rural development
& land reform

Department:
Rural Development & Land Reform
REPUBLIC OF SOUTH AFRICA

POLICY FOR THE RECAPITALISATION AND DEVELOPMENT PROGRAMME OF THE DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM

23 July 2013

POLICY FOR THE RECAPITALISATION AND DEVELOPMENT PROGRAMME OF THE DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM

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ABBREVIATIONS

EBF	Emerging Black Farmers
RADP	Recapitalisation and Development Programme
NDP	National Development Plan
CRDP	Comprehensive Rural Development Plan
SPs	Strategic Partners
SLAG	Settlement Land Acquisition Grant
LRAD	Land Reform for Agricultural Development Programme
SPLAG	Settlement Production Land Acquisition Grant
PLAS	Proactive Land Acquisition Strategy
MTSF	Medium Term Strategic Framework
DAFF	Department of Agriculture, Fisheries and Forestry
SDF	Spatial Development Framework
SARS	South African Revenue Service

DEFINITION OF TERMS

i. The meaning of words or terms that are defined in this document is operative only in the context of this document and shall supersede any other meaning provided elsewhere.

ii. All policy statements articulated in this document are mainly applicable to the Department of Rural Development and Land Reform; hence no continuous citation of the name of the said department is necessary in the body of this document.

iii. Any citation of a law without the words, "*as amended*", refers to the latest version of that law, including amendments.

iv. **Agricultural Leases** refer to lease arrangements that provide for the use of property at the primary agricultural level. Such level is construed to exclude processing of raw agricultural products.

v. **Agricultural value-chain** refers to the full range of activities implemented by various actors (primary producers, processors, traders, service providers etc.) that bring a basic agricultural product from raw production to final consumption, where value is added to the product at each respective stage.

vi. **Approval Authority** means any person who has authority to approve leases in terms of existing delegation or power of attorney issued under the laws referred to in this Policy.

vii. **Approved Business Plan** is a business plan envisaged in the Recapitalization and Development Policy.

viii. **Emerging Black Farmers (EBF)** means those persons (or their descendants) who were excluded from South Africa's formal agricultural economy on the basis of their skin colour, and who have recently begun to engage in farming on a larger scale to sell crops and livestock on the market with the support and assistance of the State.

ix. **Informal Rights to Land** refer to the land use rights, occupation rights or land access rights envisaged in the Interim Protection of Informal Land Rights Act, 1996 (Act No. 31 of 1996).

x. **Land and Agricultural Bank of South Africa** means the Bank as defined in the Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002).

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xi. **Land Tenure Right** is defined as any right held under a rental agreement by which the owner gives another the right to occupy or use land for a fixed period of time.

xii. **Leasehold** means the right to hold or use property for a fixed period of time at a given price, without transfer of ownership, on the basis of a written lease contract.

xiii. **Long-Term Lease** refers to any leasehold that is 10 years or longer.

xiv. **Net Income** means net results of turnover excluding input costs; direct ploughing/ breeding costs, and salaries or wages.

xv. **Non-Agricultural Leases** mean any lease arrangement that permits leased property to be used for a purpose other than those activities that fall within the definition of primary agriculture.

xvi. **Option Agreement** is an agreement between two parties whereby, in exchange for a fee, one of the parties has the right (but not the obligation) to lease a property at a specified price until a specified date or event.

xvii. **Previously disadvantaged persons** means South African Citizens who are racially classified as African, Coloured and Indian.

xviii. **Proxy farmers** are people who run their own businesses in towns and cities, while employing managers to run their distressed farms, which include farms that are characterised by low or complete lack of productivity, are lying fallow, under debt administration or that require further support regimes to reach optimal levels of production.

xix. **Public Servants** refer to any persons working under the employ of the Government of the Republic of South Africa, including: public representatives at the national, provincial or municipal levels; traditional leaders who are recognised under any legislation; and employees of any company or entity where the State is a majority shareholder.

xx. **Recapitalisation** refers here to the capital renewal or restructuring of poor and previously disadvantaged and under-producing agricultural enterprises of Emerging Black farmers who are beneficiaries of the State's land reform programme. Development here refers to support to human (capacity development), infrastructural development and operational inputs on other newly acquired properties.

xxi. **Spatial Development Framework (SDF)** is the same as the term referred to in Chapter 4 of the Spatial Planning and Land Use Management Bill 14B 2012.

xxii. **Turnover** refers to the market value of harvest crop or the market value of average number of livestock of saleable age, including cash.

