

# RURAL FINANCE



## ABOUT RURAL FINANCE

The ECRDA places 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. This is a segment of the market which is considered to be high risk by private lenders as it often has no significant asset base to use as collateral. However, government, through its special purpose vehicles such as ECRDA, takes on a higher risk appetite to service even those entrepreneurs who would otherwise be turned away by private and commercial lenders.

ECRDA plays an important role in driving growth as well as vibrant and robust economic activity in the rural landscape. The provision of credit lines customised for the rural market should also stem the tide of rural folk abandoning their rural land assets for the more urban areas of the province. Empowering rural finance therefore ensures that rural communities and entrepreneurs have access to credit lines that should contribute into turning their often fallow subsistence land assets into productive economic clusters.

ECRDA also provides a robust aftercare philosophy to ensure that rural entrepreneurs are able to honour their loan agreements with ECRDA. The recollection of loan funds is important to ensure that ECRDA is able to advance these credit lines to other deserving entrepreneurs. As such, significant effort is being continuously placed on ensuring improved loan recovery rates.

## PROGRAMME OBJECTIVES

Facilitate disbursements and recovery of loans



Disbursement of micro-finance and provision, co-ordination of business, technical and related support and the establishment of fit-for-purpose co-operatives and or other legal entities.

## LOAN ELIGIBILITY CRITERIA

The objective is to provide loan finance to qualifying agricultural / entrepreneurial / business enterprises by entertaining applications for finance from all qualifying individuals, legal entities or groupings of people who perform their agricultural / entrepreneurial / business activities in an economically viable and sustainable manner. The Agency primarily assists historically disadvantaged individuals.

In broad terms, ECRDA only disburses funds from its own capital. Loan applications are considered from applicants who amongst other things:

Complete an official loan application form,

Demonstrate the character and ability to correctly use and repay the loan thereby ensuring a reasonable chance for success, and

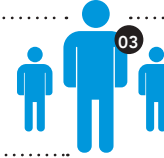
Provide all legal and supporting documentation required to evaluate the loan application in a professional manner.

The footprint of ECRDAs rural finance interventions spreads across all district municipalities and the Eastern Cape's two metros.

# GROWTH THROUGH AGRARIAN REFORM



THERE ARE THREE CATEGORIES OF CLIENTS:



01: Individuals  
02: Legal entities  
03: Informal groups

# TYPES AND CATEGORIES OF LOANS

**A**

**SBEDP (Starter Business Entrepreneurial Development Program)**  
A group consisting of between 5 and 10 individuals - Group members will be trained and expected to jointly and severally stand surety for the group's debt. No collateral required. Savings mobilisation important.

Phase 1 - **Maximum loan of R5 000 per member:** Up to 6 months  
Phase 2 - **Maximum loan of R10 000 per member:** Up to 12 months  
Phase 3 - **Maximum loan of R20 000 per member:** Up to 24 months



**E**

**Agricultural - Secondary / Processing loans**  
• Commercial activities by individuals and legal entities – maximum loan of R500 000 – minimum 50% secured



**F**

**On farm infrastructure development loans**  
Irrigation, dams, sheds, stock handling facilities, fencing etc. – minimum 50% secured



**B**

**STEDP (Sole Trader Entrepreneurial Development Program)**  
• Individual traders – maximum loan amount of R50 000 – Minimum 50% secured  
• Agricultural Hawkers – maximum loan amount of R10 000 – Minimum 50% secured  
• Non-Agricultural Hawkers – maximum loan amount of R10 000 – Minimum 100% secured



**G**

**Farm vehicles and equipment**  
Tractors, ploughs, trailers, combine harvesters etc - minimum 50% secured



**C**

**ATEDP (Advanced Trader Entrepreneurial Development Program)**  
• Individuals and legal entities – maximum loan amount of R50 000-00 – minimum 50% secured



**G**

**Non-agricultural enterprise Loans**  
Business / commercial activities by individuals or legal entities – maximum loan of R500 000 – minimum 75% secured.



**D**

**Agricultural – Primary production loans**  
• Subsistence farmers. Seasonal input loans to groups are restricted to R30 000 in value and a maximum of 10 individuals per group. No collateral required. Members jointly and severally accept liability for the loan advanced to a cohesive group.  
• Emerging farmers. Seasonal input loans to individuals are restricted to R100 000 in value. Secured, in the absence of a SLA between DRDAR, Agency and the borrower, by 50% tangible security.  
• Bona fide farmers.  
• Seasonal input loans to bona fide farmers, are restricted to R500 000 in value. Unsecured subject to clause 19 (a) – (f).  
• Seasonal input loans to bona fide farmers in excess of R500 000 in value. Collateral of 25% will be required in addition to conditions stated in clause 19 (a) – (f).



**I**

**Mortgage Loans for Farm Purchases or Commercial / Business Purposes** – Minimum 100% secured.



**J**

**Loans advanced to employees of the Agency**  
Loans to staff members will be granted subject to implementation of criteria set by the Chief Executive Officer which are in line with strategic objectives of the ECRDA namely:  
• The application shall be processed via the existing structures and submitted to the Chief Executive Officer for consideration by the Board.  
• There should be no conflict of interest created by the prospective award of the loan.  
• The loans should be for agricultural projects.  
• Loans advanced to staff members during a financial year should not exceed 5% of the total annual rural finance loans budget.  
• Applications are considered on a first come first serve basis.

