



# review of *Operations*

2015/16



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## 1 About the ECRDA

### Integrated Rural Development Strategy

The Eastern Cape Rural Development Agency (ECRDA) is a schedule 3C entity in terms of the Public Finance Management Act (PFMA). ECRDA has a dedicated focus on facilitating, promoting and ensuring the implementation of a comprehensive and integrated rural development strategy for the Eastern Cape Province.





# Board of Directors

## Dr Vanguard Mkosana Chairman Reappointed February 2016 Committee: Governance and Ethics

**Qualifications:** Senior executive programme for SA (Wits Business School, Harvard Business School), Diploma HR management (Damelin Management School), Certificate in Public Management & Development (Fort Hare Institute of Government), Master of Arts (Charles University), Phd (Charles University)

**Current Position:** Zizi Consulting Chairman

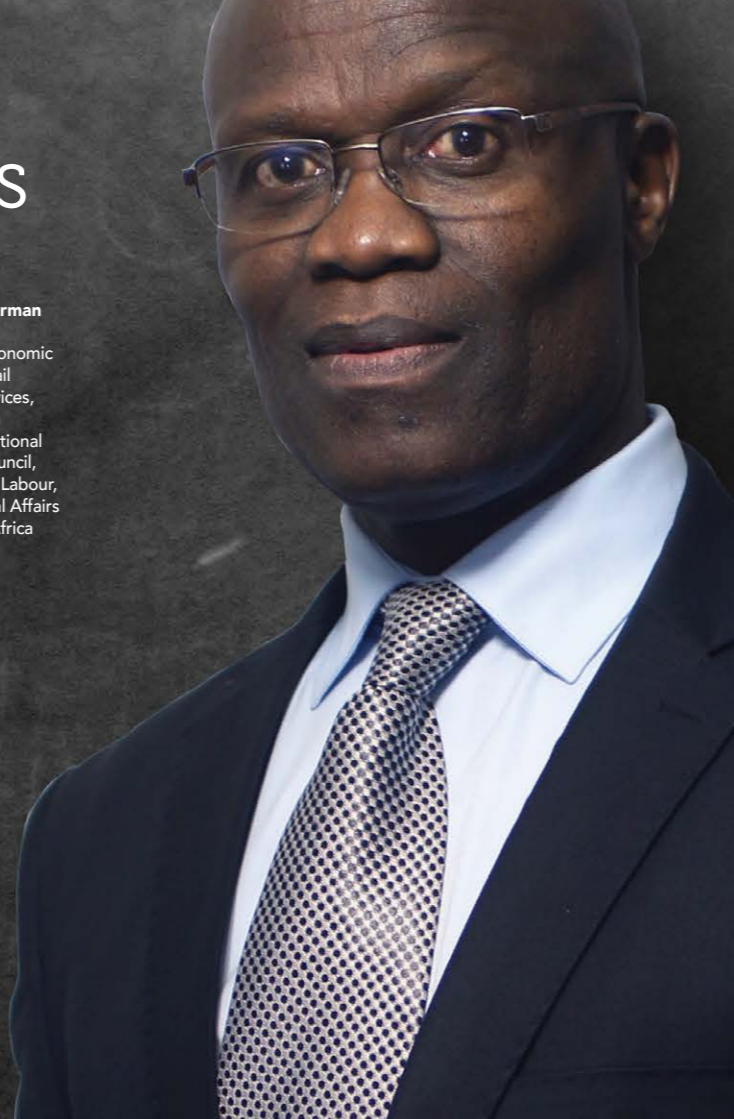
**Board Experience:** Aspire (Amathole Economic Development Agency), South African Rail Commuter Corporation, Algoa Bus Services, Mayibuye Bus Transport, Compensation Fund, Occupational Health & Safety, National Economic Development and Labour Council, Proudly South African, African Regional Labour, African Union Labour (Chairman & Social Affairs Commission Technical Committee) and Africa Group-ILO (Convenor)