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A. CONTEXT AND BACKGROUND

a) Reversing the legacy of the 1913 Natives Land Act

The root of the land question today arises out of the pervasive process of land alienation that dispossessed the majority of South Africans of their land over the past few centuries. 2013 is the centenary of the 1913 Natives Land Act, which was the first of a number of discriminatory laws that reinforced the massive dispossession of land from black South Africans. The formulation of this policy forms part of Government's undertaking to review all land reform policies as enunciated in the 2011 Green Paper on Land Reform, with a view to address issues relating to historical exclusion, equitable access to land, and participation in the optimal utilisation of land; as well as to address challenges relating to access to food at both household and national level to bring about household food security and national food self-sufficiency.

b) The Constitution

The context of all rural development and land reform policies is the 1996 Constitution of post-apartheid South Africa. In this instance, the most pertinent sections of the Constitution are 25, 26, 27 and 36.

Section 25 (5) enjoins "The state must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis". In a context wherein the majority of citizens still do not have equitable access to land, this constitutional promise still remains an imperative

Furthermore, Section 25 (5) is the only clause that recognizes this exclusive right for "citizens" and it's accordingly weighted higher than that of non-citizens or foreign controlled juristic persons; hence, although South Africa belongs to all who live in it and afforded Basic Rights, when it comes to land it is citizens that are prioritized.

Section 25 (4) talks to national interest and states that "For purposes of this (a) the public interest includes the nations commitment to land reform and to reforms to bring about equitable access to all South Africa`s natural resources, and (b) property is not limited to land.

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· Implied here is that national interests take precedence and that limitations and exemptions to such limitations of access, will be in furtherance of national interests.

Section 25(8) of the constitution states that 'No provision of this section may impede the state from taking legislative and other measures to achieve land, water and related reform, in order to redress the results of past racial discrimination, provided that any departure from the provisions of this section is in accordance with the provisions of section 36 (1) Consequently it compels the state to spare no effort in addressing land reforms and racial disparity and inequity in land ownership by South Africans; this section

Section 36(1) that limits the rights in the Bill of Rights states that "the right in the Bill of Rights may be limited only in terms of law of general application to the extent that the limitation is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom taking into account (a) the nature of the right; (b) the importance of purposes of the limitation; (c) the nature and extent of the limitation; (d) the relation between the limitation and its purpose; and (e) less restrictive means to achieve the purpose. Hence Sections 25 (4), (5) and (8) on the imperative of land reform, its national interest status and its override of rights, provided its generally applicable underscores the importance of land reform and accelerating equitable access.

B. THE COMPREHENSIVE RURAL DEVELOPMENT PLAN (CRDP)

The Comprehensive Rural Development Plan (CRDP), which was conceptualized by the Department of Rural Development and Land Reform, and adopted by Cabinet in 2009, serves as the overarching policy trajectory for the Department of Rural Development and Land Reform. Based on a pro-active participatory community-based planning approach to rural development, the envisaged outcome of the process is the creation of "*vibrant, equitable and sustainable rural communities*". The strategy of the CRDP is "agrarian transformation", which denotes "*a rapid and fundamental change in the relations [systems and patterns of ownership and control] of land, livestock, cropping and community.* The ultimate goal is social cohesion and inclusive development of the rural landscape and economies.

