
**An evaluation of the implementation of the Land
Redistribution for Agricultural Development (LRAD)
programme in three provinces of South Africa**

by

Joseph Sello Kau

Research report submitted in partial fulfilment of the requirements
for the degree of M.Inst.Agrar (Agricultural Economics)

in the

Department of Agricultural Economics, Extension and Rural
Development

Faculty of Natural and Agricultural Sciences
University of Pretoria
Pretoria

April 2011

DEDICATION

To my parents: Mrs. Rose Sebo Kau
&
The late Mr. Patrick Mankoloane Kau

DECLARATION

I hereby declare that the research report hereby submitted is the true-type copy of the original work performed by, me, Joseph Sello Kau, and that no such work or extract of such work have been used by or submitted to third parties without the knowledge of the University of Pretoria.

I reserve all rights for the copy or manipulation of the work and contents herein contained in this research report.

Name and Surname: _____

Signature: _____

Date: _____

ACKNOWLEDGEMENTS

Many thanks and gratitude goes to Professor Johann Kirsten, for his support and the excellent style of mentorship he rendered during the study for the Master's Degree in Agricultural Economics. Without his support, motivation, perseverance and most of all, faith, towards me, the completion of this research report would not have been possible.

A number of organisations offered me employment, availed data for this study, and even provided funding for this project. To this effect, a word of thanks goes to Mr. Ralu Nemasintone of the Land and Agricultural Development Bank of South Africa (Land Bank), staff in the Department of Land Affairs and Mrs. Lorraine Molope and Mrs. Sayinile Ginindza of the Agricultural Research Council. Within the Agricultural Research Council, I also gained valuable experience around conducting research as well as writing skills; this opportunity I need to highlight.

With reference to the generally preached doctrine that reads “charity starts at home”, it will be improper for me not to mention the undying support received from my family members. I would like to thank my mother, Mrs. Rose Sebo Kau, for the continuous encouragement and prayers even during difficult times, my wife, Ingrid Kedibone Kau, for her emotional support, and my baby Kegopotswe Junia Kau, for reminding me of the paternal responsibility that I needed to prepare for, on time. The early, untimely passing of my father, Mr. Patrick Mankoloane Kau has necessitated a certain level of commitment and responsibility on my part. May his soul rest in peace.

I wish to also express my sincere gratitude to the almighty God, for providing me with ample days under the sun so that I could see fulfilment of this long-aspired dream. To the ministry of the ZCC church, I am grateful for the spiritual guidance and moral support...

“Go lona Kgomo, ke re a ate Kgotso!”

An evaluation of the Land Redistribution for Agricultural Development (LRAD) Programme in the three provinces of South Africa

by

Joseph Sello Kau

Department: Agricultural Economics, Extension and Rural Development

University: University of Pretoria

Degree: M Inst Agrar: Agricultural Economics

Study leader: Professor Johann Kirsten

ABSTRACT

In 1996, the South African government embarked on a process of land reform. The land reform programme has been driven by three pillars, namely: (i) Land Restitution, (ii) Land Tenure Reform and (iii) Land Redistribution. The two first pillars of land reform, as well as the first sub-programme (The SLAG) of the Land Redistribution programme delivered disappointing results. By December 2004, eight years since the programme was introduced, land reform had only transferred an area of 3.4% of white commercial agricultural land to Blacks, against a set target of 30% by 2014. Other disappointing results include:

- Over-congestion of crowds on small sections of land
- Providing cash compensation as opposed to land itself
- Failure to ensure productivity among transferred farms

In 2001, Government introduced a new sub-programme under the Redistribution programme, called Land Redistribution for Agricultural Development (LRAD). This programme was regarded as a flagship programme for the DLA; firstly for its flexible funding structure; secondly, for its focus on commercially orientated agricultural projects; and thirdly, for its perceived capacity to transfer land at a higher pace.

Although the LRAD belonged to the Department of Land Affairs (now called the Department of Rural Development and Land Affairs), in the initial stage of the programme, three institutions became involved in its implementation, namely: The Land and Agricultural Development of South Africa (referred to as the Land Bank), the provincial departments of Land Affairs, as well as the provincial departments of Agriculture. Just four years after its inception the LRAD programme received negative media coverage and this included the following:

- The collapse and failure of some of LRAD projects;
- Lack of productivity among some of the already transferred LRAD projects;
- Conflict among LRAD beneficiaries, leading to the squandering and misappropriation of government resources on farms;
- Problems of budget deficit; and the
- Collapse of the relationship between the Land Bank and the DLA.

The above signalled potential elements of failure on the part of LRAD programme. There is, however, a reality that the reasons for failure are not well-understood and that a study to analyse this in detail could assist in streamlining the delivery of this programme.

The objectives of the study are threefold:

- Firstly; as in line with the objectives of LRAD, to investigate if the already transferred LRAD farms are productive;
- Secondly; to establish the factors hampering productivity on the transferred farms; and
- Thirdly; by using the initial involvement of the Land Bank as a control, to assess if LRAD is well-placed within the DLA.

Two sets of methodologies have been used. The first method involved collecting files and records from the DLA and the Land Bank, and performing financial and descriptive analyses on LRAD beneficiaries.

In the second approach, a survey was conducted among a sample of transferred LRAD farms, in order to assess the level of productivity on the farms, as well as to interview beneficiaries with regard to the challenges they are facing on the farms.

The study established the main factors hampering productivity on the farms. Although many factors have been cited as factors hampering productivity, beneficiaries listed the following as the three most important factors hampering productivity on the farms:

- Insufficient or no tractors and implements (16 projects out of 37, constituting 43%)
- Conflict among members (12 projects, 32%)
- Poor coordination between the DLA and the Land Bank (19 projects, 51%)

Comparison between the Land Bank and the DLA clients, points out that those of the Land Bank are performing better than those of the DLA. Financial and descriptive analysis carried out among 308 LRAD cases identified the Land Bank loan as an important proportion of funding towards the purchase of land. LRAD in its current institutional design (structure and policy) is not suitable for the poor. The objectives of the LRAD programme are too many where a significant number of them appear irrelevant. These objectives should be reviewed. While the DLA does not have the right capacity (experienced personnel, ITC systems for monitoring and evaluations, infrastructure etc) to run with LRAD, the Land Bank has been found to be unsuitable as its policies discriminates against the poor. Both the policies (selection and qualifying criteria, early and after care institutional support, own contribution and security, etc.) and implementation strategies of the Land Bank and the DLA must be reviewed to reflect a strategic intend that is geared towards sustaining agricultural development among black emerging farmers in South Africa.

TABLE OF CONTENTS

DEDICATION.....	ii
DECLARATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v

CHAPTER 1

INTRODUCTION

1.1 HISTORICAL CONTEXT.....	1
1.2 ABOLISHMENT OF RACIALLY-BASED LEGISLATION AND THE INTRODUCTION OF LAND REFORM	2
1.2.1 Land Restitution Programme	3
1.2.2 Land Redistribution Programme	3
1.2.3 Land Tenure Reform Programme	3
1.3 PROBLEM STATEMENT.....	4
1.4 OBJECTIVES OF THE STUDY.....	5
1.5 LIMITATIONS OF THE STUDY.....	5
1.6 RESEARCH METHODOLOGY	6
1.6.1 Sampling	6
1.6.2 Data Collection.....	8
1.6.3 Data analysis	9
1.7 STRUCTURE OF THE DISSERTATION	10

CHAPTER 2

A REVIEW OF THE IMPLEMENTATION PROCESS OF THE LAND REDISTRIBUTION FOR AGRICULTURAL DEVELOPMENT (LRAD) PROGRAMME

2.1	INTRODUCTION.....	11
2.2	THE OBJECTIVES OF LRAD, ITS RELEVANCE AND ITS PRACTICALITY	13
2.3	POLICY FRAMEWORK UNDERPINNING THE RELATIONSHIP BETWEEN THE THREE INSTITUTIONS.....	15
2.4	COMMUNICATING LRAD INFORMATION	18
2.5	THE APPLICATION PROCESS	20
2.6	INITIAL PLACE FOR LODGING AN LRAD APPLICATION	22
2.7	THE EFFECTIVENESS OF THE INTERNAL ADMINISTRATION SYSTEMS	23
2.8	THE PLANNING GRANT AND ITS PRACTICAL IMPLEMENTATION.....	25
2.9	DEVELOPMENT AND APPLICATION OF THE BUSINESS PLAN.....	26
2.10	SELECTION AND QUALIFYING CRITERIA FOR LRAD	27
2.11	THE LIVELIHOOD STATUS OF BENEFICIARIES AND ITS IMPACT ON LRAD PROJECTS	28
2.12	DIFFERENT MARKET SEGMENTS FOR LAND PURCHASES AND THE ROLE OF GOVERNMENT	29
2.13	FARM PROPERTY EVALUATIONS THE ROLE OF THE LAND BANK.....	30
2.14	ACCESSIBILITY TO LAND BANK LOANS	31

2.15	EARLY CARE AND INSTITUTIONAL SUPPORT.....	33
2.16	ACCESS TO COMPREHENSIVE AGRICULTURAL SUPPORT PROGRAMME (CASP).....	34
2.17	EFFICIENCY IN RELEASE AND DISBURSEMENT OF FUNDS	36
2.18	SUMMARY AND CONCLUSIONS	36

CHAPTER 3

A DESCRIPTIVE AND FINANCIAL ANALYSIS OF LRAD PROJECTS IN THREE PROVINCES OF SOUTH AFRICA

3.1	INTRODUCTION.....	39
3.2	DESCRIPTIVE PROFILE OF LRAD FARMS AND BENEFICIARIES	41
3.3	THE IMPACT OF DESCRIPTIVE PROFILES AND DEMOGRAPHICS ON PROJECT PERFORMANCE (FIELD SURVEY RESULTS).....	44
3.3.1	Group size as a factor for performance	45
3.3.2	Kinship relations and cohesive behaviour	46
3.3.3	Gender.....	49
3.3.4	Age	49
3.3.5	Level of education.....	50
3.3.6	Disabilities.....	51
3.3.7	Marital status.....	51
3.3.8	Land area and quality	52
3.3.9	History of a farm enterprise, beneficiaries' initiative.....	53



3.3.9.1	Continued Enterprise	53
3.3.9.2	Going Concern.....	54
3.3.9.3	New Initiative.....	55
3.3.10	Level of production among different farming initiatives.....	58
3.3.11	Own contribution and Land Bank security.....	59
3.3.11.1	Impact of own contribution on performance.....	60
3.3.11.2	Own contribution across the three sets of funding	61
3.4	SUMMARY AND CONCLUSIONS	63

CHAPTER 4

FACTORS HAMPERING PRODUCTIVITY AMONG TRANSFERRED LRAD FARMS

4.1	INTRODUCTION	65
4.2	THE ABILITY TO PRODUCE AND SELL,	67
4.3	FACTORS HAMPERING PRODUCTIVITY ON THE FARMS; VIEWS OF THE BENEFICIARIES	71
4.3.1	Poor coordination between the Land Bank and the DLA	73
4.3.2	Insufficient or no tractors and implements	74
4.3.3	Conflict among members	75
4.3.4	Late release of funds or poor disbursement.....	79
4.3.5	Lack of cultivation skills or poor institutional support	80
4.3.6	Water problem or a broken borehole	81



4.3.7	Poor management of transition.....	82
4.3.8	Negative perception against the Land Bank.....	83
4.3.9	Lack of organisational lobby power and lack of access to markets ...	83
4.4	CONCLUSION	84

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1	INTRODUCTION	86
5.2	APPROACH FOLLOWED	86
5.3	RESEARCH RESULTS	87
5.4	FURTHER RESEARCH	91

BIBLIOGRAPHY	93
--------------------	----

ANNEXURE A:

ANNEXURE B:

ANNEXURE C:

LIST OF TABLES

TABLE 2.1:	THE ROLES AND RESPONSIBILITIES OF THE DLA AND THE DoA WITH REGARD TO LRAD.....	16
TABLE 3.1:	DESCRIPTIVE PROFILES OF DLA AND LAND BANK PROJECTS	43
TABLE 3.2:	ELEMENTS FOR COHESIVE BEHAVIOUR.....	48
TABLE 3.3:	FINANCIAL AN DESCRIPTIVE PROFILES OF NEW INITIATIVE PROJECTS.....	56
TABLE 3.4:	ENTERPRISE PROFILES OF LRAD BENEFICIARIES	57
TABLE 3.5 :	VALUE OF OWN CONTRIBUTION PER CATEGORY OF PERFORMANCE	61
TABLE 3.6:	VALUE OF OWN CONTRIBUTION PER FUNDING STRUCTURE	62
TABLE 4.1:	INDICATORS FOR PERFORMANCE ACROSS FOUR CATEGORIES OF PRODUCTIVITY	69
TABLE 4.2:	FACTORS HAMPERING PRODUCTIVITY ON FARMS	72

ACRONYMS AND ABBREVIATIONS

AES	Agricultural Economics Specialists
ARC	Agricultural Research Council of South Africa
CASP	Comprehensive Agricultural Support Programme
DBSA	Development Bank of South Africa
DLA	Department of Land Affairs
DTI	Department of Trade and Industry
DoA	Department of Agriculture
ESTA	Extension of the Security of Tenure Act
GP	Gauteng Province of South Africa
IDC	Industrial Development Corporation of South Africa
IDP	Integrated Development Planning
ISF	Instalment Sales Finance (e.g. credit for buying tractors)
ITC	National on-line System for checking credit worthiness of Bank client
LOAN-LRAD	A category of LRAD beneficiaries that received both the LRAD grant and a Land Bank loan
LOAN-ONLY	A category of beneficiaries that received only the Land Bank loan
LRAD	Land Redistribution for Agricultural Development
LRAD-ONLY	A category of LRAD beneficiaries that received LRAD grants only
MAFISA	Micro Agricultural Financial Institution Scheme of South Africa
MP	Mpumalanga Province of South Africa
NAFU	National African Farmer Union
NP	Never Produced
NW	North-West Province of South Africa
PPAC	Provincial Project Approval Committee
PRC	Producing, but at risk of collapse
PSWAFM	Producing satisfactorily with access to formal markets
PSWTAM	Producing satisfactorily, but without access to formal markets
RDP	Reconstruction and Development Programme of South Africa
SLAG	Settlement Land Acquisition Grant
SMART	Specific, Measurable, Achievable, Relevant and Time-Based evaluation criterion
TSB cooperative	A sugar cooperative based at Malelane

CHAPTER 1

INTRODUCTION

1.1 HISTORICAL CONTEXT

Segregation and discrimination, in terms of land tenure and land holding, was implemented into South African law with the enactment of the Natives Land Act of 1913 (“the Natives Land Act”). This act provided for the acquisition of land by ‘natives’ only within certain ‘scheduled areas’. Certain areas in South Africa were ‘designated’ for ownership and occupation by the black population. These areas made up only 13% of the total surface area of South Africa (Nkosi, 1998). The act further forbade the acquisition of land within these scheduled areas by people other than natives. The motives behind the act was to impose a policy of territorial segregation, to do away with the features of African land ownership and sharecropping, which the white farmers had found undesirable, and to create reserves to ease congestion and to facilitate the recruiting of labour for the mines. African cash tenants and sharecroppers¹ were stripped of their land and sharecropping and rent tenant contracts were replaced with labour tenancy, in terms of which the African would provide labour to the white farmer in place for the right to occupy and use part of the farm.

The Natives Land Act was only of significance in Natal and the Transvaal. The Orange Free State laws continued to be enforced and severely limited the rights of persons other than whites to acquire land (Feinberg, 2006). This policy of segregation was entrenched with the enactment of the Natives Trust and Land Act 18 of 1936 (renamed the Development Trust and Land Act), which increased the volume of land released to the black or native population and made squatting illegal (Lyne & Darroch, 2003).

In 1973 the Natives Laws Amendment Act was enacted, which prohibited Africans from buying land in urban areas. The Natives Land Act was the first pillar of apartheid.

¹ A sharecropper is a person who rents a piece of land and who upon harvest, shares part of his/her crop with the owner of the land

The Native (Urban Areas) Act 20 of 1923 was the second pillar of Apartheid in that it was devised to exclude Africans from urban areas. The motive of the Native (Urban Areas) Act was to keep the urban areas in white hands. In 1927 the Native Administration Act 38 of 1927 was enacted and is the third pillar of apartheid. In terms of this Act, the Government General was vested with power to create tribes and to move either tribes or individuals as he saw fit.

1.2 ABOLISHMENT OF RACIALLY-BASED LEGISLATION AND THE INTRODUCTION OF LAND REFORM

Following the democratisation of South Africa in 1994, and in pursuit to address the injustices and disparities of the previous apartheid regime, the South African government recognised the issue of land as critical towards redressing inequality in South Africa. Some three policy documents that were developed between 1994 and 1997 embraced land reform. These are the 1996 Constitution of the Republic of South Africa, the 1997 RDP document and the 1997 white paper on land reform. The Constitution of South Africa, for instance, provides clear policy guidelines as to the establishment of the three pillars of land reform. The white paper on South African Land Policy (April 1997) was the outcome of an extensive process of public consultation. The white paper sets out the vision and implementation strategy for South Africa's land policy that deals with both urban and rural environments, redressing the injustices of apartheid, fostering national reconciliation and stability, underpinning economic growth, improving household welfare and alleviating poverty. Thus, based on the principles of the Freedom Charter, the property clause, the RDP, and white paper, Government has set the scene for the land reform programme in South Africa (MALA, 2005a). The three pillars of land reform are: Land Restitution, Land Redistribution and Land Tenure reform. Except for the Land Redistribution pillar, which is covered by the provision of the Land Assistance Act (Act 126 of 1993), the other two pillars, the Land Restitution and Land Tenure programmes, are covered by Section 25 (6) and Section 25 (7) of the constitution respectively (The Constitution of the Republic of South Africa 1996).

1.2.1 Land Restitution Programme

This programme deals with claims lodged in terms of the restitution of the Land Rights Act, 22 of 1994, under which a person or community dispossessed of property after 19 June 1913 (the date of the Native Land Act), as a result of racially discriminatory laws or practices, is entitled to lodge a claim for restitution of that property or comparable redress. It tackles the injustices of apartheid most directly.

1.2.2 Land Redistribution Programme

Land redistribution aims to provide the disadvantaged and the poor with land for residential and productive purposes. A single, yet flexible, grant mechanism to a maximum of R 16 000 per household was used during 1994-1999 to purchase land from willing sellers. Land redistribution took several forms (for example group settlement with some production; group production; commonage schemes; on-farm settlement of farm workers and farm worker equity). In 2001, another sub-programme, Land Redistribution for Agricultural Development (LRAD) was introduced to replace the SLAG programme. The approach of this programme, while introduced on the same premise as SLAG, was rather different, as it required beneficiaries to give some form of own contribution in order for them to qualify for a grant. The other difference was that LRAD provided a higher grant amount as compared to SLAG. A more detailed discussion around LRAD will be provided in Chapter 2, since it is the main topic of this study.

1.2.3 Land Tenure Reform Programme

This programme aims to provide people with secure tenure where they live, to prevent arbitrary evictions and to fulfil the constitutional statement that all South Africans have access to legally secure land tenure. The Land Reform (Labour Tenants) Act of 1996 (Act No. 3 of 1996) provides for the protection of the rights of labour tenants and gives them the right to claim land.

The interim Protection of Informal Land Rights Act of 1996 (Act No. 31 of 1996) was passed as an interim measure to protect people in former “homelands” against the abuse of their land rights by corrupt chiefs. The Extension of the Security of Tenure Act (ESTA) of 1997, aims to protect people who live on land with the consent of the owner against unfair eviction and it creates long term tenure security through on-or-off-site settlement (Ngwanya, 2003; Jacobs, Lahiff & Hall 2003).

1.3 PROBLEM STATEMENT

In 1996, the South African government embarked on a process of land reform. The land reform programme has been driven by three pillars, namely: (i) Land Restitution, (ii) Land Tenure Reform and (iii) Land Redistribution. The two first pillars of land reform, as well as the first sub-programme (The SLAG) of the Land Redistribution programme delivered disappointing results. By December 2004, eight years since inception, the land reform programme had only transferred an area of 3.4% of white commercial agricultural land to Blacks (CDE, 2005). Other disappointing results include:

- Over congestion of crowds on small piece of land,
- Providing cash compensation as opposed to land itself,
- Failure to ensure productivity among transferred farms,
- Problems of budget deficit,
- Conflict among beneficiaries, leading to the squandering and misappropriation of government resources on farms.

In 2001, Government introduced a new Sub-programme under the Redistribution programme, called Land Redistribution for Agricultural Development (LRAD). LRAD was introduced in order to replace the Settlement Land Acquisition Grant (SLAG). While the LRAD was praised in the beginning for its capacity to transfer land at a quicker pace, as well as for its flexibility when it comes to providing grants, this positive elements were short-lived, as the programme soon started to experience its own shortcomings.

Just four years after its inception the LRAD programme received negative media coverage and this included the following:

- The collapse and failure of some LRAD projects;
- Lack of productivity among some of the already transferred LRAD projects;
- Conflict among LRAD beneficiaries, leading to the squandering and misappropriation of government resources on farms;
- Problems of budget deficit; and the
- Collapse of the relationship between the Land Bank and the DLA.

The above signalled potential elements of failure on the part of LRAD programme. There is, however, a reality that the reasons for failure are not well-understood and that a study to analyse this in detail could assist in streamlining the delivery of this programme.

1.4 OBJECTIVES OF THE STUDY

The objectives of the study are threefold, as follows:

- Firstly; as in line with the objectives of LRAD, to investigate if there is productivity among transferred LRAD farms,
- Secondly; to establish the factors hampering productivity on the farms; and
- Thirdly; by using the initial involvement of the Land Bank as a control, to assess if LRAD is well placed within the DLA.

1.5 LIMITATIONS OF THE STUDY

Due to the fact that the study was commissioned when the programme was still in its infancy (less than four years since inception) and that the farms targeted had been transferred 12 or more months before the field work, the types of criteria to be used in the evaluations were limited. On the other hand the criteria used; “level of productivity on the farm and the ability to sell the produce” had certain limitations.

These limitations can be seen in two perspectives:

- First this approach does not provide an insight as to the sustainability of the projects in the long-term; say ten to twenty years from now
- Secondly, the interviews carried out during the survey to a larger degree involved key people leading the projects (e.g. chair people or project leaders), and thus the views of other participants in the projects could not be studied. In the same wavelength, of the many officials from the DLA and the Land Bank approached for the interviews, only one personnel (LRAD administrator in the Land Bank Rustenburg branch) agreed to participate in the interviews. This shortcoming has denied the study an opportunity to capture the broader views of these institutions.

1.6 RESEARCH METHODOLOGY

The involvement of the DLA and the Land Bank in the administration of LRAD brought about a complex profile of LRAD farms and beneficiaries. Despite the fact that both DLA and Land Bank projects had different funding structures, and different screening and evaluation criteria a significant number of projects whether jointly or separately funded by these institutions, were reported failing. It thus remained difficult to hypothesise what could be the main factors leading to the failure.

The research approach is therefore exploratory and not confirmative. Zikmund (2000) defines exploratory research as initial research conducted to clarify and define the nature of a problem and it does not provide conclusive evidence. The end goal of exploratory research is to gain new insight, from which new hypothesis might be developed (Jaeger and Halliday, 1998).

1.6.1 Sampling

A total of 308 projects derived from various records and files of the DLA and the Land Bank which were already approved as at the end of 2004 were selected for the study.

Categorization of the projects in terms of the funding characteristics led to three different sub-groups, namely: LOAN-LRAD, LRAD-ONLY and LOAN-ONLY. From the 308 projects comprising three different funding sub-groups, random sub-samples comprising of 37 farms (14 in North West province, 13 in Gauteng and 10 in Mpumalanga) that were already transferred in the past 12 or more months were selected for field surveys and audits. Basing the study on three different provinces of South Africa has assisted in providing a variety of socio economic profiles by which comparisons could be made. The varying profiles included: agro-enterprises (e.g. horticultural crops in Mpumalanga, field crops in North-West and intensive farming enterprises in Gauteng), farmer-wealth, and farm sizes. This method is called stratified random sampling. Stratified random sampling involves categorizing the members of the population into mutually exclusive and collectively exhaustive groups. It is a sampling plan in which a population is divided into mutually exclusive and exhaustive strata, and a simple random sample of elements is taken independently within each stratum (Woodard, 2001; Yount, 2006; Seeletse, 2001).

Among the 37 farms considered for field surveys, six belonged to the Settlement Land Acquisition Program (SLAG). SLAG is the first sub-programme of the Land Redistribution programme which was terminated in year 2000 and subsequently replaced by LRAD in year 2001. SLAG projects were included in the study due to their inherent characteristic of group-based membership in projects which in most instances would be in excess of 10 individuals per project. The objective is to see how membership size affects agricultural productivity on farms. The latter sampling procedure is called judgemental sampling as the researcher used his own expert judgement, prior knowledge and research skill in selecting the respondents or elements to be sampled (Niemann, 2005 ; Fairfax County Department of Systems Management For Human Services, 2003).

The sampling plan was not designed to be representative due to limited information as to the exact numbers of hectares transferred and/or project approved in the three provinces under consideration.

1.6.2 Data collection

The method for collecting data involves five different approaches. In the first approach, policy documents and implementation strategies of both the DLA and the Land Bank were collected from these institutions. In the first approach, the effectiveness of the policy framework and the objectives of LRAD programme are analysed. In the second approach, the files of beneficiaries were collected from both the Department of Land Affairs and the Land Bank in the three provinces (the North-West, Mpumalanga and Gauteng) of South Africa. Based on the information derived from the files, a total of 308 projects are subjected to financial and descriptive analysis. The third approach involved the design of a questionnaire (Annexure A) in order to audit if there is productivity among transferred farms and in case there is none, engage in-depth investigations to determine factors hampering productivity.

The questionnaire was designed to capture both the aspects of qualitative and quantitative research consisting of open-ended and closed questions (Leedy, 2005; Leedy and Omrod, 2005). Only farms that were transferred in the past 12 or more months were considered for the audit. However, due to administrative and logistical problems on the part of the DLA, only 37 projects (14 North-West, 13 Gauteng and 10 Mpumalanga) could be surveyed. The questions that were covered can be categorised into five main topics, namely:

- The efficiency of the approval and transfer system
- Selection criteria
- The operational aspects of the farming business at ground level
- Early care and post settlement institutional support
- Survival techniques of the farmers beyond their farming practice

In the fourth approach some focus-group discussions were held with various project participants so as to get deeper insights as to the challenges they were facing on the farms. Lastly face to face and telephonic interviews were held with one of the Land Bank LRAD administrator.

The usage of different methods in this study was premised on providing validity and verification for different observations, responses and results to be drawn from the investigations. This method is referred to as triangulation. Triangulation is the conduct of parallel studies using different methods to achieve the same purpose, with a view of providing corroborating evidence for the conclusions drawn and it is a technique for validation (Baseley, 2002).

1.6.3 Data analysis

Although quantitative analysis methods are applied in chapter 3 of the study, to a greater extent the analysis in the study are qualitative. Qualitative research methods seeks to study things in their natural settings, attempting to make sense of, or interpret phenomena in terms of meanings people bring to them. The goal of qualitative research is to develop an understanding of a social or human problem from multiple perspectives (Greenhalgh 1997; Abawi, 2008 ; Baseley, 2002).

In chapter 2, the study culminated by employing the SMART criterion to analyse both the objectives and policy framework of the LRAD programme. Literature review is done in order to verify some of the observations derived from policy analysis. In chapter 4 both quantitative and qualitative analyses are used. Quantitative analysis involves descriptive analysis for the status of productivity among transferred farms, whereas the qualitative analysis interrogates the results of the field surveys as well as the results of various case-studies collated during the surveys.

Quantitative analyses are employed in chapter 3 where the descriptive and financial profiles of the farms and beneficiaries, using simple statistical tools such as averages, medians and/or frequencies are done. In chapter 5, the results of the different chapters are consolidated and an attempt is made to see if there are any emerging patterns or trends to be drawn from various observations and results.

1.7 STRUCTURE OF THE DISSERTATION

Chapter 2 introduces the LRAD programme and provides the practical application of the programme by the three institutions of Government, namely the Land Bank, the DLA and the DoA. Chapter 3 presents the descriptive and financial profile of the LRAD projects in the three provinces of South Africa, whereas Chapter 4 presents the results of the field survey on factors hampering productivity among transferred LRAD farms. Chapter 5 seeks to present the conclusions and recommendations of the study.

CHAPTER 2

A REVIEW OF THE IMPLEMENTATION PROCESS OF THE LAND REDISTRIBUTION FOR AGRICULTURAL DEVELOPMENT (LRAD) PROGRAMME

2.1 INTRODUCTION

The Land Redistribution for Agricultural Development (LRAD) is the sub-programme of the Redistribution Programme and the third pillar of the land reform programme in South Africa. Introduced in 2001, the LRAD replaced the Settlement Land Acquisition Grant (SLAG).

LRAD presented a radical departure from its predecessor programme in that it adopted a business-like approach and has thus granted black emerging farmers an opportunity to participate in the mainstream of commercial agriculture. LRAD is regarded as a flagship programme for the Department of Land Affairs (DLA), due to its perceived capacity to transfer and redistribute land at a higher rate. Just three years after its inception in August 2004, the LRAD has already transferred 691 532.4 hectares (20% of all transferred land) to more than 23 397 households. This compares with the figures of only 656 956 ha that were transferred by its sister programme, SLAG, over a period of eight years (MALA, 2006).

The LRAD has two parts. First, there is the part that deals with the transfer of agricultural land to specific individuals or groups for the purpose of commercial production. Second, there is another part dealing with commonage projects, which aims to improve people's access to municipal and tribal land, primarily for grazing purposes. This study only deals with the first part of the sub-programme. While LRAD belongs to the Department of Land Affairs, at its inception stage three government institutions played a critical role in its implementation. These include the Land Bank, the DoA and the DLA. The Land Bank and the DoA were involved into the programme due to their long history of administering and implementing agricultural development.

In relative terms, as compared to the DLA, the Land Bank and the DoA have better advantage in handling agricultural development. The advantage can be seen in the following perspectives: the existence of an array of complementary production funds, a huge infrastructure network (branches and satellite offices) across the nine provinces of South Africa, the existence of post settlement farmer support programmes, as well as vast experience in the field of rural development.