**Fezeka Faith Mkile**  
Deputy Chairperson  
Reappointed February 2016  
Committees: Governance & Ethics, FINVEST



**Thozamile Gwanya**  
Chief Executive Officer  
Appointed June 2013



# Board of Directors



**Prince Zolile Burns-Ncamashe**  
Former Deputy Chairperson  
Appointed November 2012;  
Exited January 2016  
Committee: Governance & Ethics



**Mpumelelo Ncwadi**  
Appointed February 2016  
Committee: FINVEST, Programmes & Projects



**Vuyani Jarana**  
Reappointed February 2016  
Committee: Governance & Ethics, FINVEST (Chairperson)



**Sabatha Mbalekwa**  
Reappointed February 2016  
Committee: Governance & Ethics, Audit & Risk (Chairperson), FINVEST



**Mbulelo Sogoni**  
Appointed February 2016  
Committee: Audit and Risk, Human Capital & Remuneration



**Bongwiwe Kali**  
Reappointed February 2016  
Committee: Audit and Risk, Programmes and Projects



**Xolile George**  
Reappointed February 2016  
Committee: Governance & Ethics, Human Capital & Remuneration (Chairperson)



**Cornelius Pietersen**  
Reappointed February 2016  
Committee: Governance & Ethics, FINVEST, Programmes & Projects (Chairperson)



**Zanele Semane**  
Reappointed February 2016  
Committee: Programmes and Projects, Human Capital and Remuneration



**Abraham Le Roux**  
Reappointed February 2016  
Committee: Audit and Risk, Human Capital and Remuneration

## ■ Vision



A vibrant and sustainable rural economy that improves the livelihoods of rural communities within the **Eastern Cape**.



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## ■ Legislative Mandate

The White Paper for Agrarian Transformation in the Eastern Cape confirms the vision for rural development that is articulated in the national Integrated Sustainable Rural Development Strategy (ISRDS) namely

**“sustainable growth and development for improved quality of life”.**

This vision is elaborated as follows, “to attain socially cohesive and stable communities with viable institutions, sustainable economies and universal access to social amenities, able to attract skilled and knowledgeable people, equipped to contribute to their own and the nation’s growth and development.”

# ■ Five Strategic Pillars

The agency's energy is directed towards the following strategic pillars:

## PILLAR 1

Effective coordination and implementation of agrarian driven High Impact Priority Programmes (HIPPs)

## PILLAR 2

Promote entrepreneurship through rural finance and support programme

## PILLAR 3

Develop, institutionalise and sustain an effective, capable and fit for-purpose organisation including best-in-class project management, targeted research and innovation-driven agency

## PILLAR 4

Leverage strategic partnerships towards implementation and funding of rural development initiatives

## PILLAR 5

Develop sustainable, localised institutionalised rural framework

# ■ Organisational Structure



## 2 ECRDA 2015/16 highlights

ECRDA has received a **clean audit report** in 2015/2016. This is a proud track record which we intend to maintain.



## ■ Organisational Overview

R151,6 million  
received for funding allocation

- Consolidated matters relating to ECRFC/AsgiSA-EC merger
- Continuously recruiting staff with the technical acumen to discharge complex mandate
- Firmly positioned as project implementation agent of HIPPS
- Strategy review confirmed HIPPS & promotion of entrepreneurship as game-changers
- Consolidation of high-value partnerships in agro-processing & forestry HIPPS







## 5 Executive Management

**(from left to right):** Gwen Koyana (Executive Manager: Legal Services and Company Secretary), Janine Baxter (Chief Financial Officer), Navy Simukonda (Chief Operations Officer)

**Back row (from left to right):** Roak Crew (Executive Manager: Renewable Energy), Ncedo Wobiya (Executive Manager: Internal Audit), Chuma Velani (Executive Manager: Office of the CEO).

**front row (from left to right):** Thozamile Gwanya (Chief Executive Officer), Nwabisa Mavuso (Executive Manager: Corporate Services) and Gcobani Ntshanga (Executive Manager: Strategic Management)

## Financial Prudence

“In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Eastern Cape Rural Development Agency and its subsidiaries as at **31 March 2016** and their financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.”