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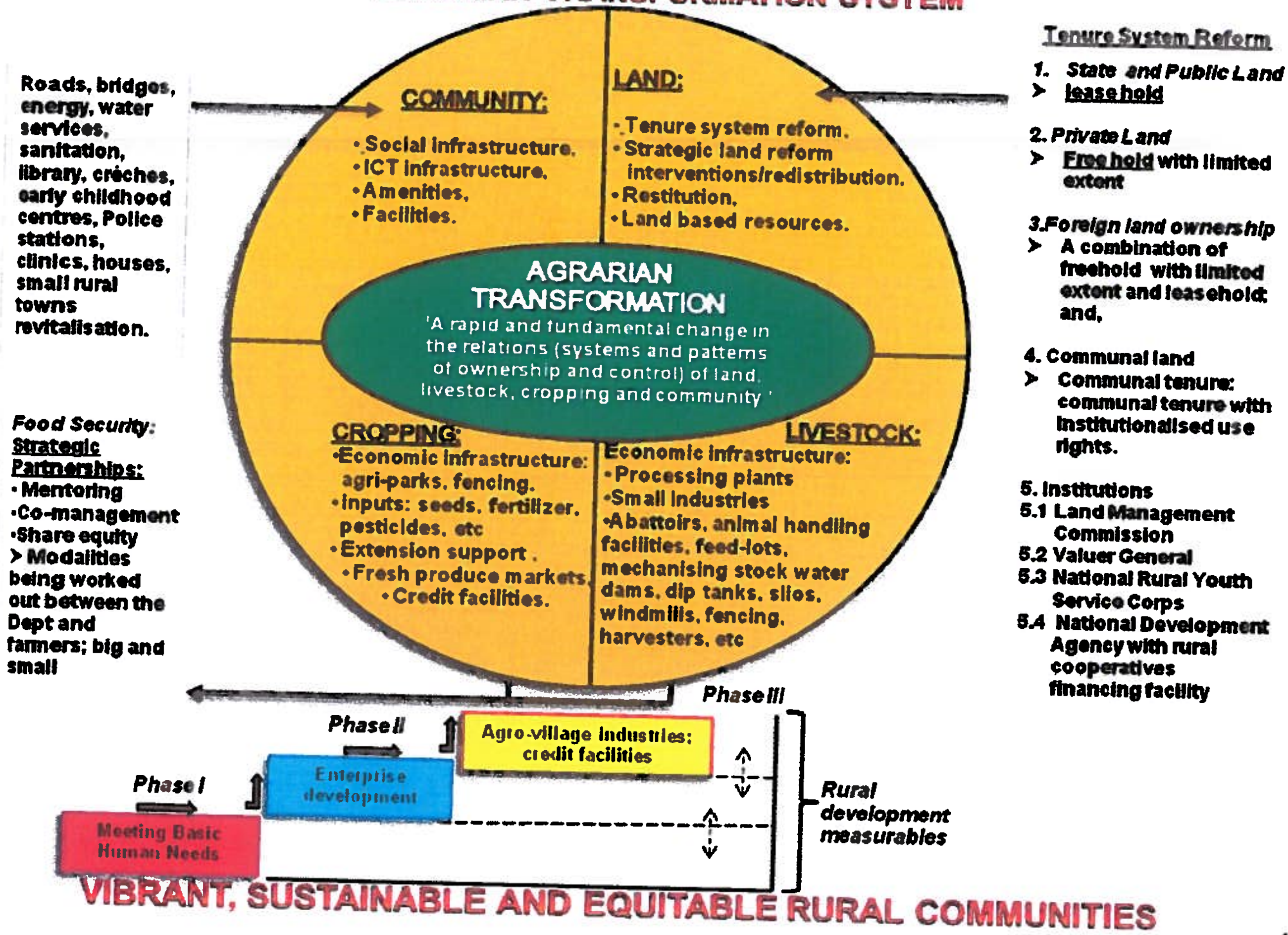
Figure 1: RURAL ECONOMY TRANSFORMATION: AGRARIAN TRANSFORMATION SYSTEM



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The CRDP outlines 3 phases or programmes to achieve this outcome:

Phase 1 - Meeting Basic Human Needs;

Phase 2 - Enterprise Development; and

Phase 3 - Light agro industries maintained by rural markets and credit facilities.

Effective implementation of these phases requires the mobilisation and organization of rural people into functional groups to effectively take charge of their own development, especially in identifying the most pressing needs of the community and perceived optimal ways to address these. Here an employment creation model has been developed in which selected households members participate in various programmes that require employees to share half of all wages with their respective households. The first phase, the "incubator" stage, is focused on the provision of basic services and infrastructure (water, sanitation, electricity, housing etc). The second phase involves facilitating rural communities in the

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development of entrepreneurial skills and medium to large-scale infrastructure necessary to establish successful business initiatives.

The final phase entails the emergence of key economic sectors characterized by a diverse range of small, medium and large agro-industries sustained by rural markets and credit facilities.

All work undertaken by the Department of Rural Development and Land Reform thus serves to realise the intended outcomes of the CRDP through this 3-phase model. Aimed at providing EBF (Emerging Black Farmers) and other emerging Black entrepreneurs with the necessary know-how, instruments and conducive environment to participate in the mainstream economy, the RADP has been developed as an enabling mechanism to give effect to all the above phases. Numerous core objectives of the CRDP, including self-reliance of rural communities, local economic development, increased agricultural production, sustainable use of natural resources, inclusive rural participation in developed value chains and improved rural livelihoods shall be accomplished through the RADP. This will further give expression to the desired Outcome 7 of Government: Vibrant, Equitable and Sustainable Rural Communities and Food Security for all communities.

C. ALIGNMENT WITH THE NATIONAL DEVELOPMENT PLAN (NDP) AND THE MEDIUM TERM STRATEGIC FRAMEWORK (MTSF)

The Recapitalisation and Development Programme is closely aligned with Chapter 6 of NDP, which proposes a revised model for land reform based on a number of principles including the:

i. Rapid transfer of agricultural land to blacks without distorting the land market or business confidence;
ii. **Sustainable production based on capacity building prior to transfer through incubators, mentorships and other accelerated forms of training;**
iii. Development of sound institutional arrangements to monitor markets against corruption and speculation;
iv. Alignment of transfer targets with fiscal realities; and
v. **Enhanced opportunities for commercial farmers and organised industry to contribute through mentorship, training, commodity chain integration and preferential procurement.**

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The Recapitalisation and Development Programme will provide an enabling mechanism to achieve the above principles and the imperatives outlined in the Medium Term Strategic Framework (MTSF).

