



ECRDA

**Eastern Cape
Rural Development
Agency**



**REVIEW OF
OPERATIONS
2020/21**

Future Reimagined

ECRDA Board



1

MS L NARE

Chairperson
Appointed
April 2019

Committees:
Human Capital &
Remuneration
Committee.

2

MR V JARANA

Deputy Chairperson
Reappointed
July 2020

Committees:
Audit, Risk & Compliance
Committee.
Finance, Projects &
Investment Committee.

3

MR M NCWADI
(EXITED
FEBRUARY 2021)

Deputy Chairperson
Reappointed
April 2019
Committees:
Social & Ethics
Committee.

Finance, Projects &
Investment Committee.

4

AMB M MAQUETUKA
(RESIGNED
NOVEMBER 2020)

Appointed
October 2018
Committees:
Human Capital &
Remuneration Committee.

5

MR S MAKUNGA

Appointed
April 2019

Committees:
Chairperson: Social &
Ethics Committee.
Finance, Projects &
Investment Committee.



6

MR S FAKU

Appointed
1 April 2019

Committees:

Chairperson: Human
Capital & Remuneration
Committee.
Finance, Projects &
Investment Committee.

7

ADV P MAYAPHI

Appointed
April 2019

Committees:

Audit, Risk &
Compliance
Committee.
Human Capital &
Remuneration
Committee.

8

MS Z THOMAS

Appointed
April 2019

Committees:

Chairperson: Audit,
Risk & Compliance
Committee. Social &
Ethics Committee.

9

MS N MBETE

Appointed
April 2019

Committees:

Chairperson: Finance,
Projects & Investment
Committee.
Audit, Risk &
Compliance
Committee.

10

**MS N
PETELA-NGCANGA**
(DECEASED
DECEMBER 2020)

Appointed
1 April 2019

Committees:
Human Capital &
Remuneration
Committee.

11

MR M MSOKI

Appointed
1 April 2019

Committees:

Human Capital &
Remuneration
Committee.

ABOUT THE ECRDA

The Eastern Cape Rural Development Agency 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 comprehensive and integrated rural development strategy for the Eastern Cape Province.



Transparency

We will be clear and open in our actions and promote inclusive and accountable participation by all stakeholders.



Excellence

We will build a competent, capable organisation best equipped to deliver quality services in all interventions and assignments within our mandate for rural development.



Honesty and Integrity

We will be professional, respectful, fair and consistent in our dealings and deliver decisions focused on ethical outcomes.



Innovation

We will be creative and push the boundaries of technology to be relevant and responsive to the development needs of rural communities.



Commitment to empowerment

We will prioritize the upliftment of communities we serve, as well as the capacitation of staff and connected development agents to drive excellence.