*Auditor General 30 July 2016*



# Financial Overview

ECRDA listed under schedule 3C of the PFMA - a non-profit objective

ECRDA has a **R154 million** loan book pre-impairments

**Total transfers and grants paid to affiliated entities were R36,6m .**

Of this amount **R17,9m** & **R3,8m** were paid to Magwa & Majola Tea estates respectively

**R28,2m deficit** includes increase in impairment of the loan book of **R21,0m**

**Deficit** also includes social benefit from concessionary loans **of R3,5m**

At a Group level, Kangela Citrus Farms (Pty) Ltd, made a surplus of **R9m** which assisted in reduction of the working capital loan from

**R11m** ▶ **R9m**

Government grants totalled **R151,6 m**

Kangela Citrus Farms made a **surplus of R9m**



**R59,2m** Funding allocation **decreased by R59,2 million** signalling prevailing economic challenges







# Performance implementation

ECRDAs approach remains perched on the delivery of high-impact priority programmes and packaging these to make rural development possible and practical. Entrepreneurship in rural areas is also a possible game changer for wealth and job creation. The promotion of entrepreneurship in the rural space should be a central cog in transforming our communities from consumers to wealth creators.

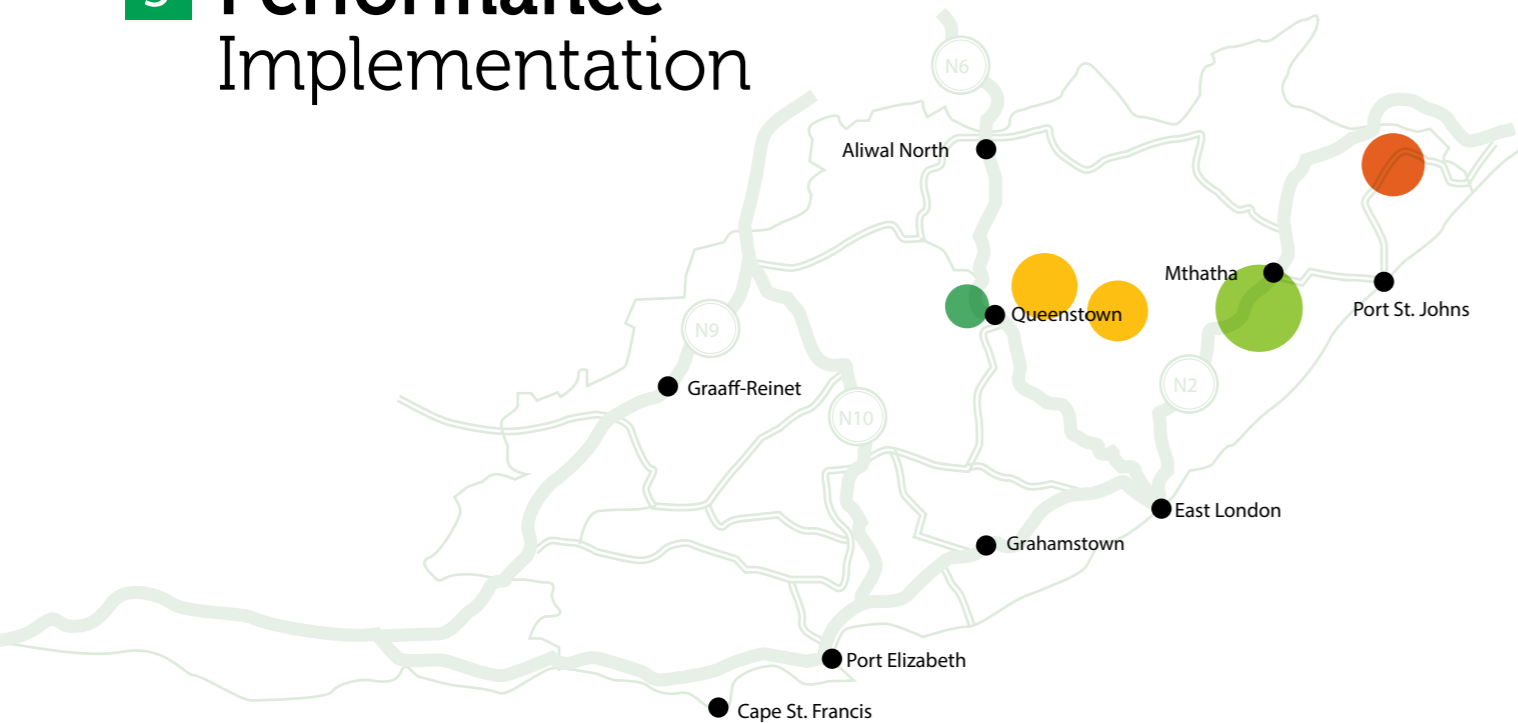
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## ■ Agroprocessing