The first cycle (2014 -2019 MTSF) of the implementation of the NDP for the rural sector will focus primarily on 7 imperatives that are a core foundation for an inclusive and integrated rural economy. These are as follows:

i. Improved land administration and spatial planning for integrated development with a bias towards rural areas;
ii. Up-scaled rural development as a result of coordinated and integrated planning, resource allocation and implementation by all stakeholders;
iii. **Sustainable land reform (agrarian transformation);**
iv. **Improved food security;**
v. **Smallholder farmer development and support (technical, financial, infrastructure) for agrarian transformation;**
vi. Increased access to quality basic infrastructure and services, particularly in education, healthcare and public transport in rural areas;
vii. **Growth of sustainable rural enterprises and industries characterised by strong rural-urban linkages, increased investment in agro-processing, trade development and access to markets and financial services resulting in rural job creation.**

D. THE POLICY

a) What does the policy seek to address?

The policy seeks to provide black emerging farmers with the social and economic infrastructure and basic resources required to run successful agricultural business. It is the intention of the policy that black emerging farmers are deliberately ushered into the agricultural value-chain as quickly as is possible, through this state intervention. This is a strategic farmer support policy by the developmental state.

It is the deliberate intention of the policy that the Recapitalisation Programme complements agricultural development programmes of the Department of Agriculture, Forestry and Fisheries.

The following focus areas are particularly strategic in this context:

a)(i) rekindling the class of black commercial farmers destroyed by the 1913 and 1936 Land Acts;
a)(ii) combating poverty, unemployment and income inequality; and,
a)(iii) reducing the tide of rural-urban migration.

b) What is the policy not meant to address?

The policy is not meant to be a substitute for, or competition to the agricultural development programmes of the Department of Agriculture, Forestry and Fisheries.

Secondly, it does not create a welfare programme meant to provide support to so-called beneficiaries.

The policy is particularly against the following tendencies, which have come to be associated with the existing Recapitalisation Programme practices:
b)(i) supporting people who have got the means to develop their land;
b)(ii) proxy farmers - people who run their own businesses in towns and cities, but employ managers to run their farms; and,
b)(iii) failed commercial farmers who want to make a fortune from disbursements meant to fairly compensate strategic partners for work done.

E. RATIONALE FOR THE POLICY

In 2009, the Department undertook an evaluation of the implementation of the Land Reform Programmes, since their inception. It identified that many land reform projects were not successful and, thus, in distress or lying fallow, due to a lack of adequate and appropriate post-settlement support. Furthermore, the study indicated that numerous properties acquired through various programmes (such as the Land Redistribution for Agricultural Development (LRAD) were on the verge of being auctioned or had been sold due the collapse of the project, resulting in a reversal of the original objectives of land reform.

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In order to address these challenges the Policy targets properties acquired since 1996 through both the Restitution programme, enacted by the Restitution of Land Rights Act 22 of 1994, and the Redistribution programmes. The latter refers to all properties acquired through the grant programmes in terms of the Land Reform: Provision of Land and Assistance Act 126 of 1993. These include the Settlement Land Acquisition Grant (SLAG); the Land Reform for Agricultural Development (LRAD) programme; the Settlement Production Land Acquisition Grant (SPLAG); and the Proactive Land Acquisition Strategy (PLAS).

The Policy further aims to contribute to the transformation of the rural economy through the establishment of enterprise and industrial development in the various agricultural value chains and other industries in order to ensure national and household food security, sovereignty and job creation. A major beneficial impact of rural economic transformation is the significant reduction of the rural-urban population and resources flow.

F. THE STRATEGY

a) Mentorship

In a mentorship relationship, the mentee has a fair amount of knowledge, skill and experience, but requires strategic support, such as financial management, markets and marketing. This may be in the form of free support from neighbouring or local farmers. This form of strategic support which may require the mentor to interact less intensively with the mentee could necessitate part-time arrangements, with aligned remuneration or reimbursement packages. In other words, mentorship could be an exit strategy, from share-equity and co-management, both of which tend to be intensive and relatively expensive.

b) Co-management

Co-management is an arrangement where two or more parties define and guarantee amongst themselves a fair sharing of the management functions, entitlements and responsibilities for a given territory or set of natural resources. In the land reform context, consideration is given to social and historical factors as well as to the sustainability of projects. Rather than an end in itself, co-management is a strategic approach; and, in many instances, each co-management construction needs to be tailor-made to the specific situation.

Land reform is underpinned by the strategy of agrarian transformation, which denotes a rapid and fundamental change in the relations (patterns and systems of ownership and control) of land, livestock, cropping and community. In order to create more equitable relations within the agricultural sector and broader rural economy, both systems and patterns of ownership and control of the land must change. In many instances, however, land reform, particularly in land restitution, does not translate into change of ownership when it is not in the public interest to restore or redistribute land or where legislation prohibits such full restoration or redistribution. Under these circumstances, partial control of the land shall be provided to the beneficiary.

