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## REVIEW OF OPERATIONS 2013/14

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- 4 Subsidiaries
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# 1 ABOUT ECRDA







# VISION

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A leading and vibrant organisation that improves livelihoods and develops sustainable rural communities in the Eastern Cape province.

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ABOUT **ECRDA**





## PLATFORMS, CHANNELS, RESOURCES

The establishment of ECRDA provides platforms, channels and the resources necessary to provide a coordinated and integrated approach to the formidable challenges that face rural communities.

It should leverage public, private and social resources as well as strategic partnerships with the village being the centre of operation for an energised and pronounced development impact.





# MISSION

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ECRDA will accelerate implementation of identified high impact priority rural development programmes and unlock dormant potential of resources through partnerships, with the communities as the centre of operation.

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ABOUT **ECRDA**



## STRATEGIC **PILLARS**

- 1** Effective coordination and implementation of agrarian-driven high impact priority programmes (HIPPs)
- 2** Promote entrepreneurship through rural development finance AND SUPPORT PROGRAMMES
- 3** Develop and sustain an effective, CAPABLE AND FIT-FOR-PURPOSE ORGANISATION
- 4** Leverage strategic partnerships towards implementation and funding of RURAL DEVELOPMENT INITIATIVES
- 5** DEVELOP SUSTAINABLE, LOCALISED AND INSTITUTIONALISED FRAMEWORK



# 2013/14 HIGHLIGHTS



## Corporate Overview

Addressed teething challenges that came with merger of AsgiSA-EC and Eastern Cape Rural Finance Corporation (ECRFC)

All staff formed part of uniform human resources policy

**All key executive management positions filled**

Second consecutive unqualified audit opinion

**RECEIVED R173 MILLION**  
in total funding allocation

High impact priority programmes underway

Alignment of ECRDA programmes with provincial Ilima Labantu

High value partnership with Eastern Cape Development Corporation (ECDC) on the Development Bank of Southern Africa (DBSA) Jobs Fund agro-processing initiative



2013/14 **HIGHLIGHTS**





## FINANCIAL EFFICACY

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As a Schedule 3C public entity,  
ECRDA aims to improve its own revenue sources  
for income generation and  
**A GREATER SERVICE DELIVERY IMPACT.**

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2013/14 **HIGHLIGHTS**





## FINANCIAL OVERVIEW



GOVERNMENT GRANTS AMOUNTED TO  
**R173 MILLION**  
(R112 MILLION FOR ECRDA OPERATIONS, R38 MILLION FOR ILIMA LABANTU)



ECRDA PROVIDED grant funding from its annual allocation to its subsidiaries which amounted to **R12 MILLION**

In real terms, ECRDA's annual allocation for its own operations **DECREASED BY 16%**



In 2013/14, the unplanned transfer of  
**R12 MILLION**  
to Magwa Enterprise Tea resulted in a deficit of R1.1 MILLION



LOAN BOOK OF R154 MILLION  
PRE IMPAIRMENTS GREW BY 2.2% YEAR-ON-YEAR

Commission earned from project implementation of  
**R3.1 MILLION** has increased by 25%







# (HIPPs)

HIGH IMPACT PRIORITY PROGRAMMES



# MASAKHENI

## LET US BUILD TOGETHER

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ECRDA's task is premised on an urgent need to reconfigure the rural landscape through focused rural finance instruments as well as the implementation of high impact priority programmes (HIPPs). Ultimately, the intention is to ensure that rural communities become active and competitive participants in the mainstream formal economy.

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## DBSA JOBS FUND



➤ DBSA committed **R91 MILLION** over three years to ECRDA and ECDC to implement the initiative (80% DBSA, 20% ECRDA/ECDC)



➤ ECRDA received **R16.5 MILLION** in 2013/14 from DBSA **FOR AGRO INITIATIVE**



➤ Mechanisation costs accounted for **40-45% OF PRODUCTION COSTS**



➤ ECRDA subsequently created mechanisation units which should **REDUCE PRODUCTION COSTS TO 20%**

➤ **1 866 HECTARES** of maize planted in **NCORHA AND MQANDULI**



## DBSA JOBS FUND



➤ **955HA IN NCORHA &  
911HA IN MQANDULI**

Total of 14 co-operatives benefitted from initiative –  
➤ **NCORHA (10), MQANDULI (4)**

➤ Co-operatives organised around A SECONDARY CO-OPERATIVE  
**OR PRODUCERS ASSEMBLY**