Ubuntu

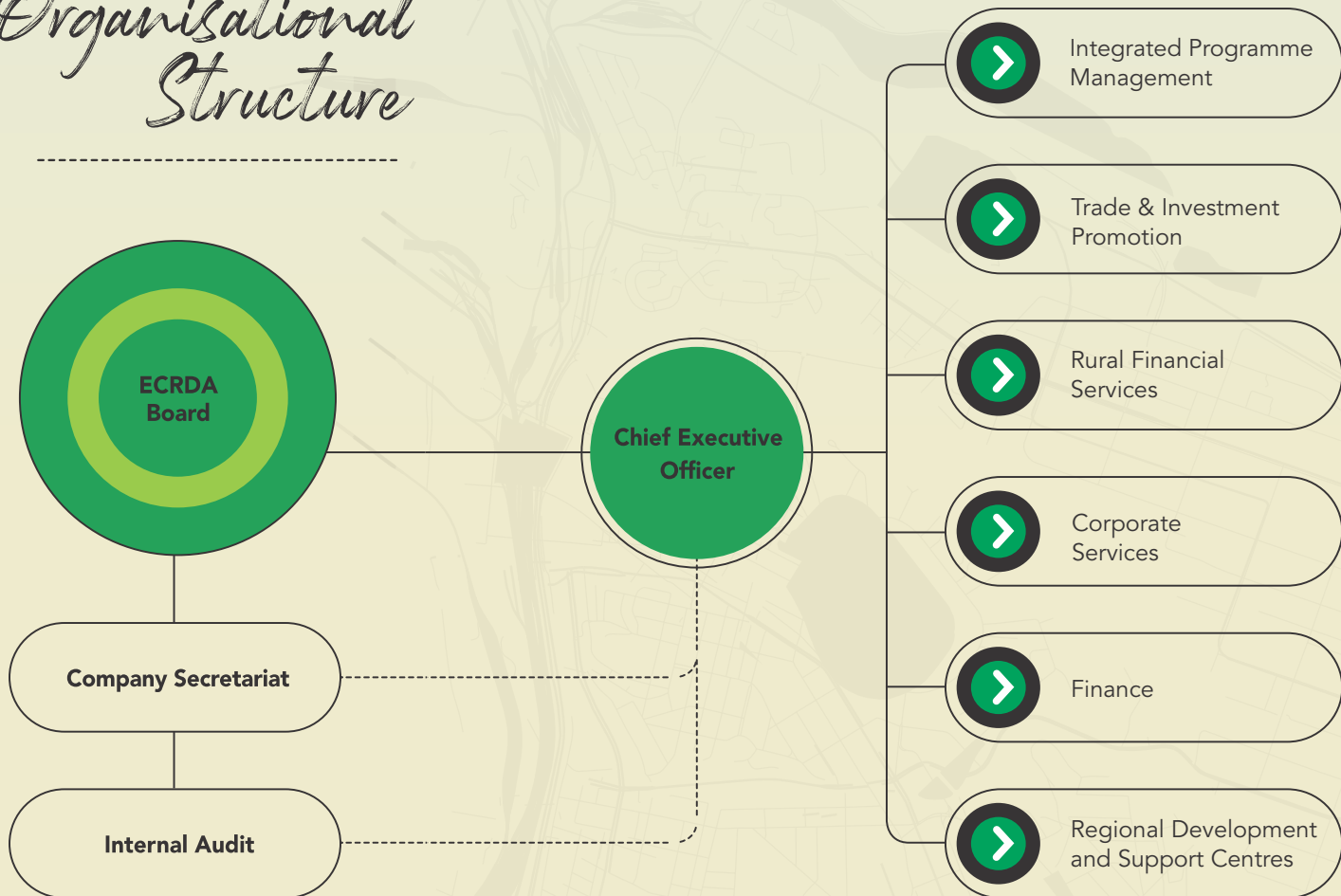
We will demonstrate our commitment to shared humanity and solidarity in the pursuit of common goals for development.

Vision

**Uqoqosho lwamaphadle oluzinzileyo, oluquka
uwonke-wonke (An inclusive and sustainable
rural economy)**



Organisational Structure



ECRDA *Executives*



NHLANGANISO DLADLA
Chief Executive Officer



JANINE BAXTER
Chief Financial Officer



NAVY SIMUKONDA
Chief Operations Officer



CELLO GARDNER
Corporate Services Executive



FINANCIAL EFFICACY 2020/2021

During the period under review, the Group embarked on a spirited pursuit of its 2020-25 strategy which includes a diversified funding strategy and the leveraging of stakeholder partnerships in the delivery of the agency mandate.

FINANCIAL REVIEW

- Unqualified audit opinion
- Financially sound
- Budget allocation R255 million
- Further R47.263 million for the revitalisation of Magwa-Majola Enterprise Tea (MET)

PERFORMANCE REPORT

The agency continued to facilitate the implementation of its flagship Rural Enterprise Development (RED) Hubs programme which places rural communities and their organised entrepreneurial organisations at the centre of operations.