In land redistribution and land restitution co-management is applicable only in the business or operations on the land, and not on the ownership of the land. Where land is restituted or redistributed, it applies as an example of strategic partnership, whether combined with share equity or not.

Where land is not restorable (instances where public interest supersedes the right to restoration or where restoration is prohibited by legislation) the strategy is used as a means to provide access and beneficiation. An example of the latter are land claims in the Kruger National Park where, in order to protect the iconic status and strategic importance of the Park. Cabinet directed that there shall be no restoration of ownership rights to the Park, but transformation of management to benefit the claimants.

Co-management also applies in land tenure reform, in particular to share equity schemes and to farms that have occupiers (defined in the Extension of Security Act) and labour tenants (defined in the Land Reform (Labour Tenants) Act). Through co-management certain entitlements, duties and responsibilities shall be placed on occupiers and labour tenants to play an active role in ensuring that their right of tenure to the land is earned and their rights can be defended.

Co-management has four pillars, namely Tangible Benefits, Transformation, Accountability and Transparency and Risk Mitigation, which must be reduced to agreements. Thus, the co-management agreement shall be structured in such a way that the applicants receive

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tangible, realistic and optimal benefits without compromising the sustainability of the operations.

Institutional arrangements shall be outlined and agreed upon for the implementation of the co-management agreement, with clear definition of procedures, roles and responsibilities including agreement on a dispute resolution procedure.

c) Share-equity arrangements

Partners acquire shares in an existing agricultural farm or other enterprises across the value chain with farmers or entrepreneurs. Share equity arrangements seek to contribute towards the achievement of the RADP objectives through leveraging of skills and finance from the private sector.

The key elements of these equity arrangements are as follows:

- Profit and risk sharing based on shareholding components;
- Management development;
- Beneficiation; and
- Off-take agreements and market development.

Farmers and other entrepreneurs in this model should always retain controlling interest, have majority voting rights and participate on the board of directors (where established). Entities would be restructured under the RADP to reflect the equity partnership agreement. The restructuring costs should also be co-financed by the SPs as per their percentage shareholding in relation to projects where SPs are buying into existing land reform enterprises.

d) Contract farming and concessions

Contract farming is an agreement between farmers (generally small-scale) and processors or marketing firms, the basis of which is "*a commitment on the part of the farmer to provide a specific commodity in quantities and at quality standards determined by the purchaser and a commitment on the part of the company to support the farmer's production and to purchase the commodity*"[1].

[1] (FAO, 2001:2)

All other non-agricultural economic activities that arise from the various land reform and rural development programmes, such as tourism and mining enterprises, may be developed through concessionary partnership arrangements.

Persons from previously discriminated communities who bought land, but could not generate resources to develop it, may make application for RADP support directly with the Department of Rural Development and Land Reform.

G. STRATEGIC OBJECTIVES OF THE POLICY

The policy has three strategic objectives:

a) That all land reform farms are 100% productive;

b) That the class of black fledgling commercial farmers which was destroyed by the 1913 Natives Land Act is rekindled; and,

c) That the rural-urban population and resources flow is significantly reduced.

H. IMPLEMENTATION OF THE POLICY

The Policy will prioritise on the 23 poorest districts in the country and other sites in the congested communal areas; and, in collaboration with other service delivery Branches in the Department, will service river valley catalytic projects, revitalisation of irrigation schemes, and animal and veld management projects.

The Spatial Development Framework (SDF) will serve as the basis on which the CRDP will take place. SDF shall identify resources based on the competitive advantage of the area for strategic acquisition and development of land. The development of agricultural land will need agricultural assessment reports for selected properties whilst rural development projects will be selected on CRDP priority districts and based on developmental needs. Profiling of selected projects will be done to establish baseline information, while individual small-holder and co-operative farmers will be selected on the basis of commitment, ability and passion for hands-on-farming. The information from both farm assessment and profiling will be used to recruit Partners who will develop Business Plans.