Within the Land Bank there is a variety of financial products (mortgage loans, production credit, seasonal loans, and instalment finance loans) that the farmers can access in addition to LRAD. On the part of the DoA, existence of development grants such as the Comprehensive Agricultural Support Programme (CASP) and the Micro Agricultural Financial Institution Scheme of South Africa (MAFISA) are seen as motivating factors to have the DoA participate in LRAD. The framework for the working relationship between the three institutions is outlined in two policy documents, namely: the LRAD policy framework and the DLA/Land Bank agency agreement (Annexure B and Annexure C).

The analysis in this chapter evaluates how the three institutions have worked together in implementing LRAD, and how the interactions between the three have influenced project performance on the ground. This evaluation is based on the results of the survey conducted among the 37 transferred LRAD farms, on literature reviews, as well as on relevant policy documents of LRAD (DLA), the DoA and the Land Bank. A total of 14 different topics are discussed. The topics range from: an analysis of the objectives set out for LRAD, the policy framework underpinning the relationship between the three implementing institutions, LRAD communication and marketing, the application process, the initial place for lodging an LRAD application, the effectiveness of the internal administration systems, the planning grant and its practical implementation, the development and application of the business plan and the issues of early care and institutional support to aspects of efficiency in release and disbursements of funds.

2.2 THE OBJECTIVES OF LRAD, ITS RELEVANCE AND ITS PRACTICALITY

Albeit the fact that the previous land reform programmes, Land Restitution, Land Tenure reform and SLAG, failed to meet their objectives, a total of 11 objectives have been set for LRAD (MALA 2001). One of the commonly used methods for evaluating the objectives of a programme is the SMART evaluation criteria (Purdie 2008; Platt 2007; US Council on Education for Public Health 2005; Bell 2004). The acronym SMART, in the context of evaluation, advocates that objectives should be: **S**pecific, **M**easurable, **A**chievable, **R**elevant and **T**ime-based.

By using the SMART evaluation criteria to evaluate the objectives set out for LRAD, two observations can be made. The first observation is that the objectives are too many, and given the resources (manpower, budgets and time) within the Department of Land Affairs (DLA), it will be difficult to accomplish some of the objectives. Furthermore, looking at the rationale and the background with which LRAD was established², seven of the eleven objectives set-out for LRAD can be regarded as irrelevant. Hall (2008), for instance, in making a presentation to the portfolio committee on agriculture in parliament, made the following statements: “The DLA is known to suffer from weak capacity, vacant posts and high turnover”. On the other hand, the availability of budgets remains the single most important factor that might hamper the DLA in achieving its objectives (Jacobs, 2002). As an example, in 2003 in both the Western Cape and Eastern Cape provincial offices, the DLA discouraged new grant applications because of the backlog of existing commitments. By February 2004, the total backlog of redistribution and tenure projects that had been approved, but for which no funding was yet available, amounted to R 587 million, more than double the funds available for land purchase during the same financial year (Hall & Lahiff, 2004). During this period in the Western Cape, the DLA allocated a budget of only R500 million for LRAD, against an estimated budget of R1.5 billion (De Lange, Swanepoel, Nesamvuni, Nyamande-Pitso & Stroebel, 2004).

² LRAD was established after the previous two legs and its sister programme, SLAG, failed to deliver the desired results. The failures on the part of the previous land reform programmes includes: over-congestion of farmers on small piece of land, budget deficits, failure to ensure productivity on farms, etc.

The second observation is that when evaluated individually against the six pillars contained in SMART, of the 11 objectives set out for LRAD only four passes the test.

The following four objectives can be said to be SMART:

- Increasing access to agricultural land by black people (African, Coloureds and Indians) and to contribute to the redistribution of approximately 30% of the country's commercial agricultural land (i.e. formerly white commercial farmland) over the duration of the programme,
- Stimulating growth from agriculture,
- Enabling those who are presently accessing agricultural land in communal areas to make better productive use of their land,
- The following objective, "creating stronger linkages between farm and off-farm income generating activities" can also be condoned provided that some elements of access to markets and commercialisation of farm produce are also incorporated in this objective.

The remainder of the seven objectives are irrelevant, not time bound, not specific and they cannot be measured and as a result, they are not feasible. As an example, in terms of an objective that states the following: "expand opportunities for promising young people who stay in rural areas", the role of the DLA, in the face of its core mandate of transferring 30% of white commercial agriculture land into the hands of black farmers by 2014, becomes unclear. Other objectives that are problematic in the context of the SMART criterion include:

- Empower beneficiaries to improve their economic and social well-being.
- Promote the environmental sustainability of land and other natural resources.
- Contribute to relieving the congestion in overcrowded former homeland areas.
- Improve the nutrition and incomes of the rural poor who want to farm on any scale.

The above-mentioned objectives will tend to divert the DLA from its core mandate of transferring land, while its limited experience in the field of the environment, economic, nutrition and social issues, will make it difficult for the department to monitor and measure progress in those areas. On the other hand, the results of the survey carried out among the 37 transferred LRAD farms seeks to confirm the view that most of the LRAD objectives are not achievable.

Of the 37 farms visited, six were found to have never produced anything, even when having been transferred in the past 12 or more months. Six were found to have low levels of productivity and in a state of decline, as compared to the last season. Beneficiaries in these projects did not even have production means for the on-coming season. The other 25 projects were in good production, yet, access to markets remained a serious challenge. Of the 25 producing projects, 10 were practising the same enterprise they were involved in, before joining LRAD and the other 10 bought farms as a going concern, and have continued the same enterprise they found on the farm. These 20 projects had a better advantage over those that had to initiate new farming venture from the beginning. According to the observations during the survey, if all the 37 farms visited, had to initiate farming from the beginning then the rate of failure in terms of “not being able to produce on the farms” could have been high.

2.3 POLICY FRAMEWORK UNDERPINNING THE RELATIONSHIP BETWEEN THE THREE INSTITUTIONS

The roles of the DLA and the DoA are explained in full on page 3 of the 2008 updated LRAD policy. A summary of these roles is presented in Table 2.1 and it includes aspects such as: policy formulation and coordination, programme design, monitoring and evaluation at a national level and responsibilities of implementation and operations at provincial and local level. The role of the Land Bank, on the other hand, is outlined in clauses B to G of the Agency Agreement and includes: the design of appropriate financial products to augment LRAD as well as the granting and approval of LRAD grants to deserving beneficiaries.

While the roles and responsibilities of the DoA and the DLA have been well clarified in the policy documents (see table 2.1), during the study it was discovered that the departments themselves failed to streamline some of their existing policies to accommodate LRAD programme. Furthermore, there was no further effort to synchronise and integrate the different programmes contained in each of these institutions.

Table 2.1: The roles and responsibilities of the DLA and DoA with regard to LRAD

Department of Agriculture	Department of Land Affairs
National Level	
<ul style="list-style-type: none"> • Design of LRAD • Provide training for participants, agents and local land and agricultural officers • Coordinate policy issues and interdepartmental activities • Coordinate policy, procedural and budget issues in terms of CASP • Monitor and evaluate the outcomes of LRAD 	<ul style="list-style-type: none"> • Design of LRAD • Budget for capital transfers under LRAD • Monitor the flow of funds to the provincial level • Coordinate policy issues and interdepartmental activities • Monitor and evaluate the outcomes of LRAD
Provincial	
<ul style="list-style-type: none"> • Accountability for LRAD in the province • Participate in various provincial committees • Convene the grant-approval committee and provide the secretariat • Approval and disbursement of CASP funds for land reform projects 	<ul style="list-style-type: none"> • Responsibility for approving the release of grants • Accountability for LRAD in the province • Participate in various provincial committees • Land survey, title registration and transfer
Local	
<ul style="list-style-type: none"> • Provide a technical opinion on the proposed farm plan, land-use and environmental assessment • Provide agricultural support services • Work with District Council counterparts to ensure project congruence with IDPs and area-based plans. 	<ul style="list-style-type: none"> • Provide information and training for participants and agents (clarifying technical and legal aspects of LRAD) • Work with District Council counterparts to ensure project congruence with IDPs and area-based plans

As an example, while LRAD applications are evaluated in a committee called the Provincial Project Approval Committee (PPAC) housed at provincial Departments of Land Affairs for approval, the applications for Comprehensive Agricultural Support Programme (CASP) are approved in a different committee housed within the provincial Department of Agriculture.

This shortcoming gave rise to a state of affair where many of the deserving LRAD projects could not access funds from CASP. A sense of centralisation of power and bureaucracy also prevailed, as beneficiaries living far away in remote towns had to travel long distances (more than 150 km) to place applications for grants, simply because local municipal and agricultural district offices were not capacitated to render this services.

For instance, among the 37 projects surveyed, only one project in the North-West province had accessed CASP. In the other 36 cases, beneficiaries denied having received any assistance from CASP or knowing about the existence of this programme. This goes against the backdrop of the programme having been promoted and campaigned already in 2003. Eleven of these projects had problems such as broken boreholes or inoperative water-related infrastructure, whereas the other two projects (1 in Gauteng and the other in Mpumalanga) had dilapidating milking parlours. As a result of the problem of poor infrastructure, in Gauteng and Mpumalanga beneficiaries applied for the Land Bank loan in excess of R 200 000 in order to refurbish milking parlours.

Returning back to the issue of failure to streamline policies among these institutions, it is interesting to note that in one of the policies clauses, the Land Bank is given powers to repossess LRAD farms in situations where beneficiaries cannot repay the loan. On page 11 of the agency agreement (annexure D), under section 8, “Loan default and recovery”, clause 8.1 to 8.3, the following legal provisions are made:

- Clause 8.1: In the event of loan default, the Bank’s recovery procedures shall apply.
- Clause 8.2: If property is foreclosed and the property bought in, the Bank’s policy on bought properties shall apply.

While it is understood that the Land Bank in order to remain sustainable needs to have powers to recover its losses, the socio economic challenges faced by the emerging black farmers do not allow for stringent policies such as the ones in clause 8.1 and clause 8.2 of the agency agreement. One of the considerations relating to making LRAD beneficiaries acclimatise to farming could have been to give them a loan deferment period say for two to three years. The deferment period would assist in affording the emerging farmers an opportunity to familiarise themselves with the different processes within the two institutions while accumulating the necessary farming experience on the side.

Failure to make provision for a loan deferment period has exposed black emerging farmers to the risk of losing their farms; even in the early stage of farming. As discovered during the survey, of the 37 farms visited, two farms, one in North-West and one in Gauteng, had already received recovery inspections from the Land Bank after a mere three years of farming, whereas a total of four projects have already defaulted loan payments. The defaulting projects did not have production means for the on-coming farming season.

In Table 2.1, the DLA in its policy approach seems to have recognised the importance of engaging the local government in the delivery of LRAD, yet as it transpired during the investigations, these structures were not useful during the implementation of LRAD. In all 37 farms visited, except for communicating the existence of LRAD, beneficiaries denied having received any service or guidance from municipalities or local agricultural offices with regard to the implementation of the LRAD programme.

2.4 COMMUNICATING LRAD INFORMATION

The aspect of communicating LRAD information is not addressed in the LRAD policy framework and there is no documented strategy elsewhere as to the advertisement and marketing of LRAD. However, the involvement of the Land Bank and the DoA was seen as a strategic move to enhance the marketability of LRAD. These institutions have their own marketing and advertising strategies (for example pamphlets, radio programmes and presentations at farmer's day meetings).

They also have an abundance of offices across the nine provinces of South Africa, from which information about LRAD can be made available to farmers.

The results of the survey paint an interesting picture when it comes to the issue of access to LRAD information by beneficiaries. For instance, when asked to explain how they first learned about LRAD, 35% (13 out of 37) of beneficiaries, indicated that they first learned about LRAD through word of mouth, whereby friends and relatives who are already in farming imparted information about the programme. Nineteen percent (7 out of 37) of the beneficiaries alluded to radio adverts and programmes, followed by six (16%) who heard from local economic development forums (for example local municipality gatherings).

People who previously attempted to claim land under the restitution programme and who had not been successful, were advised by white farmers to apply for LRAD, and this category constituted five projects out of the 37 (14%), whereas the Land Bank and NAFU had a share of 5% (two projects) each. Other unique sources of information included the internet (1 person) and a newspaper (1 person). These results differ across the three provinces. In North-West, for instance, radio was an important source of information, with six people out of 14 (42%) having heard about LRAD over the radio for the first time. In Mpumalanga, a significant number of people (40%, four out of ten) heard from white farmers, whereas in Gauteng, word of mouth was the principal source of information, as 62% (8 out of 13) of people heard from friends and relatives who were already in farming. Based on the results of the survey, the matter of LRAD's advertising and marketing was not handled properly by the DLA.

Leaving the onus on the Land Bank and the DoA to advertise LRAD, has not given the programme the sufficient impetus to be heard and understood by the marginalised and poor. Coupled with this was the mistake of using English as the only medium for marketing LRAD. While there are 11 official languages in South Africa, there was no attempt made to translate LRAD into African languages. This oversight has had inadvertent consequences.

As an example, people who worked and resided on farms for many years and who had no previous dealings with the DoA or the Land Bank, relied on their white bosses for LRAD information. This, in certain instances, led to mischievous practices by the whites (for example fronting practices).

Of the 37 projects surveyed, only 10 (three in North-West, two in Mpumalanga and five in Gauteng) had the beneficiaries making attempts to read LRAD advertising material. Other beneficiaries relied on government officials or white farmers for explanation when it comes to aspect of applying for LRAD grants. The failure to read LRAD manuals, as explained by beneficiaries, was caused by ignorance (17 projects) and illiteracy problems (10 projects). Some evidence that suggested that beneficiaries were misled and corrupted, mainly as a result of a lack of knowledge and understanding of English, was also unearthed during the study.

2.5 THE APPLICATION PROCESS

This section seeks to evaluate the logical flow of events underpinning the application process: from the stage where the beneficiary becomes aware of the LRAD programme, approaches the government institution for assistance, secures a farm in the open market, develops business plan and/or project design to the stage where funds are secured and the farm transferred. The Department of Land Affairs outlines this process in two approaches. In one approach, it leaves the burden of applying for the grant in the hands of the aspirant farmer, whereas in the other approach it holds the three government institutions (the DoA, the DLA and the Land Bank) accountable for rendering professional technical assistance to the farmers. The procedures are outlined in two DLA policy frameworks, namely the LRAD policy framework and the DLA/Land Bank agency agreement (Annexure B and Annexure C).

As can be seen on page nine of the 2008 updated LRAD policy, under the heading “implementation responsibilities”, primary responsibility for the design and implementation of the project lies with the applicants.

They select the chosen value of the grant, engage with a service provider if required, identify available land, enter into a contingent contract with the seller, apply for a normal bank loan by means of standard banking procedures and, if necessary, engage with a transfer agent, prepare a farm plan, submit all documentation to the local agricultural officer for an opinion, assemble the completed proposal package, and submit it to the provincial grant committee (this model is termed the “willing-buyer-willing seller” principle). The principle of “willing buyer willing seller” has received wide criticism in various quarters of the agricultural sector. In the 2005 national land summit held in Nasrec Gauteng province, agricultural unions, civil societies, academics and other farming interest groups blamed this system for three reasons, namely: encouragement for unscrupulous manipulation of land prices, for its advent discrimination of poor farmers and lastly for putting government at the mercy of white commercial farmers who may decide not to sell their land and if they do, sell at high inflated prices (Saturnino & Borrás, 2003; MALA, 2005b).

This policy directive, among other things, presents the gist of what went wrong with the implementation strategy of the LRAD programme. It was wrong in the first place to suggest that people who had never farmed before could have the knowledge to manage the complex application process. To allow poor farmers to compete with wealthy farmers for land, grants and loans in the open market, creates a platform for elitist and unfair business practices. “Willing buyer willing seller” principle tends to discriminate the poor as the majority of them could hardly afford high transaction costs associated with the application process.

As discovered during the survey, a significant number of beneficiaries did neither know the procedures relating to purchasing a farm, nor that of applying for funds. From a total of 37 projects surveyed, a mere six beneficiaries have had previous dealings with the Land Bank and knew about the procedures involved in buying a farm. The beneficiaries from the other 29 projects had no prior knowledge with regard to the procedures involved in buying a farm.

However, among this category (29 projects) some beneficiaries (2 cases) bought farms from their white employers, whereas another two, bought farms that they were already leasing. In these two latter examples the procedure was less daunting.

2.6 INITIAL PLACE FOR LODGING AN LRAD APPLICATION

In the context of the involvement of three mega institutions to run with LRAD, this section seeks to evaluate the procedures put in place to assist aspirant farmers to know where the process of applying for an LRAD grant begins. Of the two policy documents that had been crafted between the three institutions, the issue of the initial place for lodgement of application is partly addressed in the Land Bank agency agreement.

On page eight of the agency agreement, in section five under the heading “conditions for accessing the grant via the bank”, in clause 5.1 and 5.1.2 the following is stated: “Beneficiaries of the LRAD programme may apply for and access both LRAD, as well as planning grants via the Bank, provided that applicants acquire, in addition to the grant, loan funding from the bank. Applicants not seeking loan funding from the Bank may not apply for direct access to the grant via the bank”. Based on the aforesaid directive, it is clear that the Land Bank’s involvement in the administration of LRAD is limited to cases where farmers are also interested in loan financing. However situations were discovered during the survey where farmers placed applications for LRAD at the Land Bank even when they were not interest in the loan or where applications were placed first at the DLA even when beneficiaries wanted both the LRAD and the loan. Not knowing where to place an application for the funds, have brought about a set of inconveniences on part of the beneficiaries. The following are some of the findings in this regard:

- In certain situations applications for LRAD grants had to be re-evaluated several times, as in the initial stage of application the Land Bank loan was not incorporated as own contribution, especially if the farmer applied at the DLA first (four cases out of 37).

- In seven cases, beneficiaries did not receive LRAD, even when it was approved, and were forced to use only the Land Bank loans to purchase the farm and to fund other operations on the farm. The bulk of these farmers placed their applications at the Land Bank first.
- Situations were found where farmers, who applied at the DLA first, received LRAD, but as a result of strict lending criteria at the Bank, were denied loans.
- In two instances, an application that had been placed with the Land Bank for more than two years had to be relocated to the DLA to be considered for LRAD only, and not the loan.

Looking at the bigger picture, it is interesting to note that the Land Bank and the DLA fared almost equally when it comes to applications received, whereby in 18 cases (48%) beneficiaries placed their applications first at the Land Bank. The results are different across the three provinces. In North-West a significant number of people (57% , 8 out of 14 people) applied at the DLA first, in Mpumalanga, the Land Bank and the DLA fared equally (50% each), whereas in Gauteng, most people (62%, 8 out of 13), visited the Land Bank first.

2.7 THE EFFECTIVENESS OF THE INTERNAL ADMINISTRATION SYSTEMS

An exclusive interview with one of the LRAD administrators in the Land Bank's, Rustenburg branch, Ms. Rhea Mahlangu, has put the issue of the internal systems for application in better context. According to her, the process can be explained in six major steps, as follows:

- Step 1:** This step entails beneficiaries personally visiting the relevant offices in order to express their interest in LRAD. At this point the beneficiaries' information is entered onto a preliminary form called the LRAD form 1. This form is used for the purpose of screening the nationality (identity status) of the beneficiaries as well as their citizenship status.

- Step 2:** Information relating to the farm is captured and verified on a form called the LRAD form 2. This includes information such as: the title deed, current ownership status, size of the farm, sub-divisions and so forth. Another important proceeding is to verify within the DLA systems if the farm is not claimed under the Restitution programme.
- Step 3:** Information relating to the financial profile (assets and liability statements) and the demographic profile (sex, age, group size etc) of the beneficiaries is captured on a form called the LRAD form 3.
- Step 4:** Officials from provincial Departments of Agriculture are requested to visit the farm for feasibility studies. In instances where a Land Bank loan is requested, Agricultural Economics Specialists (AES) from the Land Bank are sent to the farm to carry out evaluations.
- Step 5:** The information from the four steps above is consolidated into one submission, which is then submitted to the DLA Provincial Project Approval Committee.
- Step 6:** This step entails the registration of the new ownership status in the Deeds Registrar Offices. It also entails the necessary processes on the part of DLA towards transfer of the farm into the hands of the new owners.

While the aforesaid processes are important towards the elimination of business risk (for example corruption and fraud), beneficiaries have criticised them for being bureaucratic and impractical, given their socio economic challenges. During the survey, some incidences (four cases out of 37) were reported where beneficiaries had to go back to search for new farms or new members as the system repeatedly rejected their submissions. The applications were rejected due to the failure to meet some of the criteria stated in the aforementioned six steps.

2.8 THE PLANNING GRANT AND ITS PRACTICAL IMPLEMENTATION

The planning grant is a fund within the Department of Land Affairs that is used for funding activities such as designing business plans, conducting farm evaluations and feasibility studies and project design. The value of this fund is calculated by looking into the overall cost of the farm-business and setting aside 15% of that cost as money available to assist the beneficiaries with planning arrangements. Both the Land Bank and the DLA had the sole right to commit this grant on behalf of the beneficiaries.

The first step in committing the planning grant is to identify if there is a need for administrative support (e.g. the development of a business plan or project design) on part of the beneficiary whereupon if such need exists, then the DLA or the Land Bank appoints a service provider to assist the beneficiary in this regard. On page seven of the 2008 new version of the LRAD policy, the planning grant is explained in full; also see page seven of the agency agreement signed between the DLA and the Land Bank. According to the Land Bank LRAD administrator in the Rustenburg branch, some of the stipulations regarding the use of the planning grant have proven to be difficult on part of the DLA and the Land Bank. As an example, for administrators to calculate the 15 % component of the overall cost of a farm-business, beneficiaries must first identify a farm. Once the farm has been identified, a procurement process must be carried out towards the appointment of a suitable service provider to either develop a business plan, or conduct a feasibility study. These long procedures do not bode well with the offer-to-purchase contract which in most instances is scheduled for three months only.

Looking into how beneficiaries benefited from the planning grant, the following was discovered during the survey: in 20 cases out of 37, beneficiaries did not benefit from the planning grant. A significant number (16 out of 20) of beneficiaries that did not benefit from the planning grant placed their LRAD applications through the Land Bank.

Reasons for having no access to a planning grant included among other things, the following:

- The Land Bank did not inform the beneficiaries of the existence of the planning grant (four cases).
- Beneficiaries were aware of the existence of the planning grant, but in order to speed up the application process, were advised by the Land Bank to use their own cash to fund things such as evaluations and business plans (6 cases).
- An application was made for the planning grant, but no approval was secured (6 cases).

2.9 DEVELOPMENT AND APPLICATION OF THE BUSINESS PLAN

A significant number of farmers who visited the Land Bank first had to either develop the business plan themselves or had to complete the internal Land Bank template. The Land Bank template had questions relevant towards guiding the process for granting a loan or an LRAD grant. More than two-thirds (69%, 16 out of 23) of the applicants that applied at the Land Bank either did not develop any business plan nor have used an internal Land Bank template for this purpose. This goes against the idea of the DLA having made available some funds (a planning grant) towards the development of the business plan. This state of affair, must however be seen in the right context, as some of the beneficiaries that dealt with the Land Bank were fairly educated and some shied away from relying on Government for a business plan. Conversely, the 13 beneficiaries that applied at the DLA offices enjoyed the services of an external service provider, or the services of officials from the Provincial Department of Agriculture to assist with the development of a business plan.

Although some efforts were made by the DLA to ensure that high-quality business plans were developed, some of the farmers did not understand the directives contained in the business plan. On the other hand, those that understood could not apply the recommendations in the business plan while some had difficulty in sticking to the original plan.

An in-depth probe into usage of the business plan revealed the following: in 21 projects out of 37 (57%) that had business plans, the beneficiaries had no idea of what was prescribed in the business plan. Furthermore, a larger number, 14 out of 21 (67%), could not apply what was recommended in the business plan or had difficulty in sticking to original plans. A number of factors contributed to the abandonment of the business plan, chief among which was the poor cash flow statuses of the projects. The problem of poor cash flow status has seen beneficiaries in at least 11 projects cultivate crops which they knew would generate quick cash or those which they knew would require less capital. Abandoning business plans and/or failing to stick to original plan brought about a set of drawbacks.

In Gauteng, for instance, one of the projects, the Ndali Communal Property Association, drew criticism after they applied for an R 175 000 facility from the Land Bank. The loan was used for the purpose of paying wages to 112 members. This was not in their original plan, and as it could be anticipated, 12 months later, as at the time of the survey, no single cent of this loan had been paid back to the Land Bank. The phenomenon of farmers deviating from the original business plan is not a new practice in the field of agriculture. In the Free State, for instance, a group of land reform beneficiaries farming in table grapes, resorted to establishing a vegetable project so as to cater for their immediate needs as government assistance for production of grapes was not sufficient (Hart, 2003).

2.10 SELECTION AND QUALIFYING CRITERIA FOR LRAD

As stipulated in the LRAD policy of 2001, this programme is open to black South African citizens (Africans, Coloureds, and Indians), that are 18 years or older. Politicians and civil servants are prohibited from applying for LRAD. The LRAD policy further encourages greater participation by the marginalised and vulnerable groups. These include: women, older people, the youth, people living with HIV/AIDS, people living with disabilities, as well as the unemployed.

LRAD grants are provided on a sliding scale technique. The technique tends to favour individuals that have a high value of agricultural assets to cede as own contribution, as well as people that are working together in large groups.

To put this notion in perspective; the higher the value of own contribution, the bigger the sizes of the LRAD grant; also, the higher the number of participants in a group, the bigger the size of the LRAD grants. As stipulated in the 2001 LRAD policy framework, the LRAD sliding scale ranges from a minimum amount of R20 000 to a maximum amount of R100 000. For a beneficiary to qualify for a minimum LRAD of R20 000, he or she must put forward own contribution to the value of R5 000. In the absence of any agricultural assets, the beneficiary may offer own equity in the form of labour so as to qualify for a minimum amount of R20 000. The LRAD sliding scale has since been upgraded to allocate higher grants (version 3 of the 2008 LRAD policy, Annexure B).

The sliding scale technique has the potential of indiscriminately qualifying all people (the poor of the poorest, the unskilled and non-experienced farmers, the disabled, the illiterate etc.). Unfortunately the resources (manpower, budgets, infrastructure, and experience) within the DLA do not cater for the needs of all these people. As observed during the survey, due to the poverty status and the pursuit to sustain an efficient cash-flow status on the farm, a significant number of beneficiaries organised into larger groups and they also used the Land Bank loan to supplement their meagre LRAD grant. Among other things the sliding scale technique is one of the policy instruments that have the potential of drawing back the LRAD programme to the ill fate experienced by the previous Land Reform programmes.

2.11 THE LIVELIHOOD STATUS OF BENEFICIARIES AND ITS IMPACT ON LRAD PROJECTS

Looking into individual beneficiaries, across the 37 projects surveyed, 37% lived on under one US dollar (\$1) a day and could thus be classified as being poor. From a total of 37 projects surveyed, in 11 cases the beneficiaries were unemployed, where a significant number (37%) did not even receive social grants.

The 63% that did receive social and/or pension grants used the money to take care of their respective families and did not invest the money into farming activities.

In special cases (12 projects), situations were discovered where some, beneficiaries would be employed in a formal job elsewhere where participation in LRAD projects would be on part-time basis. In these situations the part-time beneficiaries would hire some people to represent them on the farms. In some of the relative and family orientated projects, married people would have one of the partners engage in farming, while the other raises income from a non-agriculture occupation. In six cases beneficiaries had retired or resigned from their previous formal employment and were thus using their pension or employment packages to fund certain expenses in their LRAD projects.

In other situations (6 projects) beneficiaries managed extra business on the side to raise extra income. The importance of having been involved in farming before, cannot be ignored, as in two cases, beneficiaries used farm income from previous season to pay for some of the expenses in their LRAD projects.

2.12 DIFFERENT MARKET SEGMENTS FOR LAND PURCHASES AND THE ROLE OF GOVERNMENT

On page 11 of the LRAD policy framework, procedures regarding the distribution of state-owned land are outlined. This involves: public announcement regarding the availability of the land, creating a three-month window period for beneficiaries to submit bids or applications and profiling the land in terms of its agricultural potential. Conversely, on page 11 of the agency agreement, there is a clause that makes provision for LRAD beneficiaries to be given first preferential treatment to purchase land that had been repossessed or bought-in by the Land Bank.

However, investigations into this topic during the survey revealed that LRAD beneficiaries had a variety of sources from which they could buy land. These include current employers (white commercial farmers), state land, and the Land Bank repossessed farms, leased properties as well as free open market.

Of the 37 projects surveyed, in three cases the beneficiaries bought farms that had been repossessed by the Land Bank, in two cases farmers bought land from government. The role of white commercial farmers also became crucial, as in two cases the farmers bought land that they were already leasing from white farmers, whereas in the other two cases beneficiaries bought from previous white employers, Property and Estate agents played an important role, as they assisted beneficiaries in 26 projects to access land in the open market.

In a separate study conducted by Jacobs *et al.* (2003), it is stated that by March 2002, Government had already transferred 396 093 hectares of state land into the hands of black farmers, of which about 12 % (46 142 ha) were transferred under the LRAD programme. Some of these beautiful initiatives by the Land Bank, the DoA and Government in general, goes unnoticed, as the good work, is overshadowed by the high rate of failure among the already transferred farms.

2.13 FARM-PROPERTY EVALUATION, THE ROLE OF THE LAND BANK

This section seeks to analyse the role of evaluations in terms of ensuring that the price charged for land is fair and that beneficiaries get value for money invested in farm properties. According to anecdotal information received informally from the DLA officials, because of its strict evaluation criterion, the Land Bank was the preferred service provider when it comes to the aspect of property evaluations. The evaluation criteria used by the Land Bank was premised on the farm's productive value as opposed to the generally used criteria of market value. Just to demonstrate this paradigm, during the survey it was discovered that in 80% of the cases where the Land Bank was involved, the derived evaluation figure was found to be either equals to or less than the selling price. In situations where private evaluators were involved, there was a tendency for the evaluators and sales agents to collude on land prices and evaluation figures.