AGRO- PROCESSING

ECRDA operates five RED Hubs:

- ECRDA operates the new flora Tshabo RED Hub in Berlin outside East London
- Four RED Hubs that focus on grain production and value-addition – Emalahleni in Lady Frere, Mbizana, Ncora, Mqanduli



41 primary co-operatives
2,377 members



Mbizana 15 co-ops

Mqanduli 11 co-ops

Ncora 10 co-ops

Emalahleni 5 co-ops

11,259 tons at the four
RED Hubs (12 grain
storage silos)



- Red Hubs milling plants process maize into maize meal, samp and animal feed.
- Milling plants have the following processing capacity:



2ton/hour

Emalahleni



1.1ton/hour

Mbizana



1ton/hour

Ncora



0.8ton/hour

Mqanduli

Ncora 5 silos 4,750 tons

Mqanduli 3 silos 2,500 tons

Mbizana 2 silos 2,000 tons

Emalahleni 2 silos 2,000 tons

**11,259 tons at the four
RED Hubs (12 grain
storage silos)**



TSHABO RED HUB:

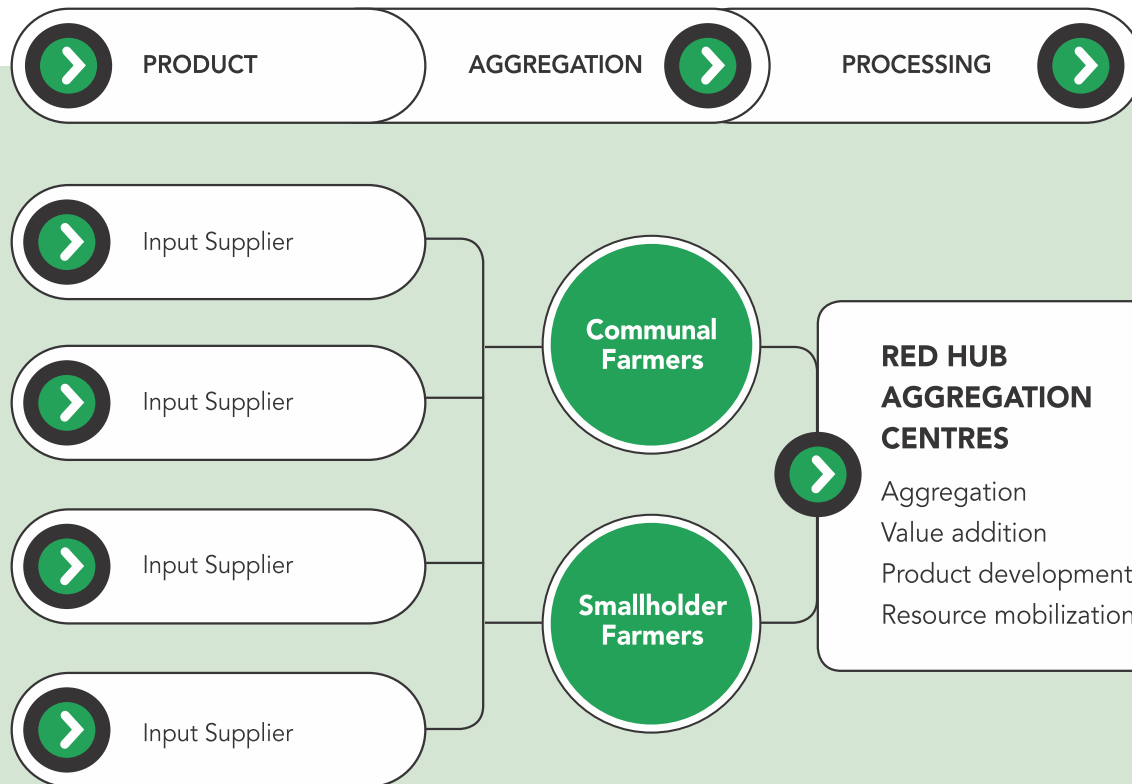
- 12 primary co-operatives
 - Farms flowers and vegetables through hydroponics
 - Solar panels, drip irrigation and reservoir water tanks installed at the hub
-