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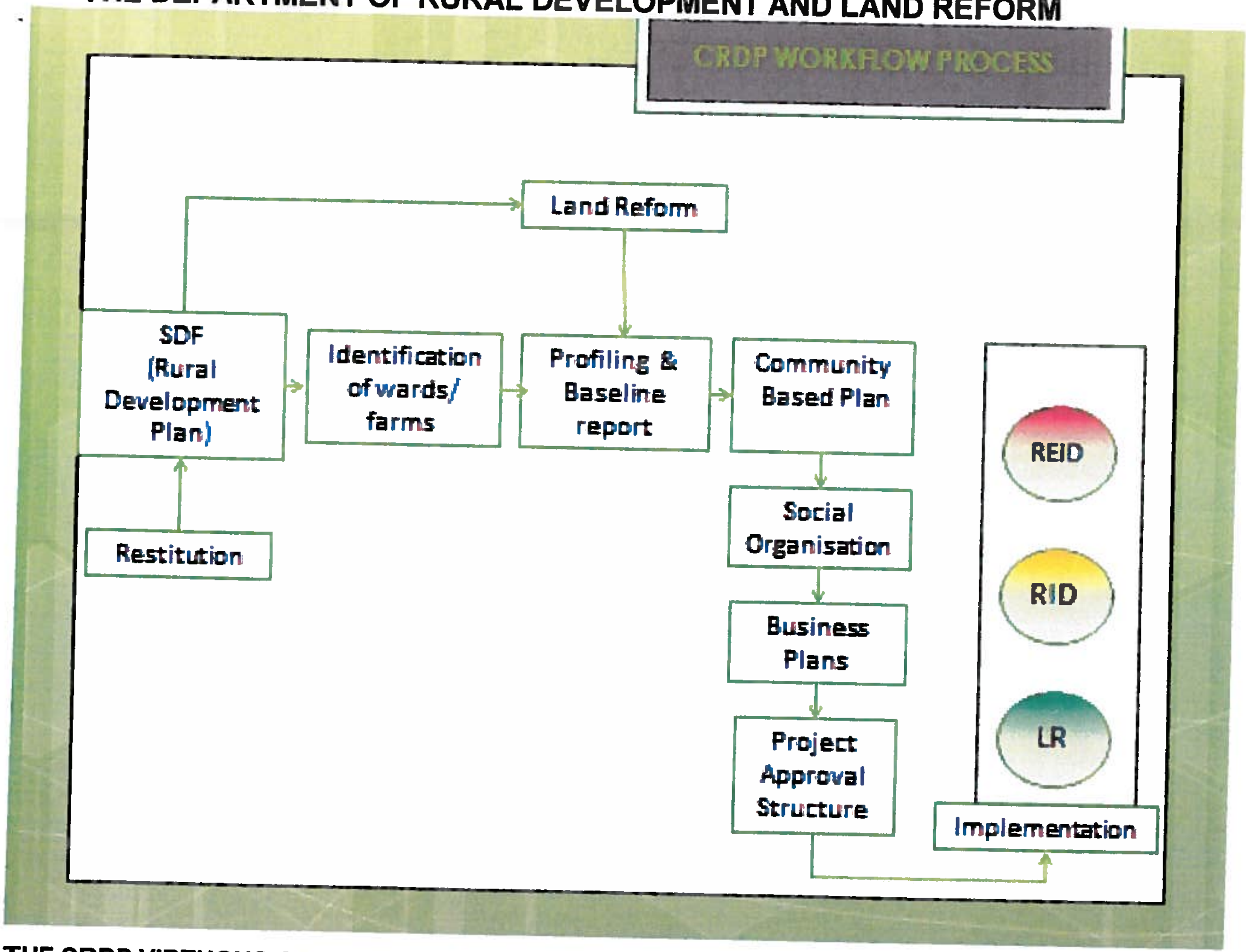

THE CRDP VIRTUOUS CYCLE

In order to give effect to the three phases of the Comprehensive Rural Development Plan, namely meeting basic human needs, enterprise and industrial development and light agro-industries, the RADP will:

i. Where appropriate, work together with commercial agricultural and the private farming sector to promote black economic empowerment;
ii. Create partnerships between emerging and established farmers;
iii. Create linkages between agricultural produce retailers and small farmers through procurement and 'contracting-out',
iv. Build institutions to contribute towards more equitable structures of production and ownership in rural South Africa through collective ownership, employment equity, skills development and support for new enterprises in the agricultural and other sectors;

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v. Support the growth of rural market institutions (rural economic transformation) through the provision of infrastructure and by helping rural communities and small farmers to establish organisations which facilitate market access;

vi. Build links with formal sector value chains and coordinate their activities to realise economies of scale. Such organisations may include producer co-operatives, small-holder associations, input supply co-ops, marketing co-ops and/or state regulated institutions designed to support and promote market access and collective action amongst small rural producers;

vii. Give particular attention to the empowerment of women and youth in co-operatives; and,

viii. Encourage non-agricultural enterprise opportunities through concessionary arrangements.

The Programme will apply to the following categories of properties requiring and deserving support:

- Selected distressed land reform properties;
- Properties selected by District Land Reform Committees;
- Sites within the former homelands and other communal areas; and,
- Farms, acquired by individuals or collectives from historically disadvantaged communities, requiring strategic support.

Selection of farms and properties for Recapitalisation and Development funding will be in line with the objectives of this Policy. The projects will be prioritized in accordance with the categories as outlined in the Agricultural Land Holdings Policy Framework and State Land Lease and Disposal Policy.