**At the core of it's programme is a strong processing element for beneficiation in order to add value to primary production activities.**

This is a crucial element in a subsistence farming culture which results in rural communities selling off to the market their primary produce with little or no value addition activities being undertaken.

### 3 Performance Implementation



#### MQANDULI

- 936ha of white maize planted
- Six participating cooperatives
- 37 people employed
- 2 silos with 1,500 ton capacity established
- Service of existing 1,5 ton-per-hour processing capacity mill in Mqanduli

#### MBIZANA

- 983ha of white maize planted
- 13 participating cooperatives
- 28 people employed
- 1,112 beneficiaries
- Establishment of mechanisation unit

#### NCORA

- 1003ha of white maize planted
- 10 participating cooperatives
- 60 people employed
- 2 silos with 2,000 ton capacity established
- Purchase of a new one-ton-per-hour processing capacity mill for Ncorha

#### EMALAHLENI

- 829ha of grain sorghum planted
- Six participating cooperatives
- 22 people employed
- 574 beneficiaries
- Establishment of mechanisation unit

## R.E.D HUBS

The agency is implementing two multi-year rural development projects relating to agro processing and forestry in partnership with the Jobs Fund and the Eastern Cape Development Corporation (ECDC).

Additional funding contribution was secured from Provincial Treasury which enabled the implementation of additional two agro-processing projects.

ECRDA continues to progressively implement its flagship Rural Enterprise Development Hubs (RED HUBs) programme which prioritises interventions in sectors such as agro-processing, forestry and timber development, livestock development as well as marketing, rural finance, renewable energy and support to subsidiaries and other entities.



**1935.92 tons** of maize were harvested in Ncora

1759 tons were directly sold to Ncora Dairy

**399.31 tons** in Mqanduli were harvested from the six primary cooperatives and sold to the secondary corporative for milling

Of the 316.7 tons harvested in Mbizana 226.5 tons were sold to Mqanduli Milling

**2000-ton silo capacity has been created in Emalahleni and Mbizana**

**565 tons** of sorghum were harvested in Emalahleni RED Hub.

472.24 tons were sold to different buyers in the Eastern Cape; PSP (Kokstad), Border Seed (Queenstown) and OVK (Elliot)

**750 ton** capacity additional silo in Mqanduli resulting in

1500 ton overall silo capacity in the hub

**MQANDULI**  
Income derived from maize sales

**R998 275**

165 ha of white maize planted in 3rd quarter of 2015/16

**MBIZANA**  
Income derived from maize sales

**R512, 216**

448 ha of white maize planted in 4th quarter of 2015/16

**NCORA**  
Income derived from maize sales

**R5 million**

306 ha of white maize planted in 3rd quarter of 2015/16

**EMALAHLENI**  
Income generated from sorghum sales

**R1.22 million**

No planting took place due to drought



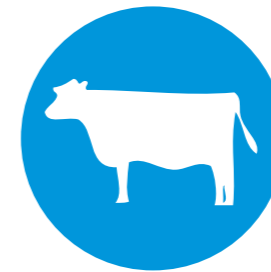


# Commercial livestock development

ECRDA faces a significant but surmountable task of assisting subsistence livestock farmers realise full economic and financial potential for their livestock units.

## Commercial Livestock Development

**R100 000**  
was set aside for  
livestock  
development



ECRDA held two livestock marketing workshops in the Peddie area

As a result, a dormant pen which was not used for two years held an auction in October 2015

**100 Cattle were sold at this auction**

These units were bought by livestock marketing agents who organise the buyers

Planned to facilitate marketing of **1,500** livestock units

**1,322** livestock units were sold at formal markets

Six informal auctions where a total of **146 livestock** units were sold which were mainly cattle.



