

POLICY BRIEF

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PLANS TO DESTRESS COUNTRY'S DISTRESSED FARMS

Recapitalisation and Development Programme Implementation Evaluation Policy Brief
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Government launched the Recapitalisation and Development Programme (RADP) in 2010 to assist farms that have received little or no support since they were awarded in 1994. The farms have the qualities to become successful and the RADP aims to help the owners through setting them up in partnerships with experienced commercial farmers or experts in the sector.

The partnerships take the form of co-management deals, shared ownership and contract farming, and mentors are appointed to guide the owners. The programme has been implemented in all nine provinces.

Between November 2012 and July 2013, evaluators assessed the progress of the RADP in six provinces. They found the programme has made progress towards reaching its goals, but that it could do better.

They recommend that all public agricultural support programmes be redesigned and that the separate funding units in agricultural support services be scrapped. While the changes are being made, the evaluators recommend the RADP continues working on improving its performance.

RECAPITALISATION TO ASSIST DISTRESSED FARMS

Although South Africa's land reform programme has achieved some success in improving access to land and contributing to better income opportunities, the success of some of the undertakings is uncertain. Some of the farms, which the programme has been awarding to beneficiaries since 1994, are not achieving the expected levels of productivity, and others are not productive at all. These farms are referred to as *distressed farms*, meaning their owners or managers need support and financial assistance. These distressed farms have received little or no support since being awarded, but have the qualities to become successful.

The Government, through the Department of Rural Development and Land Reform (DRDLR), helps by providing technical, infrastructural and financial support, and guides the farmers in establishing partnerships with experienced commercial (business) farmers or experts in the sector. In this way, distressed farms are co-managed through financial partnerships or contract-farming agreements.



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PSPPD
PROGRAMME TO
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POLICY DEVELOPMENT



CREATING ACTIVE, SUSTAINABLE RURAL COMMUNITIES

The RADP aims to increase agricultural production, ensure food security (access to healthy food), train small farmers to become commercial farmers, and create jobs in the agricultural sector.

The RADP's involvement is to contribute towards creating active, sustainable rural communities that have access to healthy food and decent employment opportunities. The RADP also promotes the responsible use of land (natural resource management).

Between 2010 and June 2012, the programme recapitalised 640 farms with a total combined area of 530 934 hectares. This increased to 1 269 farms at the end of the 2012/13 period. By 2014, the programme had recapitalised 1 807 farms.

To ensure the ongoing success of the land reform projects, the RADP assists beneficiaries to set up partnerships and enlists mentors to provide guidance.

Of the 640 farms that were placed under the RADP at the time of the evaluation, 264 were linked to strategic partners and 117 to mentors.

The original funding model, which was based on a five-year cycle, was changed to five development phases because of the different nature and growth

periods of agricultural projects. Phase one of the changed funding model focuses on infrastructure and operational needs, and phases two to five focuses on developmental needs.

Nationally, the average cost per project was around R2 million in 2012/13. In 2010/11 the amount was about R390 000. The average cost per project for 2012/13 was highest in Mpumalanga (R3.6 million) and lowest in Gauteng (R1.1 million).

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AN EVALUATION OF THE PROGRAMME

An evaluation of the RADP programme was carried out between November 2012 and July 2013, and focused on its progress since the start of the programme in 2010. The provinces were the Eastern Cape, the Free State, Gauteng, KwaZulu-Natal, Limpopo and the North West.

The evaluators examined stakeholder effectiveness, the lessons learnt, and made recommendations to

strengthen the programme's effectiveness.

They gathered data from 98 land reform beneficiaries, government officials and partners through a questionnaire on farm management for beneficiaries, and a checklist for government officials, groups of beneficiaries and strategic partners and mentors.

FINDINGS

Partnerships

The programme's implementation differed considerably across the provinces. For example, the criteria and method of choosing and appointing partners ranged from inviting potential partners to respond to an open tender, to the DRDLR directly approaching potential partners. Some beneficiaries found mentors through farmer associations or DRDLR officials.

Partners were selected on the basis of their financial skills and experience in the agricultural sector or in managing a big business. Names of those selected were forwarded to the national office for

accreditation. In most cases the mentors or partners developed the business plans for the selected farms.

The roles and responsibilities of partners and mentors included helping farmers with decision-making, day-to-day operations, and managing funds.

Other roles included passing on their technical skills, monitoring performance, and providing advice on disease control. Although the role of the partners and mentors is appreciated, their success has varied.

Business plans

Most of the business plans approved for funding the projects or farms did not meet the minimum requirements expected of a funding business plan. It is unclear how, and on what basis, funding was approved.

Skills development

Technical skills, and to a lesser extent managerial skills, were passed on to beneficiaries. For example, beneficiaries in the Eastern Cape obtained financial management and technical experience in the farming of citrus, maize, tomato, cattle and small stock. In the Free State, beneficiaries gained technical experience in both livestock and crop production.