➤ **706 BENEFICIARIES IN NCORHA,  
256 IN MQANDULI**

➤ **55 TEMPORARY JOBS CREATED during production**  
more anticipated at harvest season





## DBSA JOBS FUND

### NCORHA IRRIGATION SCHEME

ADMIN AREA	CO-OP	PLANTED (ha)
Qhumanco	Ndenxe Sgangezi	106
Qhumanco	Botani Maqomeni	103
Qhumanco	Chotoni Nonkqayi	106
Qhumanco	Jumba Matafeni	85
Qhumanco	Ngcagca	75
Qhumanco	Fameni Bhanti	80
Damane	Damane	89
Jojweni	Lower Ncorha	90
Ncora	Ncorha Flats	113
Ncora	Nomadamba	108
		<b>TOTAL: 955</b>



### MQANDULI SERVICE CENTRE

ADMIN AREA	CO-OP	PLANTED (ha)
Ngcanaseni	Maqomeni	138
Ngcanaseni	Ngcanasini	150
Nqwarha	Ntsimbi	300
Kwenxurha	Mbizana-Kwenxura	300
		<b>TOTAL: 911</b>



HIPP 1: AGRICULTURE/AGRO-PROCESSING





## LETSIMA PROGRAMME



IMPLEMENTED THE DEPARTMENT OF RURAL DEVELOPMENT  
AND AGRARIAN REFORM PROGRAMME

**R38 MILLION PROVIDED FOR PRODUCTION COSTS**



**6 559 HA OF YELLOW MAIZE PLANTED  
ACROSS DISTRICT MUNICIPALITIES**

325 PROJECTS BENEFITTED FROM PRODUCTION PROCESS

8 741 BENEFICIARIES WHO ARE LANDOWNERS



432 TEMPORARY JOBS CREATED  
DURING PRODUCTION PROCESS



FARMER TOTAL CONTRIBUTION AMOUNTED TO

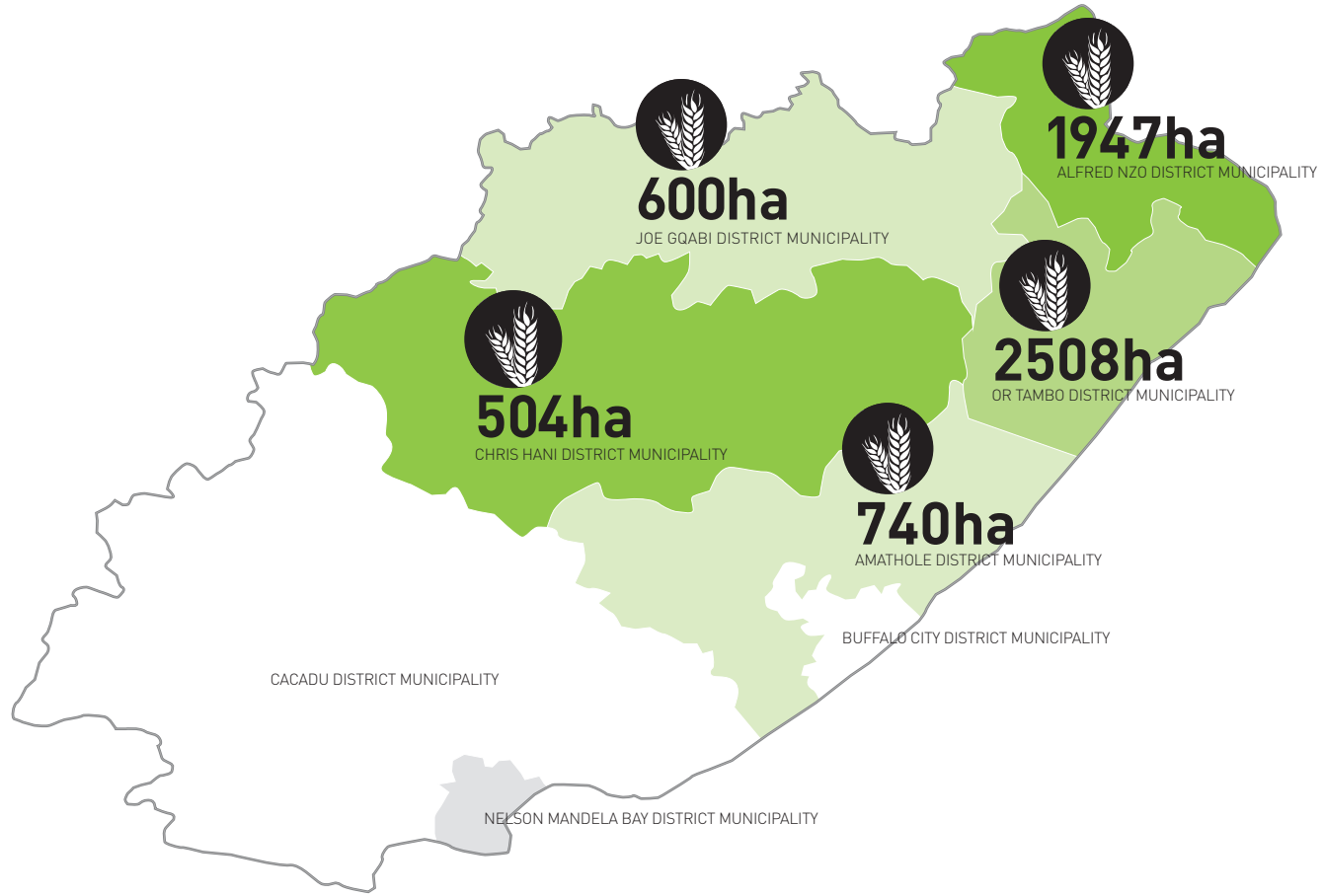
**R5.1 MILLION**

FARMERS REQUIRED TO CONTRIBUTE  
R1 800 FOR EVERY HECTARE PLANTED





# LETSIMA PLANTATION



HIPP 1: AGRICULTURE/AGRO-PROCESSING







# COMMERCIAL LIVESTOCK FARMING

The Eastern Cape has the highest number of cattle, goats, chicken and horses in South Africa. Government interventions should be aimed at encouraging the commercialisation of this sector in order to increase

- RURAL OUTCOMES
- PARTICIPATION IN THE MAINSTREAM ECONOMY
- ENSURING FOOD SECURITY.

HIPP2: COMMERCIAL LIVESTOCK FARMING





➤ Deliberate state intervention to improve  
**INFRASTRUCTURE AND PRODUCTION**

➤ **Encourage growth of calving rates of  
communal farmers from 30% TO 60%**

Introduction of vaccination programmes to limit livestock losses

➤ Improve genetic material of livestock  
owned by communal farmers

➤ **Encourage commercialisation of the  
COMMUNAL LIVESTOCK SECTOR**





Livestock sector characterised by underdeveloped communal sector and modern commercial sector