The financial and descriptive analyses carried out among the 157 Land Bank projects for which information was available, have provided insight into the role of valuations in terms of influencing the final settlement price for the land.

In these 157 examples, the valuation figure derived by the Land Bank was higher than the selling price by a percentage of 25% in 32 cases out of 157, less than the selling price by a percentage of 26% in 77 cases and equal to the selling price in 48 cases. Some investigations were also done to compare the average selling price per hectare among the DLA and the Land Bank projects. Between the two institutions; the average selling price per hectare was R2 432 among the Land Bank projects with 157 cases and R2 658 among the DLA projects with 146 cases.

2.14 ACCESSIBILITY TO LAND BANK LOANS

Within the Land Bank there are various financial products that can be accessible to emerging farmers for different farming needs. These includes: the initial mortgage loans that normally augment LRAD for the purpose of purchasing land, production loans for purchase of seeds, fertilizer, pesticides and diesel as well as the ISF loans that is used for purchase of implements and equipment such the tractors, fence material, machinery, ploughs, combine harvesters and so forth. Criteria applied by the Land Bank for assessing loan applications is more business-driven where stricter controls, aimed at alleviating risk, are put in place. Before granting a loan, the following processes are engaged by the Bank:

- ITC checks: this exercise involves screening of clients in a national credit listing database, to see if they are not blacklisted. According to the Land Bank policy, black listed clients are not supposed to be granted a loan. Clients are however offered an opportunity to argue their cases.
- Security and/or own contribution: Security is a form of collateral (asset) ceded in advance, before a loan is granted. Should the client fail to repay the loan, the bank will claim and repossess the security. For the purchase of land, previously disadvantaged individuals are required to put forward a payment constituting 20% of the value of the farm being bought, as deposit. The 20% can be contributed in the form of security, such a house or a mature life-cover policy.
- Authentic checks: This involves security checks where the identity of the client, as well as the client's asset status, is verified in order to ensure that the information provided is authentic and true.

- Evaluations: two types of evaluations are carried out. The first one involves evaluation of the property to determine if the productive value of the farm is in line with the expected financial returns to be used towards repayment of the loan. Another evaluation involves assessing the client's assets and liability status to see if his/her current financial commitment will not hamper his/her ability to repay the loan.

The aforementioned procedures, gave rise to a plethora of events that inconvenienced the beneficiaries. As examples:

- Some beneficiaries were denied loans, even when their LRAD funds were not sufficient to cover the selling price of the farm.
- Some received a loan only while others received LRAD only.
- Some received the first loan towards the purchase of the farm, but could not raise funds for production.
- Because of the strict lending requirements at the Land Bank, some beneficiaries ignored the Land Bank offices and travelled long distances (up to 150 kms) to access DLA offices.

A total of 22 projects, out of 37, received the Land Bank loans. Out of these 22, seven received loans only, whereas the other 15 received both the loan and LRAD. The remainder of the 37 project (15) that did not receive loans from the Land Bank either depended on LRAD only (14 projects) or had to borrow funds from third party financial intermediary (DBSA, IDC, Lowveld Cooperative and Independent private lenders),

Generally when it comes to purchase of farms, the Land Bank loan and the LRAD grant have served to augment each other, and this is one of the rare examples where the working relationship between the two institutions can be said to have been mutual.

The mutual benefits can be outlined in four critical ways as follows:

- Firstly, the descriptive analysis done among the 121 cases for which information was available revealed that the Land Bank loan on average constituted 68% of funds used towards purchase of land. However in terms of the survey carried among the 37 farms, in 15 cases where both the LRAD and the Loan were jointly used towards purchase of land, on average LRAD was higher than the loan by 19%.
- Second, the Land Bank has benefited from the LRAD programme in the sense that, with the relative small proportion of funds it put forward, at least for the 15 transactions assessed; it had access to valuable security in the form of land in return.
- Third, the criterion (productive value approach) used by the Land Bank when it comes to evaluations of farms, has assisted beneficiaries to negotiate for lesser selling price; a development that also benefited the DLA.
- Fourth, in terms of the survey results, the involvement of the Land Bank has served to minimise production risk among LRAD projects.

2.15 EARLY CARE AND INSTITUTIONAL SUPPORT

This section seeks to investigate the level of support rendered to black farmers in the early stage of applying for a farm. Farmers who applied at the DLA first, received a visitor from the DoA or from the Agricultural Research Council (ARC), whereas a significant number of beneficiaries who obtained LRAD through the Land Bank did not receive a visitor from the DoA or from the ARC. Officers from the DoA visited LRAD projects in order to do feasibility studies, to do soil tests and to render training to beneficiaries. However, the claims about the Land Bank clients not receiving visitors from DoA were rejected by the Land Bank officials. According to one of LRAD administrators in the Land Bank, the Bank sometimes will send a DoA official to a farm to carry out feasibility studies without the knowledge of the beneficiaries. In these instances, only the owner of the farm will be informed about the visit.

Nevertheless, a total of 11 projects (24%) received training that had been organised by the provincial Departments of Agriculture. Modules in the training included: book-keeping, cultivation practices and business management. Special cases (9 projects) were found where training was organised and sponsored by the private sector or third-party government departments. Prominent private sponsors included the DTI, the Eskom Development Foundation and the TSB cooperative. Except for one project, belonging to Mr. Isaac Mhlewa in the Middleburg district, in all cases where training was organised by the private sector, the type of farming was either specialised or intensive (for example, sugar, citrus, floriculture or vegetables).

2.16 ACCESS TO THE COMPREHENSIVE AGRICULTURAL SUPPORT PROGRAMME (CASP)

The Comprehensive Agricultural Support Programme (CASP) is the incumbent product of the Department of Agriculture that seeks to present a solution to the overwhelming socio-economic challenges faced by the land reform beneficiaries. CASP was established following the recommendations of the 1999 Strauss Commission report. The Strauss Commission report recommended the establishment of the financial “sunrise” subsidies and the adoption of a “sunrise” package (including a loan) with enabling conditions for the beneficiaries of the land reform programme (White paper on Land Policy 1997).

The policy instruments underpinning the role of CASP in relationship to LRAD are outlined in two policy documents, the LRAD policy framework and the CASP policy document. On page 12 of the 2008, version 3, LRAD policies, the following is stated: “The Department of Agriculture (national) would be accountable for the design of CASP and for monitoring the flow of CASP funds to the provincial levels and for auditing the use of funds as well as for monitoring and evaluating the outcomes.

The Department of Agriculture and Land Affairs would participate in the provincial grant committee and would access information from the national monitoring committee.

The committee functions to track the performance of LRAD in the province. CASP-funding for eligible LRAD projects would also be approved at this level”. Despite the fact that in 2003 the CASP programme had already been campaigned and promoted in various parts of the country, it became clear during the survey that most black farmers did not know about its existence. Contrary to this, 11 cases out of 37 (24%) admitted having received training organised by the Department of Agriculture; yet, the beneficiaries did not know if the funds had come from CASP or not. Nevertheless, most of the farms visited had serious infrastructure-related problems and even when beneficiaries asked the DoA for help, no assistance was forthcoming. Water related problems or broken boreholes were rife amongst most LRAD projects. As an example, among 12 failing projects, 50% cited broken boreholes as the main factor that contributed to the project’s failure.

Of the 25 succeeding projects, five had serious challenges with broken boreholes. What has been identified as a challenge with regard to CASP is the fragmented service delivery between this programme, the LRAD grant and the Land Bank loans. These three sets of funding, in most instances, were approved separately, by different committees and at different times. A 2007 study conducted by Umhlaba Rural Services consultancy firm, on CASP, also serves to reaffirm these findings. According to the report, the LRAD programme is being implemented faster than CASP, with the result that more people are accessing land without the necessary support to be productive on their land (DoA, 2007).

Returning to the results of the survey, the following have been discovered: 17 projects out of the 35 have either used LRAD money, own money or a Land Bank loan to improve or develop infrastructure on the farm. The bulk (9 projects) of infrastructure cases had to do with boreholes or irrigation equipment, followed by problems regarding malfunctioning milking parlour equipments (3 projects). In other six cases problems were varied, and they included things like broiler equipment, fencing, pigsties and vegetable tunnels, as well as green houses. The value of the funds used to upgrade infrastructure among LRAD farms is significant. They range from small amounts of R1 800, to large sums of R2.2 million. In the Rustenburg district (North-West province) a project committed Land Bank loan to the value of R630 000 to upgrade the abattoir and machinery.

In Nelspruit (Mpumalanga) a citrus farm committed a loan from the IDC to the value of R2.2 million to set up new infrastructure (irrigation equipment and packing houses) on the farm. In terms of the survey findings, critical areas within CASP that need more attention include: training and capacity-building, marketing and business development and on-farm infrastructure.

2.17 EFFICIENCY IN RELEASE AND DISBURSEMENT OF FUNDS

Between the Land Bank and the DLA, the Bank had a faster turn-around time when it comes to the approval of LRAD and the release of the funds. The 23 projects that applied at the Land Bank, had their LRAD applications approved within nine months on average, whereas those (14 cases) that applied at the DLA waited for 24 months on average. The release of grants among the Land Bank customers, on average took four months after approval, whereas the release of grants for the DLA customers on average, happened six months after approval (also see similar findings from a report by HSRC 2003). However, it must be noted that the Land Bank, by approving LRAD faster, was later caught-up by the challenge of budget deficit. For instance, all the projects (7 cases) that were still waiting for payment of LRAD grants had their LRAD applications handled by the Land Bank.

According to the media, the issue of budget deficit was one of the reasons why the agency agreement between the DLA and the Land Bank was cancelled as the Land Bank was said to be hastening LRAD-approval in order to push its loan-book on the side (Louw, 2005).

2.18 SUMMARY AND CONCLUSIONS

In this chapter the policy framework underpinning LRAD, as well as its practical implementation by the three institutions, is evaluated and analysed at length. The process commenced by first looking at the objectives set out for LRAD to see if they are practical and realistic.

To this effect, some shortcomings have been discovered and this, among other things, included: the fact that the objectives are too many and not practically accomplishable, some were found to be irrelevant, whereas others are not measurable and not time-based. For the purpose of shaping and guiding a policy response, an attempt was made to identify the objectives that are acceptable, as well as to highlight those that are problematic and deserving to be withdrawn. The LRAD objectives in their entirety need to be reviewed. In another approach, the policy framework guiding the relationship between the Land Bank, the DoA and the DLA have been evaluated and it was discovered that there had been no integration of policies and programmes among the three institutions.

Failure to integrate the policies and programmes relating to LRAD rendered a lot of good initiatives by the three institutions, futile. Of the 37 farms audited, six were found not to be productive, another six in a state of collapse and the other 25, even though in production, had serious challenges regarding access to markets.

A mix of both positive and negative elements, regarding the policy framework of LRAD and its implementation, were unearthed. For the DLA, the positive elements included: making provision for the planning grant, negotiating to have black farmers be given first preferential treatment when it comes to purchase of bought-in properties of the Land Bank, as well as helping black farmers buy state-owned land. For the DoA positive contributions include: training of beneficiaries in basic cultivation practices and business management skills, conduct of feasibility studies and development of business plans(albeit there had been no real impact on productivity), helping beneficiaries buy state owned land, as well as the introduction of the CASP and MAFISA funding schemes.

The Land Bank using its existing networks and infrastructure assisted beneficiaries to access land in the open market, it made provision in the policy to have black farmers bid first for its repossessed farms. On the other hand, the role of the Bank when it comes to property evaluations was crucial as this; in most instances has influenced farm selling prices to the effect that the final settlement price was low.

Looking on the negative side, to a greater extent it has been discovered that the policy framework for LRAD is not enabling for the three institutions to achieve the set-out objectives.

With its current design (institutional configuration, policy and delivery model), the LRAD programme is not suitable for the poor (those without money, tractors and implements, livestock and expertise in farming and business). The comparison of the implementation strategies of both the DLA and the Land Bank brought forward some interesting observations, as follows: The DLA tended to focus on fulfilling a political mandate (transfer of; as many hectares of land to as many previously disadvantaged people as possible) yet it compromised agricultural production in the process. On the other hand, the Land Bank in its policy approach tended to safe guard its business interest, where the focus to a greater extent has been on profitability or otherwise loan recovery thereby ended up dealing with wealthy farmers.

Most of the beneficiaries that accessed LRAD grant through the Land Bank were much more affluent and powerful (most educated, wealthy, a significant number had previous farming experience; most could offer loan security etc.) whereas among DLA beneficiaries these features were less prevalent.

CHAPTER 3

A DESCRIPTIVE AND FINANCIAL ANALYSIS OF LRAD PROJECTS IN THREE PROVINCES OF SOUTH AFRICA

3.1 INTRODUCTION

The chapter seeks to present the results of the descriptive analysis carried out across the 308 projects of the Land Redistribution for Agricultural Development (LRAD) programme in three provinces of South Africa, as well as the results of the field survey conducted among the 37 LRAD farms in the three provinces. At the beginning of the programme, as in 2001, two government institutions, the Land Bank and the DLA were responsible for the implementation and delivery of the LRAD programme. LRAD is hailed a flagship programme for the DLA, due to its perceived capacity to transfer land at a faster rate. According to Kollapen (2004), in the 2002/2003 financial year, the LRAD programme had already delivered 27 % more land than the set target for that particular year.

Between 2002 and 2003 the Land Bank transferred, a total of 94 974 hectares, benefiting 1 783 individuals. However, these two institutions applied different sets of policies for screening and selecting beneficiaries. The delivery models were also different. The differences in the policy instruments and the delivery models used by the two institutions are the primary objective for the analysis in this chapter. The objective of the analysis is to see how the selection and evaluation criterion as well as delivery models of the DLA and the Land Bank have influenced the performance of LRAD projects on the ground.

The analyses are based on 308 projects. Although the sample for analysis was selected randomly, it was carefully considered that records and files to be analysed should have all the relevant information. Relevant information included things like: Demographics of the beneficiaries, descriptive profiles of the farms (size of the land, price of the land and the enterprise practised or to be practised on the farm), as well as the funding structure of the projects (own contribution, size of LRAD grant and size of Land Bank loan).

The 37 farms considered in the survey have been transferred in the past 12 or more months. Basing the study on three different provinces of South Africa has assisted in providing a variety of parameters by which comparisons could be made. The varying parameters include: agro-enterprises (e.g. horticultural crops in Mpumalanga, and field crops in North-West), farmer-wealth, and farm sizes.

The beneficiaries applied at the Land Bank or at the Department of Land Affairs (DLA), whereas in certain instances, the applications were placed simultaneously at the two institutions. Due to the different routes followed when making applications, a complex structure for funding took effect. There are LRAD projects that received LRAD funds and the Land Bank loans (LOAN-LRAD customers) simultaneously; those that received a loan only (LOAN-ONLY customers) and those that only received LRAD funds (LRAD-ONLY customers). Failure to secure the LRAD grant has been blamed on budget deficit, either on the part of the DLA or the Land Bank. The failure to secure the loan, however, was due to certain LRAD projects not meeting the Land Bank lending criteria, or because certain individuals within the groups not feeling comfortable to borrow money at the Land Bank.

Two approaches have been used in gathering the information. In the first approach, files and records from the Land Bank and the DLA were collected. In the second approach, some 37 farms were visited for an in-depth study. Due to administrative and logistical challenges (wrong addresses and faulty contact details) only 37 farms (14 in North-West, 13 in Gauteng and 10 in Mpumalanga) could be considered for the survey. The gross value of output on the farm and the ability to convert such output into cash (ability to sell) were used as indicators of performance. The results of both the descriptive analysis and the field survey are presented in this chapter.

3.2 DESCRIPTIVE PROFILE OF LRAD FARMS AND BENEFICIARIES

The 308 projects considered for the study represented 5 147 LRAD beneficiaries, of which 2 891 (56 %) were males and 2 257 (45 %) were females, whereas young people (age 18-35) were well represented with 1 376, constituting 27% of overall population studied.

The total number of hectares transferred among the 308 projects is 131 712 ha in extent. If land was sub-divided in such a manner that each person is allocated his/her own piece of land, then among all participants (5 147 individuals) on average, each beneficiary would have access to 26.5 ha. The average size of membership among LRAD projects is five beneficiaries per project. The average price of land is R2 432 per hectare. Among the 203 projects for which information was available, beneficiaries had a variety of choices to make, when it comes to the aspect of farm enterprise. Mixed farming was the major enterprise, as 95 beneficiaries practiced a combination of livestock and crops. Livestock farming was also popular as in 54 cases, beneficiaries farmed with cattle, sheep or goats. Crop farming came third (23 cases), followed by broilers (12 cases), vegetables (11 cases), and horticultural crops (5 cases). On the other hand piggery appeared not popular as only three projects out of 203 cases produced pigs.

Of the 308 projects considered for the study, 165 had their LRAD applications approved by the Land Bank and were therefore considered; Land Bank clients whereas in 143 cases applications were placed at the Department of Land Affairs (DLA). Among the 267 projects for which information was available, the total LRAD grant paid out, amounts to R115 million and the associated value of own contribution put forward by the beneficiaries (4 965 individuals) is R76 million. The corresponding number of hectares transferred is 117 681 ha. If land was sub divided such that each person is allocated his or her own land, then on average each individual among the DLA beneficiaries would have access to 24 ha.

Some of the applications placed at the Land Bank had the misfortune of not receiving LRAD, even when it was approved, and therefore had to rely on the Land Bank loan only.

The 41 projects that received the Land Bank loan consisted of 182 individuals. These people put forward own contribution to the value of R33 million and could secure the Land Bank loan worth R52 million. The number of hectares transferred is 14 031 ha, where on average each person could have access to 76 ha for productive purposes.

In the DLA there were also cases where deserving LRAD applications failed to secure the Land Bank loans. Failure to secure loans was due to the problem of certain projects not meeting the lending requirements at the Land Bank, or due to the challenge of certain individuals within the groups not feeling comfortable with borrowing money from the Land Bank. For the purpose of this study, the three different sets of funding were noted. These are: LRAD-ONLY (143 cases), LOAN-LRAD (124cases) and LOAN-ONLY (41 cases). The total value of Land Bank loans paid out to 41 projects (182 individuals) is R52 million and the associated value of own contribution is R33 million. The Land Bank had the lowest level of population density on farms, where on average, people worked in groups of two people on the farm. The average number of hectares accessible to individuals among Land Bank clients (both LOAN & LOAN-LRAD) was 137 ha per person. Among Land Bank projects, young (age 18-35) people were well represented with 16%.

Given the historical exclusion of youth in farming by the Land Bank, to have a representation rate of 16% for the youth this time, the LRAD programme should be commended for having assisted the Land Bank strike a change in this area. Women were well-represented at 44 %, whereas Males constituted 56 %, emulating the situation at the DLA. The issue of group size on farms and the number of hectares available to individuals in the projects have been handled differently by the DLA and the Land Bank. The number of hectares transferred among the LRAD-ONLY projects is 82 679 ha for 3 913 individuals, 35 002 ha among LOAN-LRAD projects with 1 052 beneficiaries whereas that of LOAN-ONLY projects is 14 031 for 182 individuals. Each person in the LRAD-ONLY category had access to 20 ha per person, those in the LOAN-LRAD category had access to 30 ha and those in LOAN-ONLY had access to 76 ha per person.

The LOAN-LRAD category, with 1 052 individuals, received the highest average LRAD grant (R60 000) per person, against an average own contribution of R73 333 per person. This outcome can be attributed to the practice of including Land Bank loans as part of own contribution. On average, each individual in the LOAN-LRAD category received a loan to the value of R60 000. These varying figures are presented in Table 3.1.

Table 3.1: Descriptive profiles of DLA and Land Bank projects

Descriptive profiles across three different funding regimes			
Descriptive profiles of projects	LOAN-ONLY	LOAN-LRAD	LRAD-ONLY
Number of projects	41	124	143
Number of beneficiaries	182	1 052	3 913
Number of females	85	419	1 753
Number of males	97	633	2 161
Number of youths	20	178	1 178
Total hectares transferred	14 031	35 002	82 679
Average ha per person	76	30	20
Average size of membership in projects	1	2	10
Size of LRAD grant	R0.00	R34 678 558	R80 518 619
Size of LRAD per person	R0.00	R60 000	R20 000
Size of loan	R52 102 522	R45 338 588	R 0.00
Size of loan per person	R160 000	R60 000	R 0.00
Total size of own contribution	R33 896 083	R65 963 706	R10 628 375
Average own contribution per person	R70 000	R73 333	R8 329

Source: Land Bank and DLA records

Against the backdrop of women and youth having been excluded in agriculture during the apartheid regime, the LRAD programme should be commended for having brought about change in this area. Women and youth albeit no significant impact in their welfare, at least in the 37 projects visited, are fairly well represented among the two institutions.

3.3 THE IMPACT OF DESCRIPTIVE PROFILES AND DEMOGRAPHICS ON PROJECT PERFORMANCE (FIELD SURVEY RESULTS)

This section seeks to present the results of the field survey. By using the “gross value of output on the farm and the ability to convert such output into cash”, four categories of performance could be derived. These include: “Never produced”, “producing, but at risk of collapse”, “producing satisfactorily, but without access to formal markets” and “producing satisfactorily, with access to formal markets”.

- **Never Produced (NP):** This refers to farms that have been transferred in the past 12 months or more, but which are not productive. Six projects out of 37 belonged in this category.
- **Producing, but at risk of collapse (PRC):** This refers to farms that have started to produce, but where less than 60 % of the farm capacity is used. In this category, the gross value of output was either equal to the one produced the previous year, or in decline as compared to that of the previous year. Farmers in this category supply their produce to cooperatives, yet there are no contracts in place. The black informal market is an important trading platform for these farms. Another six projects fell into this category.
- **Producing satisfactorily, but without access to formal markets (PSWTAM):** This refers to farms that are already in production and where more than 60 % of the farm’s capacity is exploited, yet farmers in this category are struggling to access markets and other important facilities and services such as credit and technology. Without government help, these farms are bound to fail in the near future. This category comprised seven projects.
- **Producing satisfactorily, with access to formal markets (PSWAFM):** Gross value of output in these farms increases from one season to the next. More than 80% of the farm’s capacity is exploited, and the beneficiaries had their own way of accessing important commercial facilities and services such as markets, technology, credit, and infrastructure. A total of 18 impressive farms fall into this category. A significant number of farmers in this category manoeuvred to have their produce sold in local and overseas markets.

For the purpose of the analysis, the “never produced” and “producing, but at risk of collapse” are regarded as poor performers, whereas the “producing satisfactorily, with access to formal markets” and the “producing satisfactorily, but without access to formal markets” are regarded good performers. The good performers have a higher prevalence of projects that received LOAN-LRAD than the poor performing category. The funding structures for the good performing category are: LOAN-LRAD (12 projects), LOAN-ONLY (6 projects) and LRAD-ONLY (7 projects). The funding structures of the poor performing projects are: LOAN-LRAD (3 projects), LRAD-ONLY (8 projects) and LOAN-ONLY (1 project).

3.3.1 Group size as a factor for performance

Among the 37 projects (2 145 individuals) surveyed, on average each project had a membership of five people. Among the good performing groups, each project consisted of four people on average. This figure stands at 15 for poor performing projects. It also appears that DLA (LRAD-ONLY) projects were the most over-congested, with each project consisting of 20 people on the farm, whereas LRAD-LOAN and LOAN-ONLY had an average of five and two people per project respectively. Among the good performing projects, on average each person could occupy and cultivate 63.5 ha of land, while among the poor performing projects; the beneficiaries had access to 11.4 ha per person.

Yet again, Land Bank clients, LOAN-ONLY and LOAN-LRAD had the advantage of bigger-sized land, as compared to LRAD-ONLY clients. As an example, the LOAN-ONLY clients had access to an average of 489 ha per person, followed by LRAD-LOAN clients at 17.8 ha per person whereas LRAD-ONLY clients had access to 10.8 ha each at the time. Looking into the aspect of performance, the following were discovered: the gross value of output per hectare was high (R1 039 per ha) among the Land Bank (LOAN-ONLY) clients, followed by LRAD-LOAN at R735 and LRAD-ONLY at R171. The general trend visible here, is: “smaller groups are generally good performers”. This verdict must, however, be read with caution, as among the good performing groups, special cases were found where bigger groups produced good results.

For instance, among the 25 good performing projects, a significant number (seven projects) had a membership of 20 or more beneficiaries, where in three extreme cases, each project had anything from 65 to 215 people at a time. In these special cases, good performance was attributed to good management skills of the leaders as well as the positive kinship and cohesive behaviour among the beneficiaries themselves.

3.3.2 Kinship relations and cohesive behaviour

Kinship and cohesive relations refer to a situation where members in a community share common values, beliefs and social interests. In most instances the communities would be of common tribal decent and ruled by one chief or related to each other by virtue of ancestral birth lines (King & Samii, 2009; Heuser, 2005). This feature was found to be influential towards uniting family and relatives in projects, in a manner that made them succeed in their farm projects. As discovered during the survey, good performance was prevalent among relative-orientated or family-run projects, followed by individually run projects, whereas non-relative groups came third.

During the survey, it was observed that people in the projects tended to feel comfortable in working with certain people and not with others and that kinship relations played a deciding factor. In the Sizanani project, for instance, even when the membership of the project was 208 people, there was a sense of unity and cohesion among the farmers, with the result that performance (agricultural productivity) on the farm was good. In Sizanani more than 40% of the members shared surnames and/or were related to each other. However, in another project in the North-West that had 65 members, there were some serious issues of conflict among members. The problem here is that 60 people were reduced into mere labourers when a team of four closely-related people dominated the management structure. Conflict became so severe that certain members ended up stealing the produce from the company, from which they were shareholders also. On the other hand, the four people in the management team were said to be cohesive and supporting each other when it comes to taking decisions in the business. Out of the 25 projects classified as good performers, 13 belonged to relative/family projects; six belonged to single-run projects, and another six to non-relative group projects.

In North-West, of the 14 projects surveyed, four belonged to individuals, four to family/relative projects and six projects consisted of non-relative members. As observed during the survey, the elements underpinning cohesive behaviour in the family and relative projects could be articulated in five attributes, namely: goal, trust, decision-making, and commitment as well as cost and benefit sharing.

- **Goal:** according to the observations during the survey, among the single, relative and family-orientated projects, there was a sense of common purpose among the members. Most of the beneficiaries in these projects had a goal of growing the project into bigger commercial projects and even explore other non-agriculture projects. This sentiment was different among mixed groups, as in these groups, individuals had different goals, which in most instances led to conflicts.
- **Trust:** people who knew each other and who belonged to the same families or relatives tended to trust and support each other, as they believed that poor performance by one of them may lead to the poor performance of the entire project. Among non-relative projects, a lot of mistrust prevailed, as some of the members would even steal from the project.
- **Decision-making:** among the single-run and family- or relative-orientated projects, people who founded the projects would be given the authority to run the farm. However, decisions on cost and benefit-sharing would be discussed by all concerned. On the other hand, decisions on purchases of inputs and sales of produce would be left in the hands of the manager, which in most instances happened to be the head of the family or the founder of the project. With regard to non-relative groupings, a management structure had to be configured. The criteria for selecting the leaders would, in most instances, be based on the candidate's level of education or management experience, yet a lot of back-stabbing would occur afterwards, as certain illiterate people could not trust the management structure comprising of educated people.

- **Commitment:** Among the single-run and family/relative projects, there was high spirit of commitment, as individuals believed that the success of the project would benefit all. Commitment was observed in terms of attendance on the farm, offering of labour on farms as well as the passion to develop and expand the business. This behaviour was rare among mixed groupings, as most of them would abscond from the farm work, only to come back during the harvest season to claim their share of the harvest.
- **Cost and Benefit sharing:** incidentally in family/relative orientated projects individuals shared costs and benefits, especially in situations where a wife and husband co-own the project or where children are also participants in the project. As an example in the Masilela Family Trust (Mpumalanga province), some women were offering labour on the farm when their husband were working somewhere in Town.

In Table 3.2 the elements underpinning cohesive behaviour among LRAD beneficiaries are presented.

Table 3.2: Elements for cohesive behaviour

Attributes for cohesion	Single-run projects	Family/relative projects	Non-relative Groupings
Goals	One goal	Common goal	Mixed goals
Trust	Given	Trust each other	Lack of trust among individuals
Decision Making	Unilateral, simple and straightforward	Founder of project takes critical decisions	Management takes decision
Commitment	Highly committed	Majority of members committed	A significant number (more than 40%) of people not committed
Cost and Benefit sharing	Borne by one person	Share costs and benefits	High tendency to depend on government for funding & would fight over benefits

3.3.3 Gender

Considering that the LRAD is relatively new in the history of South African Land Reform, the issue of gender equality has been well addressed by both the Land Bank and the DLA. Analysis among Land Bank and DLA customers revealed the following: in Gauteng Land Bank projects consisted of 38 (24%) youth out of 158 LRAD beneficiaries, 28 (7%) in MP and 81 (25%) in NW. This compares with figures of zero (0%) in Gauteng for DLA projects, 352 (32%) in MP and 352 (29%) in NW. Females were also well represented among Land Bank projects. In Gauteng Land Bank projects consisted of 64 (40%) females, 185 (43%) in MP and 149 (45%) in NW. DLA had 154 (14%) females in GP, 488 (44%) in MP and 546 (50%) in NW.

Among the good performing projects (25 cases) women counted 215 (33%) against 437 (67%) of men. Among the poor performing projects, women counted 684 (46%) against 806 (54%) of men. The only two projects where women were the only shareholders displayed poor performance. One project in NW that consisted of 20 females, most (14) in their early ages (<35 years old) was found not to have produced anything on the farm. The other one, also women-only project, although regarded as good performer recorded the lowest gross value of output (R36 000) in this category. In the latter example, production was in any case there because the farm was bought as a going concern (floriculture project where flower plants were already established).

3.3.4 Age

By looking at the age composition of the 25 good performing projects, the following was discovered: 177 individuals are younger than 35; 303 individuals are between the ages of 20 and 45 and 178 people are between the ages of 50 and 90. The 12 poor performing projects had the largest composition of youths. In these projects, youths (Age <35) were highly represented (532 individuals or 25%). People aged 20-45 counted 560, whereas those who are very old (50-90) counted 400. It seems as if, according to the findings, the age group of 35-55 is the performing age-category. As observed during the survey, people in this age group displayed discipline and the will to commit on their projects.