RED HUB AGGREGATION CENTRES

- ECRDA planning to diversify activities at the hubs
- RED Hubs to serve as demand aggregators
- Will procure produce from local farmers 7 open markets
- Will boost competitiveness of communities by linking market elements of production, processing & marketing.
- Will facilitate: access to finance, inputs, technical support, mechanisation, storage, processing equipment & marketing

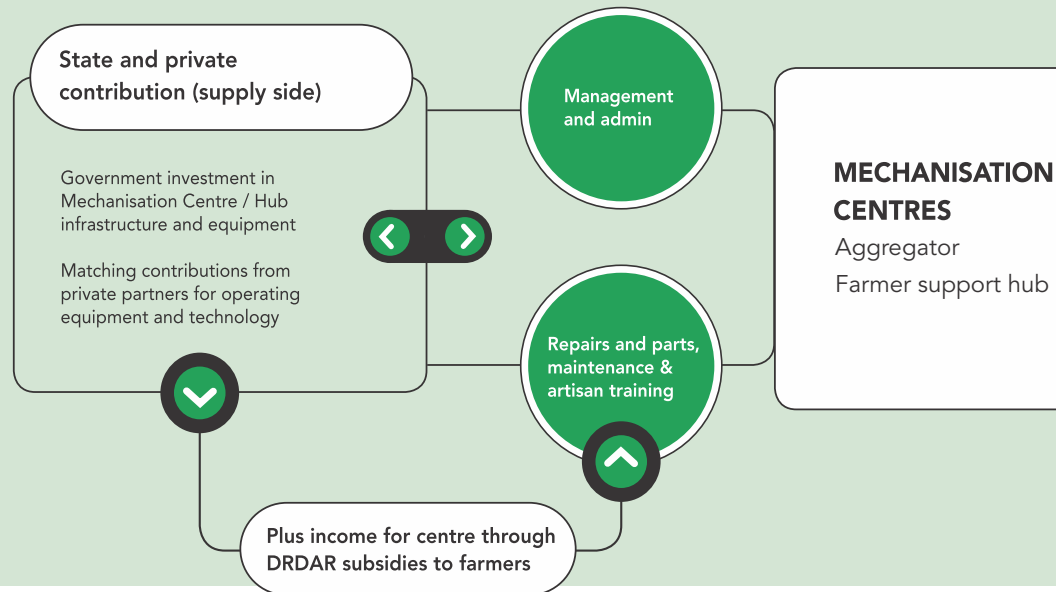


RED Hubs Aggregation Centres Model



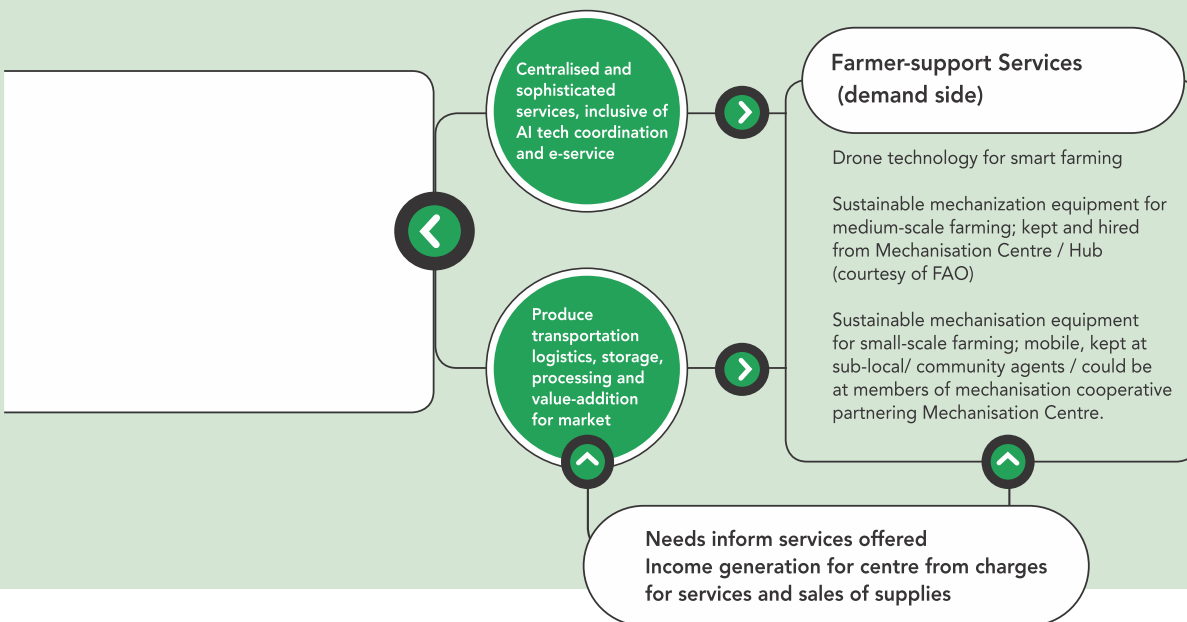
DISTRICT MECHANISATION CENTRES

Mec anisation Centre model





- Introduced district mechanisation centres in 2020/21
- Provides establishment of thriving, sustainable & inclusive mechanisation centres across the province
- Goal to provide co-ordinated & sustainable mechanisation support to improve productivity of producers across farming levels – subsistence, small-holder & commercial
- Promote use of appropriate machinery & implements to assist smallholder crop farmers & livestock farmers to improve quality, production yields & profitability
- Mechanisation centres exist in OR Tambo district & at Elundini Local Municipality