## 8 million livestock units in the Eastern Cape

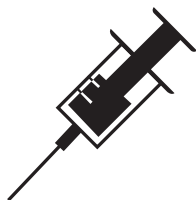
- 55% in hands of communal farmers

FOCUS ON TWO VILLAGES -  
FORT MALAN IN MBHASHE AND NTSESHE IN MNQUMA



**IN NTSESHE SIX NGUNI BULLS  
WERE PROVIDED**

**IN FORT MALAN THREE BRAMAN BULLS  
WERE PROVIDED**



**TOTAL OF 1 300 CATTLE WERE VACCINATED  
FOR CLOSTRIDIAL AND BOTULISM DISEASES**

THREE TRAINING WORKSHOPS ON  
BASIC ANIMAL HUSBANDRY PROVIDED





## COMMERCIAL FORESTRY DEVELOPMENT

The Eastern Cape possesses a significant potential for forestry development and there exists an opportunity to bring in communities where these plantations are located into the production value chain.

The economic spin-offs enjoyed by the forestry sector should be felt and shared by these communities. ECRDA intends to ensure that these communities become meaningful participants not only in production, but in changing the ownership patterns in the industry.



HIPP 3: FORESTRY DEVELOPMENT





➤ Eastern Cape has great potential for growth in the industry with **plantations totalling 130 000ha**

➤ **Potential to increase Eastern Cape forestry plantations by a further 100 000ha**

### **Opportunity to rehabilitate 30 000ha of plantations**



Secured R113 million DBSA Jobs Fund grant over three years - R30 million to be provided equally between ECRDA and ECDC



**Objective to plant 6 000ha by end of three-year period**  
with creation of 565 jobs from eight projects





### **In 2013/14 R5.5 million committed to five projects**

Izinini and Sinawo (near Bizana), Mkambathi (near Flagstaff), Sixhotyeni (near Maclear) and Gqukunqa (near Qumbu)



### **340HA WERE PLANTED**



320 people employed to clear bush, prepare land, plant trees and control weed competition





## POTENTIAL FOR INCREASED ENERGY GENERATION

The Eastern Cape possesses alternative energy sources such as solar, wind, hydro power as well as biofuels generated from waste and forestry. The Eastern Cape alone has the potential to generate about 5 000 megawatts of energy from these sources.