**Two auction pens built**  
in Willowvale in Fort Malan & in Ngqamakhwe

**Auction pens** will provide requisite infrastructure for effective & efficient livestock marketing







## Commercial Forestry Development

ECRDA is pleased that community - based projects have attracted partners such as SAPPI and ECDC's long-time partner, PG Bison



One of the **goals** was to **improve spending** in the Jobs Fund projects

ECRDA led development of a forestry development model Aim was is to minimise investment risks in community forestry development projects

Community forestry projects are central to the model where each community sets a management team ECRDA/ECDC partnership is bearing fruit. This forestry development partnership has a strong beneficiation & processing element which complements ECRDAs primary production activities

By the end of **2015/16**, expenditure had **improved from 61% to 81%** of the annual project budget

**The 65% spent so far** in the forestry development programme comes from the Jobs Fund. The remainder came from the ECRDA/ECDC partnership.

# 140 permanent jobs

were created in all five projects and

# 353

## short-term jobs

were also created

## Five projects

were implemented in Izinini and Sinawo in Mbizana, Sixhotyeni in Maclear, Gqukunqa in Qumbu, and Mkambati in Flagstaff



**1,130 hectares** (ha) of gum trees planted across five projects

2015/16



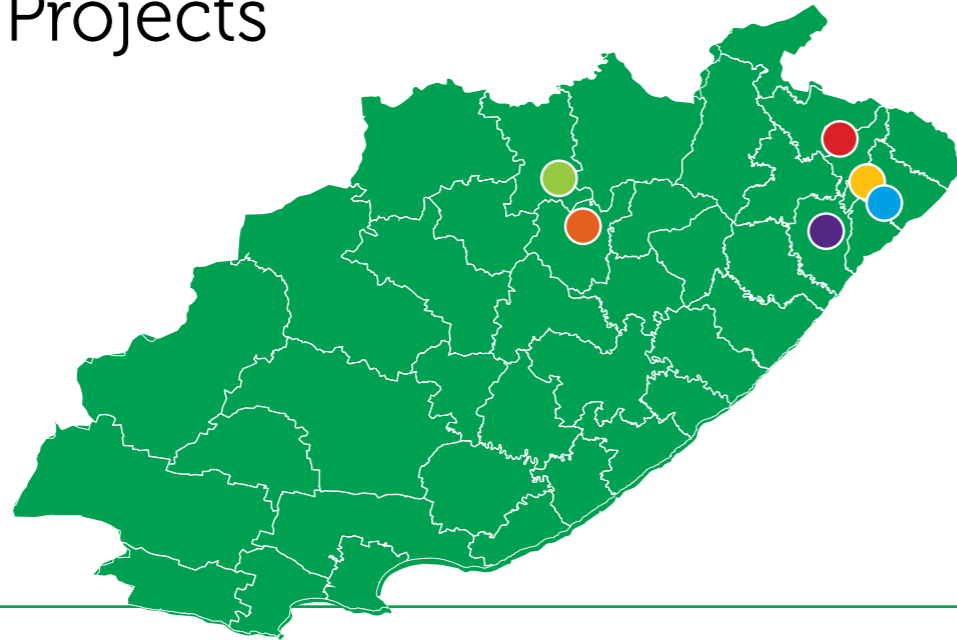
**R30,88 million** was spent in 2015/16





# Forestry Projects

A combined total of **140** additional jobs (permanent) were created by these forestry projects



● Sinawo 
 ● Mkambathi 
 ● Izinini 
 ● Gqukunqa 
 ● Sixhotyeni 
 ● Lusikisiki Forestry Growers Cooperative

**Sinawo: R9m** was transferred by the ECRDA and a total of **183ha** were planted. Sinawo generated **R7 MILLION** FROM SALE OF TIMBER IN **2015/16**