- Centres to be established in Sarah Baartman, Amathole & Alfred Nzo districts



OPERATIONAL PERFORMANCE

R11m

allocated for implementation of agro-processing activities across four grain producing RED Hubs



657 tons

of agricultural produce were procured for Mqanduli RED Hub (332 tons) & Mbizana RED Hub (325 tons)



817 ha

planted at three grain producing RED Hubs:

- 112ha of grain sorghum in Emalahleni
- 575ha of white maize in Mbizana
- 60ha of white maize in Mqanduli



Harvesting

from 2019/20 cropping season yielded 117.4 tons from 307ha planted by the hubs



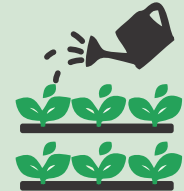
R9m

allocated to flora producing Tshabo RED Hub



20 ha

Funding used for orchard establishment & irrigation system, fabricated administration blocks and compensation of employees



5 ha

planted with Protea flowers



Private partner selected to assist with project implementation & business development

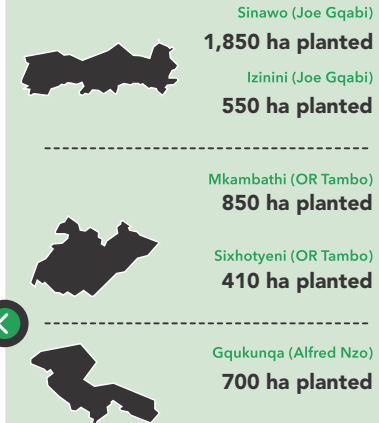


FORESTRY DEVELOPMENT

The Eastern Cape Rural Development Agency has developed a responsive and progressive forestry strategy that places rural and subsistence landowners at the centre of the Eastern Cape's afforestation initiatives.