In addition, the Department will select properties based on the commodity clustering approach by working together with sector departments (e.g. financial institutions, farmers, municipalities, and commodity organisations, social partners in the private and non-governmental sectors).

a) Institutional controls:

(i) Administrative controls:

All applicants must have legal entities that comply with South African Revenue Services (SARS) requirements. The form of legal entity to be established will be determined by the nature and history of the enterprise. A Tax Clearance Certificate must be provided to the Department on an annual basis.

Trading on the enterprise must be through the entity's bank account and interest generated from the investment must be accounted for and re-invested into the enterprise. The department will not control the activities within the enterprise, but rather monitor implementation of the programmes. In line with the CRDP virtuous cycle, the Branch Rural Enterprise and Industrial Development (REID) will take over further development responsibility for the enterprise, as soon as recapitalisation is completed.

A comprehensive Business Plan or Development Plan, facilitated by REID or a Strategic Partner, will be used as a guiding tool to financing enterprises under the Recapitalisation and Development Programme. In the case of urgent intervention the cost must be justified through a Business Plan which will give reasons for the intervention and the future plan to prevent a recurrence of such urgent interventions. All Business or Development Plans will be subjected to appraisal by both provincial and national control committees.

Any proposed deviations from the Business or Development Plan must be submitted in writing and recorded accordingly. Any such deviations will be approved by a delegated authority. Business or Development Plans must include an exit strategy with clear time frames that illustrate a proper hand-over and termination of the strategic partnership. For effective monitoring purposes, Business or Development Plans without clear milestones or costed implementation plans will not qualify for the Programme.

(ii) Financial controls

The Department will enter into fund arrangement agreements with the financial institutions or banks for the management of funds.

Assets acquired through RADP will be transferred to the legal entities, if the entity meets the required conditions. In this case, assets would be treated as a "notarial bond", similar to the banks' for the duration of the contracts. Assets acquired and allocated to other properties shall be owned by respective enterprises through legal entities; and, the Department will monitor the use of such assets. Farmers must inform the Department when acquiring and disposing assets. Penalties will be instituted in cases of assets being damaged, sold or misused within the five year period, provided all necessary precautions would have been taken to avoid damage, loss or misuse.

Assets shall be transferred into the farmers' legal entities after the Department would have satisfied itself that the legal entity conforms to set standards, i.e. good governance, proper internal controls and sustainability of the enterprise. A standard legal agreement for the transfer and management of assets would then be signed between the entity and the Department.

Farmers will be responsible to carry out maintenance and safekeeping of assets. This includes verification of all assets on the enterprise and farmers are required to keep an updated register of assets, fixed or mobile. It shall be the responsibility of the legal entity to insure all assets.

Living animals and plants (biological assets) are not classified as assets but inventory or trading stock which must be accounted for through the farm inventory. A register of all livestock must be maintained and updated at all times, listing the number of animals as per the requirements. Animals must be branded as required by the Animal Identification Act No. 6 of 2002.

Farmers who hold freehold title on their properties; and, have received RADP funding, may not sell their properties for a period of 10 years after receiving such funding. This condition will be endorsed against the title deed of the property and will be specified within the pre-emptive conditions. Supported legal entities must ensure that their accounting systems reflect the deferral above.

Applicants who receive support under the Curatorship Model must agree on Debtor Possession, giving the State and Bank the right to hold title against the property. Applicants will also be subjected to payment arrangements based on a payment schedule based on performance indicators.

(iii) Political management

The Department's Executive Management Committee, chaired by the Minister; and, which is composed of Top Management, provides policy and strategic directives in terms of all programmes of the Department.

The National Land Allocation and Recapitalisation Control Committee (NLARCC) are chaired by the Deputy Minister, deputised by the Deputy Director-General: Land Reform. The NLARCC is composed of Deputy Directors-General and other Senior Managers from the Department's Rural Development and Land Reform Branches, the Chief Financial Officer, of the Members of the Executive Councils (MECs) of Provincial governments responsible for land reform, or their Heads of Department, representatives of other national Departments, state and private entities in the agricultural and rural development sector, and Directors of the Department responsible for land reform in the various Provincial offices.

The NLARCC meets monthly to consider applications for acquisition, allocation and recapitalisation; and, submit its decisions to the Ministerial Co-ordination Meeting for concurrence and approval.

Contravention of this Policy will be dealt with in terms of the Public Service Regulations for officials and applicable legislation for non-officials and juristic persons. The misuse of RADP funding, or, assets acquired through the funds, will be contractually addressed. Breach of contract may result in termination of the contract and lease. Furthermore, the principle of "use-it-or-lose-it" will kick in, should contractual agreements be breached without justification. Strategic Partners should, also, hold the Department to account, should it breach contractual agreements.

b) Direct Support

In cases where a partnership is not yet in place; intervention is deemed urgent; and, the amount required is less than, or equal to R 500 000; which is the maximum intervention allowed per enterprise, the Department's normal procurement processes will be followed, in line with a Business or Development Plan.

