1994 through to 2004. This comes to R1 = US\$.182. Exchange rates used for this paper are calculated from those found at <http://www.onanda.com>.
- ⁸ The figures in Table 1 and in this discussion are from 2004, the heart of the debate over CRA. The South African subsidy program has changed somewhat since that time, with the amounts available increased to account for inflation.
- ⁹ It is interesting to note that the government was only willing to cover political risk under the Mortgage Indemnity Fund; subsequent research has revealed that less than 5 per cent of default is due to political protest, while 59 per cent of default stems from affordability problems (Porteous & Naicker, 2000).
- ¹⁰ The figures included here are taken from the following sources: Rust, 2002; South African Institute of Race Relations, 2002; Department of Housing website, <http://www.housing.gov.za>, October 2004.
- ¹¹ The draft Community Reinvestment Bill defined redlining as occurring "when a financial institution does not offer a home loan to a borrower or household mainly on account of the house to be financed being located in a particular geographical area or neighbourhood".
- ¹² 'Targets' are defined in the draft Bill as "that proportion of a financial institution's book that is prescribed by the Minister [of Housing] for disbursement either directly or indirectly to low- and medium-income level households for housing purposes". 'Standards' are defined as "the performance, conduct and level of compliance that is prescribed by the Minister [of Housing] to a financial institution in attempting to meet its target".
- ¹³ The Department of Housing set an employee from the National Housing Finance Corporation the tasks of completing the HLMDA regulations and setting up the Office of Disclosure.
- ¹⁴ The last mention in the press occurred in September of 2003. See Loxton (2003).
- ¹⁵ Thanks are due to an anonymous reviewer whose criticisms helped to reframe and clarify this discussion.
- ¹⁶ The World Bank has developed a three-tier system for classifying where countries fall within the global economy. Countries are either low-, medium-, or high-income, depending on their gross national income per capita. According to the World Bank's 2005 'Country Brief' for South Africa, the South African gross national income per capita is \$3630, which makes South Africa "one of the few African countries to have joined the group of upper middle income countries" (World Bank, 2005). However, the distribution of income in South Africa is skewed enough to make this classification almost meaningless for the majority of South Africans.
- ¹⁷ 'Internal colonialism' is said to differ from international colonialism in one crucial respect: in a situation of internal colonialism, the colonizing race or nation occupies the same territory as the colonized people, which means that a post-colonial break via expulsion of the colonizers is impossible. See Wolpe (1975) for a thorough treatment of this topic.
- ¹⁸ In 1993 South Africa's parliament created a multiparty Transitional Executive Council that would be responsible for overseeing South Africa's transition to democracy. For details, see Thompson (1995).

