

UPDATE ON VALUE ADDING ENTERPRISES BEING BOUGHT FOR LEVUBU COMMUNITIES



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DEPARTMENT OF AGRICULTURE

Background

- Total land under claim by seven communities in Levubu is about 30 000 hectares
- So far, over 8 000 hectares of horticultural land have been restored to the following communities:
 - Masakona
 - Ravele
 - Ratombo
 - Shigalo
 - Tshakhuma
 - Tshitwani
 - Tshivadzwaulu
- Purchase of the land by RLCC however, had excluded the processing facilities, which are still in the hands of previous owners



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Background Cont...

- The implications of the facilities either remaining with the previous owners or sold to third parties:
 - Communities have no share in the upstream of the business
 - Their products are sold at farm gate prices to the factories
 - Job losses if the facilities are dismantled as the owners relocate
- In line with the PGDS and LDA value chain approach, a decision was made to purchase the enterprises, that were already put on the open market by the owners

Status of Beneficiaries

- Seven communities with a total of 1121 households and 6726 individuals on average
- The two factories employ 139 people:
 - 40 of whom are permanent,
 - 78 – 95 seasonal and
 - 4 are managers

Cost Implications

- The assets were valued by Eli Stroh, a highly reputable valuation company that does valuations for both RLCC and Land Affairs. They have also been used by RLCC as assessors to determine authenticity of work done by other valuers before properties could be purchased
- The two factories, Valley Farms Processing and Netrac Investments have been valued at R17.1 and R4 million respectively – Total R21.1 million
- The price has been negotiated to R20.5, a saving of R600 000 for the state
- 75% of the total value (shares for the seven communities) equals R15,375 000.

PROJECTED SPENDING FOR QUARTER 3 (07/08)

Project	Value	Municipality	Disbursement		
			Jan	Feb	Mar
Irrigation Infrastructure	8.3M	Maruleng, Tzaneen Polokwane, Molemole Blouberg, Makhado	1,300 000	2,800 000	4,200 000
Poultry Houses	6.4M	Ba Phalaborwa Tzaneen, Polokwane	800 000	2,200 000	3,400 000
Juice processing & drying facilities	20.5M	Makhado	0	0	20,500 000 <u>Value adding facilities in Levubu.ppt</u>
Livestock infrastructure	4M	All	500 000	1,800 000	1,700 000
Training & Capacity building	3,7M	All	1,250 000	1,250 000	1,250 000
Project Planning	1.7M	All	450 000	750 000	500 000
TOTAL	R44,650 000		4,300 000	8,800 000	32,550 000



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2006/07 IGP projects Outcomes

- 90% of the budget was spent.
- 10 of 12 Poultry houses of 40,000 capacity were completed.
- 42 Microenterprises with 1247 beneficiaries were developed.
- Fresh Produce Packhouse facilities were located, first seller withdrew offer. Facilities to lease in Seshego were withdrawn by ExCo decision.

IGP PROJECTS 2007/08

PROJECT	BUDGET	Progress
Fresh Fruit &Vegetable Packhouses	R6,700,000	3 individual projects identified
Honey Bee Production	R5,000,000	1000 beehives and equipment have been delivered.
Integrated Livestock	R7,100,000	86 of 100km fencing done, 8 boreholes drilled & equipped. Feedlot & abattoir site preparation. 20 crush pens under construction.
Mechanization Credit Access	R20,000,00	Procurement, Negotiations with Absa & Land Bank at 98%.
TOTAL	R38,800,000	



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LandCare Objectives 2006/2007

ACTIVITY	TARGET	OUTPUTS
Awareness creation	6	5
Capacity building	1002	1195
Institutional structures	6	6
Conservation measures	30000	6108
Clearing of alien and invader plants	300(ha)	305
Job creation	5156	12911
Fence construction	253	325
Access roads	41	1515
Fire belts	265	195



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LandCare 3rd Quarter Financial Progress

PROJECT	BUDGET	COMMITTED	EXPENDITURE	BALANCE
MARULENG	1,000,000	73,000	R 8,700	R 918,300
GA-KIBI	1,000,000	R 441,528	R 185,150	R 373,322
LEPELLANE	1,000,000	R 446,570	R 469,855	R 83,575
MOGALAKWE NA	1,000,000	R 279,755	R 515,648	R 204,597
BOLOBEDU	1,000,000	R 67,967	R 81471	R 850,562
KUTAMA-S	1,000,000	R 203,924	R 424,939	R 371,137
MPHAHLELE	R 647,666	R 201,000	R 143,794	R 302,872
LEOLO	R 647,666	R 3,000	R 47,478	R 597,188
MUTALE- NWANEDI	R 647,666	R 29,965	R 29,965	R 587,736
TOTAL	R 7,943,000	R 1,746,709	R 1,907,000	R 4,289,289



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TARGET vs OUTPUTS 2007/08

ACTIVITY	TARGET	OUTPUT
Awareness Creation (No's Farmers)	300	110
Capacity Building (No's Farmers))	470	304
Institutional Structures (No)	12	3
Conservation Measures (Ha)	40,000	10,000
Clearing of Alien and Invader Plants (Ha)	315	0
Jobs Creation	1700	724
Fence Construction (KM)	54	27



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Expected Outcomes -LandCare

- Funds are committed as at 31st Jan January 2008.
- Expected spending by end March 2008 will be R6,943mill.
- Expected **Roll-Over R1,8mill.**

DEVELOPMENTAL CHALLENGES

- Assessment and program review revealed the need to move from quantity to quality (economic feasibility and impact)
- Late appointment (**July07**) of planning engineers in line with a change of strategy from delivery of **minute** to **massification**, which necessitated detailed planning, therefore delayed implementation with both happening in the same year – performance still expected to be just over 90% (R58,650 000)
- Managing slow conceptualization to change of strategy by both farmers and officials took over 14months. (**B/Plans**)
- Engineering capacity to monitor mega projects is limited.



PLANS TO ADDRESS THE SHORTCOMINGS

- Massified approach delivers fewer, and more sustainable projects which are cost effective to both planning and monitoring resources (small VS large: NCoPCASP REPORT FOR NCOP Sitting 11 February 2008(1).xls)
- Demand officials have been capacitated on the procurement processes requisite to the mega projects e.g. contract management, drawing of TOR and SLAs
- Use of external engineering capacity where necessary
- Current readiness for 2008/9 evident that planning will henceforth be fully completed six months ahead.



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Challenges – IGP 2006/07

Poultry House Contracts were re-advertised in June 2006 due to changes in R/\$.

- Fresh Produce market infrastructure delayed by Seller's withdrawal from Purchase Offer.
- Cancellation of Lease at Seshego Packhouse by ExCo Decision. (ExCo's Apex Project & Integrated Plan with LEDET & Funding Plan = +/-R300m)
- Micro enterprises delayed due to Electricity connections. Testing has to be done before hand-over to beneficiaries.



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MONITORING CAPACITY & PROCESSES

- LDA makes use of the following tools:
 - Monitoring tools developed (PSNext involve rigorous approval criteria)
 - Monthly narrative & financial reporting by Districts (with digital recording of projects status)
 - Provincial team meetings involving Districts, municipalities & specialized agric service units
 - Ad hoc projects sampling and field visits.
 - Sharing of best practice across districts.
- All demand managers have been trained on contract management in order for them to enforcement adherence to the TOR and delivery of quality products
- LDA has complied with reporting requirements of Dora.