This could among other things contributed by the fact that they had children at home to support financially while the farming experience and agricultural assets (tractors and implements) they have accumulated over years also served to provide a better advantage. These people were found to be physically strong as they could offer hard labour on the farms. On the other hand, very old people (age 55 to 90) were reported as a disturbing factor in certain instances. In three projects, two in the North-West and the other one in Mpumalanga, beneficiaries had serious reservations when it came to the issue of old age. In North-West, old people were blamed for the following: absence due to ill-health, lack of commitment on work, the tendency to boast and brag about pension grants, a lack of understanding of complex financial transactions and management systems of the project and general lack of trust and respect for the youth. In Mpumalanga old people were blamed for absence at work as well as failure to offer hard labour as a result of ill-health.

Looking at the issue of the participation of the youth, at an overall representation of 33%, the LRAD programme should be applauded for giving the youth the opportunity to prove their talent in farming. It is disheartening though, that among the 37 projects surveyed, that no project was found to be run by youths only. The involvement of youth becomes even more worrying considering that in most instances, youths were recruited to LRAD by elderly people, in order to increase the size of the LRAD grant. This observation is prevalent among family-orientated projects, that is: a father, mother, children, grandfather, and grandmother situations. In the North-West, for instance, five projects that were family-orientated had involved youths for the sake of increasing the LRAD grant. Youth had nothing to do with farming hitherto, as they had spent most of their time at school and were not even involved in the management of the farm.

3.3.5 Level of education

A significant percentage (50%) of participants in the 37 projects surveyed, had obtained their Senior Certificates. Even among the elder people, incidences of educated people were reported, and this included teachers, nurses, managers, lawyers, professors, politicians and so forth.

Looking at the influence of education on performance, the following has been discovered: among the good performing projects, people with better educations (Grade 12 and higher) constituted 58%. Among the poor performing projects this figure was a mere 33%.

3.3.6 Disabilities

Among the surveyed projects, no disabled people were encountered. According to the project leaders, the reason for not involving disabled people on the projects included, among other things, the following:

- There were no disabled people in the respective communities.
- Disabled people were not interested.
- Disabled people were ignored, as they cannot offer hard labour on farms.

3.3.7 Marital status

The objective of assessing the impact of beneficiaries' marital status was premised on assessing how married people help each other when it comes to exchanging responsibilities in group-based projects (offering labour, decision-making in projects and cost and benefit sharing). The assessment has been subjected to projects that consisted of 10 people or more. Group-based projects that consisted of 10 or more people counted 15; 8 among good performing projects and 7 among poor performing projects. Since projects consisted of a combination of young and old people, the question around marital status was levelled to people eligible for marriage (for example from age 20 and older); such individuals counted 1 700, out of a total population size of 2083 (15 projects). From the 1 700 marriage-eligible people, 1 002 (59 %) were married. Among the good performing projects, with 603 individuals, 380 (63%) were married. This figure for poor performing projects, with a total population size of 1 480, is 622 (42%).

The role of marital status in terms of influence towards project performance manifested itself along the following perspectives:

- First; between married and unmarried people, the rate of absenteeism on the farm was said to be equal, yet judgement and criticism on the behaviour was levelled unequally between the two. As an example, in projects that consisted of married couples, the attendance of one of the partners was seen as an acceptable practice, whereas with unmarried people, abscond from work was seen as a serious offence.
- Second; between married men and married women, the rate of absenteeism on farms was high among married women than among married men,
- Third; married people pooled resources and shared both the benefits and the costs of their farming enterprises,
- Fourth; in family-orientated projects, husbands assumed responsibility for management and decision-making on the farm,
- Fifth; in projects with married people, couples tended to support each other's views when it came to voting for decision-making in the projects,
- Sixth; projects that consisted of more married people performed better than those with less married people.

3.3.8 Land area and quality

This attribute seeks to assess the quality of land, in line with the proposed farm enterprise. The results present a combination of what the beneficiaries say regarding the quality of land, as well as what the assessor has observed about this attribute during the survey. The rate of transfer of land is rapid among projects that received loans only, followed by those that received both LRAD and loans, whereas projects that received LRAD only, came third. For a total of seven projects (12 individuals) that received loans only, the total number of hectares transferred was 4 351. Projects that received LRAD and loans transferred about 5 209 hectares for 455 people, whereas LRAD-ONLY, transferred 5 109 hectares for 1 678 individuals. The average number of hectares accessible to one person among LOAN-ONLY customers is 486 ha, LRAD-LOAN 17.8 ha and LRAD-ONLY is 10.8 ha.

Among the 37 cases considered in the survey, in 33 cases beneficiaries were happy with the state of the farm, where in four cases (three cases in North-West and one in Gauteng) beneficiaries were not happy. The factors leading to their unhappiness included the following: the farm being small and not viable for the proposed farm venture (2 cases), the farm having problems of shallow soil and rocks (2 cases). In three cases out of four, beneficiaries blamed government officials for not having communicated the situation to them. One beneficiary even blamed the Land Bank for not having conducted evaluations prior to the farm being sold. In one unfortunate incident, the issue of the small size of the farm was blamed to unscrupulous behaviour of the previous owner. According to the interviewee, the farmer took advantage of his workers by selling them a small piece of land (8.5 ha) at a high selling price of R475 000.

3.3.9 History of a farm enterprise, beneficiaries initiatives

Among the 37 projects surveyed, beneficiaries initiated a variety of enterprises. These ranged from field crops, sugar, citrus, flowers, livestock (cattle, sheep and goats), dairy, egg production and broilers to tunnel vegetable production. However, in six projects out of 37, the farms were not productive whatsoever and the only information collected was about the enterprise the beneficiaries intended to follow. The decisions concerning the choice of enterprise has been influenced by the beneficiaries' farming history, in terms of the following: previous farming engagement or continued enterprise, buying a farm as a going concern, whereas in the absence of these two scenarios, the beneficiaries will come up with a new initiative. Three distinctive categories of farm enterprises can therefore be identified, namely: "continued enterprise" (10 projects out of 37), "going concern" (10 projects) and "new initiatives" (17 projects).

3.3.9.1 Continued Enterprise

The term "continued enterprise" refers to the situation where farmers continued with their previous farming enterprises into the new LRAD projects. In other words, someone who farmed with livestock before receiving LRAD would continue to do so, even in his/her new LRAD project.

In certain instances, the will to expand the existing enterprise was cited as a reason why the beneficiaries would want to own farms. A total of ten out of 37 projects belonged to this category. The type of enterprise practised in this category include a mix of livestock and crops (5 projects out of ten), followed by livestock only (3 projects), whereas the other two projects practised field crops and sugar farming. With seven good performing cases discovered in this category, the importance of “continued enterprise” in agriculture cannot be ignored. The beneficiaries in this category had the advantage of sufficient own contribution, farming experience, farming and business skills and in special cases even business networks.

3.3.9.2 Going Concern projects

Going concern farms are properties that were purchased with a certain fixed operational state. The “going concern” farms mainly involve specialised and intensive agri-businesses. Examples to this effect include sugar estates, citrus, dairy, broilers, piggery, egg production and so forth. In most instances, the farm will have fixed infrastructure that supports the nature of enterprise practised. These types of projects are attractive because of their business advantage. The business advantage includes, among other things, high income turnover, flexibility with regard to farm-size, the immediate availability of infrastructure, immediate access to customers, markets, business connections and networks, and in certain instances the availability of working stock.

The performance of these cases were analysed, and what has been established is that nine projects out of 10 of the “going concern” category are good performers. Even the only project that was classified as a poor performer, had some form of productivity taking place, and was thus classified as “producing, but at risk of collapse”. From a total of 37 projects surveyed, 10 projects belonged to the “going concern” category. All the beneficiaries that bought farms as a going concern had continued with the same enterprise found on the farm. Two projects out of ten, continued to farm with broilers, three projects practiced a combination of dairy and crops at the same time whereas the other five practiced field irrigated vegetables, sugar, eggs, floriculture and citrus production each.

3.3.9.3 New Initiative

The term “new initiative” refers to a category of farmers who did not engage in farming before, where a significant number does not have farming assets such as tractors, implements and livestock. Because of the poverty status, farmers in this category could not afford “going concern” farms and thus were left with no choice but to start a new farming venture from the beginning. As discovered during the survey, most of the beneficiaries under this category had a low capital base. A total of 17 farms belonged to this category.

Among the “new initiative” projects, a significant number of farmers (nine projects out of 17) chose to farm with livestock and field crops. Poultry or broilers were also popular (four projects out of 17). Two projects farmed in livestock, one project practised mixed-farming (pigs, sheep and field vegetables) and the other one produced tunnel vegetables. The “new initiative” category housed the bulk of the poor performing projects. As an example, from a total of 12 projects regarded as poor performers, nine initiated new farming ventures. Poor performance in this regard, emanated from a lack of the resources necessary to start a new project from the scratch. Most of the beneficiaries in these projects had no previous experience in farming and they had never engaged in farming before.

The lack of resources such as tractors, implements, livestock and funds stood out as the critical factors hampering the productivity on these farms. Among the good performing categories (PSWTAM and PSWAFM), 8 projects had initiated new enterprises. The good performance of these eight projects, albeit “new initiative” can be attributed to the state of wealth and size of own contribution put forward towards access of the LRAD grant. Among the eight performing projects, beneficiaries had reasonable high value of capital to cede as own contribution. Beneficiaries in this category had access to Land Bank loans.

In Table 3.3, the value of own contribution, the value of Land Bank loans, as well as the gross value of output across the four categories of performance are presented and some comparisons are made.

Table 3.3: Financial and descriptive profiles of new initiative projects

New initiative Projects				
Financial profile of projects	NP (6 projects)	PRC (3 projects)	PSWTAM (2 projects)	PSWAFM (6 projects)
Own Contribution p.p.	R 6280	R 5000	R 132 137	R 310 602
Value of Land Bank loan p.p.	R 0.00	R 0.00	R 109 000	R 142 350
Gross value of output per ha	R 0.00	R 49	R 532	R 763

Source: Self-generated from survey data sets

The trend displayed in Table 3.3 above, suggests that own contribution and Land Bank loans have had a direct influence towards enhancement of productivity on farms. Looking into how the Land Bank and the DLA have funded various agro enterprises, the following has been observed: both these institutions channelled more of their funding towards “continued enterprise” and “going concern” projects. The “new initiative projects” received the least funds. This trend emanates from two scenarios.

First, beneficiaries that opted for “going concern projects”, as well as those who had continued with their previous farming venture, had reasonable amount of own contribution to put forward. Second, beneficiaries that opted for “going concern” projects and those that had continued with previous farming venture, were found to be creditworthy and thus could secure loans at the Land Bank. Access to Land Bank loans normally enhances the chances for access to higher amounts of LRAD grant.

Across various financial attributes (own contribution, amount of LRAD grant, size of Land Bank loan, and gross value of output), “going concern” projects, performed well.

For instance, with an average group size of 15 people per project, this category raised an average own contribution of R55 173 per beneficiary, followed by “continued enterprise” category which on average raised R46 601 per beneficiary. On average the “continued enterprise” had a membership size of 5 people per project. On the other hand, “new initiative”, with an average group size of four people, could raise an average own contribution of R28 020 per person.

The amount of LRAD raised per person is R20 000 for “new initiative” category, R25 970 for “continued enterprise” whereas that of “going concern” is R48 561 per person. The “going concern” projects also recorded a higher figure (R1 577 per ha) for gross value of output. This compares with figures of R104 and R967 for “new initiative” and “continued enterprise” categories respectively. With regard to Land Bank loans, the following has been discovered: on average, “going concern” raised an average loan value of R1 253 125 for eight projects, “continued enterprise” secured loans to the value of R359 400 for four projects, whereas “new initiative” on average could only secure R6 250 for 10 projects. See Table 3.4 for a summary regarding the financial profiles of the three farming categories.

Table 3.4: Enterprise profiles of LRAD beneficiaries

Socio Economic profile of projects	“new initiative” (17 projects)	”continued enterprise” (10 projects)	“going concern” (10 projects)
Average size of membership	4	5	15
Own contribution per person	R 28 020	R 46 681	R 55 713
Value of LRAD per person.	R 20 000	R 25 970	R 48 561
Land Bank loans	R 6 250 (10 projects)	R 359 400 (4)	R 1 253 125 (8)
Average Land Bank loan per project	R 625	R 89 850	R156 640
Gross value of output	R 104	R 967	R 1 577

Source: self-generated from survey results

While “going concern” farms are attractive due to their business advantage, these types of enterprises have their own shortcomings. These among other things include: the high selling price of the properties, the intensive and high risk nature of the enterprise, the need for specialised skills, the high costs of maintenance for the farm and the rigid-inflexible infrastructure laid down on the property already.

All beneficiaries that bought farms as a “going concern” had continued with the same enterprise found on the farm. Two projects continued to farm with broilers, three projects practiced a combination of dairy and crops at the same time and one project produced flowers, whereas the other four produced field irrigated vegetables, sugar, eggs, and citrus each.

3.3.10 Level of production among different farming initiatives

Analysis among the three categories of farm initiatives has provided interesting results as to the question of “ability to produce”. What the results points out, is that beneficiaries who bought farms as a going concern and those that were previously engaged in farming had an advantage over the “New initiative” category.

Since “going concern” farms had some level of productivity already taking place on the farm, beneficiaries who bought these farms were likely to sustain productivity on these farms, at least until as at the time of the survey. A similar trend was seen among farmers in the “continued enterprise” as their previous engagement in farming gave them an opportunity to accumulate working stock for production. Among the “new initiative” category there was a struggle to sustain production whereas in certain cases there was no production at all. While “going concern” projects were convenient when it comes to the issue of production, the selling price for these farms could prove a challenge for most poor farmers.

Farms belonging to the “going concern” farms, on average fetched a high selling price of R4 788 per hectare as compared to “new initiative” and “continued enterprise” farms whose average selling price per hectare was R1 106 and R2 020 respectively.

Furthermore, most of the enterprises found on the “going concern” farms were intensive and thus special skills and expertises were required on part of the beneficiaries. Except for the one vegetable project in the Groblersdal district that was owned by old pensioners, in all cases where the farm enterprise was intensive a significant number of beneficiaries belonging to these project were educated (at minimum had senior certificates) or would be experienced in the field of business management.

3.3.11 Own contribution and Land Bank security

Own contribution is a set of assets (in the case of LRAD, agricultural assets) that a beneficiary puts forward so as to secure a certain amount of LRAD grant. The contribution can be in the form of labour, capital or cash, a loan secured from a financial institution, agricultural equipment, livestock, and/or valuable crop material such as seeds.

Conversely, the value of LRAD depends on the value of the assets acceded, as well as the number of individuals in the project. Since a significant number of black farmers in South Africa, do not have agricultural assets, a pattern has developed where poor people, organise into bigger groups so as to pool resources together. This practice normally helps to secure higher LRAD grants. With regard to the Land Bank policy, the concept of own contribution is quite broad, as the Bank also welcomes non-agricultural assets (for instance bond properties, life cover policies and so forth) as security. Furthermore, the Land Bank loan is also regarded as own contribution in situations where the farmers are also applying for the LRAD grant. To this effect the involvement of the Land Bank in the administration of LRAD has assisted in increasing the level of own contribution among black farmers.

According to the Land Bank policy, beneficiaries are required to put forward assets worth 20% of the required loan value, as security towards purchase of land, or pay a 20% cash deposit fee. Other considerations when making assessment for creditworthiness includes: the client’s financial track record, the productive value of the land, the availability of tractors and implements (only in crop farming), clients’ asset and liability status and lastly his/her ability to repay the loan.

In section 3.3.9.3 it is deduced that Land Bank loan had an influence towards the ability of the farmers to produce on the farms.

3.3.11.1 *Impact of own contribution on performance*

Between the poor performing and the good performing categories, the latter had a high prevalence of beneficiaries that ceded high amounts of own contribution. The value of own contribution for beneficiaries (652 individuals in 25 projects) in the good performing category, is R20 million, whereas that of the beneficiaries (1493 individuals in 12 poor performing projects), is R2.9 million. On average, each individual from the good performing projects put forward own contribution to the value of R96 500, whereas in the poor performing category, this figure is R6 322. This outcome seeks to demonstrate the importance of beneficiaries to have basic agricultural assets in the form of tractors, implements and livestock, especially in situations where the farming venture is initiated from the scratch.

The values of output (gross value of output, gross value of output per hectare and the gross value of output per beneficiary) among good performing projects were found to be high, as compared to those of the poor performing projects. As can be seen in Table 3.5 the gross value of output among 25 good performing projects (652 individuals) is R11 million, whereas that of 12 poor performing projects (1 493 individuals) is R593 336. The average value of the gross output per beneficiary among good performing projects is R172 770 whereas that of poor performing projects is R10 213. As compared to other categories, gross value of output per hectare among good performers was high. This value is R1 776 per hectare as opposed to R181 per hectare, among the poor performing projects. Two key lessons can be drawn from these trends as follows:

- The tendency of assembling too many people on small pieces of land impacts negatively on agricultural productivity.
- Own contribution, in the form of agricultural assets, is an important factor when it comes to the issue of productivity on farms.

Table 3.5: Value of own contribution per category of performance

Descriptive profiles	Good performing (PSWTAM & PSWAFM)	Poor performing (NP & PRC)
Number of projects	25	12
Number of beneficiaries	652	1493
Value of own contribution	R 20 961 202	R 2 935 060
Average own contribution/person	R 96 500	R 6 322
Value of Land Bank loan	R 13 227 800	R 975 000 (four projects only)
Value of Land Bank loan/person	R 76 000	R 60 685 (four people out of 12)
LRAD value	R 17 045 489	R 23 278 133
LRAD value/person	R 26 939	R 22 500
Gross value of output	R 11 124 620	R 595 336
Gross value of output per ha	R 1 776	R 181
Gross value of output per beneficiary	R 172 770	R 10 213

Source: self-generated from survey data set

3.3.11.2 Own Contribution across the three sets of funding

Among the 37 projects surveyed, the value of own contribution was high among LOAN-ONLY and LOAN-LRAD categories, whereas the LRAD-ONLY category recorded the lowest level of own contribution. For example, the seven projects of the LOAN-ONLY category, with 11 beneficiaries, put forward an own contribution to the value of R7 million. On average, each person put forward assets to the value of R507 000 as own contribution. This compares with figures of R3.7 million for 1 678 beneficiaries and R13 million for 674 individuals among the LRAD-ONLY and LOAN-LRAD categories respectively.

The average value of the Land Bank loan received per beneficiary was high (R361 400) in the LOAN-ONLY category, followed by the LOAN-LRAD category at R16 250.

The same trend could be seen with regard to the value of output per hectare and the value of output per person among Land Bank customers. In Table 3.6 presents a summary of the varying values of own contribution across different funding structures.

Table 3.6: Value of own contribution per funding structure

Descriptive profiles	LRAD-ONLY	LOAN-LRAD	LOAN-ONLY
Number of projects	15	15	7
Number of beneficiaries	1678	674	11
Value of own contribution	R 3 722 859	R 13 171 938	R 7 610 625
Average own contribution/person	R 7500	R 87 677	R 507 000
Value of Land Bank loan	R 0.00	R 9 334 000	R 4 236 800
Value of Land Bank loan/person	R 0.00	R 16 250	R 361 400
LRAD value	R 28 087 247	R 16 660 375	R 0.00
LRAD value/person	R 25 000	R 45 010	R 0.00
Gross value of output	R 1 375 023	R 5 871 071	R 4 090 462
Gross value of output per ha	R 672	R 2090	R 910
Gross value of output per beneficiary	R 27 757	R 35 308	R 415 423

Source: self-generated from survey data set

A key feature in Table 3.6 relates to the way the gross value of output correlates with the Land Bank loan. This attribute is high in all cases where a Land Bank loan is involved. In screening loan and LRAD applications, the Land Bank puts much emphasis on the value of own contribution and the productive capacity of the farm, whereas the DLA tends to focus on achieving certain targets for land transferred and high statistics on women and youth yet it compromises agricultural productivity in the process. In the 15 cases where both LRAD and loans were granted, LRAD on average was found to be higher than the loan by 19%.

These findings have two implications for the two institutions, as follows:

- The Land Bank has benefited from the LRAD programme in the sense that, with the small loan-offer it put forward, it had access to valuable security in the form of land,
- The involvement of the Land Bank, served to minimise production risk, as can be seen with the high rate of success (ability to produce) among Land Bank clients,

These are some of the rare examples where the relationship between the two institutions can be said to have been mutual.

3.4 SUMMARY AND CONCLUSIONS

In this chapter, an audit has been carried out among the 37 farms that have been transferred in the past 12 months or more. The purpose of the audit was to investigate if there was productivity among transferred farms and in cases where there was none, to determine factors hampering productivity. By using the gross value of output as well as the ability to sell as indicators for performance, four categories have been derived. This included: “never produced”, “producing but at risk of collapse”, “producing satisfactorily but without access to formal markets” as well as “producing satisfactorily with access to formal markets”.

In order to unpack and unravel the factors contributing to performance, the demographics and financial profiles of farms and individual beneficiaries were analysed. The results of the analysis carried out on demographics have shed light in terms of what are the important elements when it comes to the issue of “ability to produce” among LRAD farms. In terms of the results the following: age, marital status, size of membership, level of education, “continued enterprise” and managerial skills were found to be positive in enhancing agricultural production on the farms. Good performing projects comprised single-owned projects, family and relative orientated projects. Among the mass-grouping projects good performance could be attributed to the fact that the majority of people were related to each other. The availability of working capital also enhanced productivity.

On the other hand, projects that had a high proportion of married people, performed better than those with less proportion. The involvement of women and youth towards agricultural productivity was found to be negative, since in all cases where women and youth were dominating the level of productivity was found to be low.

This finding, however, can be attributed to the legacy of apartheid, whereby women and youth were excluded in agriculture resulting with a situation where most of them could not accumulate farming experience and the relevant farming prerequisites (e.g. tractors and implements). On the other hand the issue of demographics was handled differently by the two institutions administering LRAD. In general the Land Bank applied an elitist approach when screening loan and LRAD applications with the result that wealthy farmers were favoured at the expense of the poor ones. Most of the Land bank clients were well educated, had better experience in agriculture and a high level of wealth as compared to those of the DLA. The Land Bank policy advertently had the effect of not favouring women and youth as these historically disadvantaged groups did not have an opportunity to accumulate farming experience and/or agricultural assets. On the positive note, the Land Bank's policy and implementation strategy were found to be positive towards ensuring productivity on LRAD farms.

With regard to the issue of land and agricultural enterprise, the following have been discovered:

- The average number of hectares accessible to individuals, had an influence on the gross value of agricultural output, in which case most projects with a small population density performed better than those with a high population density.
- The history of the enterprise practiced on the farms, had a direct influence on the gross value of output, whereby beneficiaries who initiated new projects on the farms were at high risk of failure. In contrast, beneficiaries who bought farms as a going concern and those who continued with the same enterprise they were practicing before joining the LRAD boosted a high level of agricultural output on the farms.

- The Land Bank was more cautious when it came to the financing of agricultural enterprises. Most of the projects financed by the Land Bank were of “going concern” and of “continued enterprise” whereas the bulk of projects financed by the DLA belonged to the “new-Initiative” category.
- The other observation is that intensive projects such as dairy, sugar, citrus and broilers attracted more investments in the form of Land Bank loans and third party financial assistance (IDC, Mpumalanga Development Corporation and DBSA).

In conclusion, it seems the DLA did not learn from previous mistakes of other Land Reform programmes, as in its policy stance it tended to put emphasis on addressing issues of demographics and land statistics yet compromising agricultural productivity in the process. There needs to be a balance between fulfilling the political mandate and addressing the socio economic challenges faced by society.

At least for the 308 projects assessed and the 37 farms audited, the current findings prove that the DLA does not have experience and capacity to run agricultural development and therefore not an ideal institution to run the LRAD programmes. While agricultural production is not the mandate of the DLA, in case of the LRAD programme it will make business sense to have the DLA partner with institutions that have experience and capacity in this area. On the other hand, the Land Bank’s elitist behaviour that seeks to favour wealthy farmers makes it unsuitable to run with LRAD.

CHAPTER 4

FACTORS HAMPERING PRODUCTIVITY AMONG TRANSFERRED LRAD FARMS

4.1 INTRODUCTION

This chapter seeks to provide the results of the field trip survey conducted among the 37 LRAD projects. The 37 projects were sampled from the initial 308 projects (105 projects from the Gauteng, 103 from the North West and 100 from the Mpumalanga province). The information on LRAD beneficiaries was derived from the files and records of both the Land Bank and the Department of Land Affairs (DLA). The sample comprised a mix of LRAD clients from both the DLA and the Land Bank.

The aim of the survey is two fold; firstly, as in line with the objectives of LRAD, the aim is to investigate if transferred LRAD farms are productive. These farms have been transferred in the past 12 or more months. Secondly, the other aim is to establish factors hampering productivity among transferred farms.

Three methods have been used in evaluating the performance of the projects. Firstly, the gross value of output on farms as well as the ability of farmers to convert such output into cash (to sell the produce) was used as an indicator for success or failure. As a result of this approach a total of four categories of performance were derived. The categories include: “never produced” (NP), “producing but at risk of collapse” (PRC), “producing satisfactorily but without access to formal markets” (PSWTAM) as well as “producing satisfactorily with access to formal market” (PSWAFM). The NP and the PRC have been classified as poor performers whereas the PSWTAM have been classified as good performers. Secondly, the financial and descriptive profiles of the four categories and the individuals in these categories have been deduced and comparisons have been made. Lastly, a well structured questionnaire was used to collect information among key people leading LRAD projects.

In these interviews, beneficiaries were asked to provide six factors that hamper productivity on the farms and to shortlist the three most important ones.

4.2 THE ABILITY TO PRODUCE AND SELL

The survey provided a mix of interesting results. For example, while certain farms had different levels of productivity, others had no productivity at all. Some four categories of performance have henceforth been derived. The categories include: “never produced” (NP), “producing but at risk of collapse” (PRC), “producing satisfactorily but without access to formal markets” (PSWTAM) as well as “producing satisfactorily with access to formal markets” (PSWAFM).

- The “never produced”: This refers to farms that have been transferred in the past 12 or more months, but has never been productive even when the beneficiaries have already assumed ownership of the property. Six projects out of the 37 belonged to this category.
- The “producing but at risk of collapse”: This refers to farms that have started to produce, but where less than 60% of the farm’s capacity is used. In this category, the gross value of output was either equal to or less than the one of the previous year. Farmers in this category supply their produce to cooperatives yet there is no contract in place. The black informal markets remain an important trading platform for farmers in this category. Six projects belonged to this category.
- The “producing satisfactorily but without access to formal markets”: This refers to farms that are already productive and where more than 60% of the farm’s capacity is exploited, yet farmers in this category struggle to access markets, other important facilities and services such as credit and technology. Without government help these farms are bound to fail in the near future. This category comprised seven projects.

- The “producing satisfactorily with access to formal markets”: production in these farms is increasing from one season to the other. More than 80% of the farm’s capacity is exploited, and the beneficiaries had their own way of accessing important commercial facilities and services such as markets, technology, and credit. A total of 18 impressive farms are found here. Although the farmers in this category did not secure supply contracts, a significant number of them succeeded in having their produce sold in local and overseas markets.

Thorough interrogation of each and every category of performance has, on the other hand, brought forward six critical elements in terms of what makes a farmer succeed or fail. These elements are: own contribution, population density on the farm, level of education, business acumen, and previous engagement in farming and finally structure and amount of funds. “never produced” had disappointing features across all six identified elements of performance. Individual beneficiaries in these projects had the lowest level of own contribution to cede for LRAD. For instance, for a farming population of 160 individuals, on average each individual contributed R6 280 worth of assets. Considering that the DLA valued own labour contributions at R5 000, an average own contribution of R6 280 suggests that the majority of beneficiaries in this category did not have any agricultural assets to put forward as own contribution, but that they could only provide labour as own contribution.

This compares with own contribution of R6 822 of “producing but at risk of collapse”, R23 750 for “producing but without access to formal markets”, whereas that of excelling performers was derived at R110 437 per individual. Failure of the beneficiaries to cede agricultural assets as own contribution had the effect of encouraging people to work in larger groups with a view of pooling resources together and sharing their little LRAD grants. In the “never produced” category, individuals could only access 11 hectares per person, whereas individuals in the “producing but at risk of collapse” and the “producing but without access to formal markets” categories had access to 15.6 hectares and 10 hectares per person respectively. This compares with 85.5 hectares per person among the excelling performers (“producing with access to formal markets”).

Other disappointing features among the “never produced” include: percentage of individuals who obtained senior certificates (a mere 8% among 160 individuals), percentage of individuals who accessed land bank loans or third party financial intermediary (zero), percentage of people who engaged in farming previously (zero) and finally both the gross value of output per person and the gross value of output per hectare also zero.

In Table 4.1 six elements of performance across the four categories of performance are outlined and comparisons are made.

Table 4.1: Indicators for performance across four categories of productivity

Indicators for performance	Four Performance categories			
	NP	PRC	PSWTAM	PSWAFM
Own Contribution per person	R6 280	R6 822	R23 750	R110 437
LRAD amount per person	R20 000	R24 916	R52 111	R20 389
Land Bank loan per person	R0.00	R 0.00	R16 250	R79 338
Population density (number of people on 1 ha)	0.09	0.067	0.1	0.011
Size of Land Per person (1 ha /person)	11	15.6	10	85.5
Matriculant and/or Business Acumen	8%	18%	25%	90%
Previous engagement in farming	0%	45%	50%	25%
Gross value of output per person	0	R1 328	R7 600	R92 400
Gross value of output per ha	0	R236	R1 779	R992

Source: Self generated from DLA & Land Bank records, and data from survey

On average each person among the “never produced” received an LRAD grant to the tune of R20 000. For the “producing but at risk of collapse” this figure is R24 916 per person whereas for the “producing but without access to formal markets” as well as for the “producing with access to formal markets” the figures are: R52 111 and R20 389 respectively.

The “producing with access to formal markets” assumed a lower average size of LRAD grant because a significant number of projects (7 out of 18 projects) did not receive the grant even though it was approved. This shortcoming was, however, compensated by the Land Bank loan.