- ¹⁹ Bond (2000) describes the situation as follows: "... the very first act of South Africa's interim multi-party government—the December 1993-April 1994 Transitional Executive Council—was an application for an \$850 million IMF loan purportedly for drought relief but in reality aimed at servicing part of the apartheid foreign debt which had been renegotiated on surprisingly onerous terms a couple of months before" (p. 176).
- ²⁰ South Africa's involvement with the World Bank came somewhat later. According to Bond (2000): "... the first World Bank loan to democratic South Africa—worth R340 million [approximately \$62 million]—was only granted in 1997" (p. 160). The World Bank provides a current figure of South Africa's borrowing: "As of February 2005, the World Bank had approved 13 loans for South Africa for a total amount of approximately US \$302.8 million".
- ²¹ See Sparks (2003) for full details of GEAR's development.
- ²² A colloquial expression meaning 'a squabble'.
- ²³ The current president of South Africa.
- ²⁴ The first Minister of Housing following South Africa's democratic elections in 1994 was Joe Slovo. He held the post until his death in 1995. Following Slovo's death, Sankie Mthembu-Mahanyele became Minister of Housing. In 2003, Mthembu-Mahanyele left office to become Deputy Secretary General of the ANC and Brigitte Mabandla, who had until then been Deputy Minister of Arts and Culture and had limited experience in housing issues, took over the position of Minister of Housing. Mabandla's reign at the Department of Housing was brief: in early 2004, she became Minister of Justice and Constitutional Development and the post of Housing Minister went to Lindiwe Sisulu, previously Minister of Intelligence.
- ²⁵ The Banking Council, whose name changed in 2005 to The Banking Association of South Africa, is a private agency that serves as the representative voice of South Africa's commercial banks. For ease of comprehension, this paper refers to this organization using the name that was current at the time the interviews were conducted, i.e. 'The Banking Council'.
- ²⁶ An exhaustive analysis of the agenda-setting process surrounding South Africa's draft Community Reinvestment Bill is provided in Freeman (2007).
- ²⁷ NEDLAC is a forum within which business, labor, government and community can meet to discuss issues of social and economic policy.
- ²⁸ The Charter Council comprises four members of government, three members of the Association of Black Securities and Investment Professionals, four representatives of community, four members of the labor movement, and six members of trade associations (including the Banking Council)
- ²⁹ The Council issues a scorecard which rates each institution's success in meeting its goals. The scorecard is used as a basis for self-assessment by each institution, as a means for the Charter Council to evaluate black economic empowerment progress in the financial sector, by government who might, if it wishes, award contracts based on compliance with the Charter, and by the private sector as it makes its decisions to award contracts to financial institutions. (The concept of Black Economic Empowerment has been discussed in South Africa since the late-1990s. According to the Broad-Based Black Economic Empowerment Act, black economic empowerment is "the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to: increasing the number of black people that manage, own and control enterprises and productive assets; facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises; human resource and skills development; achieving equitable representation in all occupational categories and levels in the workforce; preferential procurement; and investment in enterprises that are owned or managed by black people" (Republic of South Africa, 2004, p. 4)).
- ³⁰ As of this paper's writing, the 2006 review of the financial sector in meeting its Charter goals is not yet available.

References

- African National Congress (1998) SA is still suffering inequalities from racial capitalism. Parliamentary Bulletin, April 14 (Johannesburg: African National Congress).
- Bond, P. (2000) *Elite Transition: From Apartheid to Neoliberalism in South Africa* (Pietermaritzburg: University of Natal Press).