**ECRDA is therefore investigating public-private partnerships to exploit this sector. Partnerships should be at the epicentre of ECRDA's interventions in this sector in the face of serious budgetary constraints.**



HIPP 4: ALTERNATIVE ENERGY





EASTERN CAPE HAS POTENTIAL to generate about **5 000 megawatts** from renewable energy sources

Partnership with **Sakhisizwe Biofuels Project** at the **Coega IDZ**

Project aims to generate **103 MILLION LITRES** of biodiesel per annum

ECRDA role to provide feedstock to the plant through ECRDA farmers

**PARTNERSHIP WITH BAMBOO SOUTH AFRICA FOR** establishment of bamboo clusters of 500ha each



# INNOVATIVE RURAL FINANCE

ECRDA seeks to support and grow a rural entrepreneurial culture where communities are producers that can compete favourably with dominant market forces. The organisation provides loans and technical assistance to rural entrepreneurs who are serious about changing the status quo. Through its rural finance tools, ECRDA intends to ensure that rural communities become meaningful participants in the economy rather than consumers.



**HIPP5:** INNOVATIVE RURAL FINANCE







- ECRDA finances agricultural infrastructure and implements through affordable loan products
- **Disbursal of funds monitored through a tight credit and collections policy**
- POLICIES DESIGNED TO PROTECT ECRDA INTEREST AND THOSE OF RECIPIENTS
- **ECRDA provides loans to those considered unbankable**

A need to balance a higher risk appetite and responsible lending practices





➤ **ECRDA CONDUCTED THOROUGH REVIEW OF CREDIT POLICY**

**Aim is to ensure alignment with corporate strategy  
in support of economic development**

➤ Credit policy provides guidance on disbursement of loan finance  
for alignment with National Treasury regulations

Collections policy was developed to improve ability to recoup loans

➤ Collections policy places emphasis on ensuring  
clients meet their loan obligations

➤ ECRDA plans to employ rural development officer in 2014/15  
to provide loan aftercare services





**R14.7 MILLION** APPROVED FOR DISBURSAL  
TO 473 ENTERPRISES IN 2013/14

**R2.6 MILLION** OF MAFISA LOANS  
DISBURSED TO 178 BENEFICIARIES

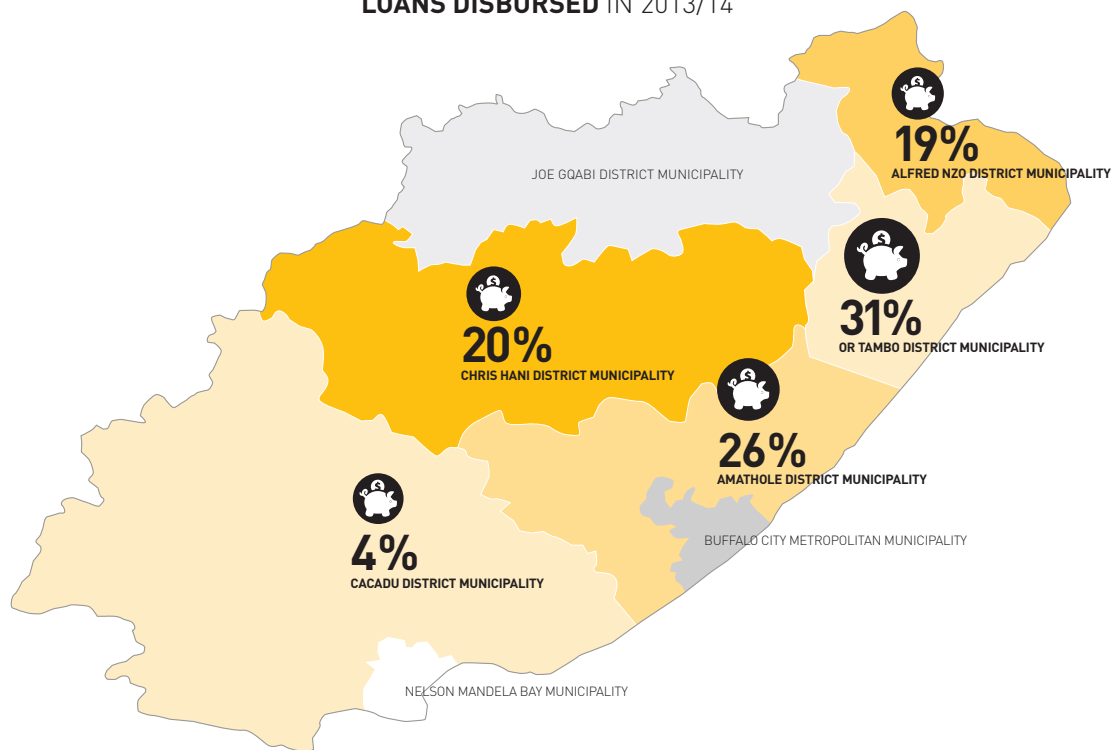
**R2.4 MILLION** OF ECRDA AGRICULTURAL LOANS  
WERE DISBURSED TO 34 BENEFICIARIES