Among the four categories of performance, the “producing with access to formal markets” secured the highest average Land Bank loan per person of R79 338, followed by “producing but without access to formal markets” at R16 250. The “producing but at risk of collapse” and the “never produced” categories did not receive any loans at all. This trend can somewhat be traced to the size of own contribution put forward by these projects. The “producing with access to formal markets” had a higher value of own contribution than the other three categories. On the other hand, the socio economic attributes of individuals, mainly: the level of education, managerial and business experience as well as previous engagement in farming, emerged as important elements in influencing agricultural productivity on the farms. For instance among 1 333 individuals belonging to the “producing but at risk of collapse” category, people who had senior certificates constituted 18%. For the “producing but without access to formal markets” this figure is 25% for 277 individuals whereas for “producing with access to formal markets”, the figure is 90% for 375 individuals.

The influence of previous engagement in farming towards enhancement of success on the farms was investigated. Although the failure category (“never produced”) did not engage in farming before, it is interesting to note that this factor did not feature strongly among the good performers, as can be seen with the following results:

- The “producing but at risk of collapse” had 45% of its individuals having engaged in farming before,
- The “producing but without access to markets” has a corresponding figure of 50%,
- The “producing with access to formal markets” category had a figure of only 25%.

This outcome was investigated further, and what turned out, is that the good performing projects employed previous farm workers to manage important operations on the farm.

4.3 FACTORS HAMPERING PRODUCTIVITY ON THE FARMS: VIEWS OF THE BENEFICIARIES

This section presents the consolidated views and expressions of the beneficiaries (both poor and good performers) around the issue of factors hampering productivity on the farms. Beneficiaries were asked to list six factors hampering productivity on the farms and shortlist the three most important ones. Among the many factors listed, there were similarities. Consolidation of these factors led to a total of 13 factors. Among the 13 factors cited one can distinguish between farm-level operational factors and external factors. The farm-level operational factors include issues such as: insufficient tractors and implements, poor crop performance, no insurance, conflict among members, lack of cultivation skills, trouble with previous workers, land reclaim, trouble with white partner and/or neighbouring white farmer and problems with water or broken boreholes. External factors include the following: late release of funds, poor coordination between the Land Bank and the DLA, poor handling of the farm hand-over process, lack of markets, poor organisational power, interference of government officials and negative perception against the Land Bank.

The challenges faced by poor performers are almost the same as those faced by good performers with just three factors out of 13 marking the differences between the two. As an example a challenge with regard to: “Lack of markets and lack of organisational lobby power” was only mentioned by good performing projects as a problem. On the other hand, the two factors, “dependency and interference of government officials” as well as “trouble with neighbouring white farmer” were only raised by poor performing projects as serious concerns. When asked to list the three most important factors for productivity, the following came at the fore:

- Insufficient or no tractors and implements
- Poor coordination between the Land Bank and the DLA
- Conflict among members

In Table 4.2 the views of the beneficiaries are presented.

Table 4.2: Factors hampering productivity on farms

Reasons for poor performance	Good performers (25 projects)	Poor Performers (12 projects)	All projects
	Farm-Level Operational factors		
Insufficient or no tractors and implements	7 (28%)	9 (75%)	16 (43%)
Conflict among members	4 (16%)	9 (75%)	13 (35%)
Lack of cultivation skills	7 (28%)	4 (33%)	11 (30%)
Water problems or broken boreholes	5 (20%)	6 (50%)	11 (30%)
Poor Crop performance and no insurance	5 (20%)	2 (16%)	7 (19%)
Trouble with white partner or neighbouring white farmer	0 (0%)	5 (42%)	5 (13%)
Trouble with previous worker or land reclaims	3 (12%)	1 (8%)	4 (11%)
External Institutional Factors			
Poor coordination between Land Bank and the DLA	9 (36%)	10 (83%)	19 (51%)
Late release of funds or poor disbursement	6 (24%)	6 (50%)	12 (32%)
Poor management of transition	5 (20%)	5 (42%)	10 (27%)
Negative perception against the Land Bank	6 (24%)	4 (33%)	10 (27%)
Lack of markets and/or poor organisational power	8 (32%)	0 (0%)	8 (22%)
Dependency on, and interference of government officials	0 (0%)	1 (8%)	1 (3%)
Three most important factors hampering productivity			
	Good performers	Poor Performers	All projects
Poor coordination between Land Bank and DLA	9 (36%)	10 (83%)	19 (51%)
Insufficient or no tractors and implements	7 (28%)	9 (75%)	16 (48%)
Conflict among members	4 (16%)	11 (91%)	15 (40%)

Source: self-generated from survey results

4.3.1 Poor coordination between Land Bank and the DLA

According to information provided by the beneficiaries, the problem of poor coordination between the Land Bank and the DLA can be explained by four scenarios.

- Scenario 1:** The Land Bank approves an LRAD but fails to inform the DLA to make the payment, or the DLA, due to its own reasons, decides not to pay the LRAD grant. In view of the pressure exerted by the seller of the farm, the Land Bank advises the client (farmer) to use its loan to secure the farm. This is done without first getting a letter of guarantee for approval of LRAD grant from the DLA. Once the farm has been transferred, the DLA turns the situation around and refuses to release the grant (this challenge was raised by beneficiaries in 5 projects).
- Scenario 2:** The beneficiary places two LRAD applications, one at the DLA and the other at the Land Bank. At the DLA, the application is placed for LRAD, whereas at the Land Bank it is placed for both a loan as well as the LRAD grant. At the end of the day, both of the institutions approve LRAD grant with two different sizes. Attempts to resolve the matter normally takes too long; a development that normally disrupts initial plans set out on the farm. (2 cases)
- Scenario 3:** Client places LRAD applications at both the DLA and the Land Bank where the two are situated in different provinces (for instance the DLA in Pretoria; Gauteng and Land Bank in Rustenburg; NW). In this instance the client receives only the loan and not the LRAD. According to the DLA policy (apparently informal) cross-border financing of projects is not allowed (three cases).

Scenario 4: The DLA approves an insufficient grant towards the purchase of a farm, with a view that other funds (for example working capital) would be sourced from the Land Bank. This is done without first checking if the beneficiaries will qualify for a loan at the Land Bank. If for any reason the beneficiaries do not get a loan, then the project is faced with the problem of insufficient funds (nine cases).

Just to relate to some of the cases associated with the four scenarios above; In Mpumalanga, a group of 85 people that were given insufficient grant (R1 387 000) found themselves having to reside and earn a livelihood from a farm that was only 6.8 ha in extent. On the other hand the Land Bank due to its strict lending requirements, refused to grant a loan to this group. In the NW province, one of the beneficiaries, Mr. J.M. Moloto, a lawyer by profession, went as far as visiting the offices of the Minister of the Executive Council (MEC) for Agriculture in order to reclaim his LRAD payment. It is sad, because after getting LRAD he was still faced with the challenge of “no tractors and implements” and as at the time of the survey there was still no form of productivity taking place on the farm.

According to the study results, it seems that LRAD is never enough to fund all operations on the farm. For example, among the 37 projects surveyed, a significant number (15 projects, 40%) went further to apply for a loan with the Land Bank or third-party financial intermediary.

4.3.2 Insufficient or no tractors and implements

Nine projects among the twelve of the poor performing categories highlighted the issue of insufficient tractors and implements as the main factor leading to poor performance. Another group of projects (7) from the successful categories also raised this issue as a critical challenge. The need for tractors and implements among poor and wealthy farmers is varied.

As an example poor emerging farmers would struggle to access these facilities along the whole value chain of the cultivation cycle (from the planting stage up to the harvesting stage), whereas wealthy farmers would buy the implements somewhere in between the different stages of the cultivation cycle. The implements bought in most instances are those used during the planting stage, whereas those used during the harvesting stage are in most instances hired. However during the survey it turned out that the availability of a combine harvester remains a key challenge among all farmers (including wealthy farmers). As explained by one wealthy farmer in Gauteng, combine harvesters are expensive to hire, and, in any case, not easy to get during the harvesting season. In most rental companies this equipment is secured on a first-come-first-serve basis. On the other hand, poor emerging farmers were found not to have even the money to hire simple equipment such as ploughs and tractors.

4.3.3 Conflict among members

Out of the 37 projects surveyed, 13 failed to produce because of conflict among members. The natures of squabbles among LRAD beneficiaries are interesting. Some fight because others do not show up for work (3 cases), or because others want to use the farm as security at the Land Bank (3 cases), whereas in some situations abuse of power and authority becomes the rule of the game (5 cases). Problem concerning abuse of authority and power as a challenge was mentioned in situations where educated people undermine illiterate ones, or where older people undermine youth or vice versa. Differences among beneficiaries with regard to the decision over the type of enterprise to be practiced on the farm, also came up as a strong source of conflict (four cases).

These problems are prevalent among projects where people work in larger groups. In these projects, a lack of constitution governing roles and responsibilities of beneficiaries, or a lack of the effectiveness of these constitutions remains a big challenge. Beneficiaries are not clear about the roles they must play in the projects. There are no set rules and standards for performance or discipline for bad behaviour and where these elements exist, beneficiaries deliberately choose to disobey them. The matter gets even worse when it comes to the issue of cost and benefit sharing. See Box 4.1 and Box 4.2 for case studies.

Box 4.1: Conflict over cost and benefit sharing

THE CASE OF ALKEBU LAN

- Locality of project: Mpumalanga province in Middleburg Town
- Enterprise Type: Field Vegetables, Pigs and Cattle
- Size of group: six individuals, three females and three males

Nature of Problem

This is a family project, consisting of a mother and five children (three brothers and two sisters). The brother, who initiated the project, is the sole decision maker on the project. He makes purchases, liaises with the DLA and other government departments on behalf of the group. He does marketing and sales and also decides on how income generated from the farm, is shared among members.

Despite the fact that this project belongs to relatives and that the membership size is within the laws of LRAD, little progress was discovered on the farm. Among other challenges faced by this project is the issue of lack of tractors and implements, to an extent that the project leader uses his private car (Ford Cortina) to deliver the produce at a cooperative. Now that things are not going well on the farm, partly due to problems created by the DLA, the sisters have, without serving any notice, left the project and went to seek non-agricultural employment. The income they earn is not shared with the brother and he is also not paid for the troubles he faces on the farm, yet they still use the farm for accommodation. While the brother on the farm takes care of the mother, who is sick, the sisters do not compensate him for his trouble.

As expressed by the brother managing the farm, since their withdrawal from the farm was not negotiated, it remains unclear if, in the future, they will come back to claim their dividends or profits should the project grow to make profit.

Some of the sentiments expressed in Box 4.1 challenges the DLA's, highly sensationalised directive; when it comes to the issue of membership sizes among LRAD projects. Against the backdrop of other Land Reform programmes being criticised for encouraging people to work in larger groups, for the LRAD programme, the DLA advised two things: firstly, that groups should be limited to family members and secondly, that the size of membership in group-based projects should not be more than ten.

Four lessons can however be derived from Box 4.1, as follows:

- The need to understand and appreciate the concept of “family” in the African context and its influence when it comes to the issue of cohesion amongst different individuals in a group-based project. For example in the case of ALKEBU LAN, the project leader regarded the group on the farm as a family, even when two of the elder sisters participating in the project and even him had their own children to support financially. By analysing the events in Box 4.1 it is clear that, among other things, the different needs of various families within the group, has influenced the decision by some to quit and seek job opportunities elsewhere.
- Secondly, the issue of membership size in projects should not be overstated when other important facilities on the farm (e.g. tractors and implements) are lacking. Although in ALKEBU LAN the membership comprised of six individuals there was minimal progress when it comes to productivity. During the survey it was shocking to note that the ALKEBU LAN did not have access to tractors and implements, to an extent that the project leader used his private car (Ford Cortina) to deliver the produce at a cooperative.
- Thirdly, throughout the study there were also other incidences where projects consisting of 1 to 10 members (e.g. the farm of Mr. Buti Dire, and the farm of Mr. J.M. Moloto both in the NW province) were struggling to produce on their farms. Conversely, in another separate incidence, a trust company (Sizanani), consisting of 208 individuals, was performing extremely well and that there were minimal cases of conflict. With this group the difference is that the DLA bought their farm as a going concern (the land with all facilities and equipments including livestock, tractors and implements). In sizanani, the majority (40%) of the people were related to each other. The group could also secure a loan with the Land Bank to the tune of R 1 million.

- Fourth, failure to afford LRAD beneficiaries a monthly allowance or a stipend tends to impact negatively on the moral of the beneficiaries especially among the group-based project.

As discovered during the survey, in all cases where people were working in groups of 10 or more people, the threat of people wanting to quit seeking for non-agricultural jobs was rife. In certain instances, as was the case with the Migdol project in the North-West province, social and pension grants were reported as factors discouraging commitment on the farms. Beneficiaries did not see the logic for committing their labour and time to something that would take 12 months to generate income, when they could easily receive social grants on a monthly basis.

Box 4.2: Wage dispute as a factor hampering productivity

THE CASE OF THE MIGDOL PROJECT

- Locality of Farm: 60 KM NW of Delareyville
- Size of group: 1200 individuals
- Size of grant from DLA: R18 million

NATURE OF THE PROBLEM

The first two projects, initiated by the group namely, tunnel and open-field vegetable, failed as the only available bore hole on the farm was not strong enough to irrigate the planted fields. The other problem was that the group did not have the necessary skill to run hydroponics. However, in year of 2002/2003 the group harvested maize from a 100 ha land. In the same year, the DLA paid an amount of R300 000 from some of their outstanding funds. At this juncture, some beneficiaries proposed a minimum wage, citing family needs as a reason for the request.

The management, however, decided to turn down this requests, and decided to use the money for covering basic services like water and electricity. This decision led to a break-up among the beneficiaries. In 2004 the group was left with only 22 people, who, through the assistance of the DLA, were allocated their own share of land which they could control. The people, who withdrew from the project, established an informal settlement just outside the farm and, as reported during the survey, these people are now depending on social grants from the government for survival. The financial contribution (e.g. share equity) of the people who withdrew from the project, was not addressed and as a result, the initial grant contribution, as well as dividends arising from profit, are critical issues that may come back to haunt the project in the future, especially if the remaining 22 people were to succeed.

In Gauteng, (Sebokeng area), a group of 112 beneficiaries belonging to the Indali project applied for a loan to the tune of R224 000, out of which R175 000 was used to pay monthly wages. The bad news is that this loan was not, as at the time of the interview, paid back to Land Bank. At the time of the survey productivity on the farm was declining and 82 members (73%) of the original 112 were no longer participating in the project.

By investigating the events in Box 4.2 above, three recommendations can be made, namely:

- The need to have beneficiaries on the farm, receive some stipend (minimum monthly allowance for living expenses).
- The need for the DLA to constantly monitor and inspect operations on the farms, especially among mass-based projects,
- The constitutions governing projects must be improved in a manner such that issues such as cost and benefit sharing as well as discipline for bad behaviour are handled in an effective manner.

4.3.4 Late release of funds or poor disbursement

As explained by the beneficiaries, the DLA and the Land Bank take too long to release funds. In certain instances, the first payment towards the purchase of land will be made quicker whereas the other funds, for working capital and production, will be released at a slow and inefficient manner. A total of six projects out of 12 struggling projects alluded to this challenge. However, looking into the whole picture, it is worrying to note that even amongst good performing projects (6 projects out of 25), that this matter was raised as a major concern.

Failure to release the first payment on time, as well as poor schedules for disbursement has had multiple setbacks on LRAD projects. Below follow a few examples:

Example 1: Late release of funds, tend to undermine the offer-to-purchase contract signed between the LRAD beneficiary and the seller of the farm. This contract, in most instances, makes provision for only three months for the beneficiary to raise the required funds for purchasing the farm. Due to the bureaucratic processes within the DLA and the Land Bank, most beneficiaries lost their farms at the last minute; when so many resources have already been employed (Five cases).

- Example 2:** In situations where the farm has a fixed agricultural enterprise (for example sugar, citrus, dairy and so forth), the delay in release of funds disrupts operational plans on the farm such as plans for fertilisation and irrigation (in six projects the crop on the farm was negatively affected).
- Example 3:** Sometimes the funds are released outside the farming season and this places the beneficiaries at a disadvantage, as they must wait for another six to eight months before they can plant. If, in the initial stage, some loan was already granted, it means the beneficiaries will enter into debt before the project is even started (3 cases).
- Example 4:** In instances where the beneficiaries are working in a group, waiting too long for the funds, impacts negatively on the moral of the beneficiaries, resulting in the resignation by some of the beneficiaries (2 cases).

4.3.5 Lack of cultivation skills or poor institutional support

Although lack of cultivation skills as a factor for failure was raised by 11 projects only, further investigation for this attribute revealed other important findings. For instance, among the 37 projects surveyed, only 21 projects (56%) received training in various aspects of Agri-business. Beneficiaries in sixteen projects, of the good performing category, did not receive training at all and when asked how they cope with day to day operations on the farm, a significant number (10 projects) pointed out that they rely on guidance from previous farm workers. To a larger degree, the need for training in cultivation practices and business management skills, were raised by projects that farmed in intensive enterprises such as sugar, citrus, dairy and tunnel vegetables. In Mpumalanga, two farmers producing sugar lost huge amounts of income due to the deterioration of the quality of the crop.

This happened as a result of the poor maintenance of fertilization and irrigation programme on the farm during the farm-transfer transition period. These farmers blamed the government for their plight. One farmer even made referral to a government institution based in Nelspruit; the Institute for Tropical and Subtropical Crops (ITSC) of the Agricultural Research Council. Quoting his words directly, the following was said:

“I do know of the ARC institute at Rustenburg. I always go there to receive training around the cultivation of cotton. The one here in Nelspruit is much reserved towards us, they do not make enough effort to make their services known to us. Last year I lost income from the harvest as the yield from sugar was poor”.
Mr. Walter Mandlazi.

Since the ARC does not undertake research on sugar, the quote above seeks to illustrate the extent of the problem concerning a lack of knowledge on the part of the beneficiaries, when it comes to the issue of institutional farmer-support services to be delivered by various government institutions.

While still on the issue of lack of cultivation skills, in the Globblesdal district, beneficiaries lost a supply contract with the McCain Company after they failed to produce good quality maize. The maize was meant to produce pop corns and pre-packaged frozen maize corn.

4.3.6 Water problem or a broken borehole

The problem of water or a broken borehole is common among many LRAD projects. As an example, amongst 12 failing projects, 50% mentioned this factor as a problem. Amongst the succeeding categories, five projects also raised this as a challenge. The beneficiaries gave detailed accounts of their experiences.

These included: the irrigation-water allowance being cut off by the municipality because of debt (1 project), water cut due to the occurrence of a severe drought in the area (1), the only borehole on the farm was struck by lightning (2) and in unfortunate situations theft of water related equipment (7 cases). The water problem is more serious among projects that deal with intensive enterprises such as dairy, vegetables, broilers, sugar, citrus etc.

4.3.7 Poor management of transition

This attribute refers to a situation where there is a delay, either in approval of the grant or release of the funds, and where in the interim, the relationship between the seller of the farm and the buyer is not managed. Two side effects were reported during the survey.

In one instance, the seller of the farm cancelled the deal at the last minute when so much effort and time were already employed in the process. In other instances the problem is about theft. During the transition period, farms are left without any measures for security (for example night guard) and this normally encourages vandalism and theft of important infrastructure and equipment on the farm.

Reported cases include the following:

- One farmer in Brits, NW province showed how boreholes and water infrastructure on the farm got vandalised when he was still waiting for the farm to be transferred.
- A group of 20 women in the Vryburg district, NW province showed how their olive plantation was exposed to animals to browse while they were still waiting for the farm to be transferred.
- Two projects, one in Gauteng and the other in Mpumalanga, complained about theft of water related equipment that happened during the transition for transfer of the farms.

Loss of equipment as a result of theft has seen most beneficiaries spent a lot of money trying to upgrade the infrastructure and the equipment on the farm. As an example, in NW, one farmer spent R12 000 towards the repair of a borehole, in another example, a farmer spent R70 000 towards repair of a borehole and other form of infrastructure.

4.3.8 Negative perception against the Land Bank

While most beneficiaries have negative perception against the Land Bank, this problem is more serious in the NW province. For instance, in 10 projects out of 14, found in the NW beneficiaries complained about poor service by the Land Bank. In this province beneficiaries would pass Land Bank offices and travel some 100 kilometres in order to access DLA offices. In 5 projects belong to the poor performing category; the beneficiaries complained about racism and or poor service at Land Bank. Other concerns raised by beneficiaries against the Land Bank include: the Bank's tendency to request for security even when dealing with poor farmers, its high interest rates as well as its tendency of repossessing farms among the poor inexperienced farmers.

4.3.9 Lack of organisational lobby power and lack of access to markets

The challenge of lack of organisational lobby power and lack of access to markets was mentioned by 8 projects belong to the good performing category. These farmers were practising intensive farming (sugar, citrus, dairy and poultry) business. According to them; the markets for these types of enterprises are sophisticated and complex. In order for one to sell at a satisfactory level, a contract must first be secured with a trade agent and furthermore adherence and compliance to certain standards (for example Euro Gap, quality and hygiene) must first be proven. The kinds of contracts given by agents tend to favour farmers who have an advantage of economies of scale³.

The issue of lack of representation and lack of participation in strategic meetings dealing with trade and agri-business was reported as a key concern also. In Nelspruit for instance, black farmers complained about being discriminated as a result of their lack of understanding of Afrikaans and that their produce was not accepted at a nearby cooperative as a result. While these claims could not be verified, apparently most black farmers overcame the problem by requesting their neighbouring white farmers to deliver the produce on their behalf.

³ Economies of scale refers to a situation where farmers are able to buy inputs in high volumes thereby being in a position to bargain for discounts and able to secure supply contracts due to their ability to supply high volumes of produce to the markets.

4.4 CONCLUSION

The purpose of the study was to assess if there is productivity taking place among transferred farms and in situations where there is none, to determine factors hampering productivity. Farms targeted include those that have been transferred in the past twelve or more months. Out of the 37 farms visited, 6 were not in production and thus classified as poor performers. Another six projects were in production but level of production was declining as compared to the one of the previous season. This category of farms was also regarded as poor performers. The remainder of the other 25 projects had a mix of excelling performers (high value of output with access to formal markets) and good performers (high value of output but without access to formal markets).

The financial and descriptive profiles among poor and good performing projects, as well as for the individuals in these projects, have been compiled and comparisons have been made. The good performing projects comprised of individual members that could cede a high amount and a high value of own contribution, the majority had a higher level of education (had senior certificate), had business skills and experience outside agriculture and, other than LRAD, could access further finance such as a Land Bank loan or even credit with third party financial intermediaries. Furthermore, farms belonging to this category had a low level of population density and a high gross value of output per hectare.

The poor performing categories portrayed a hopeless picture, where even at an early stage of applying for LRAD, individuals, instead of agricultural assets, could only cede own labour as own contribution. This state of affairs led to a situation where poor people ended up working in large groups on farms. The habit of working in larger groups was premised on the idea of pooling resources (including LRAD grants) together and was seen as a good strategy to minimise labour cost. This development however did not help, as the bulk of the poor performing projects comprised of highly crowded farms. The factors cited as reasons for poor performance are many; 13 across all projects but the three most important ones included: Insufficient or no tractors and implements, poor coordination between Land Bank and the DLA and conflict among members.

Between the poor performing and the good performing categories, individuals had responded differently to their challenges. In general, wealthy farmers projected a sense of independency and bravery as they could confront government to lodge complains. Among the poor farmers there was a sense of fear as farmers will sit with their problems and not confront relevant authorities to raise their grievances. On the other hand, poverty also contributed to the behaviour of poor farmers not lodging their complaints as government offices relevant for receiving complains were located far away and thus travelling costs remained one of the constraints.

Between what the beneficiaries have raised as factors for poor performance and what the descriptive analysis has put forward as critical factors, two sets of factors can be identified. These are the farm-level operational factors and the external institutional factors.

The farm-level operational factors include the following: Size of own contribution, number of people in a project, level of education, experience and skills in business management, availability of tractors and implements, water availability and good water infrastructure on the farm. External institutional factors include: coordination and integration of policies and services between the Land Bank and the DLA, structure and amount of funds, efficient disbursements of funds, access to markets, farmer organisational lobby power and representation as well as the image and reputation of the Land Bank among black farmers.

According to the study results, wealthy farmers (those with farming assets, high level of education and managerial skills) stands a better chance to survive in LRAD projects as compared to poor and uneducated farmers. In conclusion the three factors listed as priority areas, namely: Insufficient or no tractors and implements, poor coordination between the Land Bank and the DLA and conflict among members are recommended as the basis for new policy formation going forward into the future.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter seeks to consolidate and summarise the results of the four chapters delivered in the study for LRAD. The objectives of the study were three fold. First objective as in line with objectives of LRAD was to investigate if there is productivity among already transferred farms. Second, to establish factors hampering productivity among transferred farms. Third, using the initial involvement of the Land Bank as a control, to assess if LRAD is well placed within the DLA

Furthermore the technical and institutional support rendered by the DoA, was evaluated and attempts were made to see how the DLA and the Land Bank have exploited these services. The different chapters delivered in the study include: chapter 1, dealing with the historical context of land ownership in South Africa, chapter 2, practical implementation of LRAD by the three institutions (the DLA, the Land Bank and the DoA), chapter 3, for descriptive and financial analysis of LRAD projects while Chapter 4 delivered the survey results around factors hampering production among transferred LRAD farms.

5.2 APPROACH FOLLOWED

LRAD Data from the files and records of the DLA and the Land Bank that comprises the information of beneficiaries in the three provinces of South Africa (North-West, Mpumalanga and Gauteng) has been collected. A total of 308 cases have been subjected to financial and descriptive analysis.

Due to logistical and administrative challenges on part of the DLA, out of the initial 308 projects considered for descriptive analysis, only 37 projects could be sampled for field surveys. The projects were however selected randomly using the random stratified sampling technique.

The approaches of the analysis were two fold.

- First, was to deduce, as per information derived from both the descriptive and financial analysis as well as the survey results, the factors that were critical towards enhancement of productivity among the transferred LRAD farms. Throughout the analysis the policy and implementation models used by the DLA and the Land Bank were evaluated and comparisons were made.
- Second, was to carry out some field interviews and learn from the beneficiaries, as to what are the factors that hampered productivity on the farms.

This holistic study approach has rendered the study comprehensive as many key parameters underpinning the delivery of the LRAD programme were addressed; starting with the LRAD policy, its objectives, the implementation model by the Land Bank and the DLA, the actual performance of the project on the ground and concluding with the views of the beneficiaries themselves.

5.3 RESEARCH RESULTS

The study has succeeded in addressing all the three objectives set-out initially. First by evaluating the initial sets of objectives set-out for the programme, it became clear that the objectives were too many and unrealistic given certain time frames and resources within the DLA. On the other hand, it was discovered that there is a mismatch between the objectives and policy framework of LRAD, where various elements of the policy served to work against some of the objectives. Most of the objectives have been found to be irrelevant, not time based and not measurable. The other observation was that the time and budgetary constraints faced by the DLA will make most of objectives non-achievable.

The institutions that implemented LRAD used different models for implementation and different policies when assessing LRAD applications. Across the different segments of the policy and the implementation models, the ones of Land Bank, to a larger extent have succeeded in ensuring that there is productivity among transferred LRAD farms.

This achievement alone, however did not qualify the Land Bank as the preferred candidate to run with LRAD, as the success was mainly due to the Land Bank elitist approach of dealing with wealthy farmers. On the other hand the DLA policies and implementation strategies were geared at achieving high targets for land transfers and demographics, yet they failed to ensure productivity on the farms.

However, on the following parameters: the exploitation of the DoA support structures and systems, the institutional support, gender equality issues, exploitation of the planning grant and the issue around family orientated projects, the DLA has delivered an outstanding performance as compared to the Land Bank. The descriptive and financial analysis on LRAD projects has demonstrated that the Land Bank loan was an important proportion of the funding structure towards purchase of LRAD farms, in certain cases well up to 40%. This finding has two implications; firstly it means that Government itself does not have the sufficient budget to fund the LRAD programme and that the need for the DLA to partner with other financial intermediaries such as the Land Bank remains paramount. Second, from a financial point of view, it means that the Land Bank has benefited from having at its disposal a reliable security in the form of land at a reasonably lesser cost.

Looking at the role of the DoA in LRAD, a lot of good initiatives can be reported albeit no real impact among the beneficiaries. These include things like: rendering of feasibility studies, conduct of soil tests, skills transfer on agricultural production and business management skills, as well as its assistance towards development of farm business plans. On the negative side, one of the development programmes within the DoA, the CASP programme was not delivered effectively as in 97% of the projects surveyed beneficiaries have denied receiving CASP funding. These farmers also did not know about the existence of CASP programme. Contrary to the good work of the DoA, there seems to be a poor relationship between the Land Bank and the DoA as the Bank failed to exploit services from the DoA, the majority of which were available at no cost.

Regarding the field interviews and the farm audits a lot of intelligence that will seek to streamline future policy interventions was unearthed.

Firstly, at a failure rate of 32% (12 farms out of 37) within a period of four years since the beginning of the LRAD programme, DLA policies and implementation strategies have proven to be unsustainable. Second, the size of LRAD grants is small given the level of financial requirements. A significant number of LRAD projects had to rely on loans and credit in order to survive. On the other hand, the bulk of the failure projects could not secure loans or credit. While performance of the Land Bank projects among other things could be attributed to the state of wealth and high level of education of the beneficiaries, there is however positive lessons to be learned from the Land Bank's approach. The lessons include: the speed with which the Bank have released funds and the issue about the evaluations methods (productive value approach) for the farms.

Interviews carried among key people in LRAD projects have resulted in identifying thirteen different factors regarded as the real cause of failure among the already transferred LRAD farms. Of these thirteen factors, the following were short listed as the three most important ones, namely:

- Insufficient or no tractors and implements (16 projects out of 37, 24%),
- Conflict among members (13 projects, 35%),
- Poor coordination between the DLA and the Land Bank (19 projects, 51%),

Along the different chapters presented in the study there are some correlating results and corroborating evidence as to the factors hampering productivity among the transferred LRAD farms. For instance in chapter 2, the policy analysis have shown how the sliding scale technique would inadvertently encourage mass-groupings in projects, in chapter 3, it was deduced that the majority of failure projects had a problem of high farm-population-density or over crowding and how these mass-groupings struggled to raise sufficient own contribution to secure high LRAD grants. In chapter 4, the beneficiaries themselves mentioned the problems of “conflict among members” and “lack of tractors and implements” as factors contributing to their failure. Thorough interrogation of case studies in chapter 4, also served to expose the underlying challenges relating to group-dynamics among LRAD farms.