- Central Intelligence Agency (2005) *The World Factbook* (Washington DC: Central Intelligence Agency).
- Department of Foreign Affairs, Republic of South Africa website (2007) United States of America. Available at <http://www.dfa.gov.za/foreign/bilateral/usa.html> (accessed 7 September 2007).
- Department of Housing (2002a) Draft Community Reinvestment Bill, revised as of 26/04/2002, (Pretoria: Department of Housing).
- Department of Housing (2002b) Memorandum on the Objects of the Community Reinvestment (Housing) Bill, 2002 (Pretoria: Department of Housing).
- Financial Sector Charter Council (2006) *Annual Review of Transformation in The Financial Sector* (Marshalltown: Financial Sector Charter Council).
- Freeman, A. (2007) An examination of South Africa's community reinvestment legislation process through the lens of multiple streams theory. Manuscript in progress.
- Goodlad, R. (1996) The housing challenge in South Africa, *Urban Studies*, 33, pp. 1629–1645.
- Held, D. (2004) *Global Covenant: The Social Democratic Alternative to the Washington Consensus* (Malden: Polity Press).
- Immergluck, D. (2004) *Credit to the Community: Community Reinvestment and Fair Lending Policy in the United States* (Armonk: M.E. Sharpe).
- Jayiya, E. (2000) Blade slashes at banks boosting “white greed”, *The Star*, 19 September.
- Jenkins, P. & Smith, H. (2001) An institutional approach to analysis of state capacity in housing systems in the developing world: case studies in South Africa and Costa Rica, *Housing Studies*, 16, pp. 485–507.
- Joffe, H. (2002) Will rate hikes end the good times? *Business Day*, 16 September.
- Jones, G. A. & Datta, K. (2000) Enabling Markets to Work? Housing policy in the ‘new’ South Africa, *International Planning Studies*, 5, pp. 393–416.
- Joseph, J. A. (1997) United States–South Africa relations, *African Security Review*, 6(3). Available at <http://www.iss.co.za/pubs/ASR/6No3/Joseph.html> (accessed 1 February 2008).
- Lalloo, K. (1999) Arenas of contested citizenship: housing policy in South Africa, *Habitat International*, 23, pp. 35–47.
- Legassick, M. & Hemson, D. (1976) *Foreign Investment and the Reproduction of Racial Capitalism in South Africa* (London: Anti-Apartheid Movement).
- Loxton, L. (2003) Empowerment clock ticks for crucial Bill, *Business Report*, 3 September.
- Morudu, M. D. (1993) The role of financial institutions in South Africa: 1946 to post-apartheid (Dissertation, University of Notre Dame).
- Mthembu-Mahanyele, S. (2002) High time banks returned to the party, *Business Day*, 23 August.
- Noman, A. (1995) Scoring the millennium goals: economic growth versus the Washington consensus, *Journal of International Affairs*, 58, pp. 233–245.
- Porteous, D. & Naicker, K. (2000) SA housing finance: the old is dead but is the new ready to be born? Unpublished paper (Johannesburg: Gateway Home Loans) (a subsidiary of the National Housing Finance Corporation).
- Republic of South Africa (2004) No. 53 of 2003: Broad-Based Black Economic Empowerment Act, 2003. Government Gazette 463.2589.
- Rust, K. (2002) We're all here—now where's the party? Occasional Paper No. 1, (Johannesburg: Housing Finance Resource Programme).
- Shlay, A. (1999) Influencing the agents of urban structure: evaluating the effects of community reinvestment organizing on bank residential lending practices, *Urban Affairs Review*, 35, pp. 247–278.
- Sidney, M. (2003) *Unfair Housing* (Lawrence, KS: University Press of Kansas).
- South African Institute of Race Relations (2001) *South Africa Survey 2000/01* (Johannesburg: South African Institute of Race Relations).
- South African Institute of Race Relations (2002) *South Africa Survey 2001/02* (Johannesburg: South African Institute of Race Relations).
- Sparks, A. (2003) *Beyond the Miracle: Inside the New South Africa* (Jeppestown: Jonathan Ball Publishers).
- Terreblanche, S. (2002) *A History of Inequality in South Africa, 1652–2002* (Pietermaritzburg: University of Natal Press).
- Thompson, L. (1995) *A History of South Africa*, revised edn (New Haven: Yale University Press).
- Tomlinson, M. (1998) South Africa's new housing policy: an assessment of the first two years, 1994–96, *International Journal of Urban and Regional Research*, 22, pp. 137–146.
- Wilkinson, P. (1998) Housing policy in South Africa, *Habitat International*, 22, pp. 215–229.

- Wolpe, H. (1975) The theory of internal colonialism: the South African Case, in: I. Oxaal, T. Barnett & D. Booth (Eds) *Beyond the Sociology of Development: Economy and Society in Latin America and Africa*, pp. 229–252 (London: Routledge & Kegan Paul).
- Wolpe, H. (1995) Capitalism and cheap labour power in South Africa: from segregation to apartheid, in: W. Beinart & S. Dubow (Eds) *Segregation and Apartheid in Twentieth-Century South Africa*, pp. 60–91 (London: Routledge).
- Worden, N. (2000) *The Making of Modern South Africa* (Oxford: Blackwell Publishers).
- World Bank (2005) *Country Brief: South Africa*. Available at <http://web.worldbank/> (accessed 1 December 2005).
- Zack, T. (1994) Informal financial institutions in the provision of low-income shelter, in: *Selected Studies on the South African Housing Sector*, pp. 88–112 (Washington DC: United States Agency for International Development).