Experience gained in other skills included daily planning, stock count and the management of income and expenditure. Overall, 47% of the beneficiaries said the mentor or partner managed the funds. Provincially, 82% of beneficiaries in the Free State and 79% in KwaZulu-Natal said they were not involved in the management of the funds.

Beneficiary participation in decision-making

The level of beneficiary participation in decision-making varied according to province, type of partnership and activity. For example, in the Eastern Cape, some partners (such as Bono Ltd) made all the production and financial management decisions. Beneficiaries were generally not involved in the day-to-day decision-making.

Although some partners did discuss production matters with beneficiaries, there was little discussion on financial issues (for example, Imbumba Beef Production Company). Mentors in the Eastern Cape involved beneficiaries in both production and financial decisions, while in the Free State, farmers were involved in decisions on crop and animal production, but not financial decisions.

Access to the marketplace

Some partners helped beneficiaries enter the marketplace by advising them on buying, selling and record-keeping. Some beneficiaries also improved their negotiation skills after visiting auctions with their partners. However, provincial government officials felt that not all partners had done enough to assist beneficiaries in understanding all the steps involved in managing an agricultural business.

Job creation

The programme created about 540 jobs (111 full-time and 429 part-time) on the 98 farms that were evaluated.

Conclusion

The evaluators concluded that the RADP has made progress towards achieving its goals, but more improvement is required as the figure is too low considering the amount of money invested in the programme. Both crop and livestock production have increased since the RADP started, but farmers' access to the marketplace remains a challenge. Most people interviewed believed that food security had improved since the start of the programme.

Overall comments

Overall, the evaluators concluded that the RADP's objectives are unclear and too ambitious.

Key terms used in the objectives are not simply described, resulting in possible misinterpretation by those carrying out the programme. Words such as *recapitalisation*, *development* and *distressed farms* are used in official documents with no explanation of their meaning.

There is no common understanding of the programme's purpose. For example, the aim to "graduate small farmers into commercial farmers" ignores the fact that nearly all the farms in the RADP were independent commercial farming units that used to be farmed to their fullest potential as family farms. The challenge is therefore to "graduate" new occupants or owners of large farms to a level where they can farm independently and be financially successful.

Most objectives are not directly linked to the structures and procedures that ensure the programme is properly carried out. The programme remains understaffed nationally and provincially. In some provinces the RADP is considered an added responsibility and is not given high priority. The capacity to monitor and evaluate the programme internally is insufficient and this contributes to some of the problems being experienced with partners and mentors in certain provinces.

The RADP's method of choosing beneficiaries is unclear, resulting in some farms that did not deserve to receive assistance being included in the programme. In addition, the grant-funding system is not practical because of the limited amount of available funds. This system also promotes dependency on state funding and limits the number of farmers that could be helped.

The RADP aims to increase agricultural production, ensure food security, train small farmers to become commercial farmers, and create jobs in the agricultural sector

RECOMMENDATIONS

The best and lasting solution to the RADP's challenges is to redesign all the public agricultural support programmes and do away with the separate funding sections within these support services. The evaluators recommend that one fund be set up to support all the processes, from land acquisition, expansion and guidance, and agricultural finance through to market access.

The improvement plan should include the findings of the smallholder policy evaluation that is currently underway. In addition, the Department of Agriculture, Forestry and Fisheries and the DRDLR will need to work together more closely in supporting agricultural efforts.

While the improvement plan is being developed, the evaluators recommend that the RADP continues working on improving its operations.

The following recommendations are intended to strengthen the programme in the meantime:

- Review the RADP's objectives to make them clearer and more specific. This should include explaining the meanings of key terms used in the programme (such as *commercial farmer*, *development*, *distressed farms* and *recapitalisation*, etc.).
- Create a common understanding of the RADP among stakeholders by discussing with them the programme's nature, operation, purpose and objectives.
- Develop clear and specific criteria for selecting farms in line with the programme's goals to ensure that only deserving beneficiaries are selected.
- Replace the current grant funding with loan funding. The money that is paid back will allow the programme to help more beneficiaries.
- Establish guidelines to limit the amount of funding per project. This will broaden the programme's coverage and ensure that the funding model is adapted to suit the various agricultural production systems.

KEY POLICY IMPLICATIONS

Although the RADP has made some progress, it has much work to do if it is to achieve its goals. Working with partners and mentors is important, but the process needs to be strengthened if it is to have a lasting effect.

The smallholder support programme evaluation that is underway should link to the RADP's improvement plan, and the DRDLR and the Department of Agriculture, Forestry and Fisheries need to work closely together to support the beneficiaries production efforts.

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This policy brief is drawn from the evaluation findings and recommendations and does not necessarily represent the views of the departments concerned.

The detailed evaluation report may be accessed at
<http://www.dpme.gov.za/keyfocusareas/evaluationsSite/Pages/Publications.aspx>
or <http://www.ruraldevelopment.gov.za/publications/evaluation-reports>