**R818 000** OF ECRDA NON-AGRICULTURAL LOANS WERE  
DISBURSED TO 19 BENEFICIARIES





## LOANS DISBURSED IN 2013/14





# EMPOWERING **SUBSIDIARIES**



# EMPOWERING SUBSIDIARIES

Through its various financial instruments and other support mechanisms, the government expects of ECRDA, an agent that can be used as a channel to implement its programmes. Where opportunities exist for government to invest in those enterprises with a significant potential for socio-economic redress, it uses **ECRDA** as a channel to effect such change.





# Kangela Citrus Farm

MADE UP OF 30 LAND REFORM BENEFICIARIES WHO OWN A CITRUS FARM  
in Addo near Sundays River Local Municipality

**IN 2013/14 ECRDA RECAPITALISED KANGELA WITH  
R6.5 MILLION FOR 220HA OF NEW ORCHARDS**

A management and marketing company  
has been appointed to operate the farm

**Kangela has**  
**82ha of old orchards,**  
62ha in good condition, 70ha of citrus in prime condition

Once fully-capitalised Kangela should become profitable



EMPOWERING **SUBSIDIARIES**





# Agricultural Research And Development Agency

ARDA began implementation of its flagship bioethanol plant in Cradock

## The R2.1 billion plant is funded by the Industrial Development Corporation

Plant is expected to create 800 jobs at construction stage and 169 once plant is operational

**25 farmers with a combined 16 000ha are being engaged to provide feedstock for the plant**

**Plant will require 30 000 tons of feedstock per annum**

10% OF FEEDSTOCK WILL BE SOURCED FROM SMALL-SCALE FARMERS







# ASSOCIATED ENTITIES





## ASSOCIATED ENTITIES

In addition to its subsidiaries, ECRDA supports associated entities such as the Majola Tea Estate and the Magwa Enterprise Tea Estate as well as Ncerha/Macademia Farming in the implementation of the development mandate.



ASSOCIATED ENTITIES





# Magwa Enterprise Tea Estate

➤ ECRDA oversees Magwa Tea Estate operations and offers financial support

➤ Magwa has **1 703 ha** of commercial tea plantations

➤ It has **800 permanent employees** and 700 casual workers

➤ In 2013/14 ECRDA provided **R14.7 MILLION TO MAGWA** for operations and salaries

ECRDA in the process of acquiring Magwa's shares from ECDC



ASSOCIATED ENTITIES





# Majola Tea Estate



LOCATED IN PORT ST JOHNS,  
Majola is run by a workers trust

**IT HAS 450HA OF GREEN TEA**



In 2013/14 ECRDA remitted  
**R4.9 MILLION TO MAJOLA**  
for operations, capitalisation and infrastructure needs



ASSOCIATED **ENTITIES**





# Ncera Macadamia Farming

**IT HAS 300HA OF MACADAMIA NUTS**  
IN PUBLIC PRIVATE PARTNERSHIP

**51% is owned by the community**  
with the rest being held by the private sector

ECRDA provides operational and infrastructure development support

In 2013/14, ECRDA transferred  
**R8.5 MILLION TO THE ENTITY**

**The entity employs 129 people**



ASSOCIATED ENTITIES





## ENDURING LEGACY

*We have very fertile land here*

Our land is our wealth. Our children do not know much about farming, they only hear stories about farming. We hope projects such as the DBSA Jobs Fund Crop Production programme will revive farming in the area and for our children to earn a livelihood through the land.

*Even when we are no longer here, our children must work the land*





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