Between what the beneficiaries have raised as factors of poor performance and what the descriptive analysis has put forward as critical factors, two sets of factors could be identified. These are the farm-level operational factors and external institutional factors.

The farm-level operational factors include the following: size of own contribution, number of people in a project, level of education as well as experience and skills in business management, availability of tractors and implements, water availability and good water infrastructure on the farm and the issue of group dynamics (size of membership on a farm and structure of such membership).

External institutional factors include the following: The need for effective coordination and integration of policies and services between the Land Bank and the DLA, allocation of the right structure of funding and the efficient disbursement of funds, market access and farmer organisational lobby power and representation. The LRAD programme, in its current design, tends to favour wealthy and affluent (high level of education with business and/or managerial acumen) farmers more than the poor farmers.

The “willing buyer willing seller” principle was analysed at length. What was discovered was that the directives and procedures outlined by this principle are not convenient for poor farmers. Most of the LRAD beneficiaries did not engage in farming before and as a result, could not understand the procedures to be followed when it comes to purchase of a farm. On the other hand the procedures themselves have proven expensive. To address some of the aforesaid challenges, the government could among other things consider to:

- Buy the suitable land first,
- Identify farmers that have the right credentials to run an agri-business,
- Engage the chosen farmers in an incubation programme so as to empower them with essentials skills for running a farm-business and
- Finally provide the right funding package coupled with the effective institutional support structure.

LRAD, in its current design (selection criteria, implementation strategy, and its placement within the DLA) is bound to fail unless its current policies and implementation models are reviewed and improved. The concluding remarks is that both the two institutions needs to review current policies and strategies so as to reflect a strategic intent that is geared at enhancing agricultural development among the poor emerging farmers of South Africa.

5.4 FURTHER RESEARCH

Throughout the study, the various funding structures that support the LRAD programme were unearthed. These include among other things: the LRAD grant itself, the planning grant, the CASP, the Land Bank loans, as well as the third party financial schemes. However when calculating the cost of Land Reform the government tends to focus on the cost of buying land and the cost of transferring such land. This kind of approach has let to a situation whereby budgets allocated for Land Reform becomes insufficient.

Seeing that there are still more hectares to be transferred as in line with the set target of transferring 30% of white owned land by 2014, the government should consider commissioning a study to investigate the real cost of Land Reform. On the other hand, some of the factors highlighted as key challenges (for example lack of markets and lack of organisational lobby power) are high-level cross cutting policy imperatives. These factors affect not only the LRAD programme but the broader commercial agricultural sector. It will make a business sense for the DLA and/or the Land Bank to investigate the impact of some of the macro economic policies (e.g. Marrakech agreement, liberalisation of South African markets and deregulation) on Land Reform.

At an operational level a trend is visible where the DLA and the Land Bank channel a significant proportion of their funds towards high intensive and specialised projects. This study ran short of investigating the sustainability of intensive projects in the long-term.

From a risk management point of view, it will be financially sound for the Land Bank and the DLA to study the risk profile of various agro enterprises, with major focus being around the sustainability of intensive and specialised projects. Based on this background, three key investigations are worth pursuing:

- Further research to investigate the impact of liberalisation and deregulation on the performance of land reform,
- Further research to determine the real cost of delivering land reform among the poor of the poorest.
- To study the risk profile and sustainability of different agro-enterprises

BIBLIOGRAPHY

Abawi, K. 2008. Qualitative and quantitative research, reproductive health research methodology training at the Ministry of Public Health, World Health Organization/Geneva Foundation for Medical Education and Research, Geneva, Switzerland. Kabul, Afghanistan. 3-12 January 2008. [online]

Available at http://www.gfmer.ch/qualitative_quantitative_research_Abawi_Afghanistan_2005

[accessed 10 February 2009]

Baseley, P. 2002. Issues in mixing qualitative and quantitative approaches to research. *Applying Qualitative Methods to Marketing Management Research*. UK: Palgrave Macmillan, pp 141-156. Buber, R. Gadner, J. & Richards, L. (EDS). 2004.

Bell, A. 2004. Ten steps to SMART objectives. National Primary and Care Trust Development Programme. [online] Available at www.natpact.nhs.uk.

[Accessed: 15 June 2008].

CDE (Centre for Development and Enterprise). 2005. Land Reform in South Africa, A 21st century perspective. Centre for Development and Enterprise, Policy in the making 14. [online] Available at: www.Sarpn.org.za/document/.../p1505_DLA..June..2005 [Accessed: 10 January 2010)

De lange, A, Nesamvuni, E, Nyamande, A, Stroebel, A, & Swanepoel, F. 2004. The evaluation of empowerment policies, strategies and performance within the agricultural sector. Final NDA report-integrated report, empowerment study report. Directorate Research Development, University of the Free State. February 2004.

FAIRFAX COUNTY DEPARTMENT OF SYSTEMS MANAGEMENT FOR HUMAN SERVICES. 2003. Overview of sampling procedures, common pitfalls in conducting a survey. [online] Available at <http://www.fairfaxcounty.gov/aboutfairfax> [accessed 15 May 2005]

Feinberg, H.M.2006. Protest in South Africa: Prominent Black Leaders' Commentary on the Natives Land Act, 1913-1936. *Historia*, Vol. 52 (2): 119-144. November 2006. [online] Available at: [http://www.up.ac.za//1Feinberg_Protest%20\(2006\).pdf](http://www.up.ac.za//1Feinberg_Protest%20(2006).pdf)

Greenhalgh, T. & Taylor, R. 1997. How to read a paper: Papers that go beyond numbers (qualitative research). *BMJ*, Vol. 315: 740-743. 20 September 1997. Unit of evidence-Based Practice and Policy, Department of Primary Care and Population Sciences, University College London Medical School.

Hall, R. & Lahiff, E. 2004. Budgeting for land reform. Debating land reform and rural development, Policy Brief, No 13. August 2004. Programme for Land and Agrarian Studies. School of government, University of the Western Cape

Hall, R. 2008. Financing Land Reform, budget trends and priorities for the future. Programme for Land Reform and agrarian studies, University of Western Cape. Presentation to the portfolio committee on agriculture and land affairs, Parliament. 11 March 2008. [online]. Available at: <http://www.pmg.org.za/files/docs/080311plaas.ppt>. [Accessed: 10 July 2009].

Hart, T.G.B. 2003. What have we learned? *South African Journal of Agricultural Extension*, Vol. 37, (32): 15-27, Oct 2003

Heuser, B. L. 2005. The Ethics of Social Cohesion. *Peabody Journal of Education*, Vol. 80 (4): 8-15. Department of Leadership, Policy and Organizations, Peabody College of Vanderbilt University.

Human Science Research Council (HSRC) 2003. Land Redistribution for Agricultural Development: Case studies in three provinces. Final report, 2003. Integrated Rural and Regional Development, HSRC Pretoria.

Jacobs, P, Lahiff, E. & Hall, R. 2003. Evaluating land and agrarian reform in South Africa. An occasional paper series 1. Programme for land and agrarian studies (PLAAS). School of government, University of the Western Cape. September 2003. www.uwc.ac.za/plaas

Jacobs, R. 2002. Land Reform and Agriculture Budget Review for 2002/2003. Surplus People Project, October 2002. [online]. Available at: http://www.spp.org.za/reports/budget_review_2002_final1.pdf

Jaeger, R.G. & Halliday, T.R. 1998. On confirmatory versus exploratory research. *Herpetological*, 54 (supplement), 64-6

King, E. & Samii, C. 2009. Interventions to promote social cohesion in Sub-Saharan Africa. 3ie Synthetic Reviews No. 2, protocol March 2009. Department of Political Science, University of Columbia, New York. [Online] Available at: <http://www.3ieimpact.org/admin/pdfs.synthetic/18.pdf>. [accessed:2009-12-10]

Kollapen, J. 2004. The Right to Land. 5th Economic and Social Rights Report Series, 2002/2003 financial year. South African Human Rights Commission, 21 June 2004.

Leedy, P.D. & Ormrod, J. E. 2005. Quantitative Research Methodologies Part IV. *Practical Research, Planning and Design* 8th Edition, International Edition. 179-185.

Leedy, P.D. 2005. Qualitative Research Methodologies Part III. *Practical Research, Planning and Design* 8th Edition, International Edition. 133-136.

Louw, C. 2005. Botched deal crushes farmer. *Farmers Weekly*, Vol. 24, (95017): 31-33, 1 July 2005.

Lyne, M.C. & Darroch, M. 2003. Land Redistribution in South Africa: Past Performance and Future Policy. University of Natal, Pietermaritzburg, February 2003. Posted by the BASIS CRSP Management Entity, Department of Agricultural and Applied Economics. [online] Available at www.basis.wisc.edu [Accessed: 09 May 2008]

Mahlangu, R. 2006. Face to face interviews, regarding the efficiency of the internal administration process for LRAD. Land Bank LRAD administrator, Rustenburg Branch.. 15 August 2006, Telephone no: (014) 590 2246

MALA (Ministry of Agriculture and land Affairs). 2001. Land Redistribution for Agricultural Development (LRAD) policy document: A Sub-Programme of the Land Redistribution Programme of South Africa. August 2001

MALA (Ministry of Agriculture and land Affairs). 2005a. Land and Agrarian reform in South Africa: An overview in preparation for the Land Summit. 27-31 July 2005. Ministry for Agriculture and Land Affairs. South Africa.

MALA (Ministry of Agriculture and land Affairs). 2005b. Report of the National Land Summit. 27-30 July 2005 Nasrec. Johannesburg Gauteng, South Africa.

MALA (Ministry of Agriculture and land Affairs). 2006. Land and Agrarian reform in South Africa: 1994-2006. Paper presented by minister of Agriculture and Land Affairs, MS AT Didiza, at the international conference on agrarian reform and rural development, Brazil. March 2006. South Africa.

Mandlazi, W. 2004. Face to Face interviews around the issue of lack of cultivation skills and poor institutional support. Interviews conducted at Nelspruit on 15 December 2004. Telephone no: 082 925 2194

National Department of Agriculture (DoA) 2007. A National Review of the Comprehensive Agricultural Support Programme (CASP). A report compiled by Umhlaba Rural Services, March 2007. www.umhlaba.com

Ngwanya, T. 2003. Land Redistribution in South Africa our achievements and Challenges. Mr. Tozi Ngwanya, acting chief land claims commissioner, South Africa.[unpublished] The Department of Land Affairs, National Office. Pretoria.

Niemann, I. 2005. Methodology: empirical research. University of Pretoria. [online] Available at http://www.upetd.up.ac.za/thesis/available/etd_10062005 [accessed 10 Jan 2006]

Nkosi, Z. 1998. Spirituality, Land and Land Reform in South Africa. [Online]. Available: www.wcc-coe.org [Accessed 10 April 2009].

Platt, G. 2007. SMART objectives, workshop on communicating population and health research to policymakers. [Online]. Available: www.2.eastwestcenter.org/research/-worksheet.pdf [Accessed 10 April 2010]

Purdie, R. 2008. How to set SMART objectives. Important project consulting firm, UK 24 June 2008. [Online]. Available: <http://importantprojects.co.uk> [accessed November 2008].

RDP (Reconstruction and Development Programme of South Africa). 1996. A policy framework, ANC 1994, [19-20].

Saturnino, M. & Borras, J.R. 2003. Questioning market-led agrarian reform: Experiences from Brazil, Colombia and South Africa. *Journal of Agrarian Change*, Vol. 3 (3): 367-394, July 2003. Blackwell publishing Ltd, Henry Bernstein and Terrence J. Byres 2003.

Seeletse, S.M. 2001. Sampling Devotion for efficient and effective Representative Sample Surveys. *Pakistan Journal of Applied Sciences*. Vol.1 (4): 504-507, 2001. Department of Statistics, University of South Africa, P.O. Box 392, Pretoria, 003, South Africa. 2001.

The Constitution of the Republic of South Africa. 1996. Property clause, 24-25. (32): 1251-1253, 4 February 1997. Statutes of the republic of South Africa-Constitutional Law.

US, Council on Education for Public Health 2005. Outcomes assessment for school and program effectiveness: Linking planning and evaluation to mission, goals and objectives. Washington, DC 20001. Phone: (202) 789-1050

White Paper on Land Policy. 1997. Land Policy, September 1998. The Department of Land Affairs. National Office. Pretoria. [online] Available at <http://www.Wn.apc.ord.dlawww.2.eastwestcenter.org/> [Accessed 10 April 2010].

Woodard, S.H. 2001. Description and comparison of the methods of cluster sampling and of quality assurance sampling to assess immunization coverage. Department of vaccines and biologicals, World Health Organization 2001. [online] Available at <http://www.who.int/vaccines-documents> [accessed 02 June 2004]

Yount, R. 2006. Populations and sampling. *Research Design and Statistical Analysis for Christian Ministry*, chapter 7, 4th edition. 2006, [online] Available at <http://www.napce.org/documents/research-design-yount> [accessed 04 April 2007]

Zikmund, W.G. 2000. Exploring marketing research. *Exploring Research*. Chapter 6. [online] Available at <http://www70.homepage.villanova.edu/hae-kyong.bang/06-exploratory> [accessed 19 July 2008]



EVALUATION OF THE IMPLEMENTATION OF LRAD IN THE THREE PROVINCES OF SOUTH AFRICA

Q1 BACKGROUND INFORMATION OF THE PROJECT

1.1 Project name _____

1.2 Year at which it was found _____

1.3 Land Bank/DLA project _____

1.4 Questionnaire number _____

1.5 Name of numerator: _____

1.6 Name of interviewee (respondent) & Tel No¹: _____

1.7 Date: _____

1.8 The name of the nearest town: _____

1.9 Distance from the nearest tarred road: _____

10. Province _____

11. Local rainfall, average of past five years: _____

12. Dominant tribe in the project: _____

¹ Always insist on getting at least three different contact numbers of the respondent

Q2 DEMOGRAPHIC INFORMATION OF BENEFICIARIES

2.1 Name of the Group/individual farmer _____

2.2 In case there is more than one beneficiary in a group, is the group a company/ CC or association? Answer: _____

2.3 How many beneficiaries are there in the group? _____

2.4. Among the group, how many people are related to each other?

2.5 How are they related to each other? _____

2.6 How many people in the group are male and how many are female? _____

2.7 What is your age, or that of the people in the group?

20-35 yrs	35-45 yrs	45-60 yrs	Above 60	others

2.7 What is your level of education or of the people in the group?

Never attended School	Below Matric	Passed Matric	Diploma	Degree

2.8 What is your livelihood status or that of the people in the group?

Unemployed	Employed	Business	Social Grants	Retirement Package/funds	other

2.9 What is your marital status or that of the people in the group?

Married	Single	Divorced	Widowed

2.30 Are you in anyway disabled or are any of the people in the group disabled?

Yes		No	

2.31 If the answer to 2.30 above is yes, please provide details: _____

Q3**THE PROFILE OF THE FARM**

3.1 What is the name of the farm? _____

3.2 How big is the farm? _____

3.3 What is the previous farm enterprise practiced on the farm? _____

3.4. What is the current enterprise practised now if any? _____

3.5 How far is the farm from the nearest Town? _____

3.6 What is the name of the nearest Town? _____

3.7 How far is the nearest Tar-road to the farm? _____

3.8 Was there infrastructure or equipment found on the farm?

Yes		No	
-----	--	----	--

3.9 If the answer top 3.7 above is yes, please provide the list if equipment of nature of infrastructure found on the farm?

3.10. For what price was the farm bought? _____

3.11 May you please provide us with the cultivation structure of the farm, how many hectares are for?

Grazing	Crops	Game	Planted Pasture	Horticulture crops	Other

3.12 Are you happy with the status and/or quality of the farm?

Yes		No	
-----	--	----	--

3.13. If the answer to 3.12 above is no, please provide details

3.14 As in terms of 3.13 above were you aware of the problem before buying the farm?

Yes		No	
-----	--	----	--

3.15 Has the problem ever been reported to DLA/DoA or Land Bank?

Yes		No	
-----	--	----	--

3.16 If the answer to 3.15 above is no, why has the problem never been reported?
 Answer _____

Q 4 FARMING & FINANCIAL BACKGROUND OF BENEFICIARIES

4.1 Did You or any of the members in the group got involved in farming before applying for LRAD?

Yes		No	
-----	--	----	--

4.2 If the answer to 4.1 is YES, please provide details:_____

4.3 Did you or any of the members in the group own or rent a farm in the past?

4.4 What was the nature of agricultural enterprise practiced on the farm?

4.5 Where did you get credit or funds for the farm operations?

Land Bank	Co-operative	Commercial Banks	Government	Other

4.6 Did you or any of your members have agricultural assets before applying for LRAD, if so please provide the following details?

	Number	Value
Tractors		
Implements		
Bakkies (Trucks)		
Cattle		
Goats		
Sheep		
Poultry		
Ostriches		
Bags of seed		
Bags of fertilizer		
Delivered stock at cooperative		
Farm (Plot)		
Cash in the Bank		
Policies		
Credit or loan from the Bank/cooperative		
Other.....		

4.7 At time of applying for LRAD and/or loan, were you requested to put forward own contribution or security, if so please provide details?

4.8 What was the overall value of security or own contribution put forward?

Q5**PROCESS RELATING TO ACCESS OF THE FARM**

5.1 Before buying this farm, did you have previous experience or knowledge about the procedure relating to purchase of a farm?

Yes		No	
-----	--	----	--

5.2 If answer to 4.1 above is no, who assisted in the process of searching for a farm?

White Farmer	Estate/Property agent	DoA officials	Land officials	Bank	NAFU	Other

5.3 Did you have any challenges in searching for a farm?

Yes		No	
-----	--	----	--

5.4 If answer to 4.3 above is YES please provide details:_____

5.5 How were the challenges as in 4.4 above resolved?

5.6 Were you happy with the following attributes of the farm?

Selling Price		Size		Quality		Locality		Water		Other	
Yes	No	Yes	No	Yes	No	yes	No	Yes	No		

5.7 If the answer to any of the questions above is no, please provide details:

5.8 What was the selling price of the farm?_____

5.9 Were there evaluations carried out before the farm was bought?

Yes		No	
-----	--	----	--

5.10 If the answer to 4.9 above is no, why were there no evaluations done?

5.11 If there were evaluations carried out, who did them?_____

5.12 Who paid for the evaluations?_____

5.13 What more services were carried on the farm and by whom?_____

5.14 From which segment of the market was the farm bought?

Auction/Open Market	Previous Employer	Municipality	DoA	Land Bank	Other

Q6 PROCESS RELATING TO ACCESS TO LRAD OR LAND BANK LOAN

6.1 Where did you first place an application for LRAD?

Land Bank	DLA	DOA	Other

 6.2 What influenced the decision for choice of an institution?

6.3 How far did you travel in order to access the institution?

Less than 10 km	10 to 20 km	20 to 40 km	40 to 100 km	Above 100 km

6.4 What was the application for?

LRAD	LOAN	CASP	Planning grant	Other

6.5 What was the purpose of the funds applied above? _____

6.6 Were all funds applied for, approved? _____

6.7 Which ones were not approved and why? _____

 6.8 How did the decline or the disapproval of certain funds affect you project plan?

6.9. How long did it take from the initial placement of the application, to have LRAD approved?

Less than a month	One month to two months	Three months or more	Other

6.10 In case it took more than a month for any of the funds to be approved, what was the reason for the delay?

I was never told	Budget Deficit	High volume of applications	Other

6.11 How long did it take from the time of the approval, to have the funds released?

Less than a month	One month to two months	Three months or more	Other

 6.12 In case it took more than a month, what was the reason for the delay?

6.13 Did you or your project apply or receive funds from somewhere else other than the DLA and/or Land Bank, and if yes what were these funds for?

Q 7 EARLY CARE AND INSTITUTIONAL SUPPORT

7.1 After placing application at any of the institution did any of the government officials visit you on the farm?

Yes		No	
-----	--	----	--

7.2 If the answer to 7.1 above is yes, what was the purpose of the visit?

7.3 Since placing an application for LRAD, did you receive any training or attend any workshop?

Yes		No	
-----	--	----	--

7.4 What was the training or the workshop all about?

7.5 Who paid for the training or the workshop? _____

7.6 At the time of making an application who assisted you with the conduct of the following?

Business plan	Project Design	Feasibility study	Soil Tests	Farm Evaluations

7.7 Who paid for the services above? _____

6.8 As in terms of Q6.6 above if no assistance was provided how did you go about fulfilling the services above? _____

7.8 Did you have any challenges with regard to conduct of any of the following?

Business plan	Project Design	Feasibility study	Soil Tests	Farm Evaluations

7.9 Other than the above listed services, is there other assistance that you would like to receive from government or the Land Bank?

Yes		No	
-----	--	----	--

7.10 If the answer to 6.9 above is YES please provide details: _____

Q 8	STATUS OF PRODUCTIVITY ON THE FARM
------------	-------------------------------------------

8.1 In which year did you relocate into the farm? _____

8.2 How quick did you move into the farm after it has been registered in your name or after the application was approved?

In a month's time	In one to two months period	Three months later	Other

8.3 If the answer to 8.1 above is after one month, was the reason for the delay?

8.4 After relocating to the farm, how quick did you start with your farming operations?

After one month	after two months period	Three months later	Other

8.5 If the answer to 8.4 above is after one month what was the reason for the delay?

8.6 Are you now having some form of farming activity taking place on the farm now?

Yes		No	

8.7 If the answer to the above is no, what is the reason for not farming?

8.8. In terms of the farming activity taking place now, in Rand Value what is the value of the produce?

On the farm	In the store room	Delivered at Co-op	other

8.9 Is the current value for the produce lower or higher than the one produced in last year's season?

Lower		Higher	

8.10 If the answer to 7.9 above is lower, what is the reason for the decrease in value?

8.11 Are you using all the capacity on the farm for production?

Yes		No	

ANNEXURE A



8.12 If the answer to 8.11 above is no, what is the reason for failing to use all the capacity?

8.13 In case of low level of productivity or no productivity at all what are the factors or reasons that let to the situation?

8.14 Of the many reasons/factors cited above, list three that are most important?

8.15 May you please rate the level of service you have received from the following institutions?

	Excellent	Good	Fair	Weak	Poor
Land Bank					
DLA					
DoA					

8.16 In which areas would you like the above institutions to improve their services?

8.17 What is your overall impression of LRAD, as compared to other programmes of Land Reform (e.g. Restitution and Land Tenure or SLAG)?

8.18 Is your situation better now that you have joined LRAD or worse as compared to in the past, if worse please provide reasons?

**Q9****AFTER CARE AND INSTITUTIONAL SUPPORT**

9.1 Since relocating into the farm, has there ever been an official from an institution who visited you on the farm?

Yes		No	
-----	--	----	--

9.2 If answer to 9.1 is Yes what was the reason for the visit?

9.3 From which institution was the official? _____

9.4 Please indicate if you had ever received training on the following?

Bookkeeping		Business Management		Marketing		Agricultural Production		Other	
Yes	No	Yes	No	Yes	No	Yes	No	Yes	No

9.5 If the answer to any of the attributes in 9.4 above is yes, which institution organised or funded the training?

9.6 Since relocating on the farm, did you come across any problem that required attention of government?

Yes		No	
-----	--	----	--

9.7 If the answer to 9.6 above is Yes, what was the nature of the problem, and which institution was relevant to address the problem?

9.8 Did any of the government institution assist you in resolving the problem; if so how long did they come to your rescue?

9.10 If the answer to 9.8 above is no, what was the reason for the government failing to assist you?

9.11 In the absence of government assistance how was the problem resolved?

Q10**ACCESS TO MARKETS AND CREDIT**

10.1 In the past or current season did you harvest or produce anything on the farm?

Yes		No	
-----	--	----	--

10.2 If yes, what happened to the harvest or produce?

Shared among members of the group		Delivered to a cooperative		Delivered to wholesale and/or retail market		It got spoilt and rotten		Other	
Yes	No	Yes	No	Yes	No	Yes	No	Yes	No

10.3 May you please indicate how far the following are from the farm?

	> 10 km	10 - 20 km	20 - 40 km	40-100 km	>100 km
10.3.1 Auction					
10.3.2 Cooperative					
10.3.3 National Fresh Produce Market					
10.3.4 Wholesale or retail					
10.3.5 Other.....					

10.4 If the produce was delivered to a cooperative, retail or wholesale market who assist you, with the marketing and delivery of the produce?

10.5 Did you ever sign any contract or got into some arrangement for selling your produce, if Yes please provide details? _____

10.4 How much price did you get for the produce? _____

10.5 Are you happy with the price you received, and if No why? _____

10.6 What is the relationship between yourself and neighbouring white commercial farmers? _____

10.7 Do you or any of the members in the group belong to the following bodies?

Farming Cooperative		Farmer's association/trust		Marketing Agent		Farmer's Union		Other	
Yes	No	Yes	No	Yes	No	Yes	No	Yes	No

10.8 Since arriving n the farm did you receive any help or assistance from a white commercial farmer, and if so, what was the nature of assistance?

10.9 Since arriving on the farm, did you receive extra funding or credit elsewhere?

10.10 What was the credit used for? _____

10.11 Was it easy to access the credit, and if no please provide details? _____

10.12 With regard to access to markets and credit, what form; if any of assistance would you like to get from government? _____

Q 11	DECISION MAKING AND PARTICIPATION IN THE PROJECT
-------------	---------------------------------------------------------

11.1 May you please tell us about the management systems and procedures on the farm in terms of the following?

Questions	Answer
11.1.1 Who organises Meetings	
11.1.2 Who chairs the meetings	
11.1.3 Who writes minutes during the meeting?	
11.1.4 Who keeps records of farm transactions?	
11.1.5 Who decides on farm purchases and what procedure is followed?	
11.1.6 Who decides on sales and marketing of the produce and what procedure is followed?	
11.1.7 Who decides on applying for a credit and what procedure is followed?	
11.1.8 Who checks on attendance of participants in the project?	
11.1.9 Who disciplines people who do not come to work & how?	
11.1.10 Who decides on remuneration or benefit sharing for participants and what procedure is followed?	
11.1.11 Who offers physical labour on the farm and why such person/people?	
11.1.12 Others.....	

11.2 Are the above arrangements permanent or rotational, if rotational please provide details? _____

11.3 In terms of 11.1 above how was the management structure decid _____

11.4 I would like to know about different roles played by men and women?

BETWEEN MALES AND FEMALES	FEMALES	MALES	WHY?
11.4.1 Who ploughs lands?			
11.4.2 Who dig weeds?			
11.4.3 Who does the fencing?			
11.4.4 Who milks the cattle?			
11.4.5 Who drives/operates machinery?			
11.4.6 Who plants seeds?			
11.4.7 Who absent themselves most between men and women and why?			
11.4.8 Between single and married people who absent themselves most and why?			

11.5 Was there ever a quarrel among members regarding role and responsibilities on the farm?

Yes		No	
-----	--	----	--

11.6 If answer to 11.5 above is Yes please provide details? _____

11.7 How was the matter resolved? _____

Q 12 GROWTH PROSPECTS OF THE FARM OR PROJECT

12.1 Since having started on the farm, what is your impression about the future of the project, do you see it grow or collapse? _____

12.2 In the past few years what has been the situation on the farm with regard to the following?

Year →	2001	2002	2003	2004
12.2.1 Did your group/or yourself buy new machinery, tractors or implements?				
12.2.2 How was such financed?				
12.2.3 Did your group/or yourself receive a loan or credit?				
12.2.4 How much was the credit?				
12.2.5 Was the credit repaid back?				
12.2.6 Did your group/or yourself buy more animals?				
12.2.7 Was there improvements made on the farm?				
12.2.8 If so what were they?				
12.2.9 Have there been some of the members withdrawing from the group?				
12.2.10 If so how many were they?				
12.2.11 Who were they? ²				
12.2.12 Has there ever been new members joining your group?				
12.2.13 How many new members joined?				
12.2.14 Is there a Bank account for the farm business?				
12.2.15 How much is there in Bank?				
12.2.16 Have there been threats from creditors due to poor payments for credit or loan?				
12.2.17 Has your capacity to farm on the lands increased or declined in the past few years				
12.2.18 Has you livestock been decreasing or declining?				

² Please ask the respondent to give you the names and profiles of such members that withdrew from the project. Where possible an original list/register can be used as a reference whereby names will just be ticked off

Q 13

MARKETING AND SALES OF PRODUCE

13.1 Where do you sell your produce?	
13.2 Where is the nearest co-operative from here?	
13.3 Does any of your members, yourself or Group have shares or interest in a co-operative or any Agric body?	
13.4 Where is the nearest Auction from your project?	
13.5 Other than the above, where else do you sell your produce?	
13.6 How is that done?	
13.7 Does your group know about commodity prices?	
13.7.1 How?	
13.7.2 Who organizes for marketing/ Supply contracts?	
13.7.3 Does your group have a supply/delivery contract or quota	
13.8 With which company?	
13.9 How much is supplied?	
13.10 Is the group or you happy with the arrangement?	
13.11 What is bad about the arrangement?	
13.12 For how long do you want to continue to supply to this company?	

Q 14

FUTURE PROSPECTS OF THE PROJECT OR THE GROUP

14.1 Does the group/or yourself intend to hire more labour in the future?	
14.2 If so why?	
14.3 Does the group/or yourself intends to buy another farm?	
14.4 Why?	
14.5 How, where are you going to get the money?	
14.6 Does the group/or you aims to register more people into its group or sell some shares?	
14.7 If so why?	
14.8 Does the group/or yourself wish to other businesses other than farming in future?	
14.9 If so what?	
14.10 and how?	
14.11 Does the group aim to export its produce to overseas markets in the future?	
14.12 If so which produce?	
14.13 How?	

This brings us to the end of the interview; I would like to thank you for your participation in the study.

Thank you.....