**Gqukunqa: 384ha** of gum were planted and a total of **R8,5m** was spent there



**Izinini: R3,5m** spent and **111ha** of gum trees planted

**Sixhotyeni: R4,4m** was spent and **214ha** of gum trees were planted

**Mkambathi: R5m** was spent and a total of **78ha** gum trees were planted

## Lusikisiki Forestry Growers Cooperative

This sixth project was added by end of **2015/16**. Received **R397 000** which planted **17ha** of gum trees

# Sustainable renewable energy solutions

ECRDA continues to take meaningful steps toward the development and implementation of effective renewable and alternative energy solutions for communities in the rural hinterland

## Renewable Energy

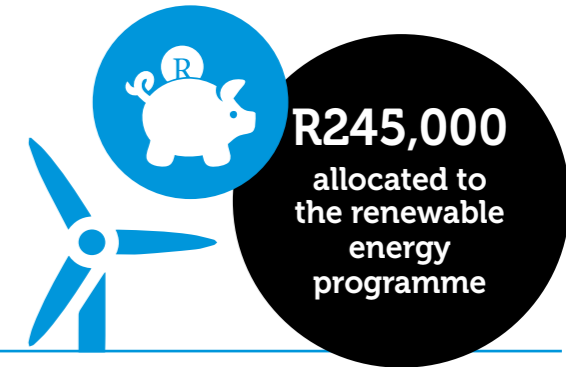
**2015/16** Two bio digestors were commissioned in Rabula and Ngqeqe in Keiskammahoek

These bio digestors are owned by the communal training centre



each bio digester produces between **1,3 to 1,9** cubic metres of gas

They supply the training centre with fertiliser for their market garden and gas for food preparation as well as neighbouring households tasked with developing renewable energy solutions for the four RED Hubs



**R245,000** allocated to the renewable energy programme

**High level studies completed and budget set aside to take them to bankable standard**

Memorandum of Understanding signed to develop a bamboo project in the eastern part of the province



**R3 billion Cradock Bio Ethanol PROJECT**

ECRDA, supported by the Industrial Development Corporation (IDC), have commenced work on the formulation of this feedstock development plan.



During 2015/16 financial year ECRDA continued to place special emphasis on the extension of credit lines to deserving entrepreneurs in rural communities throughout the Eastern Cape.

The extension of credit to rural enterprises is a significant contributor to the growth and development of the underserved rural economy.

A total of **R11,8 million** of ECRDA agricultural loans went to 265 clients

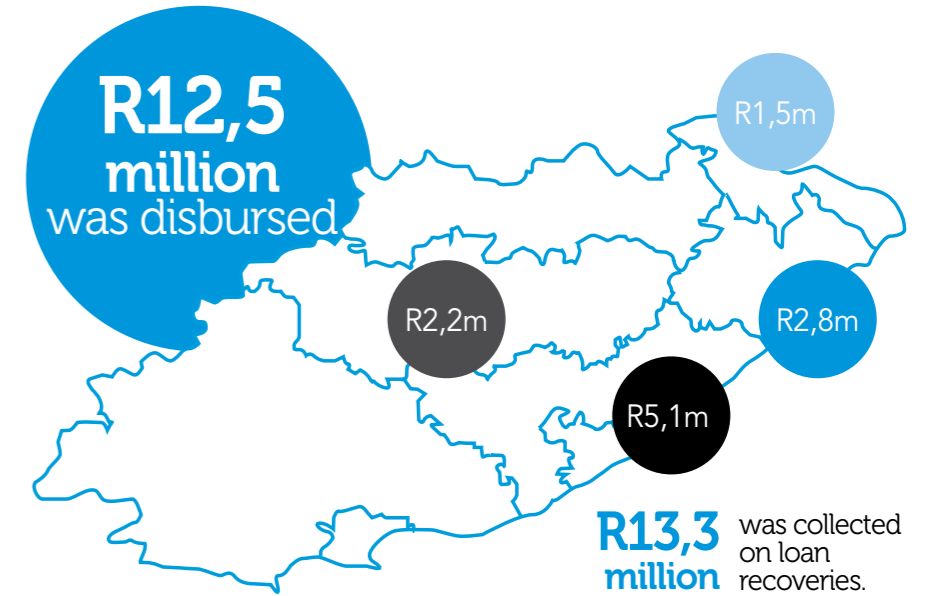
**R299, 711** went to the Karoo region

**R96 999** went to Nelson Mandela Bay Municipality



The bulk of the loan disbursements relate to agricultural loans and specifically to crop production loans