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Certain enterprises may not require a partnership, but may qualify for direct support if they illustrate sustainable financial and enterprise development based on audited statements and due diligence. Project Managers from REID will, however, be charged with the responsibility of monitoring such enterprises.

I. FUNDING THE POLICY

a) The Fiscus

The primary Recapitalisation and Development Fund is based on 25% of the baseline land redistribution and restitution of land rights budget, over every MTSF period. The fund replaces the following land reform grants:

(i) The 25% PLAS Operational Budget;
(ii) The 25% Household Development Grant;
(iii) The 25% Restitution Development Grant;
(iv) The Restitution Settlement Grant; and,
(v) The Commonage infrastructure grant.

Privately-raised funding by either Strategic Partners or individual farmers or collectives of farmers, shall constitute a secondary source of funding for the Policy. The Strategic Partnership Model below (figure 2) demonstrates the relationship.

b) Contribution by partners as described in Section G above - commercial farmers (particularly bridging finance) and EBFs (mainly labour)

The model below demonstrates the tripartite collaboration between the DRDLR, SPs and Farmers or Entrepreneurs. The middle numbers (1-5) demonstrate the five-year involvement of DRDLR in the farm both financially and at the enterprise management level. The contribution of the DRDLR will decrease from the first year to the fifth year, whilst the contribution of both SPs and Farmers or Entrepreneurs will increase both financially and at the enterprise management level.

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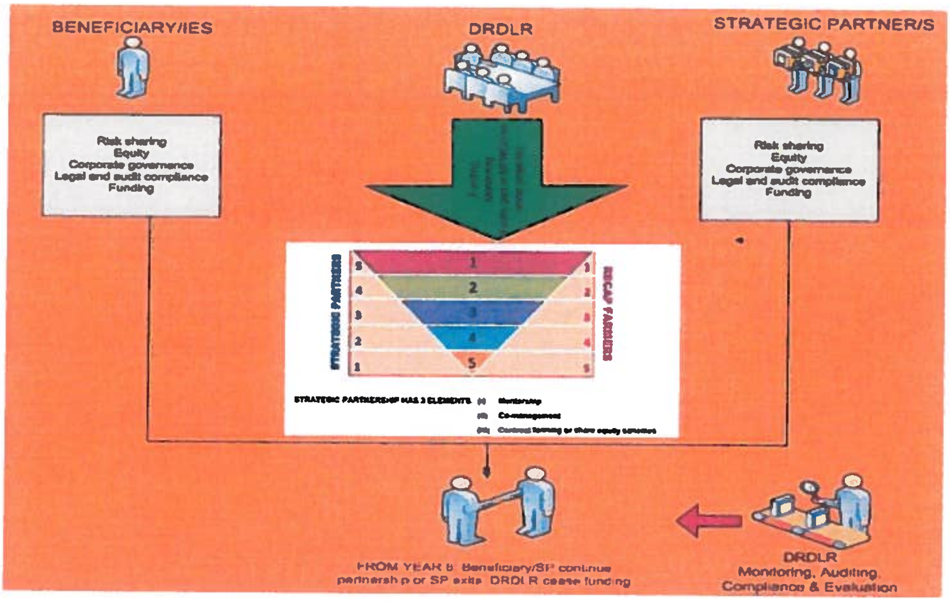
Figure 2: Strategic Partnership Contribution Model



J. GOAL OF THE POLICY

The overall goal of the policy is social cohesion and development.

K. LEGISLATIVE FRAMEWORK

There are three key pieces of legislation directly applicable to the RADP:

- The Land Reform: Provision of Land and Assistance Act, Act No. 126 of 1993 as amended in 2008, is the key legislation that governs the Recapitalisation and Development Programme (refer to Section 10)
- The Restitution of Land Rights Act, 1994 (Act No. 22 of 1994 as amended) (refer to Section 42C)
- The Extension of Security of Tenure Act, 62 of 1997, similarly provides for the Minister to allocate funds for developments related to farm-dwellers who live with insecure tenure. (refer to Section 4 of the Act)

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Legislation under the responsibility of other Departments and spheres of government is also relevant to the implementation of the RADP. This includes

1. Constitution of South Africa 1996 (Section 13 clause 217) Act 108 of 1996;
2. The Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999);
3. Treasury Regulations issued in terms of PFMA: March 2005;
4. The Preferential Procurement Policy Framework Act 5 of 2000;
5. The Preferential Procurement Policy Framework Act Regulations of August 2001;
6. Supply Chain Management – A 2003 Guide for Accounting officers/ Authorities;
7. Broad Based Black Economic Empowerment Act 53 of 2003; and
8. National Small Business Act 102 of 1996

NKWINTI, GE (MP)
MINISTER: RURAL DEVELOPMENT AND LAND REFORM
DATE: 24 JULY, 2013

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