4,360ha under production at ECRDA supported forestry projects

- 4,360 ha will produce 53,350 tonnes a year on an average nine-year rotation age
- Three of five project commenced with harvestinfg generating R4,3 million to date
- Trees planted are eucalyptus species *E.dunnii*, *E. nitens*, *E. macathurii* seedlings & Grandis/Europhyla hybrid cloned cuttings
- Small area planted with wattle & pine trees
- SAPPI & PG Bison main customers for these forestry projects



OPERATIONAL PERFORMANCE



R5,1m

Forestry budget
for 2020/21



R3,6m

used for compensation of
employees & to pay suppliers



R1,4m

used to acquire two 4x4
tractors for two projects

- No planting took place in 2020/21
- Mkambathi project began its first harvesting operation in 2020/21
- 136 people employed at the project



RURAL FINANCE

ECRDA has endeavoured to mitigate risk, where possible, by diversifying its loan portfolio, paying close attention to the quality of loans disbursed, the number of beneficiary enterprises and the application of sound collections strategies.



OPERATIONAL PERFORMANCE

7



R2,787m

disbursed in loans
in 2020/21

58

loans disbursed to
100 beneficiaries

R6,036 701m

loan repayments
in 2020/21



R1 884 389

Alfred Nzo



R624 748

Karoo



R151 055

OR Tambo



R79 092

Chris Hani



R48 000

Amathole

WOOL & MOHAIR

The Eastern Cape Rural Development Agency is driving the development of a wool and mohair industry which is premised on the improvement of the socio-economic impact, levels of beneficiation and income generation for small-scale wool and mohair producers. The focus on this industry is informed by the abundant potential inherent in the Eastern Cape for wool and mohair producing farmers. The Eastern Cape's vegetation is suitable for grazing wool sheep and angora goats.

R677,000

allocated to wool & mohair project in 2020/21



- Budget meant to activate the foundation & building blocks for development of the industry
- MoU & Service Level Agreement signed in June 2020 between ECRDA, Elundini Local Municipality & Department of Agriculture for establishment of the Elundini Wool Hub Project
- Targeted area in Elundini has potential to produce 1 million kilograms of wool per annum
- February 2021 service provider was appointed to execute planning and design of the wool hub
- Establishment amount of R20 million and R25 million required to bring Elundini project to desired scale



MARINE TILAPIA INDUSTRY

The Eastern Cape Rural Development Agency has taken the preparatory steps and begun laying the building blocks for the development of a vibrant and thriving marine tilapia industry in the Eastern Cape. Within the broader aquaculture value chain, the development of the marine tilapia industry is a perfect fit with the ECRDA's focus on the formulation, promotion and implementation of comprehensive rural development strategies.



13- 15 year

Plan to establish marine tilapia industry in a phased approach



100,000 tons

Final output at the end of this period



R19,2b

required to develop the industry to desired scale

Qwaninga Farm 308 in the Qora River in the Mbhashe Local Municipality identified as site for the establishment of the Marine Tilapia Industry Incubator



Incubator earmarked to act as a support base for the development of the entire industry



30 ha

Plan to establish incubator on a floor area with farms occupying majority of this space

2,000 tons

low cost Mozambique marine tilapia produced on a fish farm



106 permanent

permanent jobs to be created at the incubator

OPERATIONAL PERFORMANCE

- R3,4 million budget in 2020/21 for establishment of the programme
- Technical partner for aquaculture training for local communities and the municipality
- Orientation training conducted for the local community, local municipality and traditional leaders at identified incubator site
- Community mobilization work was conducted
- Broad support for the project resulting in a social agreement between the chief, communities and the ECRDA
- Project charter also completed in 2020/21
- MoU signed between the ECRDA and Mbhashe Local Municipality
- ECRDA signed Service Level Agreement with the KZN Agri-Business Development Agency

CANNABIS DEVELOPMENT

The Eastern Cape Rural Development Agency has been tasked by the Provincial Government to work closely with the Department of Rural Development and Agrarian Reform (DRDAR) and other partners to co-plan, facilitate and mobilise stakeholders as well as resources to establish a massive and thriving Cannabis Industry in the Eastern Cape. Given the competitive advantage of the Eastern Cape in cannabis, the ambition is to develop and grow a Cannabis Industry that will be underpinned by primary producers cultivating 100 000 hectares of the plant in the province over the next twelve to fifteen years of the development of this industry. The province has identified cannabis as a priority project and it has delegated responsibility to the ECRDA to co-lead the establishment and implementation of the project in the Eastern Cape.