Land Redistribution for Agricultural Development:
A Sub-Programme of the Land
Redistribution Programme



MINISTRY FOR AGRICULTURE AND LAND AFFAIRS

- Production for markets
Some participants will enter LRAD to engage in commercial agricultural activities. They will access the grant and combine it with normal bank loans, approved under standard banking procedures, and their own assets and cash to purchase a farm. These farmers will typically have more farming experience and expertise than those accessing land for subsistence or food-safety-net-type activities.



[Handwritten signature]

Land Redistribution for Agricultural Development

Orientation

Land reform encompasses three distinct components, namely the restitution, tenure reform, and the redistribution programmes. The redistribution programme, in turn, has different components, or 'sub-programmes':

- Agricultural Development - to make land available to people for agricultural purposes
- Settlement - to provide people land for settlement purposes, and

The collective aim of Land Reform is to ensure the transfer of 30% of all Agricultural land by 2014.

This document serves as the policy framework document for the Agricultural Development sub-programme (LRAD) of the land redistribution programme. The document therefore aims to describe the objectives of the Agricultural Land Redistribution sub-programme, and to set out the operational principles of the sub-programme.

The initial framework document was developed by the Departments of Agriculture and Land Affairs, approved by the Minister, and presented to the MinMec in April 2000. Upon acceptance of the general framework document, MinMec requested the Departments of Agriculture and Land Affairs to elaborate LRAD. LRAD was formally launched in August 2001. Implementation experience since 2001 has prompted the revision the original framework document in 2008 and its approval by the Minister in May 2008.

Objectives of the LRAD

The agreed objectives of the LRAD are to:

- increase access to agricultural land by black people (Africans, Coloureds, and Indians) and to contribute to the redistribution of approximately 30% of the country's commercial agricultural land owned by white people or solely white-owned company over the duration of the programme
- contribute to relieving the congestion in over-crowded former homeland areas
- improve nutrition and incomes of the poor who want to farm on any scale
- overcome the legacy of past racial and gender discrimination in ownership of farmland
- stimulate growth from agriculture

- create stronger linkages between farm and off-farm income-generating activities
- expand opportunities for vulnerable groups who want to farm on any scale
- promote environmental sustainability of land and other natural resources.

Basic principles of LRAD

The following key principles underlie LLRAD:

- Implementation is decentralised: local-level officials provide opinions and assistance in preparation of project proposal
- Inter-departmental collaboration will take place at all spheres of government
- Projects will be undertaken in a manner consistent with district, provincial spatial development plans or area-based plans
- Projects are reviewed and approved at provincial level
- Local-level staff assist applicants, but do not approve the application
- The mode of implementation is adopted in the interest of maximum participation and empowerment of beneficiaries, speed of approval and quality of outcomes.

Vulnerable groups

The LRAD provides an excellent vehicle for empowering the following vulnerable groups:

- Women
- Older persons
- Youth
- People living with HIV/AIDS
- People living with disabilities
- Unemployed

Potential farmers from the above-mentioned groups will be targeted through local planning instruments such as the Integrated Development Plans (IOPs) and Area-Based Plans (ABPs). The LRAD will focus on expanding and accelerating access to economic opportunities including skills development and finance to these groups of people.

In line with local goals such as the Women in Agriculture and Rural Development (WARD) and international commitments such as the Beijing Platform for Action (1995, 2005) this sub-programme must ensure that women are able to participate on an equal footing with men in the course of all aspects of implementation. It also means that women-only projects are allowed for and encouraged, and that not less than one third



of the transferred land resources must accrue to women.

Key features of LRAD

LRAD is designed to provide grants to black South African citizens (Africans, Coloureds, and Indians) to access land specifically for agricultural purposes, or to make better use of land already accessed (e.g. in communal areas). Acquisition of land by absentee owners for speculative purposes will not be supported under LRAD.

Beneficiaries can access grants under LRAD on a sliding scale, depending on the amount of their own contribution in kind, labour, and/or cash. Every beneficiary individual makes at least the minimum contribution in cash, labour, and/or kind. Those who make the minimum contribution of R13 000 receive the minimum grant of R111 152. Those who make a higher contribution of own assets, cash, and/or labour receive a higher grant, determined as a basic proportion of their own contribution (Box 1). The table below indicates the amount of grant available for each level of own contribution. The grant and own contribution are calculated on a per individual adult basis (18 years and older). If people choose to apply as a group, the required own contribution and the total grant are both scaled up by the number of individuals represented in the group. The approval of the grants is based on the viability of the proposed project, which takes into account total project costs and projected profitability.

Own contribution by beneficiaries in labour can be for up to R13 000 per applicant (individual). In order for the applicant to claim the full R13 000 in own labour towards the own contribution requirement, the business plan must show evidence that the applicant intends to devote a significant amount of own labour towards the establishment and operation of the project.

The contribution in kind could be calculated by costing assets such as machinery, equipment, livestock, and other assets that a beneficiary may possess. Land and rights in land may also be used as own contribution, if the land forms part an integral part of the intended project (additional land). If land is used as own contribution, then the market value of the land will be used as calculation towards the own contribution. The cash contribution can be in the form of one's own cash contribution to the project, or borrowed capital, or some combination of the two. These three forms of

own contribution can be added in any combination to make up the required own contribution from the beneficiary.

Beneficiaries will select the position on the scale at which they wish to enter LRAD, determined by their objectives and ability to leverage the grant with their own resources. The grant would be used to cover expenses such as acquisition of land, land improvements, infrastructure investments, capital assets and short-term agricultural inputs. Expenses associated with housing top-structure, however, will not be covered.

Small farmers may choose to access land as a group, either with the intention of maintaining it within group ownership, or of subdividing it. Group production projects, however, will be discouraged. Some beneficiaries will have the skills and resources to manage larger farms. In that case, total project costs can range up to R1 000 000 or higher, of which the grant can cover up to R430 857. The remainder (R569 143) would be financed through a combination of normal bank loans approved under standard banking procedures, and own assets and cash. Farmers choosing this option would have to possess managerial skills adequate to handle the debt, as well as prior experience in agriculture.

Beneficiaries under LRAD (e.g. rural dwellers, labour tenants, farm-workers, and people at present farming on smallholdings and others) can purchase land on offer from any owner, whether public or private. The land must be intended for an agricultural use of their choosing, such as improved food production to improve household consumption, grazing, production for markets, and other agricultural activities. Land Affairs and Agriculture officers, as well as officials from other government departments, must play a facilitative role to ensure that applicants are able to access information about land on the market.

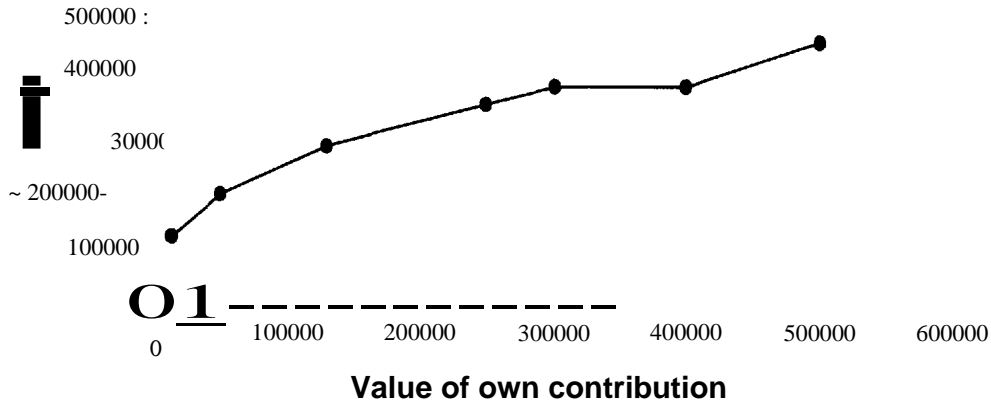
The approved general conditions for all land reform grants apply to this product.



Box 1: Sliding scale of grants and own contribution

The minimum grant amount is R111 152 which can be accessed with an own contribution of R13 000. The maximum grant is R430 857, which will require an own contribution of at least R500 000. If the participant contributes more than this amount(s) he/she still can only access a grant of R430 857. Between the minimum and maximum amount, a continuum of grant amounts is available, depending on the participants' own contribution (as highlighted in the graph).

Matching Grant



Taking a range of own contributions as illustration, we have the following:

Own contribution R	Matching grant R	Proportion of total cost %	
		Own contribution	Grant
13000	111 152	10	90
70000	207812	25	75
190000	293107	35	65
500 000	430857	54	46

Scale of grant and own contribution

The following table provides basic information on available grants for a certain own contribution, or alternatively, on what contribution should be made to receive a certain grant.

Land Redistribution for Agricultural Development Version 3: July 20118

Area	10,000	20,000	30,000	40,000	50,000	60,000	70,000	80,000	90,000	100,000
Contribution										
-mribuon		135,325	157,051	171,787	182,740	196,722	207,812	218,439	229,382	239,916
1,000		137,355	158,574	172,818	184,202	198,197	208,851	219,532	230,414	240,995
2,000		139,416	160,112	173,855	185,491	199,683	209,895	220,629	231,451	242,080
3,000	111,152	141,507	161,665	174,898	186,789	200,682	210,945	221,732	232,493	243,169
4,000	115,598	143,629	163,233	175,947	188,097	201,685	211,999	222,841	233,539	244,264
5,000	119,066	145,784	164,817	177,003	189,508	202,694	213,059	223,955	234,590	245,363
6,000	121,448	147,971	166,416	178,065	190,929	203,707	214,125	225,075	235,646	246,467
7,000	123,877	150,190	168,030	179,133	192,361	204,726	215,195	226,201	236,706	247,576
8,000	126,354	152,443	169,660	180,208	193,804	205,749	216,271	227,332	237,771	248,690
9,000	128,881	154,730	170,762	181,289	195,257	206,778	217,353	228,355	238,841	249,809
Own	110,000	120,000	130,000	140,000	150,000	160,000	170,000	180,000	190,000	200,000
Contribution										
Corribuon	250,309	255,360	260,514	265,771	271,135	276,606	282,189	287,883	293,693	299,620
1,000	250,809	255,871	261,035	266,303	271,677	277,160	282,753	288,459	294,281	300,219
2,000	251,311	256,383	261,557	266,835	272,220	277,714	283,318	289,036	294,869	300,820
3,000	251,814	256,896	262,080	267,369	272,765	278,269	283,885	289,614	295,459	301,422
4,000	252,317	257,409	262,604	267,904	273,310	278,826	284,453	290,193	296,050	302,024
5,000	252,822	257,924	263,129	268,439	273,857	279,384	285,022	290,774	296,642	302,628
6,000	253,328	258,440	263,656	268,976	274,405	279,942	285,592	291,355	297,235	303,234
7,000	253,834	258,957	264,183	269,514	274,953	280,502	286,163	291,938	297,830	303,840
8,000	254,342	259,475	264,711	270,053	275,503	281,063	286,735	292,522	298,425	304,448
9,000	254,851	259,994	265,241	270,593	276,054	281,625	287,309	293,107	299,022	305,057
Own	210,000	220,000	230,000	240,000	250,000	260,000	270,000	280,000	290,000	300,000
Contribution										
Contnbuon	305,667	311,835	318,129	324,549	331,098	337,780	344,597	351,551	357,573	361,165
1,000	306,278	312,459	318,765	325,198	331,761	338,456	345,286	352,254	357,931	361,526
2,000	306,891	313,084	319,402	325,848	332,424	339,133	345,977	352,959	358,289	361,888
3,000	307,504	313,710	320,041	326,500	333,089	339,811	346,669	353,665	358,647	362,250
4,000	308,119	314,338	320,681	327,153	333,755	340,491	347,362	354,372	359,006	362,612
5,000	308,736	314,966	321,323	327,807	334,423	341,172	348,057	355,081	359,365	362,975
6,000	309,353	315,596	321,965	328,463	335,092	341,854	348,753	355,791	359,724	363,338
7,000	309,972	316,227	322,609	329,120	335,762	342,538	349,450	356,503	360,084	363,701
8,000	310,592	316,860	323,254	329,778	336,433	343,223	350,149	356,859	360,444	364,065
9,000	311,213	317,494	323,901	330,438	337,106	343,909	350,850	357,216	360,804	364,429
Own	310,000	320,000	330,000	340,000	350,000	360,000	370,000	380,000	390,000	400,000
Contribution										
Contnbuon	364,793	368,457	372,159	375,897	379,673	383,487	387,223	390,254	392,210	394,175
1,000	365,158	368,826	372,531	376,273	380,053	383,870	387,571	390,449	392,406	394,372
2,000	365,523	369,195	372,903	376,649	380,433	384,254	387,920	390,644	392,602	394,569
3,000	365,889	369,564	373,276	377,026	380,813	384,638	388,269	390,840	392,798	394,767
4,000	366,254	369,934	373,650	377,403	381,194	385,023	388,619	391,035	392,995	394,964
5,000	366,621	370,303	374,023	377,780	381,575	385,408	388,969	391,230	393,191	395,161
6,000	366,987	370,674	374,397	378,158	381,957	385,794	389,319	391,426	393,388	395,359
7,000	367,354	371,044	374,772	378,536	382,339	386,179	389,669	391,622	393,584	395,557
8,000	367,722	371,415	375,146	378,915	382,721	386,527	389,864	391,818	393,781	395,754
9,000	368,089	371,787	375,522	379,294	383,104	386,875	390,059	392,014	393,978	395,952
Own	410,000	420,000	430,000	440,000	450,000	460,000	470,000	480,000	490,000	500,000
Contribution										
Contnbuon	396,150	398,136	400,131	402,136	405,608	409,273	412,971	420,408	428,064	430,857
1,000	396,348	398,335	400,331	402,337	405,973	409,641	413,343	420,787	428,450	
2,000	396,547	398,534	400,531	402,699	406,338	410,010	417,394	424,995	428,835	
3,000	396,745	398,733	400,731	403,061	406,704	410,379	417,769	425,377	429,221	
4,000	396,943	398,932	400,932	403,424	407,070	410,748	418,145	425,760	429,607	
5,000	397,142	399,132	401,132	403,787	407,436	411,118	418,522	426,143	429,822	
6,000	397,340	399,331	401,333	404,151	407,803	411,488	418,898	426,527	430,037	
7,000	397,539	399,531	401,533	404,514	408,170	411,858	419,275	426,911	430,252	
8,000	397,738	399,731	401,734	404,878	408,537	412,229	419,653	427,295	430,467	
9,000	397,937	399,931	401,935	405,243	408,905	412,600	420,030	427,679	430,683	



Land owners, communities; individuals and agents can initiate actions on their own. For example, a present owner of a large commercial farm could decide to sell a section of his/her land under LRAD, and could hire a service provider (at his/her own cost) to draw up an attractive package. Individuals or small groups of people wishing to access land can choose a farm which is at present on the market, and offer to buy it under LRAD, with subdivision and apportionment to meet their needs. A professional developer could purchase farmland (outside LRAD, with own financing), subdivide it, establish basic infrastructure, and then sell it to beneficiaries under LRAD.

Beneficiaries may design their own projects or can approach the Department of Land Affairs to hire specialists or service providers. Although some farms may change hands as entire units, most may have to be subdivided in order to meet the objectives of beneficiaries. An owner of agricultural land seeking to subdivide in order to sell part to a beneficiary under LRAD will not be required to seek a permit. Until the restrictions on subdivision are fully rescinded, any subdivision undertaken for transactions under the land reform programme will be automatically preapproved without further action on the part of the seller.

The permission to subdivide for sale of land under LRAD will be effective immediately upon the launch of LRAD. A permit will be required only if land is to be rezoned for agricultural use (e.g. from commercial to agricultural or from forest to agricultural use).

Beneficiaries may choose to access land under one of several forms of contract. The choice of contract is up to the participant. For example, land can be purchased outright. Beneficiaries may purchase land individually. Alternatively, they could purchase within a group such as a common property association.

The size of the grant per participant will depend on the amount of the beneficiary's contribution, and not on the form of the contract.

Planning Fund

LRAD allows applicants to design their own projects and applicants may choose to accept the assistance of a service provider. Where necessary, the Department will appoint service providers via the Department of Land Affairs' procurement system and database for service providers. Payments made to service providers appointed through the Department of Land Affairs' procurement system, as well as payments to valuers and expenses associated with subdivision, etc. will be made from a separate "planning fund" which will be a set at a maximum of 15% of the total Capital Transfers Budget per annum. The planning fund will not be available to service providers appointed directly by applicants. It is not mandatory to employ a service provider if the applicants themselves can design a project and meet all the requirements necessary for project approval. This will ensure maximum applicant participation and empowerment.

Qualifying criteria

LRAD will be open to black South African citizens, 18 years and older (Africans, Coloureds, and Indians); who are willing to live on or near the land and operate or work on it; and who are committed to use the grant to purchase land for agricultural activities. Men and women will have equal access to all benefits under LRAD, and women will be actively encouraged to apply.

The following categories of people are not eligible to apply for LRAD grants:

- Politicians, who hold public office
- traditional leaders who receive remuneration from the state
- employees from all three spheres of government (National, Provincial and Municipal)
- employees of all public entities listed in the schedules of the Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Permanent residents who are issued permanent residence permits as prescribed in terms of Sections 26 and 27 of the Immigration Act, 2002 (Act NO.13 of 2002)]



For the purposes of LRAD, agricultural activities can include crop and livestock production at a range of levels from subsistence to commercial. Successful applicants will be required to participate in training courses and activities designed to assist them in successful operation of their farms and gardens.

Beneficiaries will be allowed to graduate from smaller to larger farms, and will be able to access LRAD to facilitate investment to increase scale. Smaller farmers can therefore trade up through LRAD if they have sufficient own contributions. Some beneficiaries can expect to benefit several times through trading up, although lifetime benefits for a single applicant are limited to an accumulated amount of R430 857. Two principles govern the graduation process. First, upon applying for a second or third grant, the required own contribution will be gauged not in relation to the new grant being applied for, but rather in relation to the total amount of grants that have been accessed thus far plus the new grant. Second, assets acquired by means of the grant can be counted as an own contribution when applying for an additional grant. Those who have previously accessed previous LRAD and SLAG grants are eligible to apply, though priority will be given to first-time applicants.

Examples of how beneficiaries can use LRAD

Beneficiaries can use LRAD for a continuum of projects, ranging in size from food safety net and subsistence production to farms of any size that is integral to the sustainability of the project. People can access LRAD as individuals or as groups at any level. Beneficiaries might want to access LRAD to achieve varying objectives, such as food safety-net projects, equity schemes, production for markets, and others. These are now discussed briefly for illustrative purposes only-because LRAD encourages beneficiaries to design whatever works best for them.

Food safety-net

Many beneficiaries may wish to access LRAD to acquire land for food-crop and/or livestock production to improve household

food security. This can be done on an individual or group basis. Many of these projects will be at the smallest end of the scale, because poor individuals may be able to mobilise only the minimum own contribution in cash, labour, and materials.

Equity scheme

Beneficiaries can make the requisite matching own contribution, and receive equity in an agricultural enterprise equal to the value of the grant plus the own contribution. Because under the terms of LRAD, the grant is intended for people actively and directly engaged in agriculture, the grant recipient in the case of the equity scheme will be both a co-owner and employee of the farm. The purchased equity should be marketable in order to retain its value.

Production for markets

Some beneficiaries will enter LRAD to engage in commercial agricultural activities. They will access the grant and, together with normal bank loans and their own assets and cash, they will purchase a farm. These applicants will typically have greater farming experience and expertise than those accessing land for subsistence or food-safety-net-type activities.

LRAD is flexible enough to accommodate a number of types of projects. Purely residential projects would not be supported under LRAD unless beneficiaries seek to establish household gardens at their new residences.

Procedures for implementation

Beneficiaries, once informed about the options available within LRAD, select the desired amount of the grant according to their preferred own contribution. They will also decide whether to apply individually or as members of a self-selected group. They will then locate an available area of land, either through their own knowledge, or through the assistance of an estate agent or a DLA or agricultural officer. The land should have the necessary water rights if irrigation is contemplated, and the rights should be specified in the sale contract and reflected in the land price. Once a suitable area of land is located, the participant(s) will enter into a contingent



contract with the seller, with the contingency consisting of approval of the project under LRAD.

With or without assistance of a service provider, the participant prepares a farm plan or land use proposal (project proposal), indicating the intended agricultural use of the land and estimating a rough projected cash flow. The participant obtains evidence of additional financial resources (loan, own resources, or both). In terms of contributions in own labour, an individual applicant can claim up to R13 000.

The participant next submits all documentation to the local agricultural officer to receive his or her opinion regarding the feasibility of the farm plan (project), including its agricultural potential, value of the land relative to market prices for that of comparable quality and access to water, cash-flow projections, and environmental assessment. Once the local agricultural officer has provided an opinion, the participant submits the proposal package to the provincial grant committee (Which comprises officers of Land Affairs and Agriculture), which meets as required.

A complete package ready for submission would include:

- The land-use proposal/farm plan (project proposal)
- A draft purchase or rental offer for the land
- A list of beneficiaries and their contributions, if the proposal is not individual
- Confirmation from the local agricultural officer that the seller is in legal possession of title and confirmation from a professional valuer (registered with the Council of Valuers) that the land price is reasonable in comparison with recent land transactions in the area
- Evidence of own contribution and any necessary financing in addition to the grant (draft loan agreement, own funds)
- Opinion of the local agricultural officer on feasibility (agricultural and environmental issues).

Upon review of the package, the provincial grants committee makes one of three determinations:

- Complete and in conformity with the requirements of LRAD: approve
- Complete but not in conformity with requirements of LRAD: do not approve and state reasons
- Incomplete: return to applicant and state reasons.

The provincial DLA chief director, who is part of the provincial grant committee, will together with the Provincial Grant committee approve or reject the application. The provincial Grant Committee will decide either way.

The Provincial DLA chief director will be the official to who delegated powers in terms of the PFMA will reside from the Director-General: Department of Land Affairs, but should not and must not exercise that authority outside of and separate from the criteria used by the Provincial Grant Committee.

Frequently, farm workers or former farm workers may be residing on the land being contemplated for purchase. The interests these existing residents must be borne in mind. A number of different solutions are possible, including accommodating them within the group of applicants, and assisting them to apply for other grants.

Implementation responsibilities

Primary responsibility for design and implementation rests with the applicants. They select the chosen amount of the grant, engage a service provider if required, identify available land, enter into a contingent contract with the seller, apply for a normal bank loan through standard banking procedures, if necessary, engage a transfer agent, prepare a farm plan, submit all documentation to the local agricultural officer for an opinion, assemble the completed proposal package, and submit it to the provincial grant committee. Some applicants, however, may need assistance in order to develop their project proposal. For instance, some people may need assistance in exploring the different possibilities for what they would propose to do with the land, to identify and manage



a suitable service provider, or identify an appropriate piece of land. Indeed, some projects may be of such a simple nature that government officials can assist applicants in less time than it would take to secure the services of an appropriate service provider.

Where the applicants do choose to engage a service provider, the service provider will work directly with them. The service provider can assist in any or all stages of the process as requested by the applicants. For example, an agent may be asked to help identify land for purchase, to assist beneficiaries in preparation of a farm plan and land-use proposals, to prepare a submission to the provincial grant committee, and to assist and facilitate the process of grant approval, in case the approval committee has queries.

Agricultural and land officers, and perhaps officers from other government departments at local level, will play an important role in implementation. They provide a technical opinion on the proposed farm plan, land-use and environmental assessment, and in this way contribute to the quality of proposals. They also can assist in identifying land. They certify the accuracy of the seller's title and make a preliminary check to see that the land price is reasonable. They can also advise beneficiaries or service providers in negotiations with sellers.

Local-level officials will be an important source of information and training for participants and agents (clarifying technical and legal aspects of LRAD). They must be adequately trained to fulfil this role. The local agricultural offices should provide assistance to applicants and service providers seeking help for and evaluation of their proposals. The offices should have all the necessary information about procedures for implementation, and how to draw up a complete application.

The provincial grant committee should consist of provincial officers of Land Affairs including the provincial accounting officer, namely the provincial Land Affairs chief director as well as officials from the Provincial Department of Agriculture together with other necessary Departments and stakeholders. The committee's main functions are to review project proposals, and to make a

recommendation. The committee should check that the proposal package is complete and coherent, and whether, based on the information provided in the proposal, the project is eligible for approval under LRAD. The provincial grant committee should not be expected or required independently to verify the accuracy or veracity of the submission, because much of the verification will become evident from the documentation (e.g. contingent contract, draft loan agreement, etc).

The Departments of Agriculture and Land Affairs at national level will be responsible for the overall design of LRAD and monitoring of its impact. The Department of Land Affairs should budget for the land grant components of LRAD, while the Department of Agriculture must budget for the support component and to ensure that its provincial counterparts are financially prepared to meet their commitment to provide post-transfer agricultural support. Both Departments should provide training for beneficiaries, service providers and local land and agricultural officers; coordinate policy issues and interdepartmental activities; monitor the flow of funds to the provincial level; monitor and evaluate the outcomes of the land reform programme, including random *ex post* financial and physical audits of approved projects. The Department of Land Affairs will rely primarily upon existing procedures that may be modified for grant disbursement.

Relationship of LRAD to restitution and tenure reform

Programmes driven in terms of tenure security and restitution legislation, most notably the Land Reform (Labour Tenants) Act, the Extension of Security of Tenure Act and the Restitution of Land Act, which in their own accord allow for state grant support, aim to improve certain landless persons' tenure insecurities - converting a *de facto* situation into a *de jure* reality. The Restitution process aims to restore people's tenure rights they lost due to apartheid legislation.

LRAD can address the tenure insecurities of persons who have no land and who want to farm, opening therefore an opportunity for black South Africans who have no tenure security presently to



access the sub-programme directly without necessarily first applying for assistance in terms of the Tenure Security or Restitution Programmes. Such support would then be framed by the conditions prescribed by LRAD.

Tenure security beneficiaries, including persons who have restored their rights in land through the restitution process, may subsequent to securing and improving their immediate land rights, seek to enter LRAD. Recipients of grants under the tenure reform and restitution programmes would in this instance have to show an intention to farm or enter Agri-business in order to be eligible for grant financing and support under LRAD, as well as make an own contribution, which may include the land secured to them through the restitution programme or other grants, if the land forms part an integral part of the intended project (additional land).

Rural dwellers, who have an interest to secure their tenure and livelihoods and a willingness to produce commercially, and who have a need for both settlements and production and who qualify under the Settlement Production Land Acquisition Grant (SPLAG), can access both the SPLAG and LRAD on the same land.

Implications for the disposal of agricultural state land

The proposal developed does not directly address the disposal of state land, but has several implications for moving ahead with the process. For example, for state land against which restitution claims have been lodged, the claims can be evaluated and settled. Those who receive land against their claims can enter LRAD if they opt to use the land for farming. LRAD would provide additional resources for start-up and operation of new farms, as noted above in the discussion of implications for restitution. State land that is free of claims can be offered to the general public through LRAD, or through other sub-programmes of the redistribution programme.

The State would have to publicly announce its intentions to dispose of its agricultural land, in order to invite beneficiary bids for the purchase of such land. The State would in this case be a seller of agricultural land and beneficiaries

the buyers of land under LRAD. The time of three months should be sufficient to enable beneficiaries-either as groups or individuals-to place their bids and to secure a grant under LRAD.

To effect this process, all information about state and parastatal agricultural land would have to be compiled and made available to beneficiaries upon request and selected location, so that they can be able to participate effectively. An interim provincial grant committee should also be established together with, possibly, an interim land grant account with a financial institution. The selection of a financial institution should be done through a competitive tendering system.

Key implications for Government

LRAD already has sufficient legal foundation to permit immediate implementation. Several important new features are included in the design, however, and require governmental actions in order for LRAD to achieve its optimum impact. Some of these are listed as follows, and others may be identified during further elaboration of LRAD and a continued consultative process.

Subdivision and land use management

The ability of participants to subdivide existing large land units will be critical to the success of LRAD. Signature of the repeal of the Subdivision of Agricultural Land Act, Act 70 of 1970 is still pending, and in the meantime subdivision requires the approval of the Minister. Retention of the requirement for ministerial approval prior to subdivision could in principle create a serious obstacle to implementation. However, the Provision of Land and Assistance Act, Act 126 of 1993, makes provision for subdivision, such that approval for subdivision is not necessary when the Minister or Minister's delegate has approved the project for funding.

Another function formerly served by the Subdivision of Agricultural Land Act was that of land use zoning. For this reason, work is underway to develop a comprehensive land use management system, which will incorporate the present approaches to regulating land use. The

land use management system will serve as a mechanism to enable municipalities to regulate growth and influence land-use patterns. The system should include, inter alia, a procedure for changing the designated classification of land by use.

Agricultural services

Faster-paced land reform will create an increased demand for advisory services on the part of beneficiaries. Implementation of LRAD will therefore create added urgency for reform of the agricultural extension service. The Department of Agriculture should redirect its budget and re-deploy staff to create a special programme to assist land reform beneficiaries, both during the process of preparing proposals and after purchase of the land. Staff of the Department will need special training to prepare them to fulfil these functions. Public extension agents need not meet all of the increased demand for services, however. The private sector can play a greater role in the provision of services, as it does in many other countries. The public extension service should concentrate on the provision of advisory services that benefit a wide public, such as advice to land-reform beneficiaries, veterinary disease control, agents and market information.

Advice that only benefits primarily the recipient can in many cases be well provided by the private sector, such as assistance with farm-business plans, or proper application of fertiliser. Costsharing mechanisms that defray part of the expense of purchased agricultural advisory services are used in many countries and can be adopted in South Africa. Cost sharing can improve the client orientation of service providers, and can give the farmer increased power to get services that are most useful. Several pilots of alternative models of service provision are at present underway, and their results will be evaluated early in summer.

A number of people presently employed by the agricultural extension service can be expected over time voluntarily to leave the public service to acquire land under the land reform programme. Some of these people with skills and training may concurrently enter the private sector as service providers.

Rural infrastructure

Accelerated implementation of land reform will create additional demands for infrastructure. Correspondingly, appropriate investment in infrastructure will increase the returns to land reform. Therefore, it will be important to create mechanisms within the programmes of municipal infrastructure to allow rural communities to express their needs and for the redistribution programme in general - and LRAD in particular - to respond to these demands.