**R14,8m** in loans have been approved for disbursement in 2015/16. Only **R12,5m** has been disbursed under the period under review



majority of loan disbursement by municipality:

- Amathole (R5,1m)
- OR Tambo (R2,8m)
- Chris Hani (R2,2m)
- Alfred Nzo (R1,5m)



## 4 Associated Entities

In addition to its various high impact priority programmes, ECRDA has been appointed by government to deliver on some of the programmes of its subsidiary enterprises and associated entities.

This is an important and honourable undertaking as government relies on its agencies such as ECRDA to effect meaningful socio-economic change through their leaner and more agile organisational structures and technical expertise

## ■ Kangela Citrus Farm



**Kangela Citrus Farms (Pty) Ltd, KCF,** is a citrus producing company

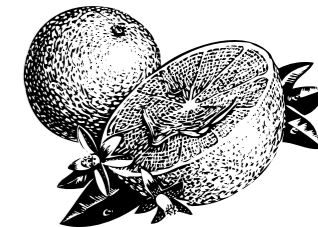


**7ha of lemon trees were added on the 14ha planted in the previous year**



**R6.119 million** was expended in maintaining the following:

existing **orchards**, developing new orchards to increase production capacity, as well as the purchase of **12 trailers**, a **tractor** and a **bakkie**



**two shareholders** ECRDA **51%**  
Kangela Empowerment Trust **49%**



ECRDA has given Kangela a budgeted transfer allocation of **R6.966 million**

KCF operates from a group of farms owned by a workers trust Kangela Empowerment Trust



**Fruit harvest yielded 223 263 export cartons** destined for the Far East, the Middle East and Europe, exceeding the year forecast by **2 543 cartons**

Kangela has managed to turn a profit in the last two financial years.

# Ncera Macadamia

Ncera Macadamia is a public private partnership in which the land is owned by the community

**150** hectares is currently under production



An expansion is being planned into the additional **150 hectares**



of the **150 hectares** planted, the first 100 hectares are being harvested

The community has a **51%** share of equity and **49%** is in the hands of a private owner

The Ncera operation boasts a world-class nursery which is ranked in the top five in South Africa

**ECRDA** transferred **R7 million**

to expand the orchards for an additional **30 hectares** and for the payment of wages

- The balance of **50 hectares** is in its third harvest
- In the period under review some **49 tons** were harvested
- In the new financial year this is projected to grow to **80 tons**.

# Majola Tea Estate

**362.5** hectares of black tea plantation

**2015/16** **R1.71 million** transferred for operations & salaries



Estate is currently being run by a factory manager while assets are obsolete in the factory, engineering and in operations



An additional allocation of **R4.087 million** paid out in settlement of arrear salaries



Majola is plagued by serious management and governance challenges

Majola has made submissions to DRDAR to be integrated back into Magwa. However, before integration can take place, the estate would have to be liquidated to prevent incurring further liabilities.

# Magwa Enterprise Tea

**645**  
permanent  
workers

**2500**  
seasonal  
workers

during  
peak tea  
production  
season



Annual allocation for Magwa was  
**R2.9 million**  
for salaries and operations

A five-month salary settlement deal was reached with workers at Magwa which has eliminated staff liabilities. The business rescue practitioner is also negotiating with creditors.

**Decision taken to transfer  
Magwa shares from ECDC to ECRDA**

**ECRDA began  
business rescue  
of the tea estate.**

A Business rescue practitioner was appointed and is expected to report to the High Court and submit a comprehensive business rescue plan

**A submission** for  
additional funding

for **Magwa and Majola  
Tea Estates** was made to  
the provincial treasury.

**R51.6 million**  
was requested for the  
funding of operational  
costs, salaries (including  
arrear salaries) and the  
business rescue process.

**Only R16,562**  
was approved  
for both estates







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