INDUSTRY POTENTIAL

Five cannabis production corridors identified for development over 12 to 15 years in the Eastern Cape

Corridors earmarked to produce food, fuel, fibre & medicine from the plant



50 000

cannabis farmers are expected to be created farming on two hectares each at maturity stage of the industry



100,000 ha

Targeted production

R350,000

estimated revenue from two hectares

R335billion

Total projected revenue from 100,000 hectares

INDUSTRY POTENTIAL

- Plan to establish two cannabis incubators in the west and east of the province
- Magwa Enterprise Tea identified as an incubator site in the east
- Dohne at the Department of Rural Development and Agrarian Reform research facility close to Stutterheim identified for the west
- Eastern side identified for production of cannabis for medical & industrial use & the west for industrial use

OPERATIONAL PERFORMANCE



R4,5m

**budget revised to half
because of covid restrictions**

-
- Budget used to rally stakeholder support for the project
 - Funds used for stakeholder engagement activities & farmer support in terms of agricultural inputs
 - Technical advisory panel established in 2020/21
 - Community awareness campaigns conducted
 - ECRDA co-led development of the industry strategy in the Eastern Cape
 - Training conducted for interested and affected parties
 - MoU concluded with Department of Small Business Development to assist in establishment of the incubators & co-operatives
 - Council for Scientific & Industrial Research engaged for the development of cannabis products
 - National department of agriculture engaged for the provision of regenerative agriculture and training

TRANSACTIONAL ADVISORY SERVICES

During the period under review, the Eastern Cape Rural Development Agency introduced a transactional advisory service which is meant to provide technical and investment support in order to grow and support competent, dynamic and sustainable enterprises in the rural economy. This transactional advisory service facilitates negotiations between investees (farmers) and investors (funders) with the express intent of securing a funding or equity deal.

- Introduction of technical advisory service informed by lack of expertise in deal-making among smallholder farmers
- ECRDA intends to bridge this gap and ensure that farmers get a fair & empowering deal
- R5,2 million budget allocated for establishment of the transactional advisory service
- Budget was meant to conduct preparatory and planning work for an effective and responsive transactional advisory service
- Transactional advisory services concept document developed
- business viability assessment study focused on ECRDA clientele partially completed
- Panel of transactional advisory services experts established
- Framework for packaging Eastern Cape investment opportunities was developed
- Trade and investment division also established in 2020/21

SUBSIDIARIES

MAGWA ENTERPRISE TEA (MET)

Turnaround plan developed

- Immediate focus to bring stability & strengthen governance and accountability
- Operations reengineered to dramatically improve operational efficiencies, restructuring of the balance sheet, cost-cutting, improve profit margins
- In 2020/21, MET affected by slow growth, COVID-19 pandemic and a tough global economy
- Magwa remains under-capitalised with a significant negative equity position
- Magwa unable to generate adequate cash flows from core business
- Current cash flows insufficient to cover annual total cash requirements
- Increased labour costs and CIP on input costs continues to be a drag on MET's gross profit margins

MAGWA ENTERPRISE TEA

- Board of Directors appointed in 2020/21
- Company secretariat and governance framework developed
- Management systems developed
- Labour force of 1,558 in 2020/21 – 516 permanent & 1,031 seasonal
- Total of 556 tonnes of bulk black tea produced – 502,8 tonnes from Magwa & 53,2 tonnes from Majola
- 59 tonnes of tea bags produced
- 636,2 tonnes of bulk black tea were sold
- Four tonnes of tea bags were sold



“ comprehensive and
integrated rural
development strategy
for the Eastern Cape
Province. ”





ECRDA

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Rural Development
Agency**

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