Financing LRAD

The capital budget to finance the land grants will be allocated at the National Department of Land Affairs. No approvals other than that of the provincial grants committee taken in public session will be required prior to authorisation of release of funds. On approval of the provincial grants committee, the provincial chief director of Land Affairs will issue an order to the financial manager of the provincial Land Affairs to release the funds. The provincial office of Land Affairs will submit regular reports on the flow of funds and disbursement.

In order to co-finance their share of land reform project costs, the Department of Agriculture launched the Comprehensive Agricultural Support Programme (CASP) in 2004. The primary aim of CASP is to provide effective agricultural support and to streamline the provision of services to different levels of clients within the farming continuum. The CASP focuses on six pillars:

- ›> On and off farm infrastructure,
- ›> Information and knowledge management,
- ›> Financial assistance,
- ›> Technical and advisory services,
- ›> Training and capacity building, and
- ›> Marketing and business development.

CASP specifically targets emerging farmers, including women in rural areas.

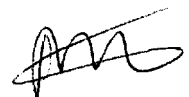
Because LRAD is demand directed, its total costs will depend on demand for grants of various amounts, and can be estimated only after observing demand in the early stages of implementation.

Key responsibilities

The Departments of Agriculture and Land Affairs at national level would jointly share responsibility for the design of LRAD and GASP, policy issues, and design of training programmes (See Table on the next page). The Department of Land Affairs would primarily be responsible for the design of LRAD and monitoring flows of LRAD funds to the provincial level and auditing the use of funds, as well as monitoring and evaluation of the outcomes. The Department of Agriculture (National) would be accountable for the design of GASP and monitoring flows of GASP funds to the provincial level and auditing the use of funds, as well as monitoring and evaluation of the outcomes.

Provincial Departments of Agriculture and Land Affairs would sit on the provincial grant committee and would access information from the national monitoring effort to track performance of LRAD in the province. GASP funding for eligible LRAD projects would also be approved at this level.

Both the Departments of Agriculture and of Land Affairs have operational structures at local government level. Where both departments have staff in place, they should share responsibilities under LRAD. Local governments and municipalities should be requested to provide an audit of agricultural smallholdings within their boundaries. The agricultural staff would advise on technical and agronomic issues relating to the farm proposal, and offer an opinion as to its technical and financial feasibility. Staff from the Department of Land Affairs could advise on the land price, and assist with title search.



Department of Agriculture	Department of Land Affairs
National level	
<ul style="list-style-type: none"> • Design of LRAD <ul style="list-style-type: none"> • Provide training for participants, agents and local land and agricultural officers • Coordinate policy issues and interdepartmental activities • Coordinate policy, procedural and budget issues in terms of CASP • Monitor and evaluate outcomes of LRAD 	<ul style="list-style-type: none"> • Design of LRAD • Budget for capital transfers under LRAD • Monitor the flow of funds to the provincial level • Coordinate policy issues and interdepartmental activities • Monitor and evaluate outcome of LRAD
Provincial	
<ul style="list-style-type: none"> • Accountability for LRAD in the province • Participate in various provincial committees • Convene the grant approval committee and provide the secretariat <ul style="list-style-type: none"> • Approval and disbursement of CASP funds for land reform projects 	<ul style="list-style-type: none"> • Responsibility for approving release of grants • Accountability for LRAD in the province • Participate in various provincial committees • Land survey, title registration and transfer
Local	
<ul style="list-style-type: none"> • Provide a technical opinion on the proposed farm plan, land-use and environmental assessment • Provide agricultural support services <ul style="list-style-type: none"> • Work with District Council counterparts to ensure project congruence with IDPs and area-based plans. 	<ul style="list-style-type: none"> • Provide information and training for participant and agents (clarifying technical and legal aspects of LRAD) • Work with District Council counterparts to ensure project congruence with IDPs and area-based plans.

Monitoring and evaluation

The LRAD sub-programme features a streamlined process of approval at the provincial level relying on documentation prepared and submitted by participants. This approach is necessary in order to deliver the desired rate of implementation. Streamlined approval can function well together with a system of selective audits and monitoring and evaluation.

The audits should, for a selected group of approved projects, confirm the accuracy and veracity of the information submitted. The audits will be both financial (to determine that expenditures have been as permissible under LRAD guidelines) and physical (to determine that the expenditures actually took place and that purchased goods and services are in place on the farm enterprise). The evaluation activities will assess the quality of outcomes and the impact on beneficiaries and rural communities more generally.

APPROVED BY:

~'7-

MS L XINGWANA (MP)

MINISTER FOR AGRICULTURE AND LAND AFFAIRS

DATE: J~/'D'b! D1>

Offices of the Department of Land Affairs

For further information contact the offices of the Department of Land Affairs in your province:

Provincial offices	
<p>Mpumalanga Provincial Land Reform Office (PLRO) Private Bag X11305 4th Floor Home Affairs Building Cnr Brander and Hershall Street Nelspruit 1200 Tel: (013) 755 3499 Fax: (013) 755 3529</p> <p>Limpopo PLRO Private Bag X9312 2nd Floor Andria Building Cnr Schoeman and Rissikl Street Polokwane 0700 Tel: (015) 297 3539 Fax: (015) 297 4988</p> <p>Western Cape PLRO Private Bag X9159 3rd Floor Nedbank Building 63 Strand Street Cape Town 8001 Tel: (021) 4262947 Fax: (021) 426 2702</p> <p>Kwazulu-Natal PLRO Private Bag X9000 188 Berg Street Pietermaritzburg 3200 Tel: (033) 3554300 Fax: (033) 394 3753</p> <p>Northern Cape PLRO Private Bag X5007 6th Floor New Public Building Cnr Stead and Knight Street Kimberley 8302 Tel: (053) 831 4090 Fax: (053) 831 4095</p>	<p>Eastern Cape PLRO P.O Box 1958 Permanent Building 42 Terminus Street East London 5201 Tel: (043) 7434689 Fax: (043) 743 4786</p> <p>Gauteng PLRO Private Bag X01 Old Traffic and Safety Building 9 Bailey Street Arcadia 0007 Tel: (012) 310 6500 Fax: (012) 328 3127</p> <p>North West PLRO Private Bag X74 Ground Floor Development House Cnr University Drive and Profident Street Mmabatho 2735 Tel: (018) 3921070 Fax: (018) 384 6410</p> <p>Free State PLRO Private Bag X20546 5th Floor SA Eagle Building 136 Maitland Street Bloemfontein 9300 Tel: (051) 400 4200 Fax: (051) 430 2392 Toll Free* (Free State only): 0800002299</p>



Offices of the Department of Agriculture

For further information contact the offices of the Department of Land Affairs in your province:

Provincial offices

Mpumalanga Department of Agriculture, Conservation and Environment

Private Bag X11219
Nelspruit
1200
Tel: (013) 766 6068
Fax: (013) 766 8445

Eastern Cape Department of Agriculture and Land Affairs

Private Bag X0040
Bisho
5605
Tel: (040) 609 3472
Fax: (040) 636 3462

Limpopo Department of Agriculture

Private Bag X9487
Polokwane
0700
Tel: (015) 294 3000
Fax: (015) 2944504

Gauteng Department of Agriculture, Conservation, Environment and Land Affairs (DACEL)

P.O Box 8769
Johannesburg
2000
Tel: (011) 3551900
Fax: (011) 333 0620

Western Cape Department of Economic Affairs, Agriculture and Tourism

Private Bag X1
Elsenburg
7607
Tel: (021) 808 5111
Fax: (021) 808 5000

North West Department of Agriculture, Conservation and Environment

Private Bag X2039
Mmabatho
2735
Tel: (018) 389 5026
Fax: (018) 389 5768

Kwazulu-Natal Department of Agriculture and Environmental Affairs

Private Bag X9059
Pietermaritzburg
3200
Tel: (033) 355 9690
Fax: (033) 355 9293

Free State Department of Agriculture

Private Bag X02
Bloemfontein
9300
Tel: (051) 5061400
Fax: (021) 4486138



BETWEEN

The National Department of Land Affairs represented by GILINGWE PETER MAYENDE in his capacity as Director-General and Accounting Officer

(the Department")

AND

The Land and Agricultural Bank of South Africa represented by MONWABISI FANDESO in his capacity as Managing Director of the Land Bank and duly authorized by the Board of the Land Bank

("the Bank")

WHO AGREE THAT:

- A The Ministry for Agriculture and Land Affairs has drafted the land redistribution policy entitled the Land Redistribution for Agricultural Development sub-programme (hereafter the LRAD) wherein grants will be made available to beneficiaries meeting certain criteria, for the purpose of supporting emerging farmers from the historically disadvantaged population of South Africa;
- B Participants or beneficiaries of the LRAD would require both grants and mortgage loans in order to acquire farms and agribusiness properties;

/)



- C. The Grants available from the Department may not always, on their own, be sufficient to establish a viable commercial farmer, hence the need to leverage further loan finance from the Bank;
- D. The Bank has, in a bid to fulfil its development mandate, designed an appropriate financial product to assist emerging farmers to acquire farms and agribusiness properties in support of the land reform program;
- E. The LRAD proposes that delivery of land reform should take place in conjunction with financial institutions, amongst other delivery channels, both as a 'means of speeding up the process of delivery as well as leveraging additional financial resources for land reform in general;
- F. Grants may be made available to beneficiaries under the age of twenty one, but older than the age of eighteen, in terms of the LRAD Programme Framework and the Grants and Services Document, but loans granted to such persons must be made subject to the conditions and requirements imposed by the Bank and such loans must be made at the sole risk and discretion of the Bank.
- G. The Bank supports the multi-delivery channel strategy of the LRAD and is willing and ready to implement the said strategy.

DEFINITIONS

- Grants:* Funds from the Department.
- loans:* Finance from the Land Bank in the form of repayable loans.
- LRAD Programme Manager:* Chief Director: Land Reform Implementation.
Management and Co-ordination in the Department.



WITNESS:

1. OBJECTIVE OF THE AGREEMENT

- 1.1 The parties agree to put in place a mechanism wherein beneficiaries of LRAD, who meet certain criteria as set out in clause 5.1.1 hereunder, would access LRAD grants directly via the Bank under specific conditions.
- 1.2 This agreement governs the purpose, utilisation, amounts, administration, monitoring, evaluation and reporting of funds transferred by the Department to the Bank for the purposes of effecting objective 1.1 of this agreement.

2. TRANSFER OF FUNDS

- 2.1 The Department must transfer from its budget vote to the Bank an amount of R50 000 000,00 (Fifty million Rands). Subject to the timing defined in paragraph 2.4 below, this amount (being the project funds) or any part thereof must be transferred or paid strictly for the purposes and in terms of the conditions stated or referred to in this agreement.
- 2.2 The Department may, upon the amount referred to in 2.1 having been transferred in terms of clause 2.1 below, approve additional transfers from its budget vote, in which instance it must inform the Bank in writing of such additional amounts and must transfer such amounts in accordance with clause 2.4(b) below. All additional transfers, if any, are deemed to have been included in, and are subject to the terms and conditions of this agreement.
- 2.3 In terms of the Public Finance Management Act, 1 of 1999 read with the Treasury Regulations, no funds shall be transferred to the Bank until the Bank provides to the Department and to the Department's satisfaction :



- (a) a certificate of confirmation and/or an undertaking that it implements effective, efficient and transparent financial management and internal control systems; and
- (b) its most recent audited statements and annual report (if any).

2.4 The Department may pay the funds to the Bank as follows:-

- (a) A first payment of R10 000 000,00 (Ten million rands) within 14 days after this agreement has been signed - in the form of a Standing Advance which must be adjusted against and reconciled with the final progress payment;
- (b) thereafter progress payments based on actual expenditure as shown in the monthly report by the bank, as and when funds are used by the Bank for the purposes set out in this agreement, and after they have provided the report contemplated below.

2.5 A progress payment may be transferred or paid to the Bank when it has provided to the Department (and to the Department's satisfaction) the following:

- 2.5.1 a Progress Payment claim form as prescribed by the Department from time to time, which is based on the cash flow requirements (in terms of Annexure "A" hereto), which contains a certificate stating that the funds previously transferred have been spent for the purposes and in the manner specified in this agreement and which is signed by the Bank's Chief Financial Officer or Managing Director;
- 2.5.2 a written report of progress made with the LRAD Programme during the preceding quarter (as prescribed by the Department and attached hereto as Annexure "8"); both of which must be submitted to the LRAD.



Programme Manager at the National Department of Land Affairs; AND a progress payment will be transferred or paid to the Bank once the Department has approved the claim form and progress report; and

- 2.5.3 the Department is satisfied that the Bank continues to properly and timeously perform all of its obligations under this agreement (and not only in respect of the preceding period to which a particular report relates); and
- 2.5.4 the Department is satisfied that any query that has been raised regarding the project and the funds by the LRAD Programme Manager or his authorised officials has been dealt with to that official's satisfaction, and the Department undertakes to effect a progress payment within 3 (three) weeks of compliance by the Bank with this clause.
- 2.5.5 The Bank may make no further payments in respect of the LRAD Programme until any progress payment due are received.
- 2.5.6 Further capitalisation in subsequent financial years, or within a particular financial year, shall, subject to the provisions of clause 10, be determined and agreed to by both parties from time to time.

3. FUNDS UTILISATION

- 3.1 The Bank undertakes to disburse, out of funds transferred, LRAD grants including Planning Grants to beneficiaries, provided conditions specified in the LRAD as well as the Bank's own requirements for loan funding are met.
- 3.2 The funds transferred to the Bank may not be used for any other purpose except as prescribed under 3.1 and 3.2 unless otherwise requested in writing by the Director-General of the Department of Land Affairs. .



Funds can only be utilised in terms of the Department's Grants and Services document, (Annexure "c" hereto) which is in force from time to time.

- 3.2.1 if any material changes relating to this agreement be made to the Grants and Services document, the department must be obliged to notify the Bank, in writing, of the changes as well as the reasons for making the changes;
- 3.2.2 The Bank reserves the right to question the changes to the Grants and Services document should it appear that the changes render it incompatible with the Bank's policy and Procedures.
- 3.3 The approval of grants to applicants may be done by the Department on recommendation from the Land Bank.
- 3.3.1 The Bank's recommendation must be submitted in a format similar to Annexure "D" hereto.
- 3.3.2 The Provincial Director, or any other duly authorised official, must acknowledge receipt of the letter referred to in the said Annexure "D".
- 3.3.3 Written confirmation of approval of the Bank's recommendation must be received by the Bank no later than 7 (seven days) from date of receipt.
- 3.3.4 If the Department fails to confirm the approval, the Department must supply the Bank with written reasons why it cannot approve a recommendation.



- 3.3.5 The Bank undertakes that it must supply to the Department a report, in accordance with clause 11, on applicants who were rejected in terms of their approval procedures.
- 3.4. Notwithstanding the provisions of clauses 6.1 hereto, the Bank may advance loans only in those cases where its own requirements for advancing such loans are met.
- 3.5 The Bank is authorised to approve prior to the approval of the project, up to 40% (forty percent) in respect of design agency fees as up-front costs/disbursements per project incurred by the Bank or its service providers.
- 3.5.1 The Bank is further authorised to pay valuation fees in full, prior to the approval of the project.
- 3.5.2 Both these payments must be made from the Planning Grant.
- 3.6 The remainder of the fee/disbursement due or payable in respect of design agency fees shall only be paid once the project has been approved.
4. MANAGEMENT OF FUNDS
- 4.1 The management and control of the designated account must be done in terms of existing internal accounting and audit systems of the Bank which are guided by and consistent with the Public Finance Management Act.
- 4.1.1 The funds must be deposited into two separate but designated accounts;
- 4.1.2 The one account shall be the Planning Grant account which must hold 15% of the LRAD Grant transferred;



- 4.1.3 The second account holding the balance of the LRAD Grant transferred, shall be for the LRAD Grant.
- 4.2 The Department reserves the right to employ auditors, at its own expense, to conduct an audit of the designated account, provided that a seven-day notice must be given to the Bank in writing prior to the commencement date of the audit.
- 4.3 All interest earned on amounts deposited with the Bank must be returned by the Bank to the Department on a quarterly/annual basis.
5. **CONDITIONS FOR ACCESSING THE GRANT VIA THE BANK**
- 5.1 Beneficiaries of the LRAD may apply and access both LRAD as well as planning grants via the Bank provided that:
- 5.1.1 Applicants conform to criteria as specified by the Department as amended from time to time (see Annexure "E" hereto). The Department must, in writing, inform the Bank of any material changes to any of the criteria; and
- 5.1.2 Applicants require, in addition to the grant, loan funding from the Bank. Applicants not seeking loan funding from the Bank may not apply for direct access to the grant via the Bank; and
- 5.1.3 The Bank approves applicant's loan funding using its own approval criteria which it may review in its sole discretion, from time to time; or
- 5.14 Applicants seek to purchase the Bank's-bought in properties whether or not additional loan funding is required from the Bank, subject to the Bank approving the applicant's loan funding using its own approval criteria: additional loan funding be required from the Bank; or



The Bank is facilitating project development singularly or in tandem with other Development Finance Institutions and the beneficiaries thereof conforms to the Department's criteria.

6. ROLE AND OBLIGATION OF THE BANK

- 6.1 The Bank must leverage amounts transferred by a ratio of up to 1:4 i.e. for every R1 transferred by the Department to the Bank, the Bank must make an amount of up to R4 available in LRAD loans, such ratio depending on the needs of each project and/or beneficiary.
- 6.2 Qualifying beneficiaries of the LRAD programme must be charged the concessionary rate applicable to special mortgage bond (currently 10% p.a.). The Bank reserves the right to review this rate and must inform the Department immediately of such review.
- 6.3 The Bank must undertake land/farm property valuations for each application processed.
- 6.3.1 Valuation fees incurred must be paid from the Planning grant.
- 6.3.2 The valuation must be based on a market valuation by means of comparable sales.
- 6.4 The beneficiaries have the right to independent valuation of properties purchased, and the costs shall be paid from the Planning Grant.
- 6.5 In the event that the Bank's bought in property/ies is/are the subject of the application/projects, beneficiaries have the right to independent valuations and costs of the valuations must be paid from the Planning Grant. The Bank is not

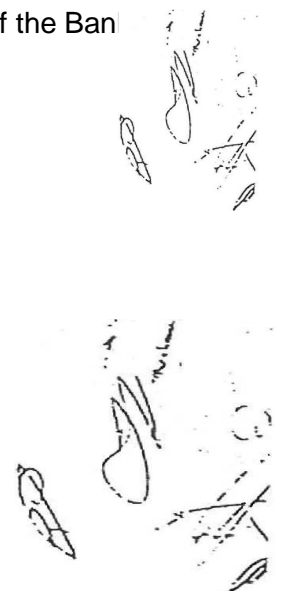


obliged to accept any offer based on such independent valuation where such offer is lower than the Bank's valuation of the property concerned.

- 6.6 The Bank must, within 30 days of signature to this agreement, design systems and procedures necessary to implement the proposed arrangement.
- 6.7 The Bank undertakes to make documentation available to would be participants through its branches, Provincial Departments of Agriculture and/or Land Affairs as well as District Municipalities.
- 6.8 The Bank must oversee design agency contracts on behalf of clients including - the review of performance and disbursement of planning grants to the agents.
- 6.9 The Bank must effect land title registration and transfer on the instruction of the purchaser, which cost must be borne in full from the Planning Grant Account.
- 6.10 The Bank undertakes to monitor project performance which forms part of client service and loan performance monitoring.

7. ROLE AND OBLIGATIONS OF THE DEPARTMENT

- 7.1 The Department undertakes to budget for funds and transfer the funds to the Bank in terms of clause 2.4 and, if so agreed, in terms of 2.5, to enable smooth implementation of the proposal.
- 7.2 The Department undertakes to inform the Bank of any policy and strategy reviews that may have a material effect on the objectives of this agreement.
- 7.3 The Department undertakes to consider, but is not obliged to accede to any request for secondment of human resource capacity la the Bank if the Ban



sends a motivated request for the secondment. The Bank is obliged to indicate the type of staff required.

- 7.4 Each party undertakes, at its own cost for its own publicity, to accurately publicise the proposed arrangement for the benefit of clients and stakeholders. The contents of any such publicity must be agreed by both parties prior to publication. Both parties may from time to time embark on joint publicity, in which event the costs must be borne equally by both parties.

8. LOAN DEFAULT AND RECOVERY

- 8.1 In the event of loan default, the Bank's recovery procedures shall apply.
- 8.2 If property is foreclosed and the property bought in, the Bank's policy on bought in properties shall apply
- 8.3 Notwithstanding any future amendments to standing bought in property policy as amended from time to time, other participants of the LRAD or the Department must have rights of first refusal on repossessed properties.

9. INDEMNITY

Both parties indemnify each other against any loss, expenses or damages which may be sustained by any third party as well as any claim or legal proceedings and legal expenses, including attorney and own clients costs, that may be instituted against or incurred by the aggrieved party, and which arises or are the results of any act of omission of the defaulting party or an employee or an agent of the defaulting party in connection with the execution of this agreement.



10. DURATION AND REVISION OF AGREEMENT

- 10.1 This agreement will endure for as long as there is a positive balance on the designated account provided that the agreement has not been terminated in terms of clause 17 hereto.
- 10.2 Further funds may be transferred to the designated account as and when the Department is called upon to do so, only upon written approval by the Department which approval must then form part of this agreement. The depositing of funds into the designated account serves as a revision of this agreement.

11. REPORTING REQUIREMENTS

- 11.1 The Bank must present the Department with monthly reports the content of which shall be as prescribed under sub-clause 11.2 below,
- 11.2 The required content of the report shall be prescribed by the Department. The prescribed format is attached hereto as Annexure {IF". The Bank reserves the right to negotiate alterations to the Department's desired format. The alterations must be confirmed and approved by the Department in writing.
- 11.3 Recipients of the report must be:
- 11.3.1 the Minister for Agriculture and Land Affairs, the Director-General of the Department and the Managing Director of the Bank in respect of the quarterly reports.
- 11.3.2 The provincial Director for the Province in which the project is situated and the LRAD Programme Manager at the Department's National Office, in respect of the monthly reports.



- 11.4 Any feedback on issues relating to the report and in terms of this agreement which may require the Bank's' attention must be delivered to the Bank 'in writing' within 14 days of receipt of the report from the Bank.
- 11.5 The Bank must within 14 days of receipt of feedback from the recipients of the report, as detailed under 11.4 above, report in writing on action taken or proposed in respect of the issues raised therein.

12. MONITORING AND EVALUATION

- 12.1 The Department must monitor and evaluate the programme;
- 12.2 the Department must prescribe the desired format for the supply of statistics by the Bank, (which format is attached hereto as Annexure "G"), which shall request information required by the Department for the purposes of monitoring and evaluation. The Bank undertakes to provide the information on a quarterly basis.

13, DISPUTE RESOLUTION

- 13.1 In the event of a dispute arising between the parties, the parties must refer the matter for mediation to a mediator to be agreed between them.
- 13.2 If the parties are unable to agree on a suitable mediator within ten (10) days after mediation has been requested, a mediator must be appointed by the Arbitration Foundation of South Africa.
- 13.3 In the event that the parties are unable to resolve the dispute through mediation the mediator must issue a letter in which must be recorded:



- (a) that the mediation has failed;
- (b) whether the issue in dispute is, in her/his opinion, primarily an accounting; legal or any other matter and the parties shall bound by the opinion.

13.4 In the event of failure to resolve the dispute, the dispute must be referred for arbitration.

13.5 The dispute must, within 21 days from receipt of the letter from the mediator referred to in 13.3 (b), be referred by the parties for arbitration and all further processes must conform to the rules of arbitration and the arbitration Act, 1965 (Act 42 of 1965).

13.6 The following conditions must apply:

13.6.1 Both parties must by agreement appoint an Arbitrator, in terms of the opinion of the mediator on the nature of the dispute.

13.6.2 Should there not be agreement; an Arbitrator must be appointed by the Arbitration Foundation of South Africa (AFSA), in terms of the opinion of the mediator on the nature of the dispute.

13.6.3 The cost of arbitration must be borne equally by both parties unless the Arbitrator directs otherwise.

13.6.4 Within 25 days of the referral of the matter for arbitration, both parties must submit appropriate documentation to the arbitrator as well as to the other party.



- 13.6.5. Within 14 days after receipt of the documentation, additional information may be submitted to the arbitrator as well as to the other party.
- 13.6.6. The Arbitrator may come to a decision without the two parties', involvement, or he or she may request additional information form either party. He or she may also hold an enquiry to come to a decision. '
- 13.6.7. The Arbitrator may come to any decision that he or she deems fair.
- 13.6.8. The Arbitrator must come to a decision according to South African Law.
- 13.6.9. The decision of the Arbitrator is final and both parties must abide by it.

14. GENERAL PROVISIONS

- 14.1 No representation and/or guarantee of any nature whatsoever, excluding the representation and/or guarantee expressly contained in this agreement, which is made or given by either party or any of its officers must be taken into consideration in the determination of the rights and obligations of the parties
- 14.2 No waiver of any of the provisions of this agreement by a contracting party shall be valid and enforceable against the other party unless such waiver was ratified in terms of clause 18 as an amendment of this agreement.
- 14.3 No cession, delegation or transfer of any rights or obligations by virtue of or as a result of this agreement is enforceable at law, unless it is in writing and has been signed by both the Department and the Bank,
- 14.4 Any annexure duly signed by both parties to this agreement and which is relevant to this agreement is considered to be an integral part of this agreement.



15. DISPATCH AND SERVICE OF DOCUMENTS

15.1 Any correspondence in connection with or resulting from this agreement:

15.1.1 Which is addressed to the Bank must be mailed to the Bank's postal address as mentioned hereunder;

15.1.2 Which is addressed to the Department must be mailed to it at the postal address specified hereunder.

15.2 Any process or pleadings in connection with this agreement:

15.2.1 Which have to be served on the Bank must be served on it at the physical address specified in clause 16.

15.2.2 Which have to be served on the Department must be served on it at the physical address specified in clause 16.

15.3 Any correspondence or document directed to one of the contracting parties in terms of this agreement must:

15.3.1 If mailed, be dispatched by prepaid registered post to that party at the applicable address specified in clause 16;

15.3.2 If delivered be handed over personally and by hand to the Department at the Domicilium as specified in clause 16 and signed for be the addressee;

15.3.3 If delivered, be handed over personally and by hand to the Bank at the Domicilium as specified in clause 16 and signed for by the addressee.



- 15.3.4 And, if delivered, the party (the addressee) Or an employee of the party concerned shall at the date of delivery in writing acknowledge receipt of the document concerned.
- 15.4 Any document that is dispatched as contemplated in sub paragraph 15.1 must be deemed to have been received by the addressee after fifteen calendar days following the date of dispatch of that document, and for the purpose of calculation of such period the day of dispatch must be discounted.
- 15.5 Any change of an address referred to in sub paragraph 16.1 of 16.2 must forthwith be brought to the attention of the other contracting party in writing and in the manner set out in sub paragraph 15.2 and must, if it has thus been done, be deemed to be an amendment to this agreement in compliance with clause 18.

16. DOMICILIUM

- 16.1 The Bank chooses its *Domicilium citandi et executandi* as follows:

Physical address for service of document:

The Land Bank Head Office
 192 Visagie Street
 PRETORIA
 0002

'Cnr Visagie and Paul Kruger Streets

Postal Address

The Land Bank
 Managing Director
 Mr Monwabisi Fandeso
 PO Box 375
 PRETORIA

- 16.2 The Department chooses its *Domicilium citandi et executandi* as follows:

Physical address for service of document:

The Department of Land
 Affairs 184 Jacob Mare
 Street PRETORIA
 0002



17. TERMINATION

17.1 If either of the parties to this agreement breaches any of the provisions of this agreement and persists in the breach of agreement for a period of thirty calendar days calculated from the date of written notification to the other party of such breach, the prejudiced party without prejudice to its rights and at its sole discretion may:

17.1.1 Terminate this agreement and, claim any damages that it may suffer; OR,

17.1.2 Keep the agreement in force and claim specific performance from the other party; OR

Postal Address:

The Department of Land Affairs
Director-General
Or G P Mayende
Private BagX833
PRETORIA
0001



- 17.1.3 Exercise any other right it may have in law.
- 17.2 No amicable termination of this agreement is valid unless the parties have agreed thereto in writing and both parties have signed such agreement.
- 17.3 Subject to the provisions above, this agreement terminates once the funds from the Department have been disbursed, and there are nom more funds available for the purpose of this agreement
- 17.4 This agreement terminates if the Department discontinues LRAD or changes it to such an extent as to render the provisions of this agreement impossible to Perform.
- 17.5 In the event of discontinuation or change to LRAD taking place the provisions of clause 3.2.1 and 3.2.2. above apply.

18. **AMENDMENTS**

Any amendment or alteration to this agreement must be done by way of a variation agreement which must be in writing and signed by both parties. No amendment or alteration of this agreement is binding unless the parties have agreed thereto in writing and such amendment or alteration has been signed by both of them.

19. **SPECIAL CONDITION**

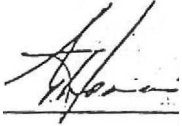
.This agreement does not preclude the Department from entering into similar agreements with other Banks or financial institutions.



E.

Signed on behalf of the Department at PRETORIA on the 1st day of AUGUST 2001.

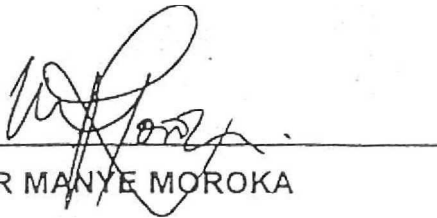
WITNESSES



MR GLEN THOMAS



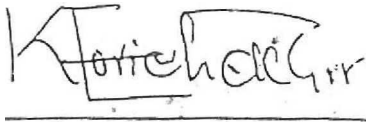
DIRECTOR-GENERAL
OR GILINGWE PETER MAYENDE



MR MANYE MOROKA

Signed on behalf of the Bank at PRETORIA on the 1st day of AUGUST 2001.

WITNESSES



MR GEORGE ORICHO



MANAGI G DIRECTOR
MR MONWABISI FANDESIO



MR JOHAN VAN DEN HEEVER